

Comprehensive Annual Financial Report



Comprehensive Annual Financial Report



**Portland Water District
Portland, Maine**

For The Year Ended December 31, 2012

***Acknowledgements: This report was prepared by the Financial Services
and Public Relations departments at the Portland Water District.***

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Introduction





Portland Water District
FROM SEBAGO LAKE TO CASCO BAY

June 30, 2013

Dear Board of Trustees and Valued Customers:

The Portland Water District is pleased to submit our Comprehensive Annual Financial Report for the fiscal year which ended December 31, 2012.

This report is published to provide the Board of Trustees, customers, bondholders and other interested parties with detailed information concerning the financial condition and activities of the Portland Water District (PWD). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including the disclosures, rests with PWD.

To the best of our knowledge and belief, the information in this report is accurate and organized to fairly present the financial position and results of the operations of PWD as measured by the financial activity of its various funds.

The report is presented in three sections:

1. **Introduction Section**, which includes this transmittal letter, company profile, economic outlook, and major initiatives.
2. **Financial Section**, which includes management's discussion and analysis of 2012 financial activities, the financial statements, and the auditor's report on the financial statements and schedules. Information on long-term financial planning can be found in our budget document on our website.
3. **Statistical Section**, which includes selected operational, demographic, and financial information, generally presented on a historical or regional basis.

PWD's Financial Services Department is responsible for establishing and maintaining an internal control system designed to ensure that assets are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

We hope you find this report informative. If you have questions, please contact us at (207)761-8310 or customerservice@pwd.org.

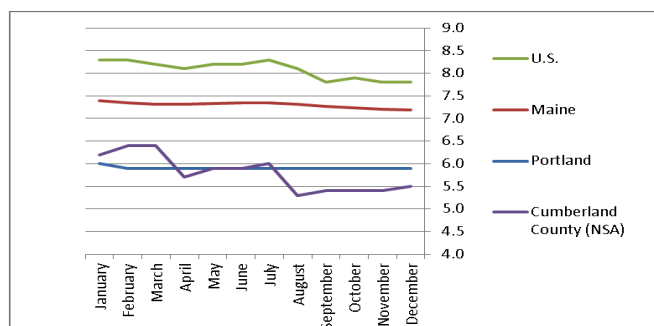


Factors Affecting Financial Condition

Local Economy

In his annual report on the Maine economy, respected University of Southern Maine, Muskie School Economist Charles Colgan says 2012 was very similar to 2011, continuing a very slow recovery from recession. Generally, PWD's service area (Cumberland County) fares much better than the national and state economies.

Employment: Local unemployment remains well below national and state levels and continued to improve throughout the year, shrinking from 6.2% to a 5.5% unemployment rate in Cumberland County.



Housing Market:

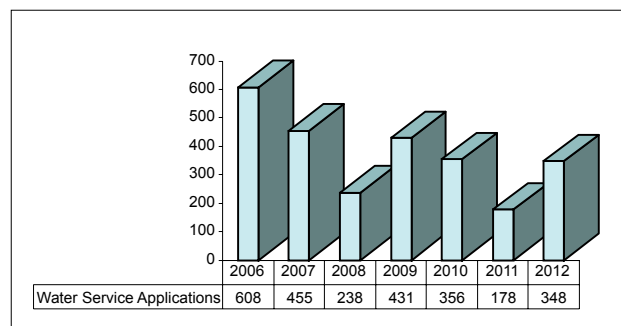
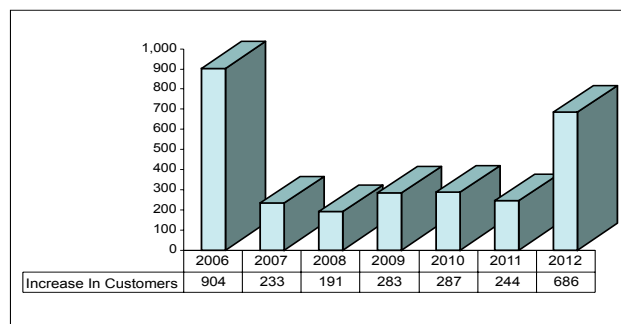


2012 was a positive year for Maine's real estate market. Both sales volume and median selling prices improved over 2011. As the state's largest real estate market, Cumberland County outpaced state growth, enjoying an 18.89% increase in units sold.

For the first time since 2005, new home construction rose statewide, as indicated through building permit data collected by the U.S. Census Bureau. Of the 3001 state-wide building permits in 2012, over 20% were within Cumberland County.

Locally, the Portland Water District has experienced promising growth both in water applications and customers.

After years of meager customer growth, growth in customers soared 1.3% and is back to pre-recession numbers.



Water Consumption: Water consumption is affected by several factors including the economy, weather, conservation efforts, and sewer rates. The summer of 2012 was rainy which may have contributed to a decrease in revenue from outside water usage. The National Weather Service reports 17.87 inches of precipitation fell in Portland during June, July, and August of 2012 which is well above normal levels of 11.10 inches. All these factors could have contributed to a decrease in residential and government water consumption in 2012. However, a rise in industrial water consumption resulted in an incremental increase in overall consumption of 0.24%.

Economic Outlook

There are signs that the nation is poised to grow according to Colgan; however, a full recovery in Maine is not expected until late 2015. But as the indicators above suggest, Portland Water District's service territory (Cumberland County) fares better than the state as a whole and is likely to lead the state in the recovery.

Our Mission

To protect public health, safety, and the environment by providing our customers first-class water, wastewater, and related services.

Our Vision

With our customers' best interest in mind, we will use innovative approaches to become a trusted provider of world-class products and services and a leader in our industry.

We will become a premier employer and a respected community partner.



Our Values

Customer Focus

We listen and respond to customers by providing products and services that our customers want.

Reliable, Valued Products & Services

We are there when our customers need us. We provide products and services our customers cannot live without.

Reasonable Rates

We provide products and services at the lowest rates possible without compromising quality.

Continuous Improvement

We value every effort to continuously review processes and better employee and customer experiences.

Safety

We work safely and provide safe products and services to our customers.

The Environment

We respect our environment and the need to advocate for changes that improve the world we live in.

Expertise

We appreciate individual talents and encourage our employees to expand skills and embrace lifetime learning.

Openness, Respect, & Fair Treatment

We promote an atmosphere that values openness, respect, and fair treatment.

Quality of Life

We provide a working environment that values family, and we provide quality products and services that enrich our customers' lives.

Company Profile

The Portland Water District is an independent, quasi-municipal organization that provides water, wastewater, and related environmental services to 11 Greater Portland communities. Governed by a publicly elected Board of Trustees, PWD maintains eight enterprise funds and two pension trust funds. The Water System Fund accounts for the distribution of water to Greater Portland communities. The Wastewater Funds account for the collection and processing of wastewater for the seven communities served. In accordance with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," PWD is classified as a "primary government."

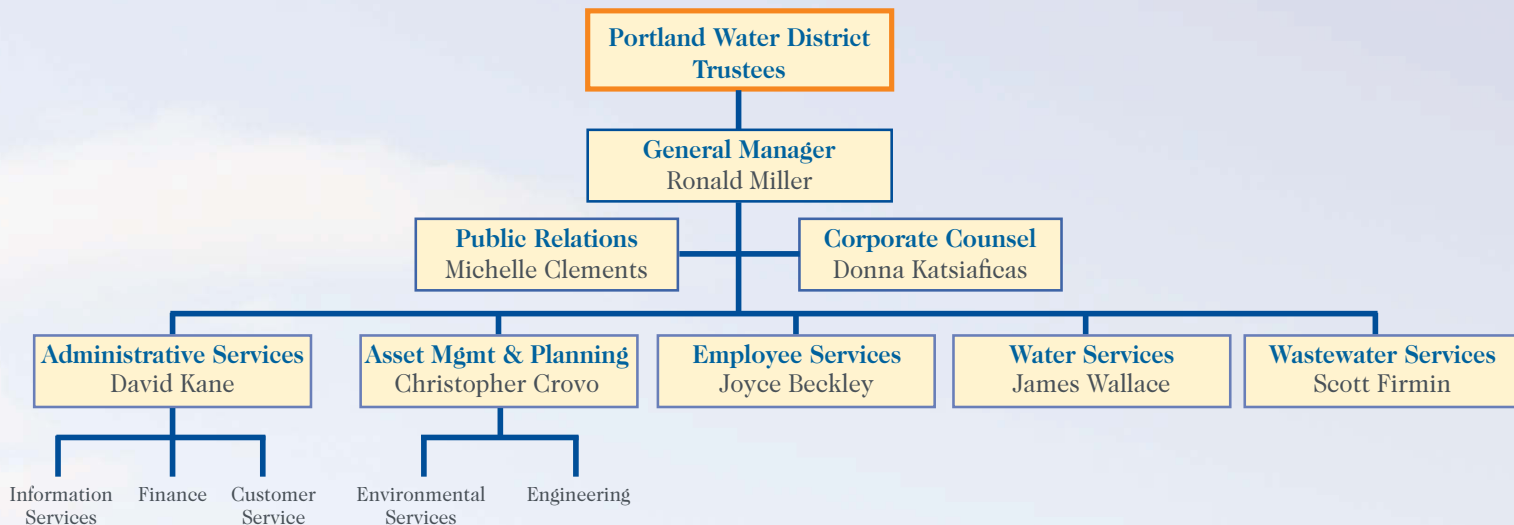
The Portland Water District is responsible for delivering high quality water to nearly 200,000 people and businesses in Greater Portland. Sebago Lake is the water source for over 99 percent of customers; a well in Standish supplies the rest. A strong watershed protection program, powerful water treatment, rigorous laboratory initiatives, and an aggressive approach to maintaining the distribution system are carried out to ensure that responsibility is met.

Due to the active watershed protection program and the quality of Sebago Lake water, PWD holds a state issued waiver from filtration requirements. However, the water is treated with ozone, at the Sebago Lake Water Treatment Facility. Furthermore, water quality experts perform nearly 15,000 analyses and crews renew several miles of water pipe annually to ensure the water is safe and clean.

While PWD is responsible for water service from source to customer, wastewater services are usually delivered through a partnership between the local municipality and PWD. PWD operates four wastewater treatment facilities and through one of the largest Industrial Pretreatment Programs in the state, oversees the industrial waste released into its wastewater system.

Approximately 178 employees provide services to over 52,000 customers. PWD manages \$274.4 million in assets operating over approximately 140 square miles and an annual budget of \$37.0 million. Additionally, PWD manages an \$11.0 million capital improvement plan.

Corporate Management As of 5.20.13



Corporate Officers and Senior Management



Ronald Miller
General Manager



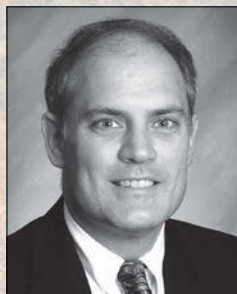
Joyce Beckley
Executive Director
of Employee Services



Christopher Crovo
Executive Director
of Asset Management
and Planning



Scott Firmin
Executive Director
of Wastewater Services



David Kane
Treasurer &
Executive Director
of Administration

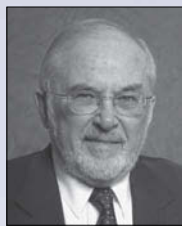


Donna Katsiaficas
Clerk & Corporate
Counsel



James Wallace
Executive Director
of Water Services

Board of Trustees



John Brady
South Portland &
Cape Elizabeth



Bradford Cleaves
Portland



Guy Cote
President
Westbrook



Louise Douglas
Windham &
Raymond



Duane Dreger
Gorham



Kenneth Levinsky
Portland



Gary Libby
Portland



William Lunt, III
Falmouth &
Cumberland



Robert McSorley
Vice President
Scarborough



Wayne Ross
South Portland &
Cape Elizabeth



James Willey
Portland

Corporate History

1866

Great Fire of 1866

1869

Sebago Lake became the source of water for Portland

1908

The Portland Water District was formed

1979

PWD began providing wastewater services to the region

1994

Sebago Lake Water Treatment Facility was constructed

2008

PWD celebrated its centennial

2012

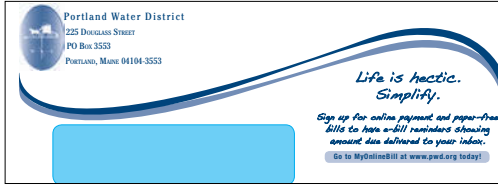
PWD broke ground on UV treatment project

2012 Major Initiatives

Water Rates

Water rates remained unchanged in 2012.

Paperless Billing



A marketing campaign was implemented to increase the total number of customers utilizing the paperless bill option through online billing. For every paperless billing customer, PWD saves \$6.33 annually in postage, bill stock, envelopes, and labor. In 2012, 2,180 customers switched to paperless billing, which equates to a 31% jump.

Sebago Lake Water Source

Keeping Our Forests Green and Our Water Clean

To protect Sebago Lake our efforts concentrate on preserving the forest and reducing pollution.

- Because the Sebago Lake watershed is mostly made up of private property, we work with landowners and local land trusts to keep land forested through conservation easements. A revised Watershed Land Conservation Policy now allows larger contributions by defining support to extend up to 25% of the estimated conservation value for qualifying projects. Our support helped preserve over 100 acres of land around Sebago Lake in 2012.
- Last year, we conducted over 535 site visits and inspections to help reduce erosion and minimize pollution.



- Lakescaping grants contributed nearly \$16,000 in matching grants to implement roughly \$88,000 in water quality improvement projects.



MOU Provides Land for Standish Beach

The Board of Trustees unanimously approved a memorandum of understanding to provide land to Standish for a beach. The location selected by the Standish Beach Committee is on the western shore of the lake, outside the two-mile limit.

Water Treatment and Distribution

Water Treatment Upgrades

In 2012, the Portland Water District broke ground on New England's second largest ultraviolet light treatment facility. The project which is expected to be complete by January 2014 will further protect public health by providing additional barriers to potential contaminants. Federal rules require surface water suppliers to enhance current systems to further treat for possible pathogens like cryptosporidium. Although PWD never detected cryptosporidium during a two-year analysis, there is a risk of contamination. The project will also install new technologies to update the 20-year-old ozone disinfection system. More efficient equipment and a liquid oxygen system will replace a complex and energy-intensive process that creates ozone out of ordinary air.



Somerset Street Water Main Break, Portland



At 7:00 a.m. on December 19, 2012, system operators responded to low pressure alarms and found a significant water main break on Somerset Street in Portland. A nine foot section of the 16" cast iron pipe blew out and flooded the street, draining water from Munjoy Hill. The incident triggered a 24-hour boil order for nearly 4,000 water services on the Portland peninsula. The boil advisory was ordered as a precaution to protect public health in case contaminants were drawn into the water main while water pressure was low.

South Portland Water Main Breaks

An unusual amount of water main breaks in South Portland during a three-week period prompted an internal investigation into possible causes. A review of external factors, system conditions, and activities revealed direct causes of three leaks. The majority of leaks could not be linked to direct causes.

Water Main Replacement Improves Water Quality and Reliability

Last year, over three miles of water mains were replaced, some dating back to the late 1800s. Because of investments in main replacement, reported leaks have been reduced in the last 10 years. In 1985 the Portland Water District repaired over 250 water main and service line breaks. In 2012, crews responded to 106 leaks, 75 of those were water main breaks. This equates to 7.5 water main breaks per 100 miles of pipe which is well below the national standard of 25-30 breaks per 100 miles of pipe.



2012 Water Main Replacement Projects

City	Street	Length (ft)
Cape Elizabeth	Starboard Lane	260
	Scott Dyer, Smugglers	2,370
Falmouth	Ledgewood Loop	300
	Falmouth Road	3,000
Portland	Washington Avenue, Presump. to Iverness	1,150
	Washington Ave, Auburn to Reagan Lane	2,600
	Allen Ave	1,000
	Belfort Street	800
Scarborough	Dunstan Corner	1,800
South Portland	Ocean Street	2,990
Westbrook	County Road	1,200
Total Replacement		17,470

Standish Water Tank: Data from a two-year pilot indicates a solar powered mixer has been successful at improving water quality in the tank by preventing stratification.

Wastewater

East End Wastewater Treatment Facility



Biosolids Management: Operational processes and capital investments have improved the consistency and quality of biosolids. Improvements have decreased the volume of biosolids by over 20%, reduced the number of truck-trips required, and allowed 25% of biosolids to be composted. Direct savings related to hauling the biosolids are over \$200,000 per year when compared to 2010.



Energy efficiency: The plant's heating system was converted to natural gas, which is expected to save more than \$200,000 a year over the cost of heating

oil. Window replacement and other building improvements have reduced energy consumption for building heating by an estimated 20%.



Odors: An increase in odor complaints occurred in late summer of 2012. In response, an odor control expert was engaged to identify the most likely odor

sources and make recommendations to further manage odors. The report indicated that current odor control systems are operating successfully and provided recommendations. An odor management plan is being created, and an avenue for public notification was developed.

Interception and Pump Stations

- Design began on an upgrade to the Garden Circle Pump Station in Cape Elizabeth. This station has reached the end of its useful life and is subject to flooding during extreme high tides. The new station will include submersible equipment that continues to perform during flooding.

- We continue to assist the Cities of Westbrook and Portland with the monitoring and reporting of combined sewer flows.
- In 2012, the Maine Department of Environment Protection added responsibility for the City of Westbrook's combined sewer overflow program to PWD's Westbrook Treatment Plant permit.
- Infiltration and inflow of storm water is being investigated in Cape Elizabeth (including a small section of South Portland), the town of Cumberland, Peaks Island, and other sections of the collection system. This work is supported by the ongoing program to annually "televise" 10% of the collections and interception system operated by PWD.

Sewer Service to be Extended on Peaks Island

Design was completed on a \$3.7 million project to extend sewer services on Peaks Island and improve plant capacity by reducing infiltration and inflow. Construction is expected to begin in 2013.



Corporate Goals

Goal 1



Public Health

Provide products and services that meet all federal, state and local quality standards.

- Construct UV treatment and ozone upgrade system
- Integrate IPT program into asset management system

Goal 2



Public Safety

Design and maintain the water system to meet modern firefighting needs.

- Complete 2nd year of revised Winter Hydrant Inspection Program
- Continue to improve communication between PWD and metro fire chiefs

Goal 3



Environment

Promote sustainability of natural resources in Casco Bay watershed.

- Combined Sewer Overflow project assistance to municipalities
- Manage facilities to meet effluent goals
- Develop and implement an odor control plan at the EEWTF

Goal 4



Reliability

Provide products and services that meet all reasonable customer expectations.

- Main investments
- Investigate methods to determine extent of hot soils in leak areas
- Develop framework for long-term facilities maintenance plan
- Continue implementation of next generation spatial tools and accessibility of service-associated assets
- Create ww pump station design standard

Goal 5

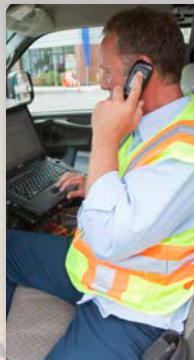


Affordability

Balance delivery of products and services with customers' ability to pay.

- Budget expense targets not exceeded
- Review use of premium pay
- Review energy audit and identify areas for efficiency
- Hold water rate change not to exceed 1.5%

Goal 6



Employees and Work Environment

Well trained and satisfied employees will work in a safe and productive work environment.

- Conduct biennial Employee Satisfaction Survey
- Maintain an average of 80 hours per year of training per employee
- Implement wastewater apprentice program
- Improve safety related data collection mechanisms and expand safety focus within managerial performance appraisal process

Recognition and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence to the Portland Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards of preparation of the state and local government's financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Portland Water District
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell
President

Jeffrey R. Emswiler
Executive Director

Distinguished Budget Presentation Award –
GFOA

2012 Exemplary Source Water Protection Award -
American Water Works Association

Exceptional Watershed Control Program -
Department of Health and Human Services

Fluoride Proficiency Award -
Maine Bureau of Health

Service Leadership Award -
Maine Wastewater Control Association

Lab achieves perfect score on annual performance testing.
As a condition of state certification, PWD laboratories are required to participate in annual testing. To maintain certification, labs must correctly analyze water samples with contaminants of unknown concentration.

Independent Audit

PWD's Charter requires an annual audit of the accounts. The independent accounting firm of Macpage LLC was selected by PWD Trustees to conduct the audit for 2012. Macpage LLC's report is included in the financial section of this report.

Ronald Miller

Ronald Miller
General Manager

David M. Kane

David M. Kane
Executive Director of Administration

ACKNOWLEDGMENTS: THIS REPORT WAS PREPARED BY THE FINANCE AND PUBLIC RELATIONS DEPARTMENTS AT THE PORTLAND WATER DISTRICT.



Independent Auditors' Report

Board of Trustees
Portland Water District
Portland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of Portland Water District (the District), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the contents page.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Portland Water District, as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Macpage LLC

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macpage.com

An Independently Owned Member, McGladrey Alliance

McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client arrangements, delivery of services and maintenance of client relationships.

