

KENNEBUNK, KENNEBUNKPORT AND WELLS WATER DISTRICT

95th Annual Report

January 1, 2016 – December 31, 2016

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

TRUSTEES AND OFFICERS



From left, Treasurer Wayne Brockway, Assistant Superintendent Scott Minor, Trustee Richard Littlefield (Ogunquit), Trustee Jim Burrows (Kennebunkport), Trustee Tom Oliver (Wells), Trustee Bob Emmons (Kennebunk) and Superintendent Norm Labbe

2016 REPORT OF THE KENNEBUNK, KENNEBUNKPORT AND WELLS WATER DISTRICT

The Kennebunk, Kennebunkport and Wells Water District is a quasi-municipal public 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, Arundel and small portions of Biddeford and York. The area includes a population which varies seasonally from about 30,000 to over 100,000. It is directed by a four-member Board of Trustees, one elected from each of the towns of Kennebunk, Kennebunkport, Wells and Ogunquit.

2016 was a very healthy, record-breaking year for the District. Compared with 2015, which was also a record-breaking year, 2016 saw a 2.7% increase in water production and a 4.6% increase in total revenues. From a financial perspective, the District received a record \$7.18 million in total revenues, exceeding 2015 revenues by \$273,000 and exceeding its anticipated 2016 budget by \$470,000. All of this contributed to a projected (unaudited) net income for 2016 of approximately \$500,000, as compared to a net income of \$320,000 in 2015. Such net income fluctuations from year to year are normal, as certain periodic maintenance items such as water storage tank painting (which occurred in 2015) are charged off in the year they occur. Overall, the primary drivers for the record water production and revenues are related to drier than average weather and long term customer growth, as follows.

Precipitation during 2016, as measured at our Branch Brook Filtration Plant, was the second lowest since the 2003 drought (the lowest was in 2015). This year's dry weather, combined with a relatively stable local economy, resulted in record annual water production of 1.125 billion gallons, edging out the prior record of 1.095 billion gallons set in 2015. This compares to 1.053 billion gallons in 2014 and 1.073 billion gallons for 2013. The District's recently-developed high quality groundwater sources were once again instrumental in helping the District meet customer water demands without the need for purchasing additional water from neighboring utilities. These groundwater sources produced 531 million gallons (47%) of all of the District's water production for 2016.

From a customer growth perspective, it appears the economy has returned to pre-recession levels, with 166 customers added in 2016. This compares with 143 in 2015 and 138 in 2014, resulting in a customer growth rate of about 1.2%. The District's customer base now stands at 13661.

This was the sixth year in a row that the District has been successful in being awarded a low-interest SRF (State Revolving Loan Fund) financing package. Since 2008, through SRF financing, the District has installed \$8.4 million of infrastructure to date at a total bonded cost of \$8.9 million, at an average bond interest rate of only 0.86%.

During 2016 the District once again qualified for renewal of the Maine Department of Labor's SHAPE award (Safety and Health Award for Public Employers). This award is given to a select few of Maine's public employers that provide a safe workplace for its employees in an exemplary manner. The award is only given after an exhaustive field inspection and review of policies, programs, training, work practices and work history. On a related note, the District

has achieved the lowest ever “experience modification factor” that its workmen’s compensation insurance carrier has ever seen for a water utility. This factor, which measures the actual workmen’s compensation claim history of an employer, directly affects the insurance premium paid by that employer. For the District, its modification factor of 0.61 will result in its 2017 workmen’s compensation insurance premium being reduced to 61% of the “standard” amount. Being that the District performs much more construction-related work than a typical water utility, this low factor is a very significant statistic and indicative of the District’s commitment to employee safety.

With all of the recent discussion relating to the poor condition of America’s infrastructure, the District is pleased to report that for the past 30-plus years, it has averaged replacing about 0.9% of its distribution system per year. This falls squarely within the desired water industry “gold standard” of 1% per year, based upon an expected 100-year usable life for water mains. Very few other water utilities have maintained such an aggressive (yet appropriate) water main replacement schedule. The District has accomplished this task while keeping its water rates below that of the average of Maine’s water utilities. On a related note, despite maintaining this aggressive infrastructure replacement program, the District has a relatively low cost of debt service, which currently stands at 12.4% of revenues. In other words, only about 1/8 (one eighth) of each revenue dollar goes toward the payment on debt service (principal and interest). From a water utility perspective, this is extremely low, as water utilities are very capital intensive and usually carry a disproportionately large amount of debt as compared to other businesses.

The following is a partial list of distribution projects funded and installed by District personnel during 2016. These projects typically relate to our goal of coordination with State and Town roadway projects, optimizing water quality, enhancing fire suppression capabilities and improving system reliability by replacing outdated and substandard facilities with an eye toward accommodating anticipated growth.

- Mile Stretch Road, Biddeford: Replaced 991 feet of old 10-inch cast iron (CI) main with 12-inch PVC main. (In conjunction with a City of Biddeford road rebuilding and drainage project and for system reliability.)
- Ocean Avenue, Biddeford: Replaced 369 feet of old 6-inch cast iron (CI) main with 8-inch PVC main. (In conjunction with a City of Biddeford road rebuilding and drainage project and for system reliability.)
- Ocean Avenue, Kennebunkport: Replaced 532 feet of old 8-inch CI main with 12-inch ductile iron (DI) main. (In conjunction with a Town of Kennebunkport drainage and repaving project and for system reliability.)
- Beach Avenue, Kennebunk: Replaced 1,137 feet of old 6-inch CI main with 12-inch PVC main. (For water quality, quantity and system reliability.)
- Grove Street, Kennebunk: Replaced 1,174 feet of old 4-inch and 6-inch CI main with 8-inch PVC main and 2-inch polyethylene (PE) main. (In conjunction with a Kennebunk Sewer District replacement project and for water quality, quantity and system reliability.)

- Shore Road, Ogunquit: Replaced 1,230 feet of old 10-inch CI main with 12-inch DI main. (In conjunction with an Ogunquit Sewer District project and for system reliability).
- Doane's Wharf Lane, Kennebunk: Replaced 325 feet of obsolete 6-inch cement main with 8-inch PVC main and 2-inch polyethylene (PE) main. (Installed by Kennebunk Sewer District's contractor, in conjunction with a Sewer District replacement project.)
- Founder's Drive and Jefferson Way, Arundel: Oversized 350 feet of developer-installed main to 16-inch DI main. (To facilitate the connection to a future water storage facility on an adjacent District-owned lot.)

In addition to the above projects, individuals and developers funded several water main extensions totaling over 14,000 feet in length, as compared to approximately 6,000 feet installed in 2015.

Drinking water quality remains a top priority. We are pleased to report that in addition to making significant water quality improvements with our unique blending of groundwater and surface water, all State and Federal water quality standards were met during 2016. By maintaining a dedicated, well-trained staff and continually upgrading our process equipment and control systems, we continually assure the highest degree of reliability in the quality of drinking water for our customers.

On November 9, 2016 the Water District ceased adding fluoride to its water supply. This was the result of a successful customer-driven and District-supported local referendum to end the practice. The District is the largest water utility in the region to take a stand against adding fluoride to its customers' drinking water and applauds the decisive (66% to 34%) outcome of the fluoride referendum.

District customers and all other interested parties are welcome to contact us at our business office at 92 Main Street in Kennebunk or visit our website at www.kkw.org, like us on Facebook ([facebook.com/kkwwaterdist](https://www.facebook.com/kkwwaterdist)) and follow us on Twitter (@kkwaterdist). Electronic bill notifications, reminders, as well as online payment options are all available and tailored to suit our customers' needs. Current and past issues of the District's popular semi-annual newsletter *What's on Tap* are also on our website. As always, we welcome your input, as the District's mission is *to provide the best quality of water and customer service at the lowest reasonable cost*.

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

Respectfully submitted,

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

Normand R. Labbe, P.E., Superintendent
Scott J. Minor, P.E., Asst. Superintendent
Wayne A. Brockway, MBA, Treasurer

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Kennebunk, Kennebunkport, and Wells Water District

Annual Financial Reports



As Of and For the Years Ended
December 31, 2016 and 2015



Communication • Trust • Commitment

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Kennebunk, Kennebunkport, and Wells Water District as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities and the aggregate remaining fund information of Kennebunk, Kennebunkport, and Wells Water District as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 11 and Schedules 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. Schedules 5 and 6 are presented for purposes of additional analysis and are not a required part of the financial statements.

Schedules 5 and 6 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
April 18, 2017

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

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, 2016

Introduction of the Financial Statements

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 (MPUC).

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. The District also has a Fiduciary Trust for its Post-Employment Benefits which is managed in accordance with GASB guidelines.

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

The District's basic financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Statement of Plan Net Position – Fiduciary Funds
- Statement of Changes in Plan Net Position – Fiduciary Funds
- Notes to Financial Statements

In addition to the basic financial statements, the District also presents required supplementary information (RSI) which includes this MD&A along with the schedules relating to the District's pension plan and other post-employment benefit medical plan.

And, finally, the District presents other supplementary information (OSI) in the Schedule of Changes in Net Position and Schedule of Operating Expenses. These are not required and are not part of the District's basic financial statements, but are presented for the purpose of additional analysis.

Kennebunk, Kennebunkport, and Wells Water District
Management's Discussion and Analysis
December 31, 2016 and 2015

Comparison of Financial Statements for Current and Prior Years

Condensed Statement of Net Position

	<u>2016</u>	<u>2015</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current Assets	\$ 2,147,775	\$ 2,375,151	\$ (227,376)	-9.6%
Special Funds	622,156	481,926	140,230	29.1%
Capital Assets	47,672,531	45,614,078	2,058,453	4.5%
Other Assets	65,484	33,493	31,991	95.5%
Total Assets	<u>50,507,946</u>	<u>48,504,648</u>	<u>2,003,298</u>	4.1%
Deferred outflows of resources	1,455,125	824,410	630,715	76.5%
Current Liabilities	1,711,768	2,876,631	(1,164,863)	-40.5%
Long-term Debt	7,276,014	6,517,141	758,873	11.6%
Other Liabilities	4,323,866	3,154,437	1,169,429	37.1%
Total Liabilities	<u>13,311,648</u>	<u>12,548,209</u>	<u>763,439</u>	6.1%
Deferred inflows of resources	<u>553,863</u>	<u>749,421</u>	<u>(195,558)</u>	-26.1%
Net Investment in Capital Assets	39,378,016	36,763,765	2,614,251	7.1%
Unrestricted Net Position	<u>(1,280,456)</u>	<u>(732,337)</u>	<u>(548,119)</u>	-74.8%
Total Net Position	<u>\$ 38,097,560</u>	<u>\$ 36,031,428</u>	<u>\$ 2,066,132</u>	5.7%

Current Assets

The decrease in current assets by \$227,376 is primarily due to a decrease in operating cash partially offset by an increase in accounts receivable.