To the Board of Trustees
Portland Water District

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 13 - 25 and Schedules of Funding Progress for the Pension Plan, Employer Contributions and Other Postemployment Benefit Plan (OPEB) on pages 62 and 63 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Portland Water District's financial statements as a whole. The introductory section and statistical tables are presented for the purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macpage LLC

South Portland, Maine
May 24, 2013

Portland Water District
Management's Discussion and Analysis
Year Ended December 31, 2012

Introduction of the Financial Statements

Overview of Financial Report

The Portland Water District (the District) is a quasi-municipal organization providing water and wastewater services. The District uses eight proprietary funds which are financed and operated in a manner similar to private businesses and one pension trust fund. The District's Water Fund serves eleven towns and cities in the greater Portland, Maine area. The District's seven Wastewater Funds serve the following Maine municipalities: Cape Elizabeth, Cumberland, Falmouth, Gorham, Portland, Westbrook and Windham.

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

The District's basic financial statements include the:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Fund Net Position
- Statement of Cash Flows
- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes of the Financial Statements

Financial Highlights

Net Position before Contributions increased \$2.18 million in 2012, an increase of \$0.47 million from the \$1.71 increase in 2011. The change was primarily because of a small increase in assessment revenue paid by wastewater communities.

Non-Depreciation Operating Expense – Labor rose (\$0.21 million) due to pay rate increases, Contracted Services were up (\$0.33 million) because of an increased volume of work done by outside contractors and Power costs were lower (\$0.47 million) due to decreases in the rates for energy. Overall, the District had a 1.3% (\$0.32 million) increase in non-depreciation operating expense.

Capital Assets (\$244.24 million) decreased 0.2% in 2012. The overall additions in Utility Property and Construction in Progress were just below the level of growth in Accumulated Depreciation.

Water Treatment Upgrade – In 2010, the District began a multi-year project to upgrade its water treatment plant. The project, on which the District will spend \$12.0 million through 2014, will add an additional disinfection process (ultraviolet light) to the current ozone process as well as update other treatment equipment. The project will be funded via the issuance of long term debt.

Fund Revenues – Water rates were last increased (1.9%) in May 2011. Metered water usage was relatively unchanged in 2012 resulting in the Water Fund's operating revenue increasing only 0.7% (\$0.15 million). Overall operating revenue was up \$0.58 million due to Wastewater Assessment increases.

Items of note regarding the District's Statement of Net Position included:

- Current Assets increased and Current Liabilities decreased. The District's current ratio increased from 2.39 in 2011 to 2.92 in 2012.
- Capital Assets represented the vast majority of all assets (89.0%). This ratio is consistent with prior years. In addition, Long Term Debt (non-current) accounted for a majority (82.3%) of all liabilities. This number is relatively unchanged from the prior year and is in line with the historical average.

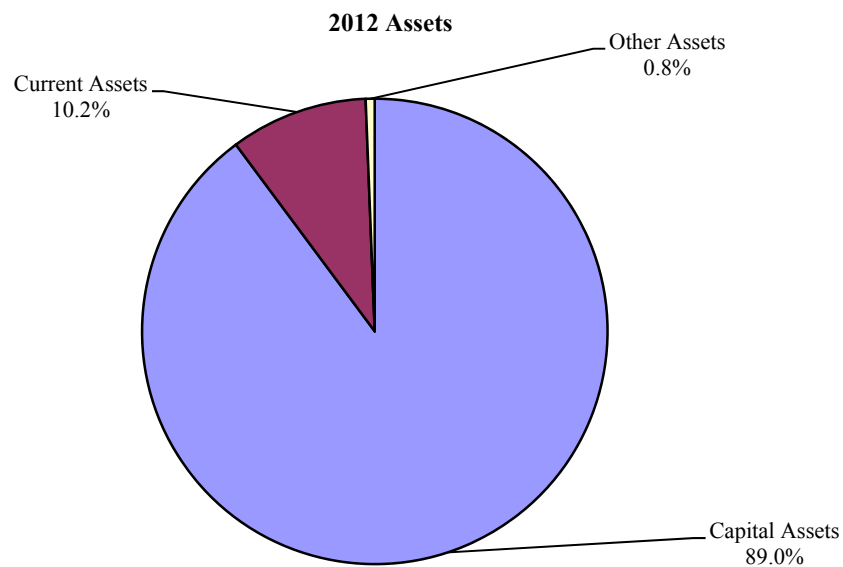
Portland Water District
Management's Discussion and Analysis
Year Ended December 31, 2012

Comparison of Financial Statements for Current and Prior Years

Statement of Net Position (Condensed)

	2012	2011	Diff	Diff %
Current Assets	\$ 27,949,708	\$ 26,035,727	\$ 1,913,981	7.4%
Capital Assets	244,242,000	244,781,386	(539,386)	-0.2%
Other Assets	2,180,567	1,702,183	478,384	28.1%
Non-Current Assets	246,422,567	246,483,569	(61,002)	0.0%
Total Assets	\$274,372,275	\$272,519,296	\$ 1,852,979	0.7%
Current Liabilities	\$ 9,567,830	\$ 10,881,281	\$(1,313,451)	-12.1%
Long Term Debt/Payables	50,981,297	52,444,971	(1,463,674)	-2.8%
Other Non-Current Liabilities	1,377,865	1,430,906	(53,041)	-3.7%
Non-Current Liabilities	52,359,162	53,875,877	(1,516,715)	-2.8%
Total Liabilities	\$ 61,926,992	\$ 64,757,158	\$(2,830,166)	-4.4%
Net Position:				
Net investment in capital assets	\$188,919,054	\$186,673,502	\$ 2,245,552	1.2%
Unrestricted	23,526,229	21,088,636	2,437,593	11.6%
Total Net Position	\$212,445,283	\$207,762,138	\$ 4,683,145	2.3%
Total Liabilities and Net Position	\$274,372,275	\$272,519,296	\$1,852,979	0.7%

District Assets



**Portland Water District
Management's Discussion and Analysis
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Current Assets

Current Assets increased \$1.91 million (7.4%) in 2012 due in most part to the increases in cash and receivables related to the 2012 \$2.18 million increase in Net Position before Contributions (total revenues less total expenses). The Water Fund attributed for most of this increase (\$2.11 million) while the net increase for all of the Wastewater Funds was \$65,494.

Capital Assets

Capital Assets had little net change between 2012 and 2011 (a decrease of -0.2%). Decreases in Utility Property and Construction Work in Progress were offset by an increase in the Accumulated Depreciation:

	Additions	Reductions	Net Change
Utility Property	\$8,009,593	\$(1,717,202)	\$ 6,292,391
Construction in Progress	1,420,489	(815,492)	604,997
Accumulated Depreciation	(8,966,259)	1,529,486	(7,436,774)
	<u>\$ 463,823</u>	<u>\$(1,003,208)</u>	<u>\$ (539,386)</u>

Of the \$8.00 million in additions to Utility Property, a large majority (\$6.77 million) were in the Water Fund. The major additions, by type, for 2012 were:

- \$4.84 million, water distribution mains
- \$0.81 million, water services
- \$0.56 million, wastewater pump station equipment
- \$0.45 million, wastewater treatment plant equipment

The reductions to Utility Property (\$1.72 million) were also mostly related to reductions in the Water Fund (\$1.69 million). These included vehicles (\$0.45 million), power equipment (\$0.28 million) and office furniture & equipment (\$0.23 million).

Construction in Progress increased by \$0.60 million 2012. The majority of the outstanding dollars (\$1.18 million) involved construction related to the upgrades being done at the Sebago Lake Water Treatment facility.

The Accumulated Depreciation grew 4.3% (\$7.4 million) in 2012 as District assets are depreciated over their expected lifetimes. The largest groups depreciated in 2012 were water distribution mains (\$1.89 million) and wastewater interceptor structures (\$1.08 million).

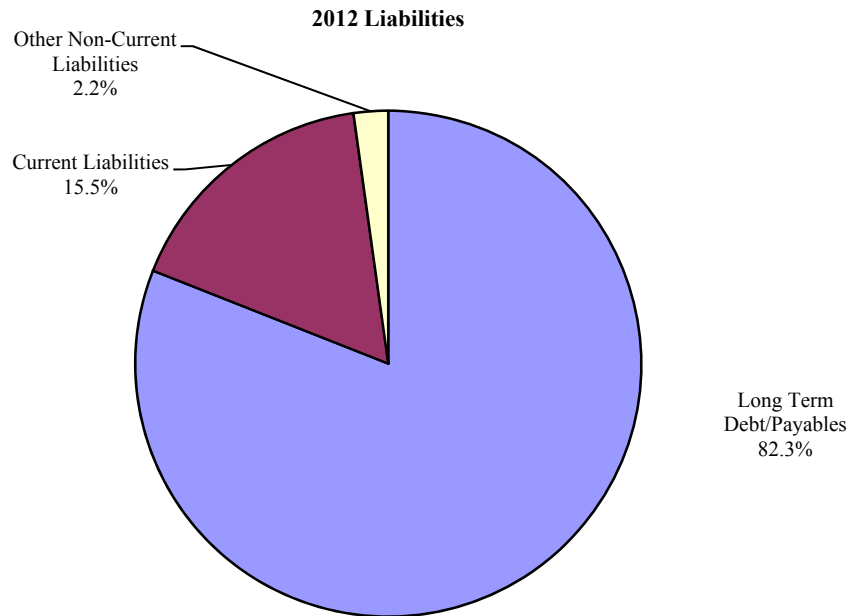
For more detail please refer to Note 3 (Capital Assets) of the Financial Statements.

Other Assets

Other Assets increased by 28.1% (\$0.48 million) in 2012. Preliminary Surveys, a category that holds items such as the design costs of upcoming capital projects, grew by \$0.67 million 2012 due to charges related to the upcoming UV Treatment project.

**Portland Water District
Management's Discussion and Analysis
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District Liabilities



Current Liabilities

<u>Description</u>	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Current Portion – Long Term Debt	\$ 4,687,279	\$ 5,866,423	\$ (1,179,144)	-20.1%
Accounts Payable & Accrued Payroll	3,724,992	3,860,669	(135,677)	-3.5%
All Other Current Liabilities	1,155,559	1,154,189	1,370	0.1%
	<u>\$9,567,830</u>	<u>\$10,881,281</u>	<u>\$ (1,313,451)</u>	<u>-12.1%</u>

Current Liabilities decreased \$1.31 million between 2011 and 2012 due in most part to the decline in the balance of the Current Portion of Long Term Debt (\$1.80 million). Overall, the District's Long Term Bonded Debt was reduced as debt retired exceeded the new debt issued.

Portland Water District
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Long Term Debt/Payables

This category consists of general obligation bonds and notes payable:

Bonded Debt:	Beginning	Additions	Reductions	Adjusted	Ending
Water	\$27,387,760	\$3,130,000	\$(3,574,944)	\$ -	\$26,942,816
Wastewater:					
Cape Elizabeth	2,510,750	160,000	(126,250)	-	2,544,500
Cumberland	93,750	-	(6,250)	-	87,500
Gorham	4,979,642	-	(314,987)	(701)	4,663,954
Portland	16,906,493	-	(1,439,354)	(49,869)	15,417,270
Westbrook	4,502,923	-	(302,986)	(2,512)	4,197,425
Windham	1,718,236	-	(101,652)	(72)	1,616,511
Total Bonded Debt	\$58,099,554	\$3,290,000	\$(5,866,423)	\$ (53,154)	\$55,469,976
(Less Current Portion)	(5,866,423)				(4,687,279)
Non-Current	\$52,233,131				\$50,782,697
 Notes Payable:					
Wastewater:					
Windham	\$ 225,080	\$ -	\$(13,240)	\$ -	\$ 211,840
Total Notes Payable	225,080	\$ -	(13,240)	\$ -	211,840
(Less Current Portion)	(13,240)				(13,240)
Non-Current	\$ 211,840				\$ 198,600
 Non-Current Long Term Debt	\$52,444,971				\$50,981,297

During 2012, the balance of Long Term Debt/Payables decreased from \$52.44 million to \$50.98 million. Bonded debt had additions (new debt) of \$3.29 million. The reductions were mostly related to bond payments but also included \$53,154 in debt forgiveness due to refinancing by the Maine Municipal Bond Bank. Notes Payable had no additions in 2012 just payments of \$13,240.

For more detail please refer to Note 3 (Long Term Debt) of the Financial Statements.

Other Non-Current Liabilities

Other Non-Current Liabilities (which decreased 3.7% in 2012) has two major components, deposits from outside contractors and a liability for vacation/sick time due to employees.

The District takes deposits from outside contractors to inspect assets that ultimately become contributed property to the District. The recent economic slowdown has resulted in less construction by outside contractors and fewer deposits being received. At the same time, older deposits from more robust economic times were cleared. The result in 2012 was a \$0.06 million or 9.2% reduction in deposits.

The District carries a liability for the dollar value of vacation time accrued but not taken by employees. In addition upon retirement, employees receive a portion of their unused sick time. This liability increased 1.0% in 2012.

Portland Water District
Management's Discussion and Analysis
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Statement of Revenues, Expenses & Changes in Net Position (Condensed)

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Operating Revenue	\$ 37,306,198	\$ 36,724,183	\$ 582,015	1.6%
Non-Operating Revenue	101,129	197,429	(96,300)	-48.8%
Total Revenues	37,407,327	36,921,612	485,715	1.3%
Depreciation Expense	8,236,258	8,286,124	(49,866)	-0.6%
Non-Depreciation Operating Expense	25,494,988	25,179,667	315,321	1.3%
Operating Expense	33,731,246	33,465,791	265,455	0.8%
Non-Operating Expense	1,498,410	1,749,588	(251,178)	-14.4%
Total Expenses	35,229,656	35,215,379	14,277	0.0%
Change in Net Position before				
Contributions	2,177,671	1,706,233	471,438	27.6%
Contributions	2,505,474	1,269,094	1,236,380	97.4%
Change in Net Position	4,683,145	2,975,327	1,707,818	57.4%
Beginning Net Position	207,762,138	204,786,811	2,975,327	1.5%
Ending Net Position	\$212,445,283	\$207,762,138	\$4,683,145	2.3%

Operating Revenue

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Metered Water Revenue	\$18,200,465	\$18,126,404	\$ 74,061	0.4%
Wastewater Assessments	16,530,792	16,100,680	430,112	2.7%
Public & Private Fire Protection	2,019,968	1,999,619	20,349	1.0%
Other Operating Revenue	554,973	497,480	57,493	11.6%
Total Operating Revenue	\$37,306,198	\$36,724,183	\$582,015	1.6%

Metered Water Revenue (\$18.20 million) - The District's metered customers are billed monthly. The billing includes a minimum charge (based on the size of the meter) for the first hundred cubic feet (HCF) of water and a charge for each additional HCF of water used. Metered water rates are regulated by the State of Maine's Public Utilities Commission. In May 2011, rates increased an average of 1.9% over the rates that had been in place the previous year. There was no rate increase in 2012 and consumption was relatively flat (an increase of 0.24%).

Wastewater Assessments (\$16.53 million) - These assessments are paid by the local municipalities to the District for wastewater services (interception, treatment, and contracted services) provided. Wastewater assessments are set annually by the District's governing board. The increase in 2012 was due mostly to the growth in Cape Elizabeth (\$203,556) to support the newly issued debt that funded recent capital improvements and Portland which in 2011 had returned \$200,000 in operating surplus to the City.

Public and Private Fire Protection (\$2.02 million) - This revenue includes charges to local municipalities for water capacity available for public firefighting needs as well as for private sprinkler systems. These charges are regulated by the State of Maine's Public Utilities Commission. Rates for Public Fire Protection and Private Fire Protection increased an average of 1.9% in May 2011; there was no increase in 2012.

Other Operating Revenue (\$0.57 million) – Revenue in this category includes interest charges and late fees on Water Fund receivable balances as well as income charged to septage haulers for dumping at wastewater treatment facilities. The increase in this item in 2012 was higher revenue in the Water Fund for customer penalties and new account set-up fees.

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Operating Revenue by Fund

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Water	\$20,537,921	\$20,392,638	\$ 145,283	0.7%
Wastewater:				
Cape Elizabeth	1,293,540	1,089,984	203,556	18.7%
Cumberland	712,800	702,264	10,536	1.5%
Falmouth	15,012	15,012	-	0.0%
Gorham	1,101,601	1,080,843	20,758	1.9%
Portland	10,617,890	10,435,698	182,192	1.7%
Westbrook	2,672,646	2,653,395	19,251	0.7%
Windham	354,788	354,349	439	0.1%
	<u>\$37,306,198</u>	<u>\$36,724,183</u>	<u>\$582,015</u>	<u>1.6%</u>

For the Water fund, Operating Revenue primarily consists of metered water consumption and fire protection services. As noted earlier, water rates were unchanged since May 2011 and usage was flat.

In the Wastewater funds, the largest component of Operating Revenue is the wastewater assessments. Assessments were increased in Cape Elizabeth, Cumberland and Gorham, to cover increased debt service and/or operating costs. Portland's assessment income was higher because the one time return of \$200,000 of surplus that was done in 2011 which was netted against income, was not repeated in 2012.

In addition, some Wastewater funds receive income from septage haulers dumping loads at the treatment plants. Income from septage at the Westbrook Regional Wastewater Treatment Facility, which also services Gorham and Windham, was up while income at the East End Wastewater Treatment Facility (which serves Portland) was down. The changes were due to changes in volume dumped at each plant.

Non-Operating Revenue

Non-Operating Revenue, which comes from Interest Income and Miscellaneous Income, was down \$96,300.

Part of Miscellaneous Income is an offset for costs incurred when disposing of operating property. In 2012, these costs were higher than normal due to expenses related to the retirement of a water main at Marine Terminal in Portland of approximately \$100,000.

Interest Income dropped from \$95,787 in 2011 to \$83,934 in 2012. The principal objective of the District's investment policy is safety while attaining an appropriate rate of return. The continued decline in interest rates during 2012 was reflected in the lower income experienced by the District.

	<u>2012</u>	<u>2011</u>	<u>Diff %</u>
Average Rate of Return	0.32%	0.43%	-.11%

Depreciation Expense

Depreciation Expense went from \$8.29 million in 2011 to \$8.24 million in 2012, a decrease of 0.6%. The four largest asset groups accounted for over half the expense for the year:

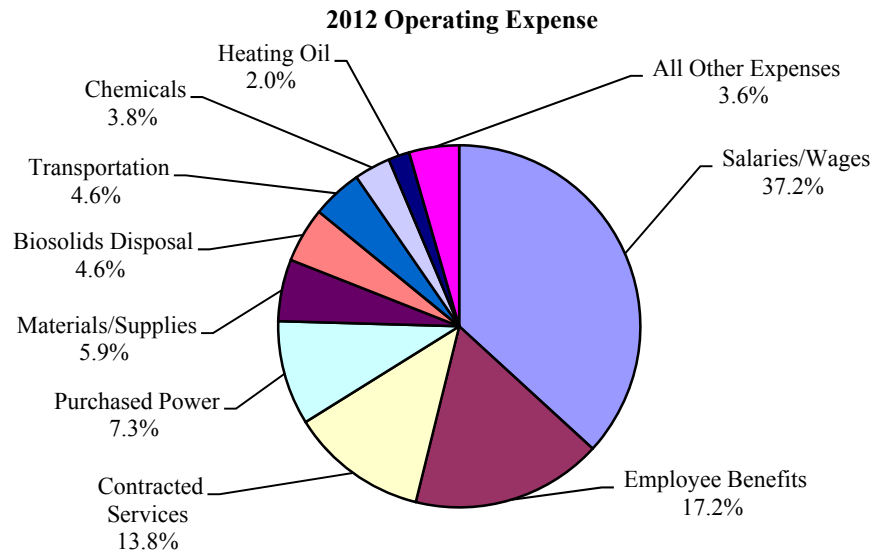
- Water Distribution Mains (\$1.89 million)
- Wastewater Interceptor Structures (\$1.08 million)
- Wastewater Treatment Plant Structures (\$0.90 million)
- Wastewater Treatment Plant Equipment (\$0.87 million)

For more detail please refer to Note 3 (Capital Assets) of the Financial Statements.

Portland Water District
Management's Discussion and Analysis
Year Ended December 31, 2012

Non-Depreciation Operating Expense

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Salaries/Wages	\$ 9,476,819	\$ 9,268,982	\$207,837	2.2%
Employee Benefits	4,390,669	4,293,696	96,973	2.3%
Contracted Services	3,511,719	3,089,153	329,496	10.4%
Purchased Power	1,871,944	2,348,734	(476,790)	-20.3%
Materials/Supplies	1,508,787	1,389,315	119,472	8.6%
Biosolids Disposal	1,174,262	1,237,173	(62,911)	-5.1%
Transportation	1,163,351	1,135,215	28,136	2.5%
Chemicals	980,640	817,722	162,918	19.9%
Heating Oil	500,248	474,871	25,377	5.3%
All Other Expenses	916,549	1,124,806	(115,187)	-11.2%
	<u>\$25,494,988</u>	<u>\$25,179,667</u>	<u>\$315,321</u>	<u>1.3%</u>



Portland Water District
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Non-Deprecation Operating Expense Category Explanations

Salaries/Wages – Salaries and Wages expense increased 2.2% (\$207,837). Regular wages increased \$270,329 (3.2%); this change was in part due to the labor rate increase of approximately 2.0%. Also, there were fewer open positions and employees out on leave in 2012.