Special Funds

During 2016 Special Funds increased by a net amount of \$140,230. The fund's cash was increased during 2016 by \$270,250, appropriated by the Trustees based on 2015 revenues, and was decreased by \$132,000 for a \$100,000 watershed land mortgage payment and a \$32,000 conservation easement acquisition. The combined investment income in 2016 for all Special Funds was \$1,710 (compared to \$1,312 in 2015).

Capital Assets

Capital assets grew by \$2,058,453 in 2016. That increase consisted of:

	<u>Additions</u>	<u>Retirements</u>	<u>Net Change</u>
Utility property	\$ 3,250,482	\$ (118,253)	\$ 3,132,229
Construction Work in Progress	40,575	(37,451)	3,124
Allowance for Depreciation	<u>(1,195,153)</u>	<u>118,253</u>	<u>(1,076,900)</u>
Totals	<u>\$ 2,095,904</u>	<u>\$ (37,451)</u>	<u>\$ 2,058,453</u>

The additions to utility property included \$1,987,184 of water mains. Utility Property retirements totaled \$118,253 during 2016; the largest amount was \$75,424 of general equipment.

Kennebunk, Kennebunkport, and Wells Water District
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Other Assets

Other assets consist of non-utility property which is land (\$33,493) and 2016's balance includes prepayments made on groundwater recharge costs.

Deferred Outflows of Resources

Deferred outflows relate entirely to the District's pension plan. The net increase in 2016 of \$630,715 is the result of changes in projections, assumptions, the difference between actual performance and projected performance of earnings on pension plan investments. The pension plan is administered by MainePERS.

Current Liabilities

Current liabilities decreased by a net amount of \$1,164,863 in 2016 primarily from net decreases in the outstanding line of credit.

Long-term Debt

Long-term debt increased by a net amount of \$758,873 in 2016. The increase was largely due to a new bond issue totaling \$1,511,525, and off-set by debt repayments totaling \$768,580. The remaining difference represents the changes in the current portion of long-term debt and payments on capital leases.

Other Liabilities

The primary reason for the \$1,169,429 net increase in Other Liabilities was due to changes in the District's net pension liability, which is actuarially calculated and changes as result of varying inputs and estimations.

Deferred Inflows of Resources

Deferred inflows relate entirely to the District's pension plan. The net decrease in 2016 of \$195,558 is the result of changes in projections, assumptions, the difference between actual performance and projected performance of earnings on pension plan investments. The pension plan is administered by MainePERS.

Total Net Position

Overall, the District's Total Net Position increased by \$2,066,132 from 2015 to 2016. Most of the net position is in net investment in capital assets, leaving the District with a negative unrestricted net position of \$1,280,456.

Kennebunk, Kennebunkport, and Wells Water District
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Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenue	\$ 6,846,799	\$ 6,507,268	\$ 339,531	5.2%
Depreciation Expense	1,195,153	1,110,528	84,625	7.6%
Other Operating Expenses	<u>4,893,220</u>	<u>5,083,705</u>	<u>(190,485)</u>	-3.7%
Total Operating Expenses	<u>6,088,373</u>	<u>6,194,233</u>	<u>(105,860)</u>	-1.7%
Operating Income	758,426	313,035	445,391	142.3%
Net Non-operating Income	170,861	187,510	(16,649)	-8.9%
Contributions	<u>1,136,845</u>	<u>182,307</u>	<u>954,538</u>	523.6%
Change in Net Position	2,066,132	682,852	1,383,280	202.6%
Beginning Net Position	<u>36,031,428</u>	<u>35,348,576</u>	<u>682,852</u>	1.9%
Ending Net Position	<u>\$ 38,097,560</u>	<u>\$ 36,031,428</u>	<u>\$ 2,066,132</u>	5.7%

Operating Revenue

In 2016, metered water revenue accounted for 85.9% of total operating revenue, while public and private fire protection accounted for 12.7%.

Metered water revenue (\$5.89 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 allowance 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 MPUC. During 2016, metered water revenue increased by 5.5% (\$305,167) due to another record year for pumpage, which resulted in a 4.6% increase in billed consumption.

Public and private fire protection (\$0.87 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 MPUC. Public and Private Fire Protection Revenue for 2016 increased by 1.7% from 2015.

Depreciation Expense

Depreciation expense increased from \$1,110,528 in 2015 to \$1,195,153 in 2016, an increase of 7.6%. This increase can be attributed to the general growth in capital assets during 2016.

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Other Operating Expenses

Non-depreciation operating expense decreased by \$190,485 between 2015 and 2016, more than that of which occurred in the contracted services and equipment rentals categories. Other categories had off-setting increases and decreases, as detailed below.

	2016	2015	\$ Variance	% Variance
Salaries/wages	\$ 1,910,944	\$ 1,876,178	\$ 34,766	1.9%
Employee benefits	1,792,541	1,702,368	90,173	5.3%
Purchased water, power & chemicals	447,321	492,181	(44,860)	-9.1%
Operational & maintenance supplies	274,034	298,243	(24,209)	-8.1%
Legal and audit fees	27,879	25,742	2,137	8.3%
Contracted services & equipment rentals	378,723	580,080	(201,357)	-34.7%
Vehicle maintenance	(64,097)	(16,906)	(47,191)	279.1%
Bad debt expense	1,507	1,334	173	13.0%
Insurance	90,674	92,136	(1,462)	-1.6%
Miscellaneous expenses	33,694	32,349	1,345	4.2%
Totals	<u>\$ 4,893,220</u>	<u>\$ 5,083,705</u>	<u>\$ (190,485)</u>	-3.7%

Expense category explanations:

Salaries/wages - This line item represents the amount of salaries 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 are included in the Statement of Net Position. Overall, there was a 1.9% increase reflecting general wage raises for the year offset by normal employee turnover wage differentials (e.g., long-time retiring employees versus newly hired employees).

Employee benefits - Total Employee Benefits increased by a net amount of \$90K in 2016. Of this amount, \$56K is attributed to increases in net pension costs which includes both District contributions and an actuarial adjustment, as determined by MainePERS.

Purchased water, power & chemicals - Despite the District's increase in total pumpage during 2016 of 2.7%, there was an overall decrease in these costs of \$44K (9.1% reduction from 2015). Purchased Power costs increased by 2.5% (\$7K over 2015) as a result of normal price increases. Filtration Plant Chemical costs were 18.9% lower (\$33K less than 2015), primarily due to an overall increase in groundwater production from 2015. The District's ground water sources produced 47.2% of the District's total pumpage during 2016 (up from 38.1% in 2015). Purchased water costs also decreased by 38.0% (\$19K less than 2015) due to a different mix of wells that were used.

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 decreased by \$24K or 8.1% overall from 2015.

Legal and Audit Fees - Legal and audit fees remained relatively flat between 2015 and 2016.

Contracted Services & Equipment Rentals - This category, which includes a large array of services provided to the District by outside vendors, decreased by 34.7% or approx. \$201K during 2016. The decrease is primarily because, in 2015, standpipe maintenance included some large, one-time costs of approximately \$250K.

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Vehicle Maintenance – Net vehicle maintenance expense decreased by \$47K in 2016, but was still a “negative” expense for the year due allocating equipment usage to capital projects. These expenses are capitalized and will be expensed as part of the related capital assets’ depreciation in future years.

Bad Debt Expense – The District uses a five year averaging formula each year to determine the level of bad debt expense required. It has remained low and relatively flat over the years.

Insurance – Insurance costs remained relatively flat between 2015 and 2016.

Net Non-Operating Income

Non-Operating Revenue primarily consists of Tank Rental Revenues (\$332K). Non-Operating Expenses is made up mostly of Interest Expense (\$141K) and Taxes Other Than Income Tax (\$43K). Net Non-Operating Income decreased by \$16,649 between 2015 and 2016.

Contributions

Contributions occur when development takes place within the District's service area. The contributions for 2015 and 2014 were as follows:

	<u>2016</u>	<u>2015</u>	<u>\$ Variance</u>	<u>% Variance</u>
Main Extensions	\$ 682,542	\$ -	\$ 682,542	N/A
System Development Charges	331,467	145,814	185,653	127.3%
Meters	55,591	36,493	19,098	52.3%
Services	67,245	-	67,245	N/A
Totals	<u>\$ 1,136,845</u>	<u>\$ 182,307</u>	<u>\$ 954,538</u>	523.6%

Kennebunk, Kennebunkport, and Wells Water District
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 December 31, 2016 and 2015

Overall Financial Position and Results of Operations

To determine a quick overview of 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 2016, the District's current ratio increased from 0.83 to 1.25. This means that at year end 2016, the District has \$1.25 in current (liquid) assets for every dollar that it owes in current liabilities. This ratio is held low primarily due to the outstanding short-term notes at year end.

The District's coverage ratio stayed relatively flat in 2016 at 0.96. This means that for the year ended 2016, the District generated \$0.96 in net revenues to satisfy every dollar of principal and interest payments.

<i>Current Ratio</i>	<u>2016</u>	<u>2015</u>
Current Assets	\$ 2,147,775	\$ 2,375,151
Current Liabilities	1,711,768	2,876,631
Current Ratio	1.25	0.83
<i>Coverage Ratio</i>	<u>2016</u>	<u>2015</u>
Operating Revenue	\$ 6,846,799	\$ 6,507,268
Non-operating Rental Revenue	332,276	322,832
Interest income	5,127	4,250
Miscellaneous Income	<u>24,256</u>	<u>72,572</u>
Gross revenues	7,208,458	6,906,922
Total Operating expenses	6,088,373	6,194,233
Depreciation	<u>(1,195,153)</u>	<u>(1,110,528)</u>
Other Operating Expenses	<u>4,893,220</u>	<u>5,083,705</u>
Net available for debt service	<u>\$ 2,315,238</u>	<u>\$ 1,823,217</u>
Principal payments	\$ 2,280,105	\$ 1,801,268
Interest expense	<u>140,746</u>	<u>136,738</u>
Total debt service	<u>\$ 2,420,851</u>	<u>\$ 1,938,006</u>
Coverage Ratio	0.96	0.94

Kennebunk, Kennebunkport, and Wells Water District
Management's Discussion and Analysis
December 31, 2016 and 2015

Revenue Stability

Water rates, both metered and fire protection, are regulated by the MPUC, which allows the District to set rates to maintain operations and pay debt service. The District's rates increased by 3.0% effective April 2015.

Most of the District's operating revenue, 99% in both 2016 and 2015, comes from water assessments. These revenue sources are normally quite stable. There was a 5.5% increase from 2015 in metered revenues primarily due to a 4.6% increase in billed consumption from the prior year.

In addition, the District's metered water customer base is not concentrated. Residential customers, who make up 12,405 of the District's 13,661 metered connections (90.8%), provided 60.6% of all operating revenue in 2016 and 59.4% in 2015. Non-residential metered customers represented 25.3% of operating revenue in 2016 and 26.4% in 2015.

Fire protection (public and private) was 12.7% of all operating revenue for 2016, and 13.2% in 2015.

The District's operating revenue by type for 2016 and 2015 is summarized below:

	2016		2015	
	\$	%	\$	%
Metered - residential	\$ 4,151,951	60.6%	\$ 3,866,842	59.4%
Metered - non-residential	1,735,189	25.3%	1,715,131	26.4%
Public fire	705,870	10.3%	695,887	10.7%
Private fire	166,804	2.4%	161,898	2.5%
Other operational revenue	86,985	1.3%	67,510	1.0%
Total operating revenue	<u>\$ 6,846,799</u>	100.0%	<u>\$ 6,507,268</u>	100.0%

Significant Changes to Individual Funds

Operating and Management Fund

Operating revenue increased by 5.2% in 2016 due to another record year for pumpage which resulted in a 4.6% increase in billed consumption.

Operating expenses (excluding depreciation) were down 3.7% overall from 2015. The major expense decreases occurred in contracted services, as discussed above.

Water Supply Protection Fund

Changes in the Water Supply Protection Fund for 2016 and 2015 are summarized below:

	2016	2015	\$ Variance	% Variance
Interest Income	\$ 1,707	\$ 1,309	\$ 398	30.4%
Appropriations to the Fund	323,268	270,520	52,748	19.5%
Withdrawals from the Fund	(132,000)	(100,000)	(32,000)	32.0%
Net Change to the Fund	<u>\$ 192,975</u>	<u>\$ 171,829</u>	<u>\$ 21,146</u>	12.3%

Kennebunk, Kennebunkport, and Wells Water District
 Management's Discussion and Analysis
 December 31, 2016 and 2015

System Development Fund

Increases in the System Development Fund were due only to interest income in 2016 and 2015. Interest earned was \$3 in 2016 and 2015.

Other Post-Employment Benefit Fund (OPEBF)

In December, 2011 the District formed a Fiduciary Trust for its Post-Employment Benefits in accordance with GASB guidelines. The District has made a formal commitment to provide contributions to the fund. The fund balance at year end for 2016 and 2015 were:

	<u>2016</u>	<u>2015</u>	<u>\$ Variance</u>	<u>% Variance</u>
OPEB Fund Balance	\$ 1,105,141	\$ 969,831	\$ 135,310	14.0%

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, gross utility property increased by \$3.13 million in 2016. The allowance for depreciation grew by \$1.2 million and construction work in progress increased by \$3K. Net utility property increased from \$45.6 million in 2015 to \$47.7 million in 2016.

Long Term Debt

In August 2016, the District received \$1.5 million in proceeds from a bond issue. The bond proceeds are related to three 2015 SRF projects. The first project was an Advanced Metering Infrastructure (AMI) project. The other two were main replacement projects.

The total bonded debt and capital leases activity for 2016 is detailed below:

	<u>Beginning</u>	<u>Issues</u>	<u>Retirements</u>	<u>Ending</u>
Bonded debt	\$ 7,269,763	\$ 1,511,525	\$ (768,580)	\$ 8,012,708
Capital leases	28,630	-	(18,500)	10,130

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.

BASIC FINANCIAL STATEMENTS

Kennebunk, Kennebunkport, and Wells Water District
Statements of Net Position
As of December 31, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 972,568	\$ 1,410,137
Accounts receivable - trade, net	573,816	455,563
Accounts receivable - other	45,760	7,712
Materials and supplies inventory	481,686	386,739
Prepaid expenses	73,945	115,000
Total current assets	2,147,775	2,375,151
Special funds		
Water supply protection fund	621,070	480,844
System development fund	1,086	1,082
Total other special funds	622,156	481,926
Utility, plant, and equipment in service	67,287,322	64,155,093
Accumulated depreciation	(19,655,366)	(18,578,466)
Net utility, plant, and equipment in service	47,631,956	45,576,627
Construction work in progress	40,575	37,451
Total net utility, plant, and equipment	47,672,531	45,614,078
Other assets		
Non-utility property	33,493	33,493
Groundwater recharge cost prepayments	31,991	-
Total other assets	65,484	33,493
Total Assets	50,507,946	48,504,648
Deferred Outflows of Resources		
Deferred outflows for pensions	1,455,125	824,410

The accompanying notes are an integral part of these statements.

Statement 1 (Continued)

Kennebunk, Kennebunkport, and Wells Water District
 Statements of Net Position
 As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 304,853	\$ 130,454
Other accrued liabilities	409,376	447,572
Line of credit	247,831	1,511,525
Current portion of capital leases	8,638	18,500
Current portion of long-term debt	<u>741,070</u>	<u>768,580</u>
Total current liabilities	1,711,768	2,876,631
Long-term debt:		
Long-term portion of capital leases	1,492	10,130
Long-term portion of long-term debt (including deferred debt refunds of \$2,884 and \$5,828 for 2016 and 2015)	<u>7,274,522</u>	<u>6,507,011</u>
Total long-term debt	7,276,014	6,517,141
Other long-term liabilities:		
Customer advances for construction	989,181	858,112
Post retirement benefits	806,082	834,383
Net pension liability	<u>2,528,603</u>	<u>1,461,942</u>
Total other long-term liabilities	<u>4,323,866</u>	<u>3,154,437</u>
Total Liabilities	<u>13,311,648</u>	<u>12,548,209</u>
Deferred Inflows of Resources		
Deferred inflows from pensions	553,863	749,421
Net Position		
Net Investment in Capital Assets	39,378,016	36,763,765
Unrestricted	<u>(1,280,456)</u>	<u>(732,337)</u>
Total Net Position	<u>\$ 38,097,560</u>	<u>\$ 36,031,428</u>

The accompanying notes are an integral part of these statements.

Kennebunk, Kennebunkport, and Wells Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Metered - residential	\$ 4,151,951	\$ 3,866,842
Metered - commercial	1,735,189	1,715,131
Public fire protection	705,870	695,887
Private fire protection	166,804	161,898
Local municipalities	56,406	55,661
Miscellaneous service revenues	<u>30,579</u>	<u>11,849</u>
Total operating revenues	6,846,799	6,507,268
Operating Expenses		
Operations and maintenance	4,893,220	5,083,705
Depreciation	<u>1,195,153</u>	<u>1,110,528</u>
Total operating expenses	6,088,373	6,194,233
Operating Income	758,426	313,035
Non-Operating Income		
Rental revenues	332,276	322,832
Interest income	5,127	4,250
Merchandise and jobbing income	1,365	8,670
Miscellaneous non-utility income	8,196	63,902
Gain on disposal of assets	<u>14,695</u>	<u>-</u>
Total non-operating income	361,659	399,654
Non-Operating Expenses		
Interest expense	140,746	136,738
Taxes other than income tax	43,473	43,745
Loss on disposal of assets	-	25,361
Bond issue costs	<u>6,579</u>	<u>6,300</u>
Total non-operating expenses	190,798	212,144
Change in Net Position Before Contributions	929,287	500,545
Contributions		
Mains, services, meters, and hydrants	<u>1,136,845</u>	<u>182,307</u>
Change in Net Position	2,066,132	682,852
Beginning Net Position	<u>36,031,428</u>	<u>35,348,576</u>
Ending Net Position	<u>\$ 38,097,560</u>	<u>\$ 36,031,428</u>

The accompanying notes are an integral part of these statements.

Kennebunk, Kennebunkport, and Wells Water District
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 6,643,657	\$ 6,731,029
Cash payments to suppliers and contractors	(1,259,218)	(1,644,455)
Cash payments for employee services	<u>(3,510,854)</u>	<u>(3,304,092)</u>
Net cash provided by operating activities	1,873,585	1,782,482
Cash Flows from Capital and Related Financing Activities		
Proceeds from borrowings	1,759,356	3,010,846
Repayment of borrowings	(2,280,105)	(1,801,268)
Repayment of capital lease obligations	(18,500)	(41,641)
Increase in bonds receivable	(37,796)	-
Payment of bond issue costs	(6,579)	(6,300)
Interest paid	(157,295)	(154,371)
Transfer of funds from the Water Supply Protection Fund	132,000	100,000
Transfer of funds to the Water Supply Protection Fund	(270,250)	(205,081)
Acquisitions and construction of operating property	(3,144,215)	(2,191,865)
Proceeds from sales of fixed assets	14,695	10,881
Contributions in aid of construction received	<u>1,361,842</u>	<u>187,413</u>
Net cash used by capital and related financing activities	(2,646,847)	(1,091,386)
Cash Flows from Investing Activities		
Rent income	332,276	322,832
Interest income received	5,127	4,250
Reinvested investment income	<u>(1,710)</u>	<u>(1,312)</u>
Net cash provided by investing activities	<u>335,693</u>	<u>325,770</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(437,569)	1,016,866
Beginning Cash and Cash Equivalents	<u>1,410,137</u>	<u>393,271</u>
Ending Cash and Cash Equivalents	<u>\$ 972,568</u>	<u>\$ 1,410,137</u>
Supplemental Required Disclosures		
Equipment acquired through non-cash transactions	\$ -	\$ 24,780

The accompanying notes are an integral part of these statements.