Employee Benefits – The cost of employee benefits increased 2.3% (\$96,973) in 2012. There was an increase in health insurance premiums of 5.0% and FICA increased by 3.0% due to the pay rate increase and fewer open positions. Other benefit costs have remained relatively flat.

Contracted Services – This category, which includes services provided to the District by outside vendors increased 10.4% (\$329,496) in 2012. Construction costs increased \$93,503 in 2012 due to increased valve box work and some large main repairs as well as right-of-way clearing, drainage and erosion repair not done in recent years. Legal costs rose \$80,766 from additional costs incurred from the union contract negotiations and legislative work. Other increases included costs related to the hiring of temporary employees.

Purchased Power – Power costs decreased 20.3% (\$476,790). Energy rates decreased significantly with a new energy contract in 2012. Large accounts saw about a 28% decrease, while medium accounts saw roughly an 18% drop in rate. There was also a decrease of about \$60,000 in Forward Capacity charges.

Materials/Supplies – Expenses in this group include parts and supplies (including vehicle fuel) purchased directly from outside vendors or items drawn out of the District's inventory stockroom. The expense is made up of thousands of individual purchases and stock issuances; the annual expense varies depending on the volume and types of repairs/maintenance being performed. In 2012, this expense category was up 8.6% (\$119,472). Some items purchased included repair parts for the odor control system at the East End Treatment Facility and hydrant parts needed to repair hydrants discovered during the hydrant inspection program.

Biosolids Disposal – The District contracts with an outside vendor to remove and dispose of biosolids from its wastewater treatment facilities. Biosolids disposal expenses decreased in 2012 by 5.1% (\$62,911). The amount of material (wet tons) deposited decreased 7.4% while the disposal rate increased slightly.

Transportation – Transportation costs are charged to operating and capital projects based on vehicle usage and a predefined hourly rate for each class of vehicle. The sum of these charges equals the cost of operating the vehicle fleet as well as depreciation and debt service on those vehicles. Charges for District owned vehicles were up \$28,136 (2.5%) from last year due to higher usage.

Chemicals – Overall chemical costs were up \$162,918 (19.9%) in 2012. Changes to the disinfection process at the East End Wastewater Treatment Facility involved an increased use of sodium hypochlorite and sodium bisulfite. In addition, the cost of those chemicals also increased by 4% and 16%, respectively. Polymer costs increased by about \$63,000 due to higher usage to improve biosolids dewatering.

Heating & Fuel Oil – Heating oil costs increased 5.3% (\$25,377) largely due to an increase in the per-gallon price at the Water Fund's treatment facility of about 38%. The Douglass St. office oil consumption returned to a more normal level following a low-usage year in 2011.

Other Expense – This category includes items such as other utilities (water, wastewater, telephone), preliminary surveys, insurance and regulatory expense. Costs for the Comprehensive Water Systems Study and CIS Study were in their final year of write-offs in 2011 leading to a savings of \$118,000 in 2012. A decrease in the number of customer bankruptcies resulted in \$23,000 decrease in bad debt expense.

Portland Water District
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Operating Expense by Fund

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Water	\$17,563,306	\$16,994,541	\$568,765	3.3%
Wastewater:				
Cape Elizabeth	1,441,252	1,500,176	(58,924)	-3.9%
Cumberland	864,557	840,036	24,521	2.9%
Falmouth	28,302	28,667	(365)	-1.3%
Gorham	945,860	935,626	10,234	1.1%
Portland	10,437,416	10,634,215	(196,799)	-1.9%
Westbrook	2,232,688	2,289,300	(56,612)	-2.5%
Windham	217,865	243,230	(25,365)	-10.4%
	<u>\$33,731,246</u>	<u>\$33,465,791</u>	<u>\$ 265,455</u>	<u>0.8%</u>

Expenses in the Water fund were up (3.3%) due to higher labor rates and higher costs for contracted services such as contractor construction, legal costs, and temporary employees. Cape Elizabeth expenses decreased 3.9% as staffing levels returned to more normal levels with the 2012 conclusion of the treatment plant and pump station upgrades. Expenses in Cumberland were up 2.9% due to higher costs charged by the Town of Falmouth for wastewater treatment because Cumberland's percentage of total flows at the plant increased in 2012. Windham's costs, which increased 11.2% last year due to maintenance and repair issues in 2011, returned to more typical levels with a decrease of 10.4%. All other funds had relatively small increases (Gorham) or decreases (Falmouth, Portland and Westbrook).

Non-Operating Expense

This item is primarily made up of Interest & Amortization Expense and the (Gain)/Loss on the Sale (Retirement) of Operating Property. The decrease in Interest/Amortization expense of 5.4% was due to the reduction in debt outstanding and the retirement of debt with higher interest rates. Losses relating to the Sale (Retirement) of Operating Property dropped in 2012 by \$162,249. During 2011 the retirement of treatment equipment at the East End Wastewater Treatment Facility that was not fully depreciated resulted in an overall loss for the year. In 2012, the sale of surplus land resulted in a District wide gain on disposal.

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Interest/Amortization Expense	\$1,562,100	\$1,651,029	\$(88,929)	-5.4%
(Gain)/Loss on Sale (Retirement)	(63,690)	98,559	(162,249)	-164.6%
	<u>\$1,498,410</u>	<u>\$1,749,588</u>	<u>\$(251,178)</u>	<u>-14.4%</u>

Contributions

Contributions are non-exchange transactions in which the District takes ownership of fixed assets constructed and/or paid for by outside parties. The dollar values of the contributions were recovering from a previous low in 2011.

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Water Distribution Mains	\$1,735,559	\$ 639,195	\$1,096,364	171.5%
Water Services	199,772	102,497	97,275	94.9%
Hydrants	92,940	47,289	45,651	96.5%
Water Meters	92,750	75,113	17,637	23.5%
Other Water Contributions	46,334	-	46,334	n/a
Wastewater Equipment	338,119	405,000	(66,881)	-16.5%
	<u>\$2,505,474</u>	<u>\$1,269,094</u>	<u>\$1,236,380</u>	<u>-60.4%</u>

Portland Water District
Management's Discussion and Analysis
Year Ended December 31, 2012

Overall Financial Position

To determine the change in the District's financial position in the past year, we have focused on two elements: Financial Ratios and Revenue Stability.

Financial Ratios

Two of the key financial ratios for analyzing the District's financial position are the Current Ratio and the Debt Coverage Ratio. The Current Ratio (Current Assets divided by Current Liabilities) measures an organizations ability to meet short-term obligations. The Debt Coverage Ratio (Net Operating Income/Total Debt Service) shows an organizations ability to meet debt service payments.

Current Ratio

	<u>2012</u>	<u>2011</u>
Current Assets	\$27,949,708	\$26,035,727
Current Liabilities	\$ 9,567,830	\$10,881,281
Current Ratio	2.92	2.39

Debt Coverage Ratio

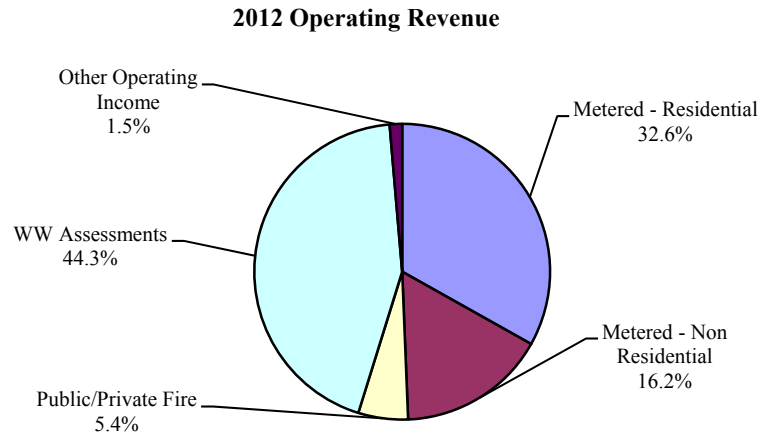
	<u>2012</u>	<u>2011</u>
Operating Revenue	\$37,306,198	\$36,724,183
Interest Income	83,934	95,787
Misc Income	17,195	101,642
Gain (Loss) on Sale	63,690	(98,559)
Gross Revenues	37,471,017	36,823,053
Operating Expense	33,731,246	33,456,791
Total Depreciation Expense	(8,236,258)	(9,016,124)
Expenses	25,494,988	24,440,667
Net Available – Debt Service	\$11,976,029	\$12,382,386
Principal Payments	5,866,423	5,947,030
Interest and Amortization Expense	1,562,100	1,651,029
	\$ 7,428,523	\$ 7,598,059
Coverage Ratio	1.61	1.63

As with the Current Ratio, the comparatively small change in this ratio indicates a constant and steady financial situation which allows the District to be able to support payments on its long term debt.

**Portland Water District
Management's Discussion and Analysis
Year Ended December 31, 2012**

Revenue Stability

Most of the District's Operating Revenue (98.5% in 2012), came from three sources: Metered Water Revenue, Wastewater Assessments, and Public/Private Fire Protection charges. The revenue is provided by a large/diverse group of customers (Metered Water and Private Fire) or by the municipalities in the District's service area (Wastewater Assessments or Public Fire).



Metered Water Revenue (48.8%) – Metered water rates are regulated by the State of Maine's Public Utility Commission (PUC). The PUC approves rates that allow the District to maintain operations and pay debt service. The District had 51,296 metered customers at the end of 2012; the largest ten only represented 11.6% of metered revenue.

Wastewater Assessments (44.3%) - These assessments are paid by the local municipalities served by the District and are funded by sewer user charges. Legally, the District is obligated to set the assessments at an amount needed to operate the wastewater facilities and pay the related debt service.

Public/Private Fire Projection (5.4%) – Public Fire charges are paid by the eleven municipalities served by the District, Private Fire has 2,091 customers.

Portland Water District
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Significant Changes to Individual Funds

Pension Trust Fund

Statement of Net Position

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Cash & Cash Equivalents	\$ 386,598	\$ 345,248	\$ 41,350	12.0%
Investments				
Equity Mutual Funds	4,509,482	4,282,289	227,193	5.3%
Common Stock	5,086,765	4,063,071	1,023,694	25.2%
Fixed Income – Mutual Funds	4,783,646	4,468,624	315,022	7.0%
	<u>14,379,893</u>	<u>12,813,984</u>	<u>1,565,909</u>	<u>12.2%</u>
Interest Receivable	2,383	4,113	(1,730)	-42.1%
Total Assets	\$14,768,874	\$13,163,345	\$ 1,605,529	12.2%

Statement of Revenues, Expenses & Changes in Net Position

	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>Diff %</u>
Employer Contributions	\$ 860,888	\$ 910,888	\$ (50,000)	-5.5%
Net Investment Income	1,745,195	(43,653)	1,788,848	4097.9%
Benefits	(1,000,554)	(933,114)	(67,440)	7.2%
Change in Assets	1,605,529	(65,879)	1,671,408	2537.1%
Net Position - Beginning	13,163,345	13,229,224	(65,879)	-0.5%
Net Position - Ending	<u>\$14,768,874</u>	<u>\$13,163,345</u>	<u>\$ 1,605,529</u>	<u>12.2%</u>

The pension funds increased in value 12.2% (\$1.61 million) in 2012. This is a continuing trend, except for a small drop (0.5%) in 2011, the fund had incurred large gains in 2010 (16.2%) and 2009 (24.4%). This was after the significant drop of 23.3% in 2008.

Employer contributions were \$50,000 lower in 2012 (the first year of latest biennial actuary study). Benefit payouts to retirees increased 7.2% over the previous year due to the net growth in the number of retirees drawing benefits. The retirees received a 1.61% cost of living increase in 2012.

The defined benefit plan was closed to new bargaining unit employees hired after December 31, 2010 and new non-bargaining unit employees hired after December 31, 2011

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Portland Water District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Thomas Quirk, Director of Financial Services, Portland Water District, 225 Douglass Street, Portland, ME 04104.

Statement of Net Position

December 31, 2012

ASSETS

	<u>Water Systems</u>	<u>Cape Elizabeth</u>	<u>Cumberland</u>
Current Assets			
Cash and cash equivalents	\$ 10,857,832	\$ 561,283	\$ 704,315
Accounts receivable, net allowance for doubtful accounts of \$227,462 for water systems	3,022,789	-	-
Notes receivable, current	515	-	-
Inventories	1,203,900	-	-
Prepaid expenses	226,271	833	-
Trustee held funds	221,598	137,272	-
Total Current Assets	<u>15,532,905</u>	<u>699,388</u>	<u>704,315</u>
Non-Current Assets			
Capital Assets:			
Operating property	261,889,156	15,527,811	7,640,942
Accumulated depreciation	(91,692,869)	(8,678,837)	(4,290,355)
Net operating property	170,196,287	6,848,974	3,350,587
Construction in progress	1,274,758	12,178	11,112
	<u>171,471,045</u>	<u>6,861,152</u>	<u>3,361,699</u>
Deferred Charges and Other Assets:			
Notes receivable	217,603	-	-
Bond discount and issuance expense	126,260	2,947	-
Maintenance and other costs	-	-	-
Preliminary surveys	1,239,340	153,920	-
	<u>1,583,203</u>	<u>156,867</u>	<u>-</u>
Total Non-Current Assets	<u>173,054,248</u>	<u>7,018,019</u>	<u>3,361,699</u>
Total Assets	<u>\$ 188,587,153</u>	<u>\$ 7,717,407</u>	<u>\$ 4,066,014</u>

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Wastewater Funds					
<u>Falmouth</u>	<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	<u>TOTAL</u>
\$ 62,316	\$ 1,070,173	\$ 5,711,114	\$ 2,802,583	\$ 355,752	\$ 22,125,368
-	-	890,970	35,755	-	3,949,514
-	-	-	13,240	-	13,755
-	-	-	-	-	1,203,900
-	383	55,911	14,903	-	298,301
-	-	-	-	-	358,870
<u>62,316</u>	<u>1,070,556</u>	<u>6,657,995</u>	<u>2,866,481</u>	<u>355,752</u>	<u>27,949,708</u>
854,592	16,645,785	95,904,324	20,057,480	2,949,312	421,469,402
<u>(501,068)</u>	<u>(6,535,939)</u>	<u>(54,698,850)</u>	<u>(11,620,344)</u>	<u>(736,961)</u>	<u>(178,755,223)</u>
353,524	10,109,846	41,205,474	8,437,136	2,212,351	242,714,179
-	4,130	225,643	-	-	1,527,821
<u>353,524</u>	<u>10,113,976</u>	<u>41,431,117</u>	<u>8,437,136</u>	<u>2,212,351</u>	<u>244,242,000</u>
-	-	-	198,600	-	416,203
-	5,228	23,794	4,377	1,815	164,421
-	320	5,626	77,860	-	83,806
-	24,644	98,233	-	-	1,516,137
<u>-</u>	<u>30,192</u>	<u>127,653</u>	<u>280,837</u>	<u>1,815</u>	<u>2,180,567</u>
353,524	10,144,168	41,558,770	8,717,973	2,214,166	246,422,567
<u>\$ 415,840</u>	<u>\$ 11,214,724</u>	<u>\$ 48,216,765</u>	<u>\$ 11,584,454</u>	<u>\$ 2,569,918</u>	<u>\$ 274,372,275</u>

Statement of Net Position - Continued

December 31, 2012

LIABILITIES AND NET POSITION

	<u>Water Systems</u>	<u>Cape Elizabeth</u>	<u>Cumberland</u>
Current Liabilities			
Accounts payable and accrued payroll	\$ 2,342,270	\$ 233,273	\$ 174,257
Accrued interest	146,871	7,450	104
Customer deposits	127,515	-	-
Construction retainage	131,042	-	-
Current portion - compensated absences	632,139	-	-
Current portion - notes payable	-	-	-
Current portion - long term debt - bonds	2,454,301	134,250	6,250
Total Current Liabilities	<u>5,834,138</u>	<u>374,973</u>	<u>180,611</u>
Non-Current Liabilities			
Customer advances and other liabilities	555,542	-	-
Compensated absences - non-current	778,936	-	-
Long term debt - notes payable	-	-	-
Long term debt - bonds	24,488,515	2,410,250	81,250
Total long term debt - notes and bonds	<u>24,488,515</u>	<u>2,410,250</u>	<u>81,250</u>
Total Non-Current Liabilities	<u>25,822,993</u>	<u>2,410,250</u>	<u>81,250</u>
Total Liabilities	<u>31,657,131</u>	<u>2,785,223</u>	<u>261,861</u>
Net Position			
Net investment in capital assets	144,749,827	4,453,924	3,274,199
Unrestricted	12,180,195	478,260	529,954
Total Net Position	<u>156,930,022</u>	<u>4,932,184</u>	<u>3,804,153</u>
Total Liabilities and Net Position	<u>\$ 188,587,153</u>	<u>\$ 7,717,407</u>	<u>\$ 4,066,014</u>

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Wastewater Funds					
<u>Falmouth</u>	<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	<u>TOTAL</u>
\$ 23,760	\$ 16,467	\$ 813,036	\$ 98,145	\$ 23,784	\$ 3,724,992
-	18,710	43,643	21,515	13,330	251,623
-	-	-	-	-	127,515
-	-	-	-	-	131,042
-	-	-	-	-	632,139
-	-	-	-	13,240	13,240
-	318,069	1,397,354	276,170	100,885	4,687,279
<u>23,760</u>	<u>353,246</u>	<u>2,254,033</u>	<u>395,830</u>	<u>151,239</u>	<u>9,567,830</u>
-	136	5,259	37,992	-	598,929
-	-	-	-	-	778,936
-	-	-	-	198,600	198,600
-	4,345,885	14,019,916	3,921,255	1,515,626	50,782,697
<u>-</u>	<u>4,345,885</u>	<u>14,019,916</u>	<u>3,921,255</u>	<u>1,714,226</u>	<u>50,981,297</u>
-	4,346,021	14,025,175	3,959,247	1,714,226	52,359,162
<u>23,760</u>	<u>4,699,267</u>	<u>16,279,208</u>	<u>4,355,077</u>	<u>1,865,465</u>	<u>61,926,992</u>
353,524	5,450,022	26,013,847	4,239,711	384,000	188,919,054
38,556	1,065,435	5,923,710	2,989,666	320,453	23,526,229
<u>392,080</u>	<u>6,515,457</u>	<u>31,937,557</u>	<u>7,229,377</u>	<u>704,453</u>	<u>212,445,283</u>
<u>\$ 415,840</u>	<u>\$ 11,214,724</u>	<u>\$ 48,216,765</u>	<u>\$ 11,584,454</u>	<u>\$ 2,569,918</u>	<u>\$ 274,372,275</u>

**Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds**

Year Ended December 31, 2012

	<u>Water Systems</u>	<u>Cape Elizabeth</u>	<u>Cumberland</u>
Operating Revenues			
Water revenues	\$ 20,220,433	\$ -	\$ -
Wastewater assessments	-	1,293,540	712,800
Other operating revenues	317,488	-	-
Total Operating Revenues	<u>20,537,921</u>	<u>1,293,540</u>	<u>712,800</u>
Operating Expenses			
Operations	5,149,214	616,379	489,981
Maintenance	4,979,661	118,826	73,624
Customer accounting and collections	1,054,417	29,541	13,595
Administrative and general	2,148,696	280,882	102,526
Taxes on operating property	59,601	-	-
Depreciation not allocated elsewhere	4,171,717	395,624	184,831
Total Operating Expenses	<u>17,563,306</u>	<u>1,441,252</u>	<u>864,557</u>
Operating Income (Loss)	<u>2,974,615</u>	<u>(147,712)</u>	<u>(151,757)</u>
Non-Operating Revenues (Expenses)			
Interest income	36,423	-	2,381
Miscellaneous income (expense)	3,481	843	388
Gain on sale of operating property	63,690	-	-
Interest and amortization expense	<u>(966,032)</u>	<u>(45,777)</u>	<u>(1,324)</u>
	<u>(862,438)</u>	<u>(44,934)</u>	<u>1,445</u>
Change in Net Position Before Contributions	2,112,177	(192,646)	(150,312)
Capital Contributions	<u>2,167,355</u>	<u>-</u>	<u>284,965</u>
Change in Net Position	4,279,532	(192,646)	134,653
Net Position, Beginning of Year	<u>152,650,490</u>	<u>5,124,830</u>	<u>3,669,500</u>
Net Position, End of Year	<u>\$ 156,930,022</u>	<u>\$ 4,932,184</u>	<u>\$ 3,804,153</u>