Statement 3 (Continued)

Kennebunk, Kennebunkport, and Wells Water District
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

	<u>2016</u>	<u>2015</u>
Operating income	\$ 758,426	\$ 313,035
Jobbing income	1,365	8,670
Miscellaneous non-utility income	8,195	63,902
Taxes other than income	(43,473)	(43,745)
Adjustments not affecting cash:		
Depreciation	1,195,153	1,110,528
Net actuarial adjustment for pension costs	240,388	226,849
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(212,702)	151,188
Inventory	(94,947)	(17,388)
Prepaid expense	41,055	(9,234)
Groundwater recharge prepayments	(31,991)	-
(Decrease) increase in:		
Accounts payable	65,008	(70,248)
Other accrued liabilities	(24,591)	57,929
Post retirement benefits	(28,301)	(9,004)
Net cash provided by operating activities	<u>\$ 1,873,585</u>	<u>\$ 1,782,482</u>

The accompanying notes are an integral part of these statements.

Kennebunk, Kennebunkport, and Wells Water District
 Statements of Plan Net Position - Fiduciary Funds
 As of December 31, 2016 and 2015

	2016		
	OPEB Medical	OPEB Sicktime	Total
Assets			
Cash and investments	\$ 990,881	\$ 158,201	\$ 1,149,082
Liabilities			
Due to KKWWD	43,941	-	43,941
Plan Net Position			
Restricted for OPEB	\$ 946,940	\$ 158,201	\$ 1,105,141
	2015		
	OPEB Medical	OPEB Sicktime	Total
Assets			
Cash and investments	\$ 832,108	\$ 137,723	\$ 969,831
Plan Net Position			
Restricted for OPEB	\$ 832,108	\$ 137,723	\$ 969,831

The accompanying notes are an integral part of these statements.

Kennebunk, Kennebunkport, and Wells Water District
Statements of Changes in Plan Net Position - Fiduciary Funds
For the Years Ended December 31, 2016 and 2015

	2016		
	OPEB Medical	OPEB Sicktime	Total
Additions			
District contributions	\$ 125,900	\$ 11,518	\$ 137,418
Net increase (decrease) in investment fair value	21,377	6,825	28,202
Interest, dividends, and other investment income	<u>20,352</u>	<u>3,558</u>	<u>23,910</u>
Total additions	167,629	21,901	189,530
Deductions			
Benefits paid	43,941	-	43,941
Administrative expense	<u>8,856</u>	<u>1,423</u>	<u>10,279</u>
Total deductions	<u>52,797</u>	<u>1,423</u>	<u>54,220</u>
Changes in Plan Net Position	114,832	20,478	135,310
Beginning Plan Net Position	<u>832,108</u>	<u>137,723</u>	<u>969,831</u>
Ending Plan Net Position	<u>\$ 946,940</u>	<u>\$ 158,201</u>	<u>\$ 1,105,141</u>
	2015		
	OPEB Medical	OPEB Sicktime	Total
Additions			
District contributions	\$ 92,836	\$ 11,725	\$ 104,561
Net increase (decrease) in investment fair value	(27,190)	(5,342)	(32,532)
Interest, dividends, and other investment income	<u>20,072</u>	<u>3,918</u>	<u>23,990</u>
Total additions	85,718	10,301	96,019
Deductions			
Benefits paid	33,344	15,830	49,174
Administrative expense	<u>7,938</u>	<u>1,465</u>	<u>9,403</u>
Total deductions	<u>41,282</u>	<u>17,295</u>	<u>58,577</u>
Changes in Plan Net Position	44,436	(6,994)	37,442
Beginning Plan Net Position	<u>787,672</u>	<u>144,717</u>	<u>932,389</u>
Ending Plan Net Position	<u>\$ 832,108</u>	<u>\$ 137,723</u>	<u>\$ 969,831</u>

The accompanying notes are an integral part of these statements.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

The summary of significant accounting policies of Kennebunk, Kennebunkport, and Wells Water District (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, and is governed by a four member Board of Trustees, one elected from each of the Towns of Kennebunk, Kennebunkport, Ogunquit and Wells, and is regulated by the Maine Public Utilities Commission (MPUC). The District extends credit to its customers that consist of residential, commercial, and governmental entities at regular terms without collateral.

The Retiree Welfare Benefit Trust of the Kennebunk, Kennebunkport and Wells Water District (the Trust) is governed by the Board of Trustees and a 3-member Investment Committee. Although it is legally separate from the Kennebunk, Kennebunkport and Wells Water District, the Trust is reported as if it were part of the primary government because its sole purpose is to hold and disburse, as necessary, funds intended for the benefit payments of the District's employees and retirees. The activity and balances of the Trust are presented as fiduciary funds.

Basis of Accounting

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.

Basis of Presentation

Enterprise Funds – The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units utilizing an enterprise fund to account for its operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the periodic determination of revenues earned, expenses incurred, and net income is desired for purposes of facilitating management control and accountability. The District complies with Governmental Accounting Standards Board (GASB) pronouncements relating to governmental entities that use proprietary fund accounting to basic financial statements, and management discussion and analysis report.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are the net charges to customers for water usage. Operating expenses include expenses on source and pumping operations and maintenance, water treatment, transportation and distribution operations and maintenance, customer accounts, administrative and general, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating income and expenses. Rental revenues from various wireless cellular companies are treated as non-operating income.

Fiduciary Funds – Pension and other employee benefit trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

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. Maine statutes authorize investments in obligations of the U.S. Treasury and U.S. Agencies, and repurchase agreements. The District invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid, and attain a reasonable market rate of return. Investments are reported at fair market value.

Allowance for Bad Debts

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

Materials and Supplies Inventory

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

Utility Plant

Utility plant is stated at cost and depreciation is calculated on the straight-line method at rates established by the MPUC. Useful lives, pursuant to Chapter 680 of MPUC rules, 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 expensed as incurred.

Contributions in Aid of Construction

Contributions in aid of construction are reported as income.

OPEB Contributions

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as employees earn the rights to the benefits.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Net Position Classification

Net position is required to be classified into the following components:

Net Investment in Capital Assets – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

	2016	2015
Capital assets	\$ 67,327,897	\$ 64,192,544
Accumulated depreciation	(19,655,366)	(18,578,466)
Bonds, notes, and leases payable	(8,270,669)	(8,809,918)
Deferred bond interest	(2,884)	(5,828)
Accrued interest payable	(20,962)	(34,567)
Net investment in capital assets	\$ 39,378,016	\$ 36,763,765

Restricted – This component consists of constraints placed on the use of net position which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

For deposits, 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.

As of December 31, 2016 and 2015, the District reported deposits of \$1,594,724 and \$1,892,063, respectively, with a bank balance of \$1,504,052 and \$1,906,984, respectively. As of December 31, 2016, of the District’s bank balance, \$250,000 was covered by FDIC insurance and the remainder was collateralized with securities held by the pledging bank not in the District’s name.

As of December 31, 2016 and 2015, the OPEB Trust funds included cash and cash equivalents with a balance of \$152,823 and \$77,155, respectively. The Trust funds are collateralized with securities held by the pledging bank not in the District’s name.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments

For investments, custodial credit risk is the risk that, in event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of the outside party. The District's investment policy does not specifically address custodial credit risk.

As of December 31, 2016 and 2015, \$996,259 and \$892,676 of the District's OPEB Trust funds, respectively, were invested in stocks and bonds held by the trust department in the District's name.

The District's investment policy as applicable to the OPEB Trust funds is the Income with Moderate Growth which allows investments in high quality bonds with short and intermediate maturities as well as high quality common stocks and equity funds.

At December 31, 2016 and 2015, investments in the OPEB trust funds consisted of the following:

	2016		2015	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Cash and cash equivalents	\$ 152,823	\$ 152,823	\$ 77,155	\$ 77,155
Government bonds	49,775	49,974	-	-
Mutual funds - fixed income	563,772	547,180	534,887	511,381
Real assets	10,330	12,544	11,497	13,395
Mutual funds - equity	222,573	237,338	217,887	208,082
Common stock	<u>108,239</u>	<u>149,223</u>	<u>113,845</u>	<u>159,818</u>
Total OPEB trust funds	<u>\$ 1,107,512</u>	<u>\$ 1,149,082</u>	<u>\$ 955,271</u>	<u>\$ 969,831</u>

Maine statutes authorize the District to invest in obligations of the U.S. Government and U.S. Agencies and instrumentalities, repurchase agreements, and certain corporate stocks and bonds. As of December 31, 2016 and 2015, the District's investments for the OPEB trust funds in debt securities were rated as follows:

	2016	2015
Government bonds - AA+ rating	\$ 49,974	\$ -
Mutual funds - fixed income - not rated	<u>547,180</u>	<u>511,381</u>
Total OPEB debt securities	<u>\$ 511,381</u>	<u>\$ 385,348</u>

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 3: ACCOUNTS RECEIVABLE - TRADE

The amount of accounts receivable is shown net of allowance for bad debts at December 31, 2016 and 2015 were:

	2016	2015
Accounts receivable	\$ 579,140	\$ 459,501
Allowance for bad debts	(5,324)	(3,938)
Accounts receivable - trade, net	<u>\$ 573,816</u>	<u>\$ 455,563</u>

NOTE 4: UTILITY PLANT AND EQUIPMENT

The following is a summary of utility plant and equipment activity for the year ended December 31, 2016:

	Beginning Balance	Additions	Disposals	Ending Balance
<i>Property Not Being Depreciated</i>				
Organizational Costs	\$ 50,709	\$ -	\$ -	\$ 50,709
Land	4,102,160	32,000	-	4,134,160
Construction work in progress	37,451	40,575	(37,451)	40,575
<i>Property Being Depreciated</i>				
Structures	4,833,226	62,775	-	4,896,001
Impounding dams and reservoirs	70,097	-	-	70,097
Intake and suction mains	17,455	-	-	17,455
Wells	1,583,972	-	-	1,583,972
Pumping equipment	2,330,772	46,776	-	2,377,548
Purification equipment	2,114,974	122,642	-	2,237,616
Tanks and standpipes	2,321,956	10,000	-	2,331,956
Transmission and distribution mains	34,696,073	1,987,184	-	36,683,257
Services	6,126,925	284,422	(3,450)	6,407,897
Meters	2,145,754	468,628	(37,279)	2,577,103
Fire hydrants	1,217,059	61,098	(2,100)	1,276,057
General equipment	2,543,961	174,957	(75,424)	2,643,494
Gross plant and equipment	64,192,544	3,291,057	(155,704)	67,327,897
Accumulated depreciation	(18,578,466)	(1,195,153)	118,253	(19,655,366)
Net plant and equipment	<u>\$ 45,614,078</u>	<u>\$ 2,095,904</u>	<u>\$ (37,451)</u>	<u>\$ 47,672,531</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$1,195,153 and \$1,110,528, respectively.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
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NOTE 5: OTHER SPECIAL FUNDS

The Board of Trustee's has internally restricted funds for future capital projects. These internally restricted funds were invested in certificates of deposit. These special fund balances as of December 31, 2016 and 2015 are as follows:

Water Supply Protection Fund

Pursuant to Maine Revised Statutes Title 35-A §6113, 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 (cash and amounts to be appropriated) as of December 31, 2016 and 2015 was \$944,338 and \$751,364, respectively.

System Development Fund

In accordance with the MPUC 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 MPUC a financial activity report annually. The balance of the fund as of December 31, 2016 and 2015, was \$1,086 and \$1,082, respectively.

NOTE 6: LONG-TERM DEBT

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year 2017	\$ 741,070	\$ 119,619	\$ 860,689
Fiscal year 2018	753,776	100,685	854,461
Fiscal year 2019	575,397	80,055	655,452
Fiscal year 2020	578,380	71,085	649,465
Fiscal year 2021	514,742	60,829	575,571
Fiscal years 2022 - 2026	2,212,678	198,479	2,411,157
Fiscal years 2027 - 2031	1,924,870	72,836	1,997,706
Fiscal years 2032 - 2036	<u>711,795</u>	<u>14,908</u>	<u>726,703</u>
Totals	<u>\$ 8,012,708</u>	<u>\$ 718,496</u>	<u>\$ 8,731,204</u>

Interest expense on long-term debt, net of decreases from deferred bond refund amortization, was \$128,719 and \$136,021 for the years ended December 31, 2016 and 2015, respectively.

Deferred Bond Refinancing Refunds

Refunds received from bond refinancing are amortized over the life of the bond, decreasing interest expense in subsequent years. The total reduction of interest expense for years ended 2016 and 2015 was \$2,944 and \$3,785, respectively. Deferred bond refunds remaining as of December 31, 2016 and 2015, was \$2,884 and \$5,828, respectively.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
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NOTE 6: LONG-TERM DEBT (Continued)

Long-term bonds payable and notes payable activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Repayment	Ending Balance
<i>Bonds Payable</i>				
\$1,204,159 bond issued July 1998, 5.000% - 7.850% interest rate, matures November 2018.	272,601	-	(86,468)	186,133
\$1,250,000 bond issued October 2003, 2.085% - 4.285% interest rate, matures November 2018.	250,000	-	(83,333)	166,667
\$1,000,000 bond issued October 2005, 3.000% - 5.700% interest rate, matures November 2020.	333,335	-	(66,667)	266,668
\$1,000,000 bond issued October 2006, 1.800% - 6.250% interest rate, matures November 2021.	400,002	-	(66,667)	333,335
\$757,350 bond issued November 2008, 2.840% interest rate, matures October 2028.	538,904	-	(34,851)	504,053
\$1,250,000 bond issued October 2009, 2.000% - 5.500% interest rate, matures November 2029.	875,000	-	(62,500)	812,500
\$2,027,000 bond issued September 2011, 0.000% interest rate, matures April 2031.	1,300,201	-	(83,884)	1,216,317
\$1,315,545 bond issued July 2012, 1.000% interest rate, matures April 2032.	1,077,784	-	(58,479)	1,019,305
\$934,343 bond issued December 2013, 1.210% interest rate, matures October 2033.	850,694	-	(42,585)	808,109
\$375,000 bond issued April 2015, 0.010% interest rate, matures October 2029.	350,017	-	(24,985)	325,032
\$874,321 bond issued April 2015, 0.010% interest rate, matures October 2034.	831,225	-	(43,161)	788,064
\$1,511,525 bond issued August 2016, 1.000% interest rate, matures July 2036.	-	1,511,525	-	1,511,525
Total bonds payable	7,079,763	1,511,525	(653,580)	7,937,708
<i>Notes Payable</i>				
\$900,000 note issued November 2007, 4.200% interest rate, matures October 2016.	100,000	-	(100,000)	-
\$135,000 note issued November 2012, 3.000% interest rate, matures November 2021.	90,000	-	(15,000)	75,000
Total notes payable	190,000	-	(115,000)	75,000
Total long-term debt	7,269,763	\$ 1,511,525	\$ (768,580)	8,012,708
Current portion	768,580			741,070
Non-current portion	<u>\$ 6,501,183</u>			<u>\$ 7,271,638</u>

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 7: LINE OF CREDIT

Activity on the District's line of credit during the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Repayment	Ending Balance
Line of credit	\$ 1,511,525	\$ 247,831	\$ (1,511,525)	\$ 247,831

NOTE 8: CAPITAL LEASES

The District leased equipment under an agreement that is classified as capital leases. The cost of the equipment under capital lease is included in the statement of net position as part of the utility, plant, and equipment in service in the amounts of \$27,190 and \$129,445 at December 31, 2016 and 2015, respectively. Accumulated amortization of the leased equipment at December 31, 2016 and 2015 was \$4,078 and \$29,261, respectively. Amortization of assets under capital leases is included in depreciation expense.

Interest expense related to capital leases was \$1,170 and \$1,953 for the years ended December 31, 2016 and 2015, respectively.

Minimum future lease payments for capital leases held by the District as the year ended December 31, 2016 are as follows:

Lease payments due in 2017	\$ 9,020
Lease payments due in 2018	<u>1,503</u>
Total minimum lease payments	10,523
Amounts representing interest	<u>(393)</u>
Present value of net minimum lease payments	10,130
Current portion of capital lease obligations	<u>8,638</u>
Non-current portion of capital lease obligations	<u>\$ 1,492</u>

NOTE 9: ACCRUED COMPENSATED ABSENCES

The change in compensated absences for the year ended December 31, 2016 is as follows:

	Beginning Balance	Net Increase	Ending Balance
Accrued vacation	\$ 299,278	\$ 15,076	\$ 314,354
Accrued compensated time	<u>51,533</u>	<u>13,479</u>	<u>65,012</u>
Totals	<u>\$ 350,811</u>	<u>\$ 28,555</u>	<u>\$ 379,366</u>

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NOTE 10: 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 \$989,181 and \$858,112 as of December 31, 2016 and 2015, respectively.

NOTE 11: PENSIONS

Effective July 1, 1996, the District became a participant of the Maine Public Employees State Retirement System's (MainePERS) cost sharing, multiple employer consolidated retirement plan, called the Participating Local District (PLD) Consolidated Plan (the Plan).

Under the Plan, participants and the District contributed the following percentages of eligible wages:

	Employees	District
January 1, 2015 - June 30, 2015	7.00%	7.80%
July 1, 2015 - June 30, 2016	7.50%	8.90%
June 30, 2016 - December 31, 2016	8.00%	9.50%

Prior to June 30, 2015, the District's actual contributions varied from year to year due to the amortization of the District's Initial Unpooled Unfunded Actuarial Liability (IUUAL). The IUUAL was being amortized over the 3 years from July 1, 2013. Effective June 30, 2015, as a result of changes relating to GASB 68, MainePERS refunded the unamortized portion of the IUUAL to all participating districts. The District's refunded amount was \$12,080. The District's contributions to the Plan for the years ended 2016 and 2015 were \$238,497 and \$206,582, respectively.

Employees participating are eligible for normal retirement upon attaining the age of sixty with five or more years of service or early retirement after completing twenty-five or more years of creditable service and being at least age 45. Beginning in July 2014, newly hired employees' normal retirement age will increase to age 65. 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).

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

As of December 31, 2016 and 2015, the District reported a liability of \$2,528,603 and \$1,461,942, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. As of December 31, 2016 and 2015, the District's proportion was 0.476% and 0.458%.

For the years ended December 31, 2016 and 2015, the District recognized pension expense of \$474,673 and \$419,001, respectively.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 11: PENSIONS (Continued)

As of December 31, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>For fiscal year 2016</i>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 30,652	\$ 162,637
Net difference between projected and actual earnings on pension plan investments	934,401	388,885
Changes of assumptions	271,072	-
Changes in proportion	92,496	2,341
District contributions subsequent to the measurement date	<u>126,504</u>	<u>-</u>
Totals, December 31, 2016	<u>\$ 1,455,125</u>	<u>\$ 553,863</u>
<i>For fiscal year 2015</i>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 59,028	\$ 187,762
Net difference between projected and actual earnings on pension plan investments	451,209	561,659
Changes of assumptions	129,197	-
Changes in proportion	81,563	-
District contributions subsequent to the measurement date	<u>103,413</u>	<u>-</u>
Totals, December 31, 2015	<u>\$ 824,410</u>	<u>\$ 749,421</u>

Deferred outflows relating to pensions resulting from District contributions subsequent to the measurement date in the amount of \$126,504, as of December 31, 2016, will be recognized as a reduction of the net pension liability in 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2016, will be recognized in pension expense as follows:

Fiscal year 2017	\$ 177,418
Fiscal year 2018	124,675
Fiscal year 2019	326,932
Fiscal year 2020	<u>145,735</u>
Total	<u>\$ 774,760</u>

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 11: PENSIONS (Continued)

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2016, using the following methods and assumptions, applied to all periods included in the measurement.