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Wastewater Funds					
<u>Falmouth</u>	<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	<u>TOTAL</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,220,433
15,012	1,084,464	10,540,044	2,533,176	351,756	16,530,792
-	17,137	77,846	139,470	3,032	554,973
<u>15,012</u>	<u>1,101,601</u>	<u>10,617,890</u>	<u>2,672,646</u>	<u>354,788</u>	<u>37,306,198</u>
-	262,594	5,178,644	1,030,846	66,965	12,794,623
-	39,697	294,021	76,518	11,797	5,594,144
11,201	19,798	184,769	49,320	1,317	1,363,958
-	214,086	2,324,554	554,945	56,973	5,682,662
-	-	-	-	-	59,601
17,101	409,685	2,455,428	521,059	80,813	8,236,258
<u>28,302</u>	<u>945,860</u>	<u>10,437,416</u>	<u>2,232,688</u>	<u>217,865</u>	<u>33,731,246</u>
(13,290)	155,741	180,474	439,958	136,923	3,574,952
154	4,025	22,365	18,567	1,131	85,046
-	422	7,070	3,785	94	16,083
-	-	-	-	-	63,690
-	(90,857)	(280,328)	(138,494)	(39,288)	(1,562,100)
<u>154</u>	<u>(86,410)</u>	<u>(250,893)</u>	<u>(116,142)</u>	<u>(38,063)</u>	<u>(1,397,281)</u>
(13,136)	69,331	(70,419)	323,816	98,860	2,177,671
-	690	49,869	2,510	85	2,505,474
(13,136)	70,021	(20,550)	326,326	98,945	4,683,145
405,216	6,445,436	31,958,107	6,903,051	605,508	207,762,138
<u>\$ 392,080</u>	<u>\$ 6,515,457</u>	<u>\$ 31,937,557</u>	<u>\$ 7,229,377</u>	<u>\$ 704,453</u>	<u>\$ 212,445,283</u>

Portland Water District
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2012

	Water Systems	Cape Elizabeth	Cumberland
Cash flows from operating activities			
Receipts from customers	\$ 20,596,334	\$ 1,293,540	\$ 712,800
Payments to suppliers	(7,022,073)	(721,646)	(538,370)
Payments to employees	(5,749,163)	(353,295)	(104,123)
Net cash flows from operating activities	7,825,098	218,599	70,307
Cash flows from capital and related financing activities			
Proceeds from bonds	3,130,000	160,000	-
Adjustment of prior bond issuance	-	-	-
Retirement of debt - refinance	-	-	-
Principal payments bonds	(3,574,944)	(126,250)	(6,250)
Receipts (payments) from other funds	1,938,196	(1,938,196)	-
Notes payable payments	-	-	-
Transfer from trustee funds	(9,634)	2,562,728	-
Interest paid	(954,182)	(38,622)	(1,331)
Acquisitions and construction of operating property	(5,476,737)	(270,637)	(11,112)
Proceeds from sale of operating property	234,406	-	-
Payments for preliminary plant survey	(548,266)	(7,451)	-
Net cash flows from capital and related financing activities	(5,261,161)	341,572	(18,693)
Cash flows from investing activities			
Interest income received	36,423	-	2,381
Payments on notes receivable	8,909	-	-
Net cash flows from investing activities	45,332	-	2,381
Net change in cash	2,609,269	560,171	53,995
Cash & cash equivalents - beginning of year	8,248,563	-	650,320
Cash & cash equivalents - end of year	\$ 10,857,832	\$ 561,283	\$ 704,315
Reconciliation of operating income to net cash flows from operating activities			
Operating income (loss)	\$ 2,974,615	\$ (147,712)	\$ (151,757)
Depreciation and amortization	5,025,171	395,625	184,832
Miscellaneous income (expense)	3,481	843	388
Changes in assets and liabilities:			
Account receivable	58,413	-	-
Inventories	42,036	-	-
Prepaid expenses	(38,518)	-	-
Accounts payables and accrued payroll	(235,423)	(30,157)	36,844
Compensated absences	31,182	-	-
Customer deposits	23,865	-	-
Customer advances and other liabilities	(59,724)	-	-
Net cash flows from operating activities	\$ 7,825,098	\$ 218,599	\$ 70,307
Noncash investing, capital and financing activities			
Capital contributions	\$ 2,167,355	\$ -	\$ 284,965

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Wastewater Funds					
<u>Falmouth</u>	<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	<u>TOTAL</u>
\$ 15,012	\$ 1,101,601	\$ 9,738,492	\$ 2,657,309	\$ 354,788	\$ 36,469,876
1,964	(343,627)	(5,616,507)	(1,144,704)	(69,174)	(15,454,137)
	(182,200)	(2,323,503)	(533,012)	(44,915)	(9,290,211)
<u>16,976</u>	<u>575,774</u>	<u>1,798,482</u>	<u>979,593</u>	<u>240,699</u>	<u>11,725,528</u>
-	-	-	-	-	3,290,000
-	(11)	-	(2)	13	-
-	(690)	(49,869)	(2,510)	(85)	(53,154)
-	(314,987)	(1,439,354)	(302,986)	(101,652)	(5,866,423)
-	-	-	-	-	-
-	-	-	-	(13,240)	(13,240)
-	1,474	-	3,188	124	2,557,880
-	(91,400)	(285,735)	(139,174)	(39,874)	(1,550,318)
-	(689)	(305,313)	(64,901)	322	(6,129,067)
-	-	-	-	-	234,406
-	-	(98,233)	-	-	(653,950)
<u>-</u>	<u>(406,303)</u>	<u>(2,178,504)</u>	<u>(506,385)</u>	<u>(154,392)</u>	<u>(8,183,866)</u>
154	4,025	22,365	18,567	1,131	85,046
-	-	-	13,240	-	22,149
<u>154</u>	<u>4,025</u>	<u>22,365</u>	<u>31,807</u>	<u>1,131</u>	<u>107,195</u>
17,130	173,496	(357,657)	505,015	87,438	3,648,857
45,186	896,677	6,068,771	2,297,568	268,314	18,475,399
<u>\$ 62,316</u>	<u>\$ 1,070,173</u>	<u>\$ 5,711,114</u>	<u>\$ 2,802,583</u>	<u>\$ 355,752</u>	<u>\$ 22,125,368</u>
\$ (13,290)	\$ 155,741	\$ 180,474	\$ 439,958	\$ 136,923	\$ 3,574,952
17,101	409,788	2,457,238	532,834	80,808	9,103,397
-	422	7,070	3,785	94	16,083
-	-	(879,398)	(15,337)	-	(836,322)
-	-	-	-	-	42,036
-	77	12,075	(6,901)	-	(33,267)
13,165	10,000	24,557	22,452	22,885	(135,677)
-	-	-	-	-	31,182
-	-	-	-	-	23,865
-	(254)	(3,534)	2,802	(11)	(60,721)
<u>\$ 16,976</u>	<u>\$ 575,774</u>	<u>\$ 1,798,482</u>	<u>\$ 979,593</u>	<u>\$ 240,699</u>	<u>\$ 11,725,528</u>
<u>\$ -</u>	<u>\$ 690</u>	<u>\$ 49,869</u>	<u>\$ 2,510</u>	<u>\$ 85</u>	<u>\$ 2,505,474</u>

Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2012

ASSETS

Cash and cash equivalents	\$ 386,598
Investments	
Equity mutual funds	4,509,482
Common stock	5,086,765
Fixed income - mutual funds	4,783,646
	<u>14,379,893</u>
Interest receivable	<u>2,383</u>
Total Assets	<u><u>\$ 14,768,874</u></u>

NET POSITION

Held in trust for pension benefits	<u>\$ 14,768,874</u>
Total Net Position	<u><u>\$ 14,768,874</u></u>

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

For the Year Ended December 31, 2012

Additions:

Employer Contributions	<u>\$ 860,888</u>
Investment Income	
Net appreciation of investments	1,008,207
Net gain on sale of assets	265,310
Interest and dividends	<u>471,678</u>
Net Investment Income	<u>1,745,195</u>
Total Additions	<u>2,606,083</u>
Deductions:	
Benefits	<u>(1,000,554)</u>
Change in Net Position	1,605,529
Net Position - Beginning of Year	<u>13,163,345</u>
Net Position - End of Year	<u><u>\$ 14,768,874</u></u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Portland Water District (the District) was incorporated in 1908 under the laws of the State of Maine. The territories and people of the Cities of Portland, South Portland and Westbrook and the Towns of Cape Elizabeth, Cumberland, Falmouth, Gorham, Raymond, Scarborough and Windham constitute the public municipal. The District provides water and wastewater services including billing services to Greater Portland municipalities. Water services are provided to the Cities of Portland, South Portland and Westbrook and the Towns of Cape Elizabeth, Cumberland, Falmouth, Gorham, Raymond, Scarborough, Standish, Yarmouth and Windham. Wastewater services are provided to the Cities of Portland and Westbrook and the Towns of Cape Elizabeth, Cumberland, Falmouth, Gorham and Windham. An 11-member publicly elected Board of Trustees oversees and directs the District's operation. The water service is regulated by the Maine Public Utilities Commission (PUC).

For December 31, 2012 the District adopted GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement requires amounts reported as deferred outflows and inflows of resources to be reported in a separate section following assets and liabilities, respectively, in a new statement of net position.

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. Management applied criteria as set forth in accounting principles generally accepted in the United States of America (GAAP) to determine if other component units should be included in defining the reporting entity. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the District's ability to exercise financial accountability. Application of this criterion and determination of the type of presentation involves considering whether the activity benefits the District and is generally available to its customers. It is the District's judgment, based on all pertinent facts derived from the analysis of this criterion, that there are no other component units that should be included as part of the reporting entity.

Measurement Focus, Basis of Accounting and Basis of Presentation

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts. The District has the following fund types:

Proprietary funds are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District complies with Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. As permitted by GASB No. 20, the District has elected not to comply with Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989. Proprietary funds used by the District include enterprise funds as described below.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business. The District maintains eight enterprise funds – Wastewater Funds for Cape Elizabeth, Cumberland, Falmouth, Gorham, Portland, Westbrook and Windham and a Water Fund.

Fiduciary funds account for assets held by the District in a trustee capacity. Trust funds account for the assets held by the District under terms of a formal trust agreement. The District maintains two pension fiduciary funds. The District's non-bargaining unit employees' pension trust and the District's bargaining unit employees' pension trust financial statements are prepared using the accrual basis of accounting, except as noted below. Employer costs are equal to contributions to each plan and are recognized in accordance with GASB Statement No. 27. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.

Deposits and Investments

The District considers all highly liquid debt instruments purchased with an initial maturity of two years or less and all highly liquid debt instruments that have no early withdrawal penalties or no stated terms effectively restricting withdrawals to be cash equivalents.

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, obligations of financial institutions, mutual funds and repurchase agreements.

Investments are reported at fair value, except that investments with a remaining maturity at time of purchase of one year or less are reported at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates.

Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to trade accounts receivable. Allowance for doubtful accounts as of December 31, 2012 was \$227,462. The District has the ability to place a lien on property with past due balances.

Inventories

The District's inventories are comprised of fuel, materials and supplies used in the daily operations of the District. Inventory used in various projects that increase the water or wastewater system's life is capitalized and depreciated in capital assets over the appropriate useful life. Inventory used in system repairs is expensed in the period in which the repair occurs. Inventory is stated at the lower of market or weighted average cost.

Capital Assets

Donated operating and non-operating property, recorded as capital assets, are recorded at their estimated fair value at the date of donation. Capitalized operating and non-operating property are recorded at cost, including direct and a portion of indirect overhead. The District's policy has been to set the capitalization threshold for reporting capital assets at \$10,000 and a life exceeding one year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Continued

Depreciation is computed using the straight-line method at rates intended to amortize, over the useful life of the underlying property, the original cost. Useful lives of the assets range from 5 to 77 years:

Water Capital Assets:

- 5 to 10 years - Vehicles
- 8 to 20 years - Pumping and General Equipment
- 25 years - Meters
- 33 years - Treatment Equipment, Distribution Mains (less than six inches), Services
- 50 years - Wells, Hydrants
- 59 years - Reservoirs, Tanks, Standpipes
- 67 years - Intakes
- 77 years - Transmission Mains, Distribution Mains (six inches and larger)

Wastewater Capital Assets:

- 8 to 10 years - General Equipment
- 20 years - Treatment Equipment
- 33 years - Structural Appurtenances
- 50 years - Structures, Force Mains and Interceptors

The depreciation on the water and individual wastewater system assets built with aggregate contributions in aid of construction is included in operating expenses. Contributions in aid of construction are recognized as revenue in the year contributed. Interest costs incurred during construction of major projects are capitalized and amortized over the life of the related asset.

Preliminary Surveys for Plant Expansion or Modification

Expenses incurred for preliminary surveys for plant expansion are capitalized and charged to the capital asset when the project is completed or to expense if the project is abandoned.

Maintenance and Other Costs

Certain maintenance and other costs are capitalized and amortized on a straight-line basis over periods as approved by the Maine PUC which approximate methods and periods under GAAP. Amortization costs for 2012 were \$120,143.

Compensated Absences

The District's policy is to accrue for employee vacation when the employee vests in such benefits. It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. Upon retirement employees can be paid up to a maximum of 400 hours of unused sick pay. The estimated sick leave balance due to employees upon retirement is calculated and accrued in accordance with the vesting method of GASB Statement No. 16.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Bond Discount and Issuance Expense

The unamortized bond discount and issuance expense is amortized over the life of the respective issue using the effective interest method.

Use of Estimates

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

Recent Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. The new statement is effective for periods beginning after December 15, 2012. The District is currently assessing the impact of this statement on its financial statements.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement improves accounting and financial reporting by state and local governments for pension plans. The new statement is effective for periods beginning after June 15, 2013. The District is currently assessing the impact of this statement on its financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014. The District is currently assessing the impact of this statement on its financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

An annual budget is prepared by management and approved by the elected Board of Trustees for each of the proprietary funds. The budget is prepared on a departmental basis. The budget is prepared according to GAAP, except that the funding for capital acquisitions and debt principal payments are considered expenses in all funds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Credit Risk

Credit risk is the risk that the entity in which the fund has invested may be unable to redeem investments when they mature.

Proprietary Funds:

The District's proprietary fund investment policy limits investments to:

- U.S. government obligations and U.S. government agency obligations which have a liquid market with a readily determinable market value.
- Certificates of deposit and other deposits at financial institutions, that are fully insured or collateralized.
- Commercial paper rated the highest tier.
- Repurchase agreements and money market mutual funds whose underlying securities consist of the items above.
- Local government investment cooperatives made up of government securities or broadly diversified money market investments.

Pension Fund:

The Pension Fund investment policy allows investments in equities, bonds and cash and cash equivalents. Equities of a highly speculative nature or having poor liquidity are not permissible. Bonds are required to have a market-weighted average rating of Baa or better.

Concentration Credit Risk

Concentration of credit risk is the risk caused by the lack of diversification in the portfolio.

Proprietary Fund:

The District's investment policy strives to avoid over concentration from a specific issuer or business section. The exception to this guideline is investments involving U.S. Treasury securities.

Pension Fund:

The Pension Fund investment policy gives specific ranges (minimum, maximum, optimal) for the three investment classes:

Equities - minimum 40%, maximum 70%, optimal 60%
Bonds - minimum 30%, maximum 50%, optimal 40%
Cash & Equivalents - minimum 0%, maximum 30%, optimal 0%

In addition, equity issues are limited to 10% for a single issuer and 30% for an industry group.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure by the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Custodial Credit Risk - Continued

Proprietary Funds:

The District's investment policy does not address custodial credit risk. Overnight funds are invested in a money market mutual fund which is made up of U.S. government and agency instruments. The repurchase agreements held by the District are fully collateralized by U.S. government and agency instruments which are held by the Federal Reserve. The District's U.S. agency instruments are held by the District's bank in the District's name.

Pension Funds:

The District's Pension Fund investment policy does not address custodial credit risk. The District's pension investments are held by a trust company in the District's name. The trust company acts as the District's custodian.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value on an investment.

Proprietary Funds:

The investment policy calls for investment in securities with varying maturities and investing a portion of the portfolio in money market funds or other overnight investments to ensure appropriate liquidity. In most cases the maturity of investments is limited to two years or less. Reserve funds may be invested in assets with maturities of over two years, however, no single investment can exceed three years and the weighted average maturity of the entire reserve fund should not exceed two and one-half years.

Pension Fund:

The investment policy for the pension fund does not directly address interest rate risk.

Deposits - Proprietary Funds

The carrying amount of the District's deposits with financial institutions was \$3,704,490 at December 31, 2012 and the bank balance was \$4,277,990. The District held certificates of deposits carried at \$18,417,737. The total deposits were categorized as follows:

	Bank Balances	Certificates of Deposits	Total Deposits
Amount Insured	\$4,258,125	\$18,417,737	\$22,675,862
Amount Uninsured	<u>19,865</u>	<u>-</u>	<u>19,865</u>
	<u>\$4,277,990</u>	<u>\$18,417,737</u>	<u>\$22,695,727</u>

Investments - Pension Fund

<u>Description</u>	<u>Amount</u>	<u>Maturities</u>
Equity Mutual Funds	\$ 4,509,482	n/a
Common Stock	5,086,765	n/a
Fixed Income Mutual Funds	<u>4,783,646</u>	n/a
	<u>\$14,379,893</u>	

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Investment Ratings (all funds)

The holdings in the fixed income mutual funds were rated by Standard & Poors as having ratings of AAA to A. Ratings were not available for the equity mutual funds.

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position is as follows:

Cash on Hand	\$ 1,300
Investment Account Cash	1,841
Carrying Value of Deposits	3,704,490
Certificates of Deposit	<u>18,417,737</u>
	<u>\$22,125,368</u>
Cash and Cash Equivalents	<u>\$22,125,368</u>

Notes Receivable

During 2012 the District had three notes receivable, two due to the Water Fund and the other to the Westbrook Wastewater Fund.

The two notes receivable to the Water Fund are:

- Town of Gorham, full amount due 2019, no interest
- St. Joseph's College, 20 year note originated in 1992 at 5.06%

The terms of the Town of Gorham note require the Town to make annual payments to the District equal to the amount collected as part of a special impact fee. The Town will continue making these payments until the full amount due is paid. If the full amount has not been paid by June 2019 the Town will pay the remaining balance to the District.

The note receivable to the Westbrook Wastewater Fund is related to the purchase of assets by the Windham Wastewater Fund. The note was originated in 2008, has an average annual interest rate of 4.395% and has a 20-year term starting in 2008.

Water Fund Notes Receivable:

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>	<u>Current</u>
Town of Gorham	\$220,336	\$ -	\$ (2,733)	<u>\$217,603</u>	\$ -
St. Joseph's College	<u>6,691</u>	<u>-</u>	<u>(6,176)</u>	<u>515</u>	<u>515</u>
	<u>\$227,027</u>	<u>\$ -</u>	<u>\$ (8,909)</u>	<u>\$218,118</u>	<u>\$ 515</u>

Westbrook Wastewater Fund Notes Receivable:

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>	<u>Current</u>
Windham Wastewater Fund	<u>\$225,080</u>	<u>\$ -</u>	<u>\$(13,240)</u>	<u>\$211,840</u>	<u>\$13,240</u>
Total of all Notes	<u>\$452,107</u>	<u>\$ -</u>	<u>\$(22,149)</u>	<u>\$429,958</u>	<u>\$13,755</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Water Fund:				
Operating Property, not being depreciated				
Land	\$ 3,235,138	\$ -	\$ -	\$ 3,235,138
Land Rights	1,628,782	-	-	1,628,782
Plant Acquisition Adjustment	240,189	-	(17,000)	223,189
Organization	173,472	-	-	173,472
Non-Utility Property	103,935	-	-	103,935
Franchises	26,161	-	-	26,161
Forestation of Land	16,318	-	-	16,318
Property Held for Future Use	7,425	-	-	7,425
	<u>5,431,420</u>	<u>-</u>	<u>(17,000)</u>	<u>5,414,420</u>
Operating Property, being depreciated				
Distribution Mains	133,469,867	4,835,572	(91,568)	138,213,871
Services	27,157,654	814,969	-	27,972,623
Structures & Improvements	25,950,962	54,575	(92,906)	25,912,631
Transmission Mains	11,336,613	-	-	11,336,613
Reservoirs & Standpipes	11,000,595	-	-	11,000,595
Meters & Meter Installations	10,719,239	72,411	(53,555)	10,738,095
Water Treatment Equipment	10,665,498	3,334	-	10,668,832
Hydrants	8,276,470	365,983	(49,256)	8,593,197
Vehicles	3,052,348	304,904	(449,923)	2,907,329
Lake, River & Other Intakes	2,363,460	-	-	2,363,460
Pumping Equipment	1,549,927	24,364	-	1,574,291
Communication Equipment	1,361,372	99,872	-	1,461,244
Wells & Springs	1,143,843	-	(154,594)	989,249
Power Equipment	1,063,646	-	(277,996)	785,650
Office Furniture & Equipment	992,750	-	(234,490)	758,260
Shop Equipment	254,788	-	-	254,788
Garage Equipment	247,466	-	(14,814)	232,652
Laboratory Equipment	295,801	-	(165,297)	130,504
Computer Equipment	260,581	159,957	(39,501)	381,037
Radio Equipment	199,440	30,737	(69,615)	160,562
Stores Equipment	39,253	-	-	39,253
	<u>251,401,573</u>	<u>6,766,678</u>	<u>(1,693,515)</u>	<u>256,474,736</u>
Total Operating Property	\$256,832,993	\$ 6,766,678	\$ (1,710,515)	\$261,889,156

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Less, accumulated depreciation for:				
Distribution Mains	\$ 33,994,130	\$ 1,891,419	\$ (61,375)	\$ 35,824,174
Services	14,372,444	557,933	-	14,930,377
Structures & Improvements	10,892,692	527,650	(83,750)	11,336,592
Transmission Mains	6,159,464	153,441	-	6,312,905
Water Treatment Equipment	5,329,104	420,003	-	5,749,107
Reservoirs & Standpipes	3,701,260	197,749	-	3,899,009
Hydrants	2,857,038	169,050	(29,174)	2,996,914
Vehicles	2,106,273	273,440	(449,923)	1,929,790
Meters & Meter Installations	1,988,783	430,218	(5,745)	2,413,256
Lake, River & Other Intakes	1,675,959	24,905	-	1,700,864
Pumping Equipment	1,243,573	63,413	-	1,306,986
Communication Equipment	1,175,880	41,453	-	1,217,333
Power Equipment	775,167	46,867	(270,813)	551,221
Office Furniture & Equipment	728,164	19,637	(234,490)	513,311
Laboratory Equipment	236,985	6,190	(165,297)	77,878
Shop Equipment	243,557	3,690	-	247,247
Computer Equipment	254,635	39,023	(39,501)	254,157
Garage Equipment	217,643	4,717	(14,814)	207,546
Radio Equipment	157,432	9,116	(69,614)	96,934
Walls & Springs	164,516	21,805	(98,306)	88,015
Stores Equipment	<u>39,253</u>	<u>-</u>	<u>-</u>	<u>39,253</u>
	<u>88,313,952</u>	<u>4,901,719</u>	<u>(1,522,802)</u>	<u>91,692,869</u>
Construction in Progress	<u>311,652</u>	<u>1,288,709</u>	<u>(325,603)</u>	<u>1,274,758</u>
Net Capital Assets	<u>\$168,830,693</u>	<u>\$ 3,153,668</u>	<u>\$ (513,316)</u>	<u>\$171,471,045</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Cape Elizabeth Wastewater:				
Operating Property, not being depreciated				
Land	\$ 130,048	\$ -	\$ -	\$ 130,048
Land Rights	<u>95,111</u>	<u>-</u>	<u>-</u>	<u>95,111</u>
	<u>225,159</u>	<u>-</u>	<u>-</u>	<u>225,159</u>
Operating Property, being depreciated				
Interceptor Structures	6,030,048	-	-	6,030,048
Treatment Plant Structures	2,502,663	-	-	2,502,663
Pumping Station Equipment	2,244,615	176,732	(388)	2,420,959
Treatment Plant Equipment	3,050,333	2,554	-	3,052,887
Pumping Station Structures	1,243,573	-	-	1,243,573
General Equipment	38,392	-	-	38,392
Interceptor Equipment	11,330	-	-	11,330
Solids Handling Equipment	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>2,800</u>
	<u>15,123,754</u>	<u>179,286</u>	<u>(388)</u>	<u>15,302,652</u>
Total Operating Property	<u>15,348,913</u>	<u>179,286</u>	<u>(388)</u>	<u>15,527,811</u>
Less, accumulated depreciation for:				
Interceptor Structures	3,264,032	119,359	-	3,383,391
Treatment Plant Equipment	1,416,733	91,700	-	1,508,433
Pumping Station Equipment	1,341,778	100,149	(388)	1,441,539
Treatment Plant Structures	1,432,682	60,100	-	1,492,782
Pumping Station Structures	789,272	22,651	-	811,923
General Equipment	28,515	1,519	-	30,034
Interceptor Equipment	7,788	147	-	7,935
Solids Handling Equipment	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>2,800</u>
	<u>8,283,600</u>	<u>395,625</u>	<u>(388)</u>	<u>8,678,837</u>
Construction in Progress	<u>24,798</u>	<u>12,178</u>	<u>(24,798)</u>	<u>12,178</u>
Net Capital Assets	<u>\$ 7,090,111</u>	<u>\$ (204,161)</u>	<u>\$ (24,798)</u>	<u>\$ 6,861,152</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Cumberland Wastewater:				
Operating Property, not being depreciated				
Land	\$ 89,005	\$ -	\$ -	\$ 89,005
Land Rights	-	-	-	-
	<u>89,005</u>	<u>-</u>	<u>-</u>	<u>89,005</u>
Operating Property, being depreciated				
Interceptor Structures	5,380,831	139,290	-	5,520,121
Pumping Station Structures	999,038	42,175	-	1,041,213
Pumping Station Equipment	805,578	103,500	-	909,078
General Equipment	41,881	-	-	41,881
Treatment Plant Equipment	39,431	-	-	39,431
Interceptor Equipment	213	-	-	213
	<u>7,266,972</u>	<u>284,965</u>	<u>-</u>	<u>7,551,937</u>
Total Operating Property	<u>7,355,977</u>	<u>284,965</u>	<u>-</u>	<u>7,640,942</u>
Less, accumulated depreciation for:				
Interceptor Structures	2,833,064	109,010	-	2,942,074
Pumping Station Structures	635,003	27,041	-	662,044
Pumping Station Equipment	559,811	48,184	-	607,995
Treatment Plant Equipment	39,431	-	-	39,431
General Equipment	38,001	597	-	38,598
Interceptor Equipment	213	-	-	213
	<u>4,105,523</u>	<u>184,832</u>	<u>-</u>	<u>4,290,355</u>
Construction in Progress	<u>-</u>	<u>11,112</u>	<u>-</u>	<u>11,112</u>
Net Capital Assets	<u>\$ 3,250,454</u>	<u>\$ 111,245</u>	<u>\$ -</u>	<u>\$ 3,361,699</u>
Falmouth Wastewater:				
Operating Property, not being depreciated				
Land	\$ 6,463	\$ -	\$ -	\$ 6,463
Land Rights	-	-	-	-
	<u>6,463</u>	<u>-</u>	<u>-</u>	<u>6,463</u>
Operating Property, being depreciated				
Interceptor Structures	775,581	-	-	775,581
Pumping Station Structures	58,850	-	-	58,850
Pumping Station Equipment	13,698	-	-	13,698
	<u>848,129</u>	<u>-</u>	<u>-</u>	<u>848,129</u>
Total Operating Property	<u>854,592</u>	<u>-</u>	<u>-</u>	<u>854,592</u>
Less, accumulated depreciation for:				
Interceptor Structures	426,560	15,512	-	442,072
Pumping Station Structures	43,710	1,589	-	45,299
Pumping Station Equipment	13,697	-	-	13,697
	<u>483,967</u>	<u>17,101</u>	<u>-</u>	<u>501,068</u>
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital Assets	<u>\$ 370,625</u>	<u>\$ (17,101)</u>	<u>\$ -</u>	<u>\$ 353,524</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Gorham Wastewater:				
Operating Property, not being depreciated				
Land	\$ 182,466	\$ -	\$ -	\$ 182,466
Land Rights	<u>157,771</u>	<u>-</u>	<u>-</u>	<u>157,771</u>
	<u>340,237</u>	<u>-</u>	<u>-</u>	<u>340,237</u>
Operating Property, being depreciated				
Interceptor Structures	10,980,257	-	-	10,980,257
Pumping Station Structures	1,801,485	-	-	1,801,485
Pumping Station Equipment	1,663,330	-	-	1,663,330
Treatment Plant Structures	1,014,979	-	-	1,014,979
Treatment Plant Equipment	795,095	55	-	795,150
General Equipment	33,267	-	-	33,267
Solids Handling Equipment	<u>17,080</u>	<u>-</u>	<u>-</u>	<u>17,080</u>
	<u>16,305,493</u>	<u>55</u>	<u>-</u>	<u>16,305,548</u>
Total Operating Property	<u>16,645,730</u>	<u>55</u>	<u>-</u>	<u>16,645,785</u>
Less, accumulated depreciation for:				
Interceptor Structures	3,742,129	219,607	-	3,961,736
Treatment Plant Structures	627,763	21,504	-	649,267
Pumping Station Equipment	709,859	105,007	-	814,866
Pumping Station Structures	521,855	39,992	-	561,847
Treatment Plant Equipment	479,091	22,817	-	501,908
General Equipment	29,273	617	-	29,890
Solids Handling Equipment	<u>16,284</u>	<u>141</u>	<u>-</u>	<u>16,425</u>
	<u>6,126,254</u>	<u>409,685</u>	<u>-</u>	<u>6,535,939</u>
Construction in Progress	<u>2,806</u>	<u>4,130</u>	<u>(2,806)</u>	<u>4,130</u>
Net Capital Assets	<u>\$ 10,522,282</u>	<u>\$ (405,500)</u>	<u>\$ (2,806)</u>	<u>\$ 10,113,976</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Portland Wastewater:				
Operating Property, not being depreciated				
Land	\$ 199,555	\$ -	\$ -	\$ 199,555
Land Rights	<u>233,013</u>	<u>-</u>	<u>-</u>	<u>233,013</u>
	<u>432,568</u>	<u>-</u>	<u>-</u>	<u>432,568</u>
Operating Property, being depreciated				
Treatment Plant Structures	35,953,785	36,305	-	35,990,090
Interceptor Structures	25,860,384	-	-	25,860,384
Treatment Plant Equipment	15,134,293	394,794	-	15,529,087
Pumping Station Structures	9,151,964	-	(5,885)	9,146,079
Pumping Station Equipment	6,896,989	275,704	(414)	7,172,279
Storm Drains	577,971	-	-	577,971
Communications Equip. - Collectors	549,873	-	-	549,873
Solids Handling Equipment	325,860	-	-	325,860
General Equipment	255,202	-	-	255,202
Interceptor Equipment	<u>64,931</u>	<u>-</u>	<u>-</u>	<u>64,931</u>
	<u>94,771,252</u>	<u>706,803</u>	<u>(6,299)</u>	<u>94,471,756</u>
Total Operating Property	<u>95,203,820</u>	<u>706,803</u>	<u>(6,299)</u>	<u>95,904,324</u>
Less, accumulated depreciation for:				
Treatment Plant Structures	18,680,915	724,245	-	19,405,160
Interceptor Structures	14,771,125	507,811	-	15,278,936
Treatment Plant Equipment	9,643,963	671,528	-	10,315,491
Pumping Station Equipment	4,401,138	304,295	(414)	4,705,019
Pumping Station Structures	3,716,723	192,536	(5,885)	3,903,374
Solids Handling Equipment	325,860	-	-	325,860
General Equipment	268,305	543	-	268,848
Communications Equip. - Collectors	251,675	43,362	-	295,037
Storm Drains	130,276	10,997	-	141,273
Interceptor Equipment	<u>59,741</u>	<u>111</u>	<u>-</u>	<u>59,852</u>
	<u>52,249,721</u>	<u>2,455,428</u>	<u>(6,299)</u>	<u>54,698,850</u>
Construction in Progress	<u>577,263</u>	<u>104,360</u>	<u>(455,980)</u>	<u>225,643</u>
Net Capital Assets	<u>\$ 43,531,363</u>	<u>\$ (1,644,265)</u>	<u>\$ (455,980)</u>	<u>\$ 41,431,117</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Westbrook Wastewater:				
Operating Property, not being depreciated				
Land	\$ 162,263	\$ -	\$ -	\$ 162,263
Land Rights	<u>139,144</u>	<u>-</u>	<u>-</u>	<u>139,144</u>
	<u>301,407</u>	<u>-</u>	<u>-</u>	<u>301,407</u>
Operating Property, being depreciated				
Treatment Plant Equipment	4,401,699	48,118	-	4,449,817
Pumping Station Structures	4,272,896	-	-	4,272,896
Treatment Plant Structures	4,247,807	-	-	4,247,807
Interceptor Structures	3,721,975	-	-	3,721,975
Pumping Station Equipment	2,738,020	6,153	-	2,744,173
General Equipment	139,868	-	-	139,868
Solids Handling Equipment	86,706	-	-	86,706
Communications Equip. - Collectors	<u>75,301</u>	<u>17,530</u>	<u>-</u>	<u>92,831</u>
	<u>19,684,272</u>	<u>71,801</u>	<u>-</u>	<u>19,756,073</u>
Total Operating Property	<u>19,985,679</u>	<u>71,801</u>	<u>-</u>	<u>20,057,480</u>
Less, accumulated depreciation for:				
Treatment Plant Equipment	3,416,483	81,027	-	3,497,510
Treatment Plant Structures	2,616,395	93,018	-	2,709,413
Interceptor Structures	2,330,003	73,211	-	2,403,214
Pumping Station Structures	1,550,482	98,749	-	1,649,231
Pumping Station Equipment	940,907	166,766	-	1,107,673
General Equipment	138,856	187	-	139,043
Solids Handling Equipment	83,808	514	-	84,322
Communications Equip. - Collectors	<u>22,351</u>	<u>7,587</u>	<u>-</u>	<u>29,938</u>
	<u>11,099,285</u>	<u>521,059</u>	<u>-</u>	<u>11,620,344</u>
Construction in Progress	<u>6,067</u>	<u>-</u>	<u>(6,067)</u>	<u>-</u>
Net Capital Assets	<u>\$ 8,892,461</u>	<u>\$ (449,258)</u>	<u>\$ (6,067)</u>	<u>\$ 8,437,136</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Windham Wastewater:				
Operating Property, not being depreciated				
Land	\$ 129,656	\$ -	\$ -	\$ 129,656
Land Rights	<u>13,296</u>	<u>-</u>	<u>-</u>	<u>13,296</u>
	<u>142,952</u>	<u>-</u>	<u>-</u>	<u>142,952</u>
Operating Property, being depreciated				
Interceptor Structures	1,723,015	-	-	1,723,015
Pumping Station Structures	459,745	-	-	459,745
Pumping Station Equipment	335,307	-	-	335,307
Treatment Plant Structures	140,485	-	-	140,485
Treatment Plant Equipment	138,728	-	-	138,728
General Equipment	6,310	-	-	6,310
Solids Handling Equipment	<u>2,770</u>	<u>-</u>	<u>-</u>	<u>2,770</u>
	<u>2,806,360</u>	<u>-</u>	<u>-</u>	<u>2,806,360</u>
Total Operating Property	<u>2,949,312</u>	<u>-</u>	<u>-</u>	<u>2,949,312</u>
Less, accumulated depreciation for:				
Interceptor Structures	239,603	34,459	-	274,062
Treatment Plant Structures	152,432	3,056	-	155,488
Treatment Plant Equipment	103,990	2,739	-	106,729
Pumping Station Equipment	86,601	29,533	-	116,134
Pumping Station Structures	65,576	10,845	-	76,421
General Equipment	5,278	160	-	5,438
Solids Handling Equipment	<u>2,672</u>	<u>17</u>	<u>-</u>	<u>2,689</u>
	<u>656,152</u>	<u>80,809</u>	<u>-</u>	<u>736,961</u>
Construction in Progress	<u>237</u>	<u>-</u>	<u>(237)</u>	<u>-</u>
Net Capital Assets	<u>\$ 2,293,397</u>	<u>\$ (80,809)</u>	<u>\$ (237)</u>	<u>\$ 2,212,351</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
All Funds Combined:				
Operating Property, not being depreciated				
Land (Water)	\$ 3,235,138	\$ -	\$ -	\$ 3,235,138
Land Rights (Water)	1,628,782	-	-	1,628,782
Land (Wastewater)	899,456	-	-	899,456
Land Rights (Wastewater)	638,335	-	-	638,335
Plant Acquisition Adjustment	240,189	-	(17,000)	223,189
Organization	173,472	-	-	173,472
Non-Utility Property	103,935	-	-	103,935
Franchises	26,161	-	-	26,161
Forestation of Land	16,318	-	-	16,318
Property Held for Future Use	<u>7,425</u>	<u>-</u>	<u>-</u>	<u>7,425</u>
	<u>6,969,211</u>	<u>-</u>	<u>(17,000)</u>	<u>6,952,211</u>
Operating Property, being depreciated				
Distribution Mains	133,469,867	4,835,572	(91,568)	138,213,871
Interceptor Structures	54,472,090	139,290	-	54,611,380
Treatment Plant Structures	43,859,720	36,305	-	43,896,025
Services	27,157,654	814,969	-	27,972,623
Structures & Improvements	25,950,962	54,575	(92,906)	25,912,631
Treatment Plant Equipment	23,559,574	445,525	-	24,005,099
Pumping Station Structures	17,987,552	42,175	(5,885)	18,023,842
Pumping Station Equipment	14,697,536	562,089	(802)	15,258,823
Transmission Mains	11,336,613	-	-	11,336,613
Reservoirs & Standpipes	11,000,595	-	-	11,000,595
Meters & Meter Installations	10,719,239	72,411	(53,555)	10,738,095
Water Treatment Equipment	10,665,498	3,334	-	10,668,832
Hydrants	8,276,470	365,983	(49,256)	8,593,197
Vehicles	3,052,348	304,904	(449,923)	2,907,329
Lake, River & Other Intakes	2,363,460	-	-	2,363,460
Pumping Equipment	1,549,927	24,364	-	1,574,291
Communication Equipment	1,361,372	99,872	-	1,461,244
Wells & Springs	1,143,843	-	(154,594)	989,249
Power Equipment	1,063,646	-	(277,996)	785,650
Office Furniture & Equipment	992,750	-	(234,490)	758,260
Communications Equip. - Collectors	653,272	17,530	-	670,802
Storm Drains	549,873	-	-	549,873
General Equipment	514,920	-	-	514,920
Solids Handling Equipment	435,217	-	-	435,217
Shop Equipment	254,788	-	-	254,788
Garage Equipment	247,466	-	(14,814)	232,652
Laboratory Equipment	295,801	-	(165,297)	130,504
Computer Equipment	260,581	159,957	(39,501)	381,037
Radio Equipment	199,440	30,737	(69,615)	160,562
Interceptor Equipment	76,474	-	-	76,474
Stores Equipment	<u>39,253</u>	<u>-</u>	<u>-</u>	<u>39,253</u>
	<u>408,207,801</u>	<u>8,009,592</u>	<u>(1,700,202)</u>	<u>414,517,191</u>
Total Operating Property	<u>\$415,177,012</u>	<u>\$ 8,009,592</u>	<u>\$ (1,717,202)</u>	<u>\$421,469,402</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Less, accumulated depreciation for:				
Distribution Mains	\$ 33,994,130	\$ 1,891,415	\$ (61,372)	\$ 35,824,173
Interceptor Structures	27,606,515	1,078,967	-	28,685,482
Treatment Plant Structures	23,444,353	901,922	-	24,346,275
Treatment Plant Equipment	15,099,690	869,813	-	15,969,503
Services	14,372,444	557,932	-	14,930,376
Structures & Improvements	10,892,692	527,651	(83,750)	11,336,593
Pumping Station Structures	8,007,036	393,403	(5,885)	8,394,554
Pumping Station Equipment	7,435,208	753,935	(801)	8,188,342
Transmission Mains	6,159,463	153,441	-	6,312,904
Water Treatment Equipment	5,329,104	420,003	-	5,749,107
Reservoirs & Standpipes	3,701,260	197,749	-	3,899,009
Hydrant	2,857,038	169,051	(29,174)	2,996,915
Vehicles	2,106,273	273,440	(449,923)	1,929,790
Meters & Meter Installations	1,988,783	430,218	(5,745)	2,413,256
Lake, River & Other Intakes	1,675,959	24,905	-	1,700,864
Pumping Equipment	1,243,573	63,413	-	1,306,986
Communication Equipment	1,175,880	41,453	-	1,217,333
Power Equipment	775,167	46,867	(270,813)	551,221
Office Furniture & Equipment	728,164	19,637	(234,490)	513,311
General Equipment	491,599	3,623	-	495,222
Solids Handling Equipment	431,424	673	-	432,097
Communications Equip. - Collectors	290,656	50,949	-	341,605
Computer Equipment	254,634	39,023	(39,501)	254,156
Laboratory Equipment	236,985	6,191	(165,297)	77,879
Shop Equipment	243,558	3,691	-	247,249
Garage Equipment	217,643	4,717	(14,814)	207,546
Wells & Springs	164,516	21,805	(98,306)	88,015
Radio Equipment	157,432	9,116	(69,614)	96,934
Storm Drains	130,276	10,997	-	141,273
Interceptor Equipment	67,742	258	-	68,000
Stores Equipment	39,253	-	-	39,253
	<u>171,318,450</u>	<u>8,966,258</u>	<u>(1,529,485)</u>	<u>178,755,223</u>
Construction in Progress	<u>922,824</u>	<u>1,420,489</u>	<u>(815,492)</u>	<u>1,527,821</u>
Net Capital Assets	<u>\$244,781,386</u>	<u>\$ 463,823</u>	<u>\$ (1,003,209)</u>	<u>\$244,242,000</u>

Depreciation expense was charged to the District's functions/funds as follows:

Water	\$4,901,717
Wastewater Funds:	
Cape Elizabeth	395,624
Cumberland	184,831
Falmouth	17,101
Gorham	409,685
Portland	2,455,428
Westbrook	521,059
Windham	80,813
Total	<u>\$8,966,258</u>