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability (UAL) rate.

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

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability (UAAL).

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

- Investment Rate of Return – 6.875% per annum for the year ended June 30, 2016, and 7.125% per annum for the year ended June 30, 2015, compounded annually.
- Inflation Rate – 2.75% for the year ended June 30, 2016; 3.50% for the year ended June 30, 2015.
- Annual Salary Increases, and Merit, – 2.75% to 9.50%, for the year ended June 30, 2016; 3.50% to 9.50% for the year ended June 30, 2015
- Cost of Living Benefit Increases – 2.20% for the year ended June 30, 2016; 2.55% for the year ended June 30, 2015.
- Mortality Rates – (2016) For active members and non-disabled retirees of the Plan, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. (2015) For active members and non-disabled retirees of the Plan, the RP2000 Tables, projected forward to 2015 using Scale AA are used. For all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 11: PENSIONS (Continued)

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2016, are summarized in the following table. Assets of the Plan are commingled for investment purposes.

	Target Allocation	Long-term Expected Real Rates of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equities	10%	7.6%
Real assets:		
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2016 and 7.125% for 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2016 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	Discount Rate	Collective Net Pension Liability
1% decrease	5.875%	\$ 881,913,266
Current discount rate	6.875%	513,330,709
1% increase	7.875%	201,269,751

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 11: PENSIONS (Continued)

Changes in Net Pension Liability

The employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2016. At that date, the collective net pension liability was \$513,330,709 and the employer's proportionate share was 0.475900%, resulting in the employer's net pension liability of \$2,528,603. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016, with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. For 2016, this was four years. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Differences between Projected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The actuarial assumptions used for the year ended June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Refer to the Actuarial Methods and Assumptions notes for information relating to changes of assumptions.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

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

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 11: PENSIONS (Continued)*Proportionate Share of Allocable Pension Expense*

The calculation of the employer's pension expense for the year ended June 30, 2016 is calculated by multiplying the collective pension expense factors by the employer's proportionate share of the collective pension expense (0.475900%), and is as follows:

Service cost	\$ 353,158
Interest cost	917,414
Cost of benefit changes	-
Amortization of differences in actual and expected experience	(45,227)
Amortization of differences in changes to assumptions	105,266
Amortization of differences in expected and actual investment income	68,446
Plan administrative expenses	9,653
Transfers out	1,034
Expected investment income	(777,218)
Member contributions	<u>(194,459)</u>
Proportionate share of allocable pension expense	<u>\$ 438,067</u>

Additional Financial and Actuarial Information

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2016 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 12: OTHER POST-RETIREMENT EMPLOYMENT BENEFITS (OPEB)**Post-Retirement Medical Plan (Medical Plan)***Plan Description*

On September 26, 1991, the Board of Trustees voted to offer post-retirement health insurance to the District's employees. The Kennebunk, Kennebunkport, Wells Water District's post-retirement medical plan is a single employer defined benefit medical plan administered by the Retiree Welfare Benefit Trust of the Kennebunk, Kennebunkport and Wells Water District. The District provides certain health care benefits for retired employees. To become eligible for the benefits, the employees have to work for a minimum of 5 years and be at least 60 years old and retire immediately upon leaving the District's employment. Employees will receive 1 year of paid health insurance benefits for each 5 years of service performed. All classes of employees are covered by the plan. The Kennebunk, Kennebunkport, Wells Water District's post-retirement medical plan does not issue a stand-alone financial report.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 12: OTHER POST-RETIREMENT EMPLOYMENT BENEFITS (OPEB) (Continued)

Membership of the medical plan consisted of the following at December 31, 2016, the date of the latest actuarial valuation:

Active employees	41
Retired employees and beneficiaries	3
Total	44

The required contribution is based on the normal cost determined using the Entry Age Actuarial Cost Method. Under this method, an allocation of liability to past service and future service is made by spreading the costs over an employee's career as a level dollar amount. No employee contributions are required by the plan. The Board of Trustees has the authority to amend the benefits provisions of the postemployment medical plan. Administrative costs are financed through investment earnings. For the years ended December 31, 2016 and 2015, the District contributed \$125,900 and \$92,836 to the plan, respectively. The balance of the plan assets was invested into cash, cash equivalents, and other financial instruments in accordance with the plan's investing objectives established by the 3-member appointed trustee board.

Annual OPEB Cost and Net OPEB Obligation (Medical Plan)

The District's medical plan benefit cost is calculated based on annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Government Accounting Standards and was applied prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year. The following table shows the components of the District's annual medical plan cost for the year, the amount actually contributed to the plan, and changes in the District's medical plan obligation based on an actuarial valuation as of January 1, 2016 and 2015:

	2016	2015
Annual required contribution	\$ 125,900	\$ 92,836
Interest on net OPEB obligation	35,520	36,070
Adjustment to annual required contribution	(56,845)	(46,627)
Annual OPEB cost	104,575	82,279
Contributions made	(125,900)	(92,836)
Change in net OPEB obligation	(21,325)	(10,557)
Net OPEB obligation - beginning of year	710,846	721,403
Net OPEB obligation - end of year	\$ 689,521	\$ 710,846

The District's annual medical plan cost, the percentage of annual medical plan cost contributed to the plan by the District, and the net post-retirement obligation for 2016 and the two preceding years were as follows:

	2016	2015	2014
Annual OPEB cost	\$ 104,575	\$ 82,279	\$ 78,953
Percentage of annual OPEB cost contributed	120%	113%	113%
Net OPEB obligation	\$ 689,521	\$ 710,846	\$ 721,403

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 12: OTHER POST-RETIREMENT EMPLOYMENT BENEFITS (OPEB) (Continued)

Change in Plan Assets

A summary of the changes in the medical plan's assets during the year ended December 31, 2016, is as follows:

	2016	2015
Fair value of plan assets - beginning of year	\$ 832,108	\$ 787,672
District contributions	125,900	92,836
Net investment earnings	32,873	(15,056)
Benefits paid	(43,941)	(33,344)
Fair value of plan assets - end of year	\$ 946,940	\$ 832,108

Funded Status and Funding Progress

The funded status of the medical plan as of the most recent valuation date of December 31, 2016, is as follows:

Actuarial value of assets	\$ 946,940
Actuarial accrued liability (AAL)	1,959,006
Unfunded AAL (UAAL)	\$ (1,012,066)
Funded ratio	48.34%
Covered payroll	\$ 2,754,507
UAAL as a percentage of covered payroll	-36.74%

The required schedule of funding progress immediately follows the notes and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. Information about the funded status of the plan as of the most recent actuarial valuation is included as required supplementary information.

Actuarial Methods and Assumptions

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. The required contribution was determined as part of the December 31, 2016 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a 5% investment rate of return. The actuarial value of employer medical plan assets as of the valuation date is equal to the fair value of plan assets. The unfunded actuarial liability adjustment is the annual level dollar amortization of the unfunded actuarial accrued liability over 30 years.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 12: OTHER POST-RETIREMENT EMPLOYMENT BENEFITS (OPEB) (Continued)

Post-Retirement Sick Time Reimbursement Benefit Plan (Sick Time Plan)

Plan Description

The District provides post-retirement sick time reimbursement benefits to its employees. All classes of employees are covered by the sick time plan. All full-time employees who retire from the District will be paid for a portion of their accumulated unused sick leave on a basis of 1% per year of employment to a maximum of 60 days. The employee must have worked for the District a minimum of ten years to be eligible. No employee contributions are required by the plan. The Board of Trustees has the authority to amend the benefits provisions of the sick time plan. Administrative costs are financed through investment earnings. For the year ended December 31, 2016 and 2015, the District contributed \$11,518 and \$11,725 to the sick time plan, respectively. The balance of the sick time plan's assets was invested into cash, cash equivalents and other financial instruments in accordance with the plan's investing objectives established by the 3-member trustee board.

Change in Accumulated Post-Retirement Benefit Obligation

As of December 31, 2016 and 2015, the date of the latest actuarial valuation, the summary of the changes in the sick time plan obligation is as follows:

	2016	2015
Benefit obligation - beginning of year	\$ 261,260	\$ 266,701
Service cost	6,773	7,154
Interest cost	7,623	7,277
Actuarial (gain) / loss	(894)	(4,042)
Benefits paid	-	(15,830)
Benefit obligation - end of year	\$ 274,762	\$ 261,260

The above obligation is presented in the balance sheet as part of the post-retirement benefits and is reported as a long-term obligation.

Change in Plan Assets

A summary of the changes in the sick time plan's assets during the year ended December 31, 2016, is as follows:

	2016	2015
Fair value of plan assets - beginning of year	\$ 137,723	\$ 144,717
District contributions	11,518	11,725
Net investment earnings	8,960	(2,889)
Benefits paid	-	(15,830)
Fair value of plan assets - end of year	\$ 158,201	\$ 137,723

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 12: OTHER POST-RETIREMENT EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress

The funded status of the sick time plan as of December 31, 2016 and 2015 is as follows:

	2016	2015
Fair value of plan assets	\$ 158,201	\$ 137,723
Benefit obligation - end of year	<u>(274,762)</u>	<u>(261,260)</u>
Unfunded benefit obligations	<u>\$ (116,561)</u>	<u>\$ (123,537)</u>
Funded ratio	57.58%	52.71%

Actuarial Methods and Assumptions

The determination of the sick time plan's net periodic pension costs includes assumptions about the discount rate and an estimate for the long-term return on plan assets. The discount rate assumption was 3.44% and 3.23% for fiscal years 2016 and 2015, respectively. The estimated long-term rate of return on plan assets of 5.00% and both fiscal years 2016 and 2015. The sick time plan's net periodic pension costs were \$11,518 and \$11,725 for the years ended December 31, 2016 and 2015, respectively.