Note: Expense of \$730,000 in the Water Fund was allocated as part of operating expense.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long Term Debt

The following is a summary of changes in non-current liabilities, including current portions reported in the Statement of Net Position:

	Balance Jan 1, 2012	Additions	Reductions	Debt Forgiveness*	Balance Dec 31, 2012	Due within One year
General obligation bonds	<u>\$58,099,554</u>	<u>\$3,290,000</u>	<u>\$(5,866,424)</u>	<u>\$(53,154)</u>	<u>\$55,469,976</u>	<u>\$4,687,279</u>

*Wastewater fund bonds payable to Maine Municipal Bond Bank (MMBB) had a reduction in principal as follows:

Gorham	\$ 701
Portland	49,869
Westbrook	2,512
Windham	<u>72</u>
	<u>\$ 53,154</u>

Long term debt outstanding as of December 31, 2012, consisted of the following general obligation bonds:

Water Fund:

Issue Date	Original Amount	Maturities Through	Interest Rate Range	Amount
Oct-94	\$7,000,000	2014	6.517%	\$ 700,000
Jul-02	8,340,000	2014	4.00% to 5.00%	1,210,000
Oct-05	900,000	2025	3.00% to 5.00%	585,000
Oct-06	1,500,000	2026	3.00% to 6.00%	1,050,000
Sep-07	10,000,000	2027	4.25%	7,665,000
Oct-08	1,500,000	2028	2.075% to 5.575%	1,200,000
Apr-09	1,598,500	2028	1.050%	1,278,800
May-09	4,700,000	2029	2.080% to 5.580%	3,995,000
Aug-09	4,254,094	2029	0%	2,542,406
Aug-09	253,075	2029	0%	139,360
May-10	500,000	2030	2.060% to 5.746%	450,000
Nov-10	950,000	2030	1.00%	812,250
Nov-11	2,300,000	2031	0.5% to 5.5%	2,185,000
May-12	1,130,000	2032	1.00%	1,130,000
Oct-12	2,000,000	2032	1.480% to 3.706%	<u>2,000,000</u>
				<u>\$26,942,816</u>

Cape Elizabeth Wastewater Fund:

Issue Date	Original Amount	Maturities Through	Interest Rate Range	Amount
Oct-08	\$95,000	2028	2.075% to 5.575%	\$ 76,000
Dec-11	2,700,000	2031	1.00%	2,308,500
Oct-12	160,000	2032	1.480% to 3.706%	<u>160,000</u>
				<u>\$2,544,500</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long Term Debt - Continued

Cumberland Wastewater Fund:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Maturities Through</u>	<u>Interest Rate Range</u>	<u>Amount</u>
Dec-06	\$125,000	2026	1.42%	\$87,500
				<u>\$87,500</u>

Gorham Wastewater Fund:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Maturities Through</u>	<u>Interest Rate Range</u>	<u>Amount</u>
May-93	\$205,000	2013	5.95%	\$ 15,000
Apr-03	78,120	2022	1.80%	38,524
Nov-03	73,185	2023	2.10%	40,098
Dec-05	252,000	2025	1.63%	163,800
Jul-07	146,000	2017	1.00%	73,000
May-08	50,400	2028	2.00% to 5.50%	40,320
Oct-08	474,672	2029	2.075% to 5.575%	403,471
Jan-09	4,258,200	2028	1.440%	3,440,976
Feb-09	253,481	2028	1.000%	202,780
May-09	233,954	2029	2.080% to 5.580%	198,861
Nov-10	52,360	2030	1.00%	<u>47,124</u>
				<u>\$4,663,954</u>

Portland Wastewater Fund:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Maturities Through</u>	<u>Interest Rate Range</u>	<u>Amount</u>
May-93	\$850,000	2013	5.950%	\$ 45,000
May-96	900,000	2016	5.851% to 5.901%	180,000
Oct-97	1,100,000	2017	5.38%	275,000
Oct-01	2,785,000	2021	2.10%	1,253,250
Nov-01	1,250,000	2021	2.10%	562,500
Apr-03	1,615,500	2020	1.66%	713,262
Apr-03	5,200,000	2022	1.80%	2,564,303
Nov-03	1,230,000	2023	2.11%	668,350
Nov-03	2,000,000	2023	2.11%	1,098,721
Dec-04	2,115,000	2024	1.33%	1,269,000
Dec-05	1,900,000	2025	1.63%	1,235,000
Apr-09	5,700,000	2028	1.470%	4,495,904
Nov-10	752,200	2030	1.00%	676,980
Nov-11	400,000	2031	0.5% to 5.5%	<u>380,000</u>
				<u>\$15,417,270</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long Term Debt - Continued

Westbrook Wastewater Fund:

Issue <u>Date</u>	Original <u>Amount</u>	Maturities <u>Through</u>	Interest Rate <u>Range</u>	<u>Amount</u>
Apr-03	\$284,208	2022	1.80%	\$ 140,153
Nov-03	266,254	2023	2.10%	145,881
Dec-05	1,316,800	2025	1.63%	855,920
May-08	183,360	2028	2.00% to 5.50%	146,688
Oct-08	2,384,641	2029	2.075% to 5.575%	2,026,945
Feb-09	974,927	2028	1.00%	779,940
Nov-10	113,220	2030	1.00%	<u>101,898</u>
				<u>\$4,197,425</u>

Windham Wastewater Fund:

Issue <u>Date</u>	Original <u>Amount</u>	Maturities <u>Through</u>	Interest Rate <u>Range</u>	<u>Amount</u>
Apr-03	\$9,672	2022	1.80%	\$ 4,770
Nov-03	9,061	2023	2.10%	4,964
Dec-05	31,200	2025	1.63%	20,280
May-08	6,240	2028	2.00% to 5.50%	4,992
Oct-08	40,687	2029	2.075% to 5.575%	34,584
Jan-09	1,681,800	2028	1.44%	1,359,024
Feb-09	21,592	2028	1.00%	17,280
May-09	196,045	2029	2.080% to 5.580%	166,639
Nov-10	4,420	2030	1.00%	<u>3,978</u>
				<u>\$1,616,511</u>

Total Long Term Debt **\$55,469,976**

Less Current Portion **4,687,279**

Total Long Term Portion of Debt **\$50,782,697**

The municipalities comprising the District have ratified a resolution to levy taxes in the event of default by the District on either principal or interest payments of its water system debt.

The municipalities that have wastewater systems pay for the debt service through assessments made on them by the District. The debt of the wastewater system is also backed by the good faith and credit of each of the municipalities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long Term Debt - Continued

Principal Payments Due:

-----WASTEWATER SYSTEMS-----									
	<u>WATER</u>	<u>CAPE ELIZABETH</u>	<u>CUMBERLAND</u>	<u>FALMOUTH</u>	<u>GORHAM</u>	<u>PORTLAND</u>	<u>WESTBROOK</u>	<u>WINDHAM</u>	<u>TOTAL</u>
2013	\$ 2,454,301	\$ 134,250	\$ 6,250	\$ -	\$ 318,069	\$ 1,397,354	\$ 276,170	\$ 100,885	\$ 4,687,279
2014	2,459,301	134,250	6,250	-	303,069	1,352,354	276,170	100,885	4,632,279
2015	1,524,301	134,250	6,250	-	303,069	1,352,354	276,170	100,885	3,697,279
2016	1,504,301	134,250	6,250	-	303,069	1,352,354	276,170	100,885	3,677,279
2017	1,519,301	134,250	6,250	-	303,069	1,307,354	276,170	100,885	3,647,279
2018 - 2022	7,601,505	671,250	31,250	-	1,441,737	5,834,204	1,378,633	504,351	17,462,930
2023 - 2027	7,486,505	671,250	25,000	-	1,382,899	2,347,470	1,124,578	497,066	13,534,768
2028 - 2032	<u>2,393,301</u>	<u>530,750</u>	<u>-</u>	<u>-</u>	<u>308,973</u>	<u>473,826</u>	<u>313,364</u>	<u>110,669</u>	<u>4,130,883</u>
	\$26,942,816	\$ 2,544,500	\$ 87,500	\$ -	\$ 4,663,954	\$15,417,270	\$ 4,197,425	\$ 1,616,511	\$55,469,976

Interest Due:

-----WASTEWATER SYSTEMS-----									
	<u>WATER</u>	<u>CAPE ELIZABETH</u>	<u>CUMBERLAND</u>	<u>FALMOUTH</u>	<u>GORHAM</u>	<u>PORTLAND</u>	<u>WESTBROOK</u>	<u>WINDHAM</u>	<u>TOTAL</u>
2013	\$ 866,348	\$ 44,628	\$ 1,243	\$ -	\$ 85,839	\$ 250,176	\$ 131,596	\$ 28,362	\$ 1,408,192
2014	775,168	29,611	1,154	-	80,697	222,341	126,543	26,821	1,262,635
2015	682,921	27,957	1,065	-	76,063	196,960	121,218	25,281	1,131,465
2016	634,435	26,294	976	-	70,725	171,775	112,335	23,681	1,040,221
2017	587,668	24,623	888	-	65,361	147,679	103,375	22,077	951,671
2018 - 2022	2,122,873	99,841	3,107	-	246,045	429,560	403,969	81,676	3,387,071
2023 - 2027	976,342	58,422	887	-	111,176	130,741	190,525	36,191	1,504,284
2028 - 2032	<u>127,386</u>	<u>16,646</u>	<u>-</u>	<u>-</u>	<u>8,158</u>	<u>13,387</u>	<u>21,053</u>	<u>2,209</u>	<u>188,839</u>
	\$ 6,773,441	\$ 328,022	\$ 9,320	\$ -	\$ 744,064	\$ 1,562,619	\$ 1,210,614	\$ 246,298	\$10,874,378

Total Debt Service Due:

-----WASTEWATER SYSTEMS-----									
	<u>WATER</u>	<u>CAPE ELIZABETH</u>	<u>CUMBERLAND</u>	<u>FALMOUTH</u>	<u>GORHAM</u>	<u>PORTLAND</u>	<u>WESTBROOK</u>	<u>WINDHAM</u>	<u>TOTAL</u>
2013	\$ 3,320,649	\$ 178,878	\$ 7,493	\$ -	\$ 403,908	\$ 1,647,530	\$ 407,766	\$ 129,247	\$ 6,095,471
2014	3,234,769	163,861	7,404	-	383,766	1,574,695	402,713	127,706	5,894,914
2015	2,207,222	162,207	7,315	-	379,132	1,549,314	397,388	126,166	4,828,744
2016	2,138,736	160,544	7,226	-	373,794	1,524,129	388,505	124,566	4,717,500
2017	2,106,969	158,873	7,138	-	368,430	1,455,033	379,545	122,962	4,598,950
2018 - 2022	9,724,378	771,091	34,357	-	1,687,782	6,263,764	1,782,602	586,027	20,850,001
2023 - 2027	8,462,847	729,672	25,887	-	1,494,075	2,478,211	1,315,103	533,257	15,039,052
2028 - 2032	<u>2,520,687</u>	<u>547,396</u>	<u>-</u>	<u>-</u>	<u>317,131</u>	<u>487,213</u>	<u>334,417</u>	<u>112,878</u>	<u>4,319,722</u>
	\$33,716,257	\$ 2,872,522	\$ 96,820	\$ -	\$ 5,408,018	\$16,979,889	\$ 5,408,039	\$ 1,862,809	\$66,344,354

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Notes Payable

The Windham Wastewater fund has one note payable. That note payable is related to the purchase of assets from the Westbrook Wastewater Fund. The note was originated in 2008, has an average annual interest rate of 4.395% and has a 20 year term.

Windham Wastewater Funds:

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>	<u>Current</u>
Windham Wastewater 2008	\$ 225,080	\$ -	\$ (13,240)	\$ 211,840	\$ 13,240
	<u>\$ 225,080</u>	<u>\$ -</u>	<u>\$ (13,240)</u>	<u>\$ 211,840</u>	<u>\$ 13,240</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 13,240	\$ 9,310	\$ 22,550
2014	13,240	8,728	21,968
2015	13,240	8,147	21,387
2016	13,240	7,565	20,805
2017	13,240	6,983	20,223
2018 - 2022	66,200	26,185	92,385
2023 - 2027	66,200	11,638	77,838
2028	<u>13,240</u>	<u>582</u>	<u>13,822</u>
	<u>\$ 211,840</u>	<u>\$ 79,138</u>	<u>\$ 290,978</u>

Compensated Absences

District employees can be paid out up to 400 hours of sick time upon retirement. The value of that liability was determined by an actuary hired by the District. The current portion of that liability is equal to the liability of the employees who would be eligible to retire through the end of the next year.

District employees earn vacation time based on their years of service. The liability for vacation time is equal to the sum of all employees' vacation hours times their rate of pay. The current portion is equal to the vacation time they are expected to take in the next year.

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Sick	\$ 759,894	\$ 76,830	\$ (42,913)	\$ 793,811
Vacation	<u>619,999</u>	<u>654,761</u>	<u>(657,496)</u>	<u>617,264</u>
	<u>\$1,379,893</u>	<u>\$ 731,591</u>	<u>\$ (700,409)</u>	<u>\$1,411,075</u>

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Sick	\$ 166,043	\$ 627,768	\$ 793,811
Vacation	<u>466,096</u>	<u>151,168</u>	<u>617,264</u>
	<u>\$ 632,139</u>	<u>\$ 778,936</u>	<u>\$1,411,075</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 - OTHER INFORMATION

Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the District carries commercial insurance. There have been no significant reductions in the commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

Commitments and Contingencies

At December 31, 2012, the District was committed on signed but incomplete construction contracts with a remaining balance of \$11,591,114. The vast majority of that figure has to do with the construction (\$8,646,719) and construction oversight (\$966,364) at the District's water treatment facility.

The Department of Environmental Protection, the local municipality, and the District have entered into agreements to abate combined sewer overflows and wet weather overflows in the respective Cities of Portland and Westbrook and Town of Cape Elizabeth. Since the District operates the interception and treatment facilities and the municipalities operate the collection system, the municipality and the District have responsibility to complete certain projects under the agreements. Periodically, the plans are reviewed and updated based on the impact of completion of prior projects.

The City of Portland submitted an updated plan in 2011. This 15-year plan is currently estimated to cost \$167 million, including approximately \$45 million of projects to be completed by the District towards the end of the plan.

The City of Westbrook and the District submitted an updated plan in 2008. The 10-year plan is currently estimated to cost \$22 million. The plan calls for District capital costs of \$302,000 for 2011 to 2014 and for \$5,723,000 in capital costs from 2015 to 2019.

The Town of Cape Elizabeth and the District submitted a plan in 2011. Because the combined sewer overflow is impacted by flow from the City of South Portland, the City of South Portland is also a party to the agreement. The five-year plan is expected to cost \$2,362,000, with the bulk of that cost being the responsibility of the Town of Cape Elizabeth and City of South Portland.

The Town of Falmouth provides wastewater treatment services to the Cumberland Wastewater fund. In 2007, the Town issued a 20-year bond to finance an upgrade at their treatment plant. The District agreed that the Cumberland Wastewater fund would pay 30% of the debt service payments related to the debt. As of December 31, 2012, the total remaining debt payments that will be made by the Cumberland Wastewater fund was \$1,995,066.

The District entered into contracts with Constellation NewEnergy to supply electricity to the District's facilities. Contracts for large and medium size electricity accounts are in place through the end of 2013, contracts for small accounts run through May 2014. The estimated total cost, including energy and delivery, of electricity in 2013 is \$1,953,253.

Effective January 2006, Portland Water District entered into a long-term biosolids management agreement with New England Organics, Inc (NEO). This agreement provides that NEO will provide for the transportation and processing of wastewater treatment plant residual called biosolids for a period of five years from the contract date. At the end of 2010, the District exercised its sole option to extend the agreement for an additional five years through the end of 2015. In addition, there are two additional five-year mutual extension options. It is estimated that payments of approximately \$1,295,458 will be made to NEO in 2013.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 - OTHER INFORMATION - CONTINUED

Trustee Held Funds

During 2009, 2010 and 2011, the District issued permanent financing in both the Water and the Wastewater Funds listed below. The majority of the dollars for these issues were received; however, as of December 31, 2012, some costs were incurred by the District but the dollars were still being held, the issuer is awaiting the District's request for final payout.

	<u>Dec. 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2012</u>
Water	\$ 211,964	\$ 1,130,000	\$(1,120,366)	\$ 221,598
Cape Elizabeth	2,700,000	-	(2,562,728)	137,272
Gorham	1,474	-	(1,474)	-
Westbrook	3,188	-	(3,188)	-
Windham	124	-	(124)	-
Total	<u>\$ 2,916,750</u>	<u>\$ 1,130,000</u>	<u>\$(3,687,880)</u>	<u>\$ 358,870</u>

Pension Plans

Plan Descriptions. Portland Water District contributes to the District's non-bargaining unit employees' pension plan and the District's bargaining unit employees' pension plan. Both are single-employer defined benefit pension plans. No employee contributions are required by the plans. Both plans are administered through Key Bank of Maine.

Membership in the respective plans as of July 1, 2011 is as follows:

	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>
Active employees included in plan	88	38
Retired employees and beneficiaries	64	38
Terminated employees with vested rights	<u>55</u>	<u>19</u>
	<u>207</u>	<u>95</u>

Eligibility for each plan requires the participants to be 21 years of age and to have fulfilled five years of continuous service. Union members and nonunion members are respectively eligible for the bargaining unit employees' pension plan or the non-bargaining unit plan.

Participation in the plan was closed to the Bargaining Unit employees hired after December 31, 2010 and Non-Bargaining Unit hired after December 31, 2011.

In both plans, members are partially vested after five years and fully vested after seven years of continuous service. Participants who retire at or after age 65 with 10 or more years of credited service are entitled to an annual retirement benefit payable monthly for life as follows:

Non-Bargaining Unit Participants: The annual benefit is equal to 1% of the average of the employees three highest annual earnings times the number of total years of service up to 45 years plus up to 0.6% of average annual earnings in excess of covered compensation times credited service up to 35 years.

Early retirement is available at a reduced rate.

Survivor benefits are available with restrictions.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 - OTHER INFORMATION - CONTINUED

Bargaining Unit Participants: Effective December 1, 2008, the monthly pension benefit is computed based on a \$34 rate for pay grades A through E and a \$35 rate for employees in pay grades F through L. Those dollars are multiplied by the number of creditable years of continuous service with Portland Water District, to a maximum of 45 years. The maximum monthly benefit is \$1,530 for employees in pay grades A through E and \$1,575 for employees in pay grades F through L.

Early retirement is available at a reduced rate for those participants who have not reached the age of 62 and have not fulfilled 30 years of service. The full retirement benefit may be received at age 62 with 30 or more years of continuous service.

Survivor benefits are available with restrictions.

The authority to establish and amend benefit provisions for both plans rests with the Board of Trustees of the District.

A stand-alone report is not issued for either of the plans. The assets in the plans' pension funds are presented as fiduciary funds on the accompanying financial statements.

Funding Policy: The District is required to contribute at an actuarially determined rate to the plans. No employee contributions are required by the plans.

Administrative Expenses: All administrative expenses are paid by the District and allocated to the individual funds. Such expenses were \$121,283 for the year ended December 31, 2012.

Annual Pension Cost and Net Pension Obligation. The annual pension cost and the net pension obligation for the plans for the current year are as follows:

	Bargaining Unit	Non- Bargaining Unit
Annual required contribution	\$ 454,000	\$ 314,055
Annual pension cost	454,000	314,055
Contributions made	(546,833)	(314,055)
Change in net pension obligation	(92,833)	—
Net pension obligation January 01, 2012	—	—
Net pension obligation (prepayment) December 31, 2012	(92,833)	\$ —

The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation. For the Bargaining Unit the District chose to make a contribution in excess of the requirement, therefore resulting in a negative net pension obligation (prepaid contribution). Additional information related to actuarial methods and assumptions and employer contributions can be found in schedules of employer contributions.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 - OTHER INFORMATION - CONTINUED

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Bargaining unit:			
December 31, 2012	\$454,000	120.45%	—
December 31, 2011	\$492,559	100%	—
December 31, 2010	\$492,559	100%	—
Non-bargaining unit:			
December 31, 2012	\$314,055	100%	—
December 31, 2011	\$418,329	100%	—
December 31, 2010	\$418,329	100%	—

Additional information as of the latest actuarial valuation follows:

	<u>Non-bargaining Unit</u>	<u>Bargaining Unit</u>
Valuation date	July 1, 2011	July 1, 2011
Actuarial cost method	Entry age	Entry age
Amortization method	30 years, level dollar, closed	30 years, level dollar, closed
Remaining amortization period	30 years	30 years
Asset valuation method	Average of book value and market value on valuation date plus any accrued but unpaid contributions attributable to prior plan year. Adjusted to within 20% of market value.	Average of book value and market value on valuation date plus any accrued but unpaid contributions attributable to prior plan year. Adjusted to within 20% of market value.
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	4.5%	4.5%
Inflation rate	4.5%	4.5%

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans:

Combining Statement of Fiduciary Net Position, December 31, 2012

	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>	<u>Total Pension</u>
Cash & Cash Equivalents	\$ <u>178,803</u>	\$ <u>207,795</u>	\$ <u>386,598</u>
Investments			
Equity Mutual Funds	2,267,579	2,241,903	4,509,482
Common Stock	2,529,953	2,556,812	5,086,765
Fixed Income - Mutual Funds	<u>2,236,694</u>	<u>2,546,952</u>	<u>4,783,646</u>
	<u>7,034,226</u>	<u>7,345,667</u>	<u>14,379,893</u>
Interest Receivable	<u>1,190</u>	<u>1,193</u>	<u>2,383</u>
Total Assets	\$ <u>7,214,219</u>	\$ <u>7,554,655</u>	\$ <u>14,768,874</u>
Held in Trust for Pension Benefits	<u>7,214,219</u>	<u>7,554,655</u>	<u>14,768,874</u>
Net Assets	\$ <u>7,214,219</u>	\$ <u>7,554,655</u>	\$ <u>14,768,874</u>

Combining Statement of Fiduciary Net Position, December 31, 2012

	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>	<u>Total Pension</u>
Additions:			
Employer Contributions	\$ <u>546,833</u>	\$ <u>314,055</u>	\$ <u>860,888</u>
Investment Income			
Net Interest/Dividends	222,042	249,636	471,678
Realized Gain	106,469	158,841	265,310
Unrealized Gain	<u>512,604</u>	<u>495,603</u>	<u>1,008,207</u>
Net Investment Income	<u>841,115</u>	<u>904,080</u>	<u>1,745,195</u>
Total Additions	<u>1,387,948</u>	<u>1,218,135</u>	<u>2,606,083</u>
Deductions:			
Benefits	<u>(446,317)</u>	<u>(554,237)</u>	<u>(1,000,554)</u>
Total Deductions	<u>(446,317)</u>	<u>(554,237)</u>	<u>(1,000,554)</u>
Net Increase in Plan Year Assets	941,631	663,898	1,605,529
Net Position - Beginning of Year	<u>6,272,588</u>	<u>6,890,757</u>	<u>13,163,345</u>
Net Position - End of Year	\$ <u>7,214,219</u>	\$ <u>7,554,655</u>	\$ <u>14,768,874</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 - OTHER INFORMATION - CONTINUED

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

For Bargaining Unit employees hired as of December 31, 2010 and Non-Bargaining Unit employees hired as of December 31, 2011, the plan and their level of contribution is optional. During 2011, the District matched employee contributions at the rate of a dollar for dollar match to a limit of \$1,225 per year for Bargaining Unit employees and Non-Bargaining Unit employees.

For Bargaining Unit employees hired after December 31, 2010 and Non-Bargaining Unit employees hired after December 31, 2011, the plan is mandatory. Employees are required to contribute 3.0% of their regular wages to the plan while the District matches those contributions at a rate of 150%.

The District has no liability for losses under the plan but does have the usual fiduciary responsibilities of a plan sponsor. The assets and liabilities of the plan are not reflected in the financial statements of the District.

Other Postemployment Benefits (OPEB) - Healthcare Benefits

Plan Description: The District offers medical benefits to retirees and dependents before Medicare eligibility through a single-employer plan. Before Medicare eligibility, early retirees are covered under the plan and are required to contribute 100% of the premium charged by the current insurance provider for active employees. This premium does not represent the full cost of early retiree coverage, and thus creates a liability under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. All employees are eligible upon retirement.

As of the last valuation date, July 1, 2011, three current retirees were participating in the plan and 177 current employees are eligible to participate in the plan if they chose to retire early.

Funding Policy: Retirees pay 100% of the premium charged by a private insurance company for active employees. The District's portion of premium is paid on a pay-as-you-go basis. Postemployment expenditures are made from the operating fund. No funds are set aside to pay benefits or administration costs. These expenditures are paid as they come due.

Annual OPEB Costs and Net OPEB Obligation: The District's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 34,327
Interest on net OPEB obligation	2,488
Adjustment to annual required contribution	<u>(4,643)</u>
Annual OPEB cost (expense)	32,172
Contributions made	<u>(16,614)</u>
Increase in net OPEB obligation	15,558
Net OPEB obligation – beginning of year	<u>62,190</u>
Net OPEB obligation – end of year	<u>\$ 77,748</u>

NOTES TO FINANCIAL STATEMENTS**December 31, 2012****NOTE 4 - OTHER INFORMATION - CONTINUED**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous three years was as follows:

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$36,595	64.57%	\$38,161
2011	\$33,516	30.50%	\$62,190
2012	\$32,172	51.64%	\$77,748

The net OPEB obligation is included in accounts payable and accrued payroll in the accompanying financial statements.

Funded Status and Funding Progress: As of July 1, 2011, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability (UAAL) was \$351,110.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility, in actuarial accrued liabilities and the actuarial value of assets, that are consistent with the long term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the Entry Age Actuarial Cost method was used. The significant assumptions include the following items:

Investment return	4% per year
Medical inflation	Society of Actuaries Getzen Model
Incidence of retirement	16.5% at 62, 10% at 63 and 64, and 100% at 65
Participation rate	75%

The UAAL is being amortized over a period of 30 years using level dollar amortization, closed.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 - OTHER INFORMATION - CONTINUED

Subsequent Events

Effective May 1, 2013 the Maine Public Utilities Commission (MPUC) approved increases in the District's metered water and fire protection (public and private) rates by an average of 1.3%. The rate increases are expected to generate additional revenue of approximately \$250,000 annually for the Water fund.

On May 1, 2013 the District issued a \$3.0 million bond as part of the upgrade to the Water Treatment Facility through the Maine Municipal Bond Bank (MMBB). The MMBB immediately forgave \$150,000 of the principal. The total debt service payments through November 2032 will be \$3,306,879. In addition, the District expects to issue an additional \$8.5 million in long-term debt related to this project in either late 2013 or 2014.

The District's Board has authorized the issuance of an additional \$2.5 million in long-term debt in the Water fund for water main replacements and other water infrastructure. This debt is expected to be issued beginning in May 2013. In addition, the Board has also authorized the issuance of \$3.7 million in long-term debt in the Portland Wastewater fund in relation to the Peaks Island sewer project. That debt is expected to be issued in November 2013.

The Union contract signed in April 2013 agreed to increase in November 2013 the monthly pension benefit rate from \$34.00 to \$35.50 for grades A to E and from \$35.00 to \$36.50 for grades F to L. The estimated impact to the District's pension liability is approximately \$200,000.

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012
Schedules of Funding Progress for the Pension Plan (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UUAL) or Funding Excess (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL or Funding Excess as Percentage of Covered Payroll ((b-a)/c)
Bargaining Unit						
January 1, 1992	\$ 1,859,945	\$ 1,817,714	\$ (42,231)	102.3%	\$ 2,900,000	(1.5%)
January 1, 1994	2,040,780	2,321,365 *	280,585	87.9%	3,193,688	8.8%
January 1, 1996	2,461,677	2,927,789	466,112	84.1%	3,816,891	12.2%
January 1, 1998	3,750,057	3,429,477	(320,580)	109.3%	3,808,272	(8.4%)
January 1, 2000	3,770,009	3,998,462	228,453	94.3%	3,708,822	6.2%
January 1, 2002	4,010,914	4,741,223	730,309	84.6%	3,456,092	21.1%
July 1, 2003	3,592,501	5,124,911 *	1,532,410	70.1%	3,516,178	43.6%
July 1, 2005	4,216,602	6,888,782 *	2,672,180	61.2%	3,437,976	77.7%
July 1, 2007	4,964,909	7,609,962	2,645,053	65.2%	3,388,359	78.1%
July 1, 2009	4,846,624	8,693,028	3,846,404	55.8%	3,682,582	104.4%
July 1, 2011	6,365,311	9,674,611	3,309,300	65.8%	3,834,342	86.3%
Non-bargaining Unit						
January 1, 1992	\$ 3,179,675	\$ 3,352,709	\$ 173,034	94.8%	\$ 1,602,859	10.8%
January 1, 1994	3,674,670	3,876,433 *	201,763	94.8%	1,781,638	11.3%
January 1, 1996	4,155,851	4,344,141	188,290	95.7%	1,904,809	9.9%
January 1, 1998	5,890,794	4,634,914	(1,255,880)	127.1%	1,699,477	(73.9%)
January 1, 2000	5,827,602	4,705,148	(1,122,454)	123.9%	1,628,120	(68.9%)
January 1, 2002	6,015,881	4,779,628	(1,236,253)	125.9%	1,573,440	(78.6%)
July 1, 2003	4,983,189	5,302,493 *	319,304	94.0%	1,845,692	17.3%
July 1, 2005	5,665,157	6,212,560 *	547,403	91.2%	2,100,499	26.0%
July 1, 2007	6,223,176	6,955,659	732,483	89.5%	2,688,545	41.6%
July 1, 2009	5,630,550	7,758,852	2,128,302	72.6%	2,715,239	78.4%
July 1, 2011	7,015,793	8,125,868	1,110,075	86.3%	2,643,171	42.0%

* Reflects changes in actuarial assumptions.

REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED

December 31, 2012

Schedules of Employer Contributions (Unaudited)

Year Ended December 31,	Non-bargaining Unit		Bargaining Unit	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1998	\$ 7,564	100.00%	\$ 66,828	100.00%
1999	7,564	100.00%	66,828	100.00%
2000	15,310	100.00%	111,576	100.00%
2001	15,310	100.00%	111,576	100.00%
2002	0	100.00%	157,478	100.00%
2003	0	100.00%	157,478	100.00%
2004	150,017	100.00%	241,002	100.00%
2005	150,017	100.00%	241,002	100.00%
2006	197,862	100.00%	357,993	100.00%
2007	197,862	100.00%	357,993	100.00%
2008	255,322	100.00%	373,960	100.00%
2009	255,322	100.00%	373,960	100.00%
2010	418,329	100.00%	492,559	100.00%
2011	418,329	100.00%	492,559	100.00%
2012	454,000	120.45%	314,055	100.00%

Schedules of Funding Progress for the OPEB Plan (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UUAL) or Funding Excess (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL or Funding Excess as Percentage of Covered Payroll (((b-a)/c)
July 1, 2007	\$0	\$366,339	\$366,339	0%	N/A	N/A
July 1, 2011	\$0	\$351,110	\$351,110	0%	N/A	N/A

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Statistical Section

THIS SECTION OF THE PORTLAND WATER DISTRICT'S COMPREHENSIVE ANNUAL FINANCIAL REPORT PRESENTS DETAILED INFORMATION AS A CONTEXT FOR UNDERSTANDING THE FINANCIAL STATEMENTS AND NOTE DISCLOSURES AND THE DISTRICT'S OVERALL FINANCIAL HEALTH.

FINANCIAL TRENDS - PAGES 65 TO 67

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

NET ASSETS BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	Invested in capital assets	Unrestricted	TOTAL NET ASSETS
2003	\$161,560,997	\$15,972,152	\$177,533,149
2004	\$164,713,524	\$17,712,049	\$182,425,573
2005	\$168,636,202	\$19,407,259	\$188,043,461
2006	\$175,404,104	\$16,308,134	\$191,712,238
2007	\$179,262,070	\$14,292,965	\$193,555,035
2008	\$183,839,125	\$11,539,149	\$195,378,274
2009	\$181,936,912	\$17,133,597	\$199,070,509
2010	\$185,767,265	\$19,019,546	\$204,786,811
2011	\$186,673,502	\$21,088,636	\$207,762,138
2012	\$188,919,054	\$23,526,229	\$212,445,283

CHANGE IN NET ASSETS

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating Income	Non-Operating Income (Expense)	Income Before Contributions	Total Contributions	Change in Net Assets
2003	\$30,317,793	\$26,185,994	\$4,131,799	(\$1,751,785)	\$2,380,014	\$3,118,916	\$5,498,930
2004	\$30,475,083	\$27,397,217	\$3,077,866	(\$1,755,081)	\$1,322,785	\$3,569,659	\$4,892,444
2005	\$31,005,647	\$28,433,303	\$2,572,344	(\$650,240)	\$1,922,104	\$3,695,786	\$5,617,890
2006	\$30,602,726	\$28,966,966	\$1,635,760	(\$1,145,314)	\$490,446	\$3,178,329	\$3,668,775
2007	\$32,553,341	\$30,444,264	\$2,109,077	(\$1,463,036)	\$646,041	\$1,196,757	\$1,842,798
2008	\$33,697,678	\$32,334,970	\$1,362,708	(\$1,885,760)	(\$523,052)	\$2,346,290	\$1,823,238
2009	\$35,029,261	\$32,881,044	\$2,148,217	(\$1,919,818)	\$228,399	\$3,463,836	\$3,692,235
2010	\$36,846,240	\$32,866,955	\$3,979,285	(\$1,466,023)	\$2,513,262	\$3,203,040	\$5,716,302
2011	\$36,724,183	\$33,465,791	\$3,258,392	(\$1,552,159)	\$1,706,233	\$1,269,094	\$2,975,327
2012	\$37,306,198	\$33,731,246	\$3,574,952	(\$1,397,281)	\$2,177,671	\$2,505,474	\$4,683,145

OPERATING REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Water Metered Residential	Water Metered Non-Residential	Public Fire Charges	Private Fire Charges	Wastewater Assessments	Other Operating Revenue**	TOTAL OPERATING REVENUE
2003	\$10,667,487	\$5,047,158	\$978,070	\$619,727	\$12,295,840	\$709,511	\$30,317,793
2004	\$10,597,429	\$4,886,186	\$978,035	\$622,838	\$12,732,532	\$658,063	\$30,475,083
2005	\$10,532,223	\$4,899,338	\$978,070	\$673,456	\$13,229,675	\$692,885	\$31,005,647
2006	\$10,371,056	\$4,732,070	\$978,070	\$699,708	\$13,142,720	\$679,103	\$30,602,726
2007	\$10,951,171	\$5,059,683	\$1,091,964	\$709,731	\$14,050,392	\$690,401	\$32,553,342
2008	\$11,102,986	\$5,336,185	\$1,091,964	\$728,885	\$14,719,748	\$717,910	\$33,697,678
2009	\$11,380,762	\$5,469,604	\$1,124,781	\$767,447	\$15,440,535	\$846,131	\$35,029,261
2010	\$12,162,204	\$5,966,501	\$1,151,027	\$789,395	\$16,215,680	\$561,433	\$36,846,240
2011	\$12,170,613	\$5,955,791	\$1,178,853	\$820,766	\$16,100,680	\$497,480	\$36,724,183
2012	\$12,163,820	\$6,036,646	\$1,187,433	\$832,535	\$16,530,792	\$554,972	\$37,306,198

** Other Operating Revenue includes septage disposal fees and late/interest charges.

OPERATING EXPENSES

Last Ten Fiscal Years

Fiscal Year	Salaries/Wages	Depreciation	Employee Benefits	Contracted Services	Purchased Power	Materials/Supplies	Biosolids Disposal	Chemicals	Other Expenses*	TOTAL
2003	\$7,748,833	\$6,638,158	\$2,458,209	\$2,117,140	\$1,675,480	\$1,396,434	\$1,531,959	\$452,286	\$2,167,495	\$26,185,994
2004	\$8,129,986	\$6,764,810	\$2,705,070	\$2,309,187	\$1,706,820	\$1,257,179	\$1,665,576	\$706,578	\$2,152,011	\$27,397,217
2005	\$8,254,053	\$6,971,576	\$2,795,379	\$2,152,859	\$1,876,476	\$1,372,496	\$1,517,109	\$823,402	\$2,669,954	\$28,433,304
2006	\$8,486,143	\$7,190,433	\$2,977,171	\$2,397,044	\$1,888,524	\$1,474,247	\$1,233,277	\$730,126	\$2,590,001	\$28,966,966
2007	\$8,953,895	\$7,612,053	\$3,178,006	\$2,820,287	\$1,939,217	\$1,417,436	\$1,206,539	\$749,145	\$2,567,686	\$30,444,264
2008	\$9,226,435	\$7,781,136	\$3,632,785	\$2,780,897	\$2,195,133	\$1,689,997	\$1,367,086	\$982,172	\$2,679,329	\$32,334,970
2009	\$9,365,350	\$8,013,190	\$3,442,520	\$2,847,314	\$2,227,075	\$1,512,834	\$1,456,767	\$1,170,158	\$2,845,836	\$32,881,044
2010	\$9,066,705	\$8,234,571	\$3,924,408	\$2,883,778	\$2,330,548	\$1,320,100	\$1,244,405	\$904,444	\$2,660,996	\$32,569,955
2011	\$9,268,982	\$8,286,124	\$4,293,696	\$3,089,153	\$2,348,734	\$1,389,315	\$1,237,173	\$817,722	\$2,734,892	\$33,465,791
2012	\$9,476,819	\$8,236,258	\$4,390,669	\$3,511,719	\$1,871,944	\$1,508,787	\$1,174,262	\$980,640	\$2,580,148	\$33,731,246

* Other Expenses include Transportation, Heat/Fuel Oil, Telephone and other Utilities, Insurance, Regulatory costs.

NON-OPERATING REVENUES (EXPENSES)

Last Ten Fiscal Years

Fiscal Year	Interest Income	Miscellaneous Income*	Gain on Sale of Operating Property	Interest & Amortization Expense	TOTAL
2003	\$262,204	\$273,945	(\$157,671)	(\$2,130,263)	(\$1,751,785)
2004	\$288,255	\$29,184	(\$127,335)	(\$1,945,185)	(\$1,755,081)
2005	\$622,890	\$94,956	\$394,030	(\$1,762,116)	(\$650,240)
2006	\$833,223	\$8,956	(\$313,823)	(\$1,673,670)	(\$1,145,314)
2007	\$846,446	\$156,201	(\$822,377)	(\$1,643,306)	(\$1,463,036)
2008	\$458,176	\$207,243	(\$678,762)	(\$1,872,417)	(\$1,885,760)
2009	\$237,394	\$201,551	(\$280,429)	(\$2,078,334)	(\$1,919,818)
2010	\$139,706	\$437,917	(\$220,607)	(\$1,823,039)	(\$1,466,023)
2011	\$95,787	\$101,642	(\$98,559)	(\$1,651,029)	(\$1,552,159)
2012	\$83,934	\$17,195	\$63,690	(\$1,562,100)	(\$1,397,281)

* Miscellaneous Income includes jobbing revenue and grant monies.

ANNUAL CONTRIBUTIONS BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Water						TOTAL
	Distribution Mains	Water Services	Hydrants	Water Meters	Other Water	Wastewater Equipment	
2003	\$2,485,509	\$222,483	\$230,748	\$134,414	\$5,000	\$40,762	\$3,118,916
2004	\$2,822,766	\$286,441	\$207,952	\$82,500	\$0	\$170,000	\$3,569,659
2005	\$2,809,976	\$385,646	\$221,770	\$169,715	\$0	\$108,679	\$3,695,786
2006	\$2,484,722	\$378,428	\$141,909	\$173,270	\$0	\$0	\$3,178,329
2007	\$890,336	\$181,796	\$66,984	\$47,641	\$0	\$10,000	\$1,196,757
2008	\$1,493,781	\$152,947	\$133,762	\$60,380	\$256,421	\$248,999	\$2,346,290
2009	\$2,690,847	\$281,103	\$146,501	\$48,968	\$104,016	\$192,400	\$3,463,836
2010	\$2,036,773	\$289,986	\$135,836	\$123,564	\$11,400	\$605,480	\$3,203,039
2011	\$639,195	\$102,497	\$47,289	\$75,113	\$0	\$405,000	\$1,269,094
2012	\$1,735,559	\$199,772	\$92,940	\$92,750	\$46,334	\$284,965	\$2,452,320

WATER PRODUCED AND CONSUMED

Last Ten Fiscal Years

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled*	Average Percent Unbilled
2003	8,869,869	6,996,116	1,873,753	21.1%
2004	8,714,657	6,876,805	1,837,852	21.1%
2005	8,542,551	6,863,209	1,679,342	19.7%
2006	8,174,253	6,698,341	1,475,912	18.1%
2007	8,201,140	6,667,284	1,533,856	18.7%
2008	7,961,955	6,442,186	1,519,769	19.1%
2009	7,430,388	6,338,800	1,091,588	14.7%
2010	8,022,997	6,777,344	1,245,653	15.5%
2011	7,673,583	6,465,814	1,207,769	15.7%
2012	7,950,235	6,481,135	1,469,100	18.5%

Note: Gallons are presented in thousands.

* Unbilled water includes water lost in main breaks, service line leaks, and fire protection.

DEBT CAPACITY - PAGE 67

This schedule presents information to help the reader assess the affordability of the District's current levels of outstanding debt and its ability to issue additional debt in the future.