The following benefit payments, which reflect expected future service, as appropriate, that are expected to be paid over the next 10 years are as follows:

	Estimated Benefit Payments
Fiscal year 2017	\$ 91,515
Fiscal year 2018	18,226
Fiscal year 2019	-
Fiscal year 2020	-
Fiscal year 2021	20,032
Fiscal years 2022 - 2026	135,116

NOTE 13: APPROPRIATIONS OF NET POSITION

The District has established appropriated net position for various purposes. At December 31, 2016 and 2015, appropriated net position was 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, 2016 and 2015 were \$653,581 and \$636,267, respectively. The appropriated funded debt retired through surplus balance at December 31, 2016 and 2015 was \$17,795,434 and \$17,141,853.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 13: APPROPRIATIONS OF NET POSITION (Continued)

Water Supply Protection Reserve

Pursuant to Maine Revised Statutes Title 35-A §6113, 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. In addition, the maximum fund accumulation is 15% of the prior year's revenue. Interest earned in the fund must remain in the fund and be used solely for the purposes of the fund. For the years ended December 31, 2016 and 2015, the District voted to appropriate \$323,268 and \$270,520 to the Water Supply Protection reserve, respectively. The interest income for the years ended 2016 and 2015 was \$1,710 and \$1,309. The cumulative balance of the reserve at December 31, 2016 and 2015 was \$945,424 and \$752,446, respectively.

Mortgage Payment Appropriation

The District appropriates from net income and/or the Water Supply Protection Reserve as allowed by the Maine law, annually, an amount equal to the year's principal payment on the land mortgage. The appropriated mortgage payment balance at December 31, 2016 and 2015 was \$1,510,000 and \$1,495,000, respectively.

NOTE 14: OPERATING LEASE COMMITMENT

The District renewed its three-year license agreement for accounting software, equipment and services. The agreement was renewed as of July 1, 2014 and expires on June 30, 2017. Under the agreement, the District is obligated to pay minimum annual license fees of \$69,450 per year.

NOTE 15: 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 the years ended 2016 and 2015 total rental revenue was \$332,276 and \$322,832, respectively.

NOTE 16: 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 17: CONTINGENCY ALLOWANCE 7% TEST

Pursuant Maine Revised Statutes Title 35-A §6112, if the District provides for an annual contingency allowance that has been collected through rates and where, in each of three consecutive years, the allowance is equal to or greater than 7% of the its annual operating expenses, it shall notify customers in writing of the over-collection and hold a public hearing to address the issue. For the purposes of this test operating expenses are composed of operation and maintenance expenses, depreciation and amortization, and taxes other than income taxes.

The District's contingency allowance exceeded the 7% maximum for fiscal year 2016, but did not exceed the 7% maximum for fiscal years 2015 or 2014.

Kennebunk, Kennebunkport, and Wells Water District
Notes to the Basic Financial Statements
December 31, 2016 and 2015

NOTE 18: 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, 2016 and 2015. 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.

NOTE 19: SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 18, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Kennebunk, Kennebunkport, Wells Water District
 Schedule of the District's Proportionate Share of the Net Pension Liability
 MainePERS Participating Local Districts Plan
 Employer ID: P0255

For the Fiscal Year Ended	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered- employee payroll	District's proportionate share of the net pension liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.475900%	\$ 2,528,603	\$ 2,754,507	91.80%	81.61%
2015	0.458222%	1,461,942	2,667,712	54.80%	88.27%
2014	0.441494%	679,376	2,554,283	26.60%	94.10%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Kennebunk, Kennebunkport, Wells Water District
 Schedule of the District's Employer Contributions
 MainePERS Participating Local Districts (PLD) Consolidated Plan
 Employer ID: P0255

For the Fiscal Year Ended	Contractually required contributions	District's contributions in relation to the contractually required contributions	District's contribution deficiency (excess)	District's covered- employee payroll	District's contributions as a percentage of its covered- employee payroll
2016	\$ 238,497	\$ 238,497	\$ -	\$ 2,754,507	8.66%
2015	206,582	206,582	-	2,667,712	7.74%
2014	169,387	169,387	-	2,554,283	6.63%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Kennebunk, Kennebunkport, and Wells Water District
 Schedule of Funding Progress - Post Retirement Medical Plan
 As of December 31st for the Years Listed

Actuarial Valuation Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2007	\$ -	\$ 943,989	\$ (943,989)	0.00%	\$ 2,157,187	-43.76%
2008	-	993,784	(993,784)	0.00%	2,226,147	-44.64%
2009	-	1,377,889	(1,377,889)	0.00%	2,191,546	-62.87%
2010	-	1,508,180	(1,508,180)	0.00%	2,431,733	-62.02%
2011	578,616	1,232,312	(653,696)	46.95%	2,310,423	-28.29%
2012	638,729	1,322,713	(683,984)	48.29%	2,402,950	-28.46%
2013	709,988	1,377,085	(667,097)	51.56%	2,526,409	-26.40%
2014	787,672	1,577,326	(789,654)	49.94%	2,554,283	-30.91%
2015	832,108	1,812,137	(980,029)	45.92%	2,667,712	-36.74%

Kennebunk, Kennebunkport, and Wells Water District
Schedule of Employer Contributions - Post Retirement Medical Plan
For the Years Ended December 31st for the Years Listed

<u>Contribution Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 106,975	71.15%
2008	126,339	60.59%
2009	136,327	29.98%
2010	152,622	7.70%
2011	163,289	372.11%
2012	84,795	79.17%
2013	87,470	79.81%
2014	85,815	100.00%
2015	92,836	100.00%

OTHER SUPPLEMENTARY INFORMATION

Kennebunk, Kennebunkport, and Wells Water District
 Schedule of Changes in Net Position
 For the Year Ended December 31, 2016
 (with comparative totals for the year ended December 31, 2015)

	2016					2015	
	Appropriated			Unappropriated			
	Funded Debt Retired Through Surplus	Mortgage Payment	Water Supply Protection Fund and Restricted Reserves	Contributions in Aid of Construction (CIAC)	Unappropriated	Total	Total
Beginning Balance	\$ 17,141,853	\$ 1,495,000	\$ 752,446	\$ 11,563,052	\$ 5,079,077	\$ 36,031,428	\$ 35,348,576
Net income before CIAC	-	-	1,710	-	1,188,573	1,190,283	752,273
Additions to CIAC	-	-	-	1,136,845	-	1,136,845	182,307
Amortization of CIAC	-	-	-	(260,996)	-	(260,996)	(251,728)
Use of restricted reserves	-	-	(132,000)	-	132,000	-	-
Current year appropriation	-	-	323,268	-	(323,268)	-	-
Loan principal payments	653,581	15,000	-	-	(668,581)	-	-
Ending Balance	<u>\$ 17,795,434</u>	<u>\$ 1,510,000</u>	<u>\$ 945,424</u>	<u>\$ 12,438,901</u>	<u>\$ 5,407,801</u>	<u>\$ 38,097,560</u>	<u>\$ 36,031,428</u>

Kennebunk, Kennebunkport, and Wells Water District
Schedules of Operating Expenses
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Source and Pumping Operations		
Labor	\$ 130,510	\$ 135,161
Officer	9,616	9,788
Pensions and benefits	131,444	131,521
Purchased water	30,908	49,867
Purchased power	236,177	230,774
Transportation expense	(5,155)	(1,426)
Materials and supplies	(41,593)	(32,055)
Contractual services	35,534	34,685
Equipment rental	395	404
Insurance - vehicles	1,444	1,362
Insurance - workers' compensation	1,768	2,186
Total source and pumping operations	<u>531,048</u>	<u>562,267</u>
Source and Pumping Maintenance		
Labor	204,818	191,921
Officer	15,092	13,899
Pensions and benefits	206,284	186,753
Materials and supplies	56,875	66,227
Contractual services	10,878	7,469
Transportation expense	(8,089)	(2,025)
Insurance - vehicles	2,266	1,934
Insurance - workers' compensation	2,774	3,104
Total source and pumping maintenance	<u>490,898</u>	<u>469,282</u>
Water Treatment		
Labor	207,154	204,758
Officer	15,264	14,829
Pensions and benefits	208,637	199,244
Purchased power	18,059	15,506
Materials and supplies	30,962	31,236
Chemicals	141,495	174,269
Contractual services	41,260	25,002
Transportation expense	(8,182)	(2,160)
Insurance - vehicles	2,292	2,063
Insurance - workers' compensation	2,806	3,312
Total water treatment	<u>659,747</u>	<u>668,059</u>

Schedule 6 (Continued)

Kennebunk, Kennebunkport, and Wells Water District
Schedules of Operating Expenses
For the Years Ended December 31, 2016 and 2015

	2016	2015
Transportation and Distribution - Operations		
Labor	\$ 429,803	\$ 441,117
Officer	31,669	31,946
Pensions and benefits	432,879	429,238
Purchased power	11,597	12,707
Materials and supplies	20,639	24,109
Contractual services	3,256	5,001
Transportation expense	(16,975)	(4,653)
Insurance - vehicles	4,755	4,445
Insurance - workers' compensation	5,822	7,135
Total transportation and distribution - operations	923,445	951,045
Transportation and Distribution - Maintenance		
Labor	183,754	197,195
Officer	13,539	14,281
Pensions and benefits	185,069	191,885
Materials and supplies	111,879	102,424
Contractual services	7,092	286,602
Transportation expense	(7,257)	(2,080)
Insurance - vehicles	2,033	1,987
Insurance - workers' compensation	2,489	3,189
Total transportation and distribution - maintenance	498,598	795,483
Customer Accounts Expenses		
Labor	207,064	205,000
Officers	37,350	37,682
Pensions and benefits	229,270	220,200
Materials and supplies	15,722	14,752
Contractual services	159,727	170,187
Transportation expense	(8,178)	(2,163)
Insurance - vehicles	2,291	2,066
Insurance - workers' compensation	3,083	3,660
Bad debt expense	1,507	1,334
Total customer accounts expenses	647,836	652,718

Schedule 6 (Continued)

Kennebunk, Kennebunkport, and Wells Water District
Schedules of Operating Expenses
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Administrative and General Expenses		
Labor	\$ 259,813	\$ 227,387
Officers	165,498	151,214
Pensions and benefits	398,958	343,527
Purchased power	9,085	9,058
Materials and supplies	79,550	91,550
Contractual services	148,460	76,472
Insurance - general liability	48,611	47,692
Transportation expense	(10,261)	(2,399)
Insurance - vehicles	2,875	2,291
Insurance - workers' compensation	5,365	5,710
Miscellaneous expense	<u>33,694</u>	<u>32,349</u>
Total administrative and general expenses	<u>1,141,648</u>	<u>984,851</u>
Operating Expenses before Depreciation	4,893,220	5,083,705
Depreciation Expense	<u>1,195,153</u>	<u>1,110,528</u>
Total Operating Expenses	<u>\$ 6,088,373</u>	<u>\$ 6,194,233</u>

2016 OPERATIONAL REPORT

PERSONNEL

Education:

The District's employees attended several educational meetings and seminars covering many subjects that included:

Electrical Safety	First Aid
Bio-Augmentation	Microsoft Excel
Asset Management	Workplace Safety
Basic Blueprint Reading	Sexual Harassment
Trenchless Technologies	Leadership on Lead
Crane and Rigging Safety	Watershed Protection
Cybersecurity Awareness	Forklift Safety Training
Safe Drinking Water Rules	Work Zone Traffic Control
Writing and Grammar Workshop	Fire Safety and Extinguishers
Planning to Meet Emerging Issues	GIS Technology for Operators
Water Operator Exam Preparatory	Creative Leadership for Managers
Fire Flows and Backflow Prevention	Valve Operation and Maintenance
Water Treatment, GIS & Asset Management	Ladder, Scaffolding & Fall Protection
Distribution System Fire Flow Requirements	Water Microbiology & Bacteria Tests
Regional Solutions for Tomorrow's Challenges	Main Extension and Service Line Rule
Quantifying and Managing Non-Revenue Water	Social Media for Emergency Response
Tank Replacement & Evaluating Storage Facilities	

SERVICES

<u>New Installations</u>	<u>Renewals</u>	<u>Total Active Services</u>
60	69	11,423

METERING

Meters:

Number in service at beginning of year	13,495
New installations	166
Number in service at end of year	13,661

Meters serving seasonal customers are installed in the spring and after removal during the fall are tested then stored for the winter. Area plumbers, along with District personnel, set seasonal meters in a cooperative program 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.

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

	<u>SIZE</u>	<u>2015</u>	<u>ADDED</u>	<u>RETIRED</u>	<u>2016</u>
Deep	20"	75,218			75,218
Deep	16"	111,732	234		111,966
Deep	12"	172,513	13,001		185,514
Deep	10"	108,984	2	2,623	106,363
Deep	8"	324,618	6,854	546	330,926
Deep	6"	150,112	5	2,412	147,705
Deep	4'	20,020		803	19,217
Surface	4"	3,801			3,801
Deep	3"	11,134			11,134
Surface	3"	25,377	110		25,487
Deep	2½"	279			279
Surface	2½"	388			388
Deep	2"	57,985	187	128	58,044
Surface	2"	20,207	29	10	20,226
Deep	1½"	918			918
Surface	1½"	7,062			7,062
Deep	1¼"	3,188			3,188
Surface	1¼"	3,034			3,034
Deep	1"	10,299			10,299
Surface	1"	20,689			20,689
Deep	¾"	2,856			2,856
Surface	¾"	4,065			4,065
		1,134,479	20,422	6,522	1,148,379

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>
--	--	--	5	1	1	22	1	14	1	--

2016 MAINS INSTALLED

<u>TOWN</u>	<u>LOCATION</u>	<u>SIZE</u>	<u>MATERIAL</u>	<u>LENGTH</u>	<u>REMARKS</u>
<u>Arundel</u>	Arundel/Kennebunkport Seasonal Cottage Preserve Kenneth Roberts Way	16"	D.I.	234'	System Improvement
<u>Kennebunk</u>	Doanes Wharf Road	2" 8"	PVC PVC	45' 280'	Main Relay
	Alfred Road	12"	PVC	4,040'	Main Extension
	Holland Road	8"	PVC	70'	Main Relay
	Thompson Road	12"	PVC	902'	Main Extension
	Higgins Drive	12"	PVC	1,498"	Main Extension
	Beach Avenue	12"	PVC	1,137'	Main Relay
	Parsons Beach Road	2" 3"	P.E. P.E.	19' 110'	Seasonal Main Relay
	Spring Street	2" 8"	P.E. PVC	12' 195'	System Improvement
	Salt Meadow Landing	8" 8"	D.I. PVC	40' 660'	Main Extension
	Grove Street	8"	PVC	1,174'	Main Relay
<u>Kennebunkport</u>	Ocean Avenue	12" 12"	D.I. PVC	3' 532'	Main Relay
	Ebbs Cove	8"	PVC	1,080'	Main Extension
	Ocean Avenue	12"	PVC	2,600'	Main Extension
	Windemere Place	8"	PVC	900'	Main Extension
	Seaview Avenue	8"	PVC	850'	Main Extension
<u>Wells</u>	Colby Lane	8"	PVC	250'	Main Extension
	Millbrooke Farm Drive	8"	PVC	666'	Main Extension

2016 MAINS INSTALLED (cont.)

<u>TOWN</u>	<u>LOCATION</u>	<u>SIZE</u>	<u>MATERIAL</u>	<u>LENGTH</u>	<u>REMARKS</u>
<u>Ogunquit</u>	Juniper Lane	2"	CTS P.E.	10'	Seasonal Main Relay
	Shore Road	12"	D.I.	1,230'	Main Relay
	Obeds Lane	8"	D.I.	28'	Main Relay
	Frazier Pasture Road	6"	D.I.	5'	Main Extension
		8"	PVC	120'	
	Route One @ School St.	2"	P.E.	90'	Main Relay
	Route One @ Agamenticus Road	2"	Copper	40'	Main Relay
	Beach Street	8"	PVC	161'	Main Relay
		12"	D.I.	68'	
<u>Biddeford</u>	Mile Stretch Road	10"	D.I.	2'	Main Relay
		12"	PVC	991'	
	Yates Street	8"	D.I.	11'	Main Relay
	Ocean Avenue	8"	PVC	<u>369'</u>	Main Relay
				20,422'	

HYDRANTS - 2016

During 2016, 8 public and 16 private hydrants were installed, 0 public hydrants were abandoned and 1 private hydrant became public, making a total of 724 public and 279 private hydrants in the District's system.

Installations

TOWN	NO.	OWNERSHIP	LOCATION
Arundel	#6-6	Private	Founders Way
	#6-07	Private	Pepperell Way
	#6-5	Public	2493 Portland Road
Kennebunk	#1-180	Private	Salt Meadow Landing
	#1-181	Private	Salt Meadow Landing
	#1-179	Private	Hampton Inn, Freedom Way
	#1-182	Private	Kennebunk High School
	#1-183	Private	Kennebunk High School
	#1-184	Public	Thompson Road
	#1-185	Private	Higgins Drive
	#1-186	Private	Higgins Drive
	#1-187	Private	Higgins Drive
	#1-188	Public	271 Alfred Road
	#1-189	Public	311 Alfred Road
Kennebunkport	#1-190	Public	339 Alfred Road
	#2-33	Public	274 Ocean Avenue
Kennebunkport	#2-39	Public	285 Ocean Avenue
	#2-46	Public	Windemere Place
Wells	#2-71	Private	Ebbs Cove Subdivision
	#4-101	Private	Millbrooke Farm Drive
	#4-97	Private	Avita of Wells
	#4-98	Private	Avita of Wells
	#4-100	Private	Connor Lane
	#4-99	Private	York County Community College

Replacements

TOWN	NO.	OWNERSHIP	LOCATION
Biddeford	#3-21	Public	130 Mile Stretch Road
	#3-24	Public	38 Lester B. Orcutt Blvd.
Kennebunk	#1-85.1	Private	Kennebunk High School
	#1-65	Public	Grove Street
Kennebunkport	#2-30	Public	25 School Street
	#2-54	Public	Summit Avenue @ Ocean Avenue
Ogunquit	#5-32	Public	140 Stearns Road
	#5-23	Public	204 Shore Road
	#5-22	Public	50 Shore Road
	#5-34	Public	Frazier Pasture Road
Wells	#4-25.1	Public	40 Edgewood Road

Abandoned

TOWN	NO.	OWNERSHIP	LOCATION
—	—	—	—

Transferred from Private to Public

TOWN	NO.	OWNERSHIP	LOCATION
Ogunquit	#5054.2	Public	Woodland Hills

MONTHLY PUMPING RECORDS**Gallons Pumped**

		<u>2015</u>	<u>2016</u>
January		54,262,500	46,464,700
February		53,493,100	47,426,500
March		61,913,500	49,588,000
April		61,043,400	60,473,900
May		108,004,400	94,284,700
June		118,896,800	137,530,200
July		164,168,400	176,034,900
August		161,796,500	179,425,100
September		129,238,900	133,439,900
October		82,273,500	95,677,700
November		50,068,600	51,576,400
December		50,229,400	52,902,900
Subtotal	(KKWWD)	1,095,389,100	1,124,824,900
	(Biddeford/Saco)	0	0
	(York Water District)	0	17,900
TOTAL		1,095,389,100	1,124,842,800

MONTHLY SNOW AND RAINFALL

	<u>2015</u>		<u>2016</u>	
	Snow Inches	Rain Inches	Snow Inches	Rain Inches
January	38.0	0.96	12.0	1.60
February	34.6	---	19.8	2.71
March	7.7	.75	3.6	4.10
April	4.1	3.65	5.1	1.34
May	---	0.75	---	2.20
June	---	6.22	---	3.22
July	---	2.59	---	3.12
August	---	4.87	---	2.16
September	---	4.93	---	2.98
October	---	1.56	---	9.10
November	---	3.05	0.2	4.26
December	4.4	3.04	21.1	2.94
Subtotals	88.8	32.37	61.8	39.73
Snow/Liquid Equivalent		8.88		6.18
TOTAL PRECIPITATION		41.25"		45.91"