OUTSTANDING DEBT (By Type)

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Notes Payable	Total Outstanding Debt	Debt Per Capita	Debt % of Personal Income
2003	\$49,380,159	\$0	\$49,380,159	\$266	0.9%
2004	\$46,262,133	\$0	\$46,262,133	\$249	0.7%
2005	\$46,078,358	\$336,370	\$46,414,728	\$238	0.7%
2006	\$42,497,440	\$269,200	\$42,766,640	\$219	0.7%
2007	\$47,441,272	\$5,553,060	\$52,994,332	\$271	0.8%
2008	\$46,619,504	\$10,602,465	\$57,221,969	\$292	0.8%
2009	\$63,307,079	\$261,160	\$63,568,239	\$319	0.9%
2010	\$58,916,584	\$238,320	\$59,154,904	\$292	0.8%
2011	\$58,099,553	\$225,080	\$58,324,633	\$288	0.8%
2012	\$55,469,976	\$198,600	\$55,668,576	\$275	n/a

REVENUE CAPACITY - PAGES 68 - 71

These schedules contain information to help the reader assess the District's most significant revenue sources; water rates and wastewater assessments.

TEN LARGEST WATER CUSTOMERS

Current Year (2012) & Ten Years Ago (2003)			
Ten Years Ago (2003):			
Customer Name	Customer Location	Consumption HCF*	Water Revenue
Calpine	Wesbrook	920,771	\$603,200
Sappi Fine Paper	Westbrook	328,490	\$254,616
National Semiconductor	So. Portland	309,090	\$222,748
Fairchild Semiconductor	So. Portland	218,605	\$150,466
Yarmouth Water District	Yarmouth	177,912	\$137,105
Burham & Morrill (B&G Foods) [1]	Portland	130,176	\$91,663
Regional Waste Systems (Ecomaine) [2]	Portland	109,458	\$76,108
Maine Medical Center	Portland	101,099	\$109,887
City of Portland	Portland	85,426	\$125,062
Portland Housing Authority	Portland	77,195	\$130,074
		2,458,222	\$1,900,929
TOTAL SALES		9,757,576	\$17,312,442
PERCENT OF TOTAL SALES		25.2%	11.0%

Current Year (2012):

Customer Name	Customer Location	Consumption HCF*	Water Revenue
Calpine	Wesbrook	779,300	\$648,169
National Semiconductor	So. Portland	306,608	\$300,467
Sappi Fine Paper	Westbrook	275,653	\$295,853
Fairchild Semiconductor	So. Portland	143,760	\$140,338
Yarmouth Water District	Yarmouth	129,613	\$141,273
B&G Foods (Burham & Morrill) [1]	Portland	112,781	\$102,733
Ecomaine (Regional Waste Systems) [2]	Portland	107,477	\$103,360
Maine Medical Center	Portland	71,908	\$157,675
Portland Housing Authority	Portland	63,465	\$167,628
Shipyard Beverage	Portland	44,329	\$50,613
		2,034,894	\$2,108,108
TOTAL SALES		7,595,574	\$20,220,433
PERCENT OF TOTAL SALES		26.8%	10.4%

* = Hundreds of Cubic Feet

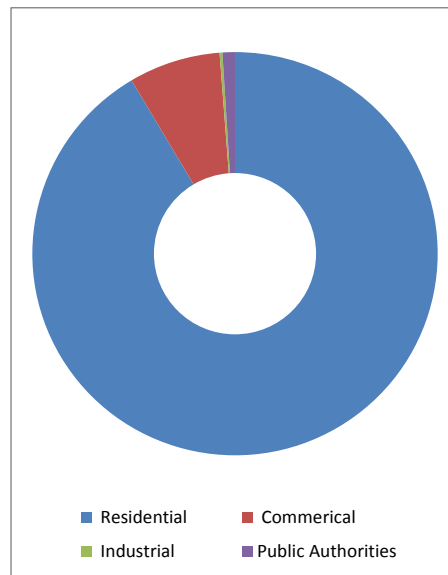
[1] = Burham & Morrill was purchased by B&G Foods

[2] = Ecomaine previously did business as Regional Waste Systems

NET GROWTH IN CUSTOMERS

Last Ten Fiscal Years

Metered & Private Fire Customers				
Fiscal Year	Beginning Number	Ending Number	Net Increase	Pecent Increase
2003	48,411	48,988	577	1.2%
2004	48,988	49,768	780	1.6%
2005	49,768	50,570	802	1.6%
2006	50,570	51,474	904	1.8%
2007	51,474	51,707	233	0.5%
2008	51,707	51,898	191	0.4%
2009	51,898	52,181	283	0.5%
2010	52,181	52,468	287	0.6%
2011	52,468	52,712	244	0.5%
2012	52,712	53,398	686	1.3%



NUMBER OF WATER CUSTOMERS BY TYPE

Last Ten Fiscal Years

Metered Customers							
Fiscal Year	Residential	Commerical	Industrial	Public Authorities	Total Metered	Private Fire	TOTAL
2003	43,550	3,293	80	397	47,320	1,668	48,988
2004	44,118	3,433	94	424	48,069	1,699	49,768
2005	44,775	3,473	95	439	48,782	1,788	50,570
2006	45,487	3,536	95	456	49,574	1,900	51,474
2007	45,554	3,574	104	472	49,704	2,003	51,707
2008	45,672	3,602	106	480	49,860	2,038	51,898
2009	45,874	3,653	107	491	50,125	2,056	52,181
2010	46,099	3,677	105	501	50,382	2,086	52,468
2011	46,296	3,699	114	506	50,615	2,097	52,712
2012	46,921	3,751	116	508	51,296	2,102	53,398

WATER RATES

Starting on May 1, 1999, until present, the District has two rate groups:

Members: Cape Elizabeth, Cumberland, Falmouth, Gorham, Portland, Raymond, Scarborough, South Portland, Westbrook and Windham

Non-Members: Standish and Yarmouth

During the last ten years the District has had different sets of rates for the following dates:

- 06/01/00 to 12/31/06
- 01/01/07 to 12/31/07
- 01/01/08 to 12/31/08
- 01/01/09 to 04/30/10
- 05/01/10 to 04/30/11
- 05/01/11 to 12/31/12

Non-members receive water service from the District but are not represented on the District's Board of Trustees and are not legally responsible for the District's debt.

WATER RATE SCHEDULE

Last Ten Fiscal Years

	Effective 06/01/00 to 12/31/06		Effective 01/01/07 to 12/31/07		Effective 01/01/08 to 12/31/08	
	Member Rate	Non-member Rate	Member Rate	Non-member Rate	Member Rate	Non-member Rate
Private Fire						
2	35.01	40.26	35.01	40.26	35.01	40.26
3	78.30	90.04	78.30	90.04	78.30	90.04
4	139.81	160.78	139.81	160.78	139.81	160.78
6	333.95	384.04	333.95	384.04	333.95	384.04
8	559.24	643.12	559.24	643.12	559.24	643.12
10	873.87	1,004.96	873.87	1,004.96	873.87	1,004.96
12	1,258.30	1,447.04	1,258.30	1,447.04	1,258.30	1,447.04
16	2,236.96	2,572.51	2,236.96	2,572.51	2,236.96	2,572.51
General Water						
Minimum Monthly Charges						
5/8	7.00	8.05	7.19	8.26	7.37	8.48
3/4	8.30	9.55	8.50	9.78	8.70	10.01
1	11.07	12.73	11.24	12.93	11.41	13.12
1 1/2	16.09	18.51	16.82	19.35	17.56	20.19
2	22.94	26.38	24.07	27.68	25.20	28.98
3	33.46	38.48	38.23	43.97	43.01	49.46
4	50.84	58.47	57.86	66.55	64.89	74.62
6	93.50	107.52	108.65	124.94	123.79	142.36
8	143.29	164.79	168.65	193.96	194.02	223.12
10	200.63	230.72	239.64	275.58	278.64	320.44
12	355.87	409.26	377.41	434.02	398.97	458.79
Low Income	n/a	n/a	1.81	2.08	1.85	2.13
Seasonal Water *1						
Minimum Seasonal Charges						
5/8	143.11	159.68	157.70	178.08	172.28	196.49
3/4	202.00	227.41	214.06	242.90	226.11	258.40
1	274.72	311.02	279.63	318.31	284.55	325.60
1 1/2	477.17	543.85	471.61	539.08	466.03	534.30
2	718.92	822.20	701.37	803.30	683.51	784.41
3	1,179.36	1,351.36	1,190.53	1,365.84	1,201.69	1,380.31
4	1,747.18	2,004.35	1,774.27	2,037.14	1,801.37	2,069.94
6	2,973.92	3,415.11	3,162.10	3,633.15	3,350.28	3,851.19
8	4,438.11	5,098.92	4,822.23	5,542.29	5,206.34	5,985.66
10	7,286.40	8,374.46	8,545.09	9,823.58	9,803.77	11,272.71
12	10,770.88	12,381.32	12,919.90	14,854.62	15,069.18	17,327.93
Volume Charges						
Four Blocks (Step 5)						
Monthly						
First 100 Cf	minimum	minimum	minimum	minimum	minimum	minimum
Next 2,900 Cf	1.76	2.02	1.81	2.08	1.85	2.13
Next 7,000 Cf	1.27	1.47	1.34	1.55	1.42	1.63
Next 40,000 Cf	0.94	1.08	1.06	1.22	1.18	1.36
Over 50,000 Cf	0.65	0.74	0.69	0.78	0.72	0.83
Seasonal						
Over Min to 90,000 Cf	1.76	2.02	1.81	2.08	1.85	2.13
Over 90,000 Cf	0.94	1.08	1.06	1.22	1.18	1.36
Seasonal Surcharge *1						
Surface Main Surcharge	29.59	29.59	30.75	32.41	31.91	35.21

*1 - If a seasonal service is on a surface main, an additional surcharge is added to the minimum

WATER RATE SCHEDULE

Last Ten Fiscal Years

	Effective 01/01/09 to 04/30/10		Effective 05/01/10 to 04/30/11		Effective 05/01/11 to 12/31/12	
	Member Rate	Non-member Rate	Member Rate	Non-member Rate	Member Rate	Non-member Rate
Private Fire						
2	36.06	41.47	37.32	42.92	38.07	43.78
3	80.65	92.74	83.47	95.99	85.14	97.91
4	144.00	165.60	149.04	171.40	152.02	174.83
6	343.97	395.56	356.01	409.40	363.13	417.59
8	576.02	662.41	596.18	685.59	608.10	699.30
10	900.09	1,035.11	931.59	1,071.34	950.22	1,092.77
12	1,296.05	1,490.45	1,341.41	1,542.62	1,368.24	1,573.47
16	2,304.07	2,649.69	2,384.71	2,742.43	2,432.40	2,797.28
General Water						
Minimum Monthly Charges						
5/8	7.75	8.91	8.01	9.21	8.15	9.37
3/4	9.13	10.49	9.44	10.85	9.60	11.03
1	11.87	13.65	12.27	14.11	12.48	14.35
1 1/2	18.74	21.55	19.49	22.41	19.99	22.98
2	26.99	31.03	28.07	32.27	28.79	33.09
3	48.97	56.31	50.93	58.56	52.23	60.05
4	73.70	84.75	76.65	88.14	78.60	90.39
6	142.39	163.75	148.09	170.30	151.87	174.64
8	224.83	258.55	233.82	268.89	239.78	275.75
10	325.53	374.36	338.55	389.33	347.18	399.26
12	430.91	495.55	448.15	515.37	459.58	528.51
Low Income	1.95	2.24	2.02	2.32	2.05	2.36
Seasonal Water						
Minimum Seasonal Charges						
5/8	191.77	220.53	198.48	228.25	202.45	232.82
3/4	244.33	280.97	252.88	290.80	257.94	296.62
1	296.89	341.42	307.28	353.37	313.43	360.44
1 1/2	472.09	542.90	488.61	561.90	498.38	573.14
2	682.33	784.68	706.21	812.14	720.33	828.38
3	1,242.98	1,429.43	1,286.48	1,479.46	1,312.21	1,509.05
4	1,873.71	2,154.77	1,939.29	2,230.19	1,978.08	2,274.79
6	3,625.74	4,169.60	3,752.64	4,315.54	3,827.69	4,401.85
8	5,728.18	6,587.41	5,928.67	6,817.97	6,047.24	6,954.33
10	11,334.68	13,034.88	11,731.74	13,491.10	11,966.02	13,760.92
12	17,641.98	20,288.28	18,259.45	20,998.37	18,624.64	21,418.34
Volume Charges						
Four Blocks (Step 5)						
Monthly						
First 100 Cf	minimum	minimum	minimum	minimum	minimum	minimum
Next 2,900 Cf	1.95	2.24	2.02	2.32	2.05	2.36
Next 7,000 Cf	1.53	1.76	1.59	1.83	1.63	1.88
Next 40,000 Cf	1.34	1.55	1.39	1.61	1.43	1.65
Over 50,000 Cf	0.77	0.89	0.80	0.92	0.82	0.94
Seasonal						
Over Min to 90,000 Cf	1.95	2.24	2.02	2.32	2.06	2.37
Over 90,000 Cf	1.34	1.55	1.39	1.60	1.42	1.63
Seasonal Surcharge *1						
Surface Main Surcharge	34.00	39.10	35.19	40.47	35.89	41.28

*1 - If a seasonal service is on a surface main, an additional surcharge is added to the minimum

OPERATING INFORMATION - PAGE 72 TO 73

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provide and the activities it performs.

OPERATING AND CAPITAL INDICATORS

*Last Ten Fiscal Years**

Water Assets										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Services	53,953	54,343	54,778	55,121	55,536	55,883	55,942	56,089	56,256	56,389
Meters	47,600	48,068	48,782	49,575	49,704	49,860	50,125	50,381	50,614	51,818
Hydrants	4,563	4,604	4,673	4,773	4,790	4,833	4,870	4,896	4,912	4,954
Gate Valves	10,503	10,877	10,301	10,369	10,471	10,520	10,614	11,140	11,187	11,270
Distribution Mains (miles)	910.0	922.5	930.8	940.0	945.4	949.9	954.9	957.9	958.6	961.7
Transmission Mains (miles)	40.5	40.5	40.5	40.5	40.5	40.5	41.4	41.4	41.4	41.4
Wastewater Assets										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Interceptors (miles)	44.0	44.3	44.3	44.3	44.3	46.7	46.9	46.9	46.9	46.9
Foremains (miles)	18.4	18.4	18.4	18.4	18.4	21.4	21.4	21.8	21.9	21.9
Collectors (miles)	25.1	25.1	25.1	25.1	25.1	24.9	24.9	25.3	25.3	25.7
Storm Drains (miles)	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Manholes	1,888	1,894	1,894	2,045	2,191	2,353	2,384	2,342	2,348	2,377
Combined Sewer Overflows	34	34	34	28	28	28	28	28	28	28
Wastewater Flow Treated*										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
East End (Portland)	19.74	20.06	21.11	18.67	16.54	19.05	17.30	18.15	18.04	18.00
Westbrook/Gorham	2.59	2.68	3.35	3.23	3.04	3.92	3.74	3.29	3.52	3.13
Cape Elizabeth	0.32	0.32	0.43	0.36	0.26	0.34	0.33	0.28	0.30	0.28
Little Falls (Windham) ***	0.02	0.02	0.03	0.03	0.02	0.03	0.00	0.00	0.00	0.00
Peaks Island (Portland)	0.08	0.08	0.09	1.08	0.08	0.13	0.11	0.09	0.10	0.09
* Daily average in millions of gallons *** Little Falls Treatment Plant closed in 2009, flow treated at Westbrook / Gorham Plant.										
Wastewater Biosolids Disposal**										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
East End (Portland)	49.34	49.08	46.29	48.63	45.59	50.75	51.33	45.20	43.54	38.66
Westbrook/Gorham	10.35	10.05	10.37	11.27	11.72	12.24	11.61	10.67	11.80	12.38
Cape Elizabeth	0.39	0.98	0.63	0.46	0.43	0.43	0.65	0.57	0.59	0.48
Little Falls (Windham) ***	0.14	0.13	0.15	0.12	0.14	0.17	0.00	0.00	0.00	0.00
Peaks Island (Portland)	0.06	0.07	0.08	0.06	0.09	0.07	0.03	0.07	0.12	0.12
** Daily average in wet tons *** Little Falls Treatment Plant closed in 2009, flow treated at Westbrook / Gorham Plant.										

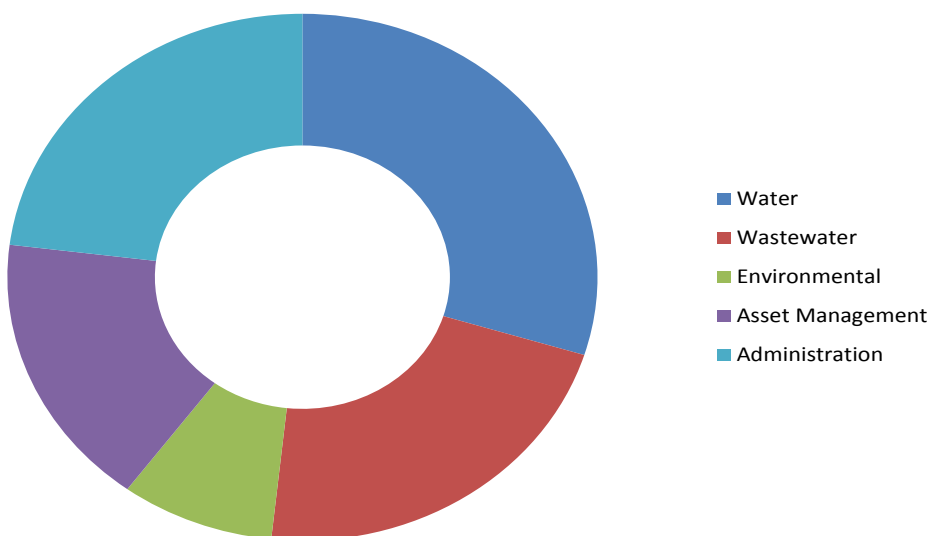
NUMBER OF EMPLOYEES BY ACTIVITY

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Water Operations:										
Water Distribution	32	32	29	27	27	27	25	25	25	24
Water Utility Services	15	15	15	16	16	16	15	13	13	13
Water Treatment	11	12	12	11	11	11	11	11	11	11
Administrative/Other	3	3	4	4	3	3	4	4	4	5
	61	62	60	58	57	57	55	53	53	53
Wastewater Operations:										
Wastewater Treatment	25	26	27	27	26	26	26	26	26	25
Water/Wastewater Systems	12	12	11	11	11	11	12	12	12	12
Administrative/Other	3	3	3	3	3	3	1	1	1	2
	40	41	41	41	40	40	39	39	39	39
Environmental Services:										
Environmental Services	6	6	6	8	8	8	8	8	8	8
Laboratory	6	6	6	6	8	8	8	8	7	7
	12	12	12	14	16	16	16	16	15	15
Asset Management & Planning:										
Planning & Design	13	13	15	14	14	14	15	16	17	17
Facilities Services	17	14	13	12	12	12	12	11	10	10
Instrumentation	3	4	4	4	4	4	3	3	3	3
	33	31	32	30	30	30	30	30	30	30
Administration:										
Customer Service	22	22	22	21	20	16	14	14	14	14
Executive Office	4	4	4	8	8	10	7	8	9	9
Financial Services	8	8	9	9	9	9	9	8	8	8
Information Services	7	7	7	7	7	7	7	7	7	7
Employee Services	3	3	3	3	3	3	3	3	3	3
	44	44	45	48	47	45	40	40	41	41
	190	190	190	191	190	188	180	178	178	178

Note: The totals shown are the approved full time (non-temporary) headcount for the year.

EMPLOYEES BY DEPARTMENT



DEMOGRAPHIC AND ECONOMIC INFORMATION - PAGE 74

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income thousands	(2) Per Capita Personal Income	(2) Unemployment Rate
2003	185,552	\$5,801,920	\$21,844	3.5%
2004	185,552	\$6,171,137	\$23,234	3.4%
2005	195,282	\$6,328,175	\$23,079	3.6%
2006	195,293	\$6,559,033	\$23,886	3.4%
2007	195,673	\$6,902,085	\$25,003	3.5%
2008	195,846	\$7,151,816	\$25,674	5.2%
2009	199,279	\$6,950,974	\$24,815	6.5%
2010	202,712	\$7,049,674	\$25,028	6.0%
2011	202,712	\$7,275,763	\$25,830	5.3%
2012	202,712	n/a	n/a	5.5%

Note: The population shown is equal to the population of the eleven communities served by the District.

The income and unemployment figures are that of Cumberland County.

All of the District's operations are within Cumberland County and the total population of the communities served by the District equals 71% of the County's total population.

(1) Source: U.S. Census Bureau; 2003-2009 Population Estimates & 2010 Census

(2) Source: State of Maine, Department of Labor

n/a = data not available

PRINCIPAL EMPLOYERS

Current Year

Ten Largest Employers*	
Employer Name	Employees
L.L. Bean	5,500
Maine Medical Center	4,700
Unum	3,500
Delhaise/Hannaford Brothers	2,400
TD Banknorth	2,400
Mercy Hospital/Health System	1,500
Sappi Fine Paper	1,500
Fairchild Semiconductor	1,300
Verizon	1,150
Anthem Blue Cross/Blue Shield	1,150
Total Employees (Top Ten)	25,100
Total Employment	137,256
Top Ten Employers Percentage	18.3%

Source: Cumberland County, Maine & U.S. Census Bureau

Note: Prior data was not available

* Data on total employment limited to the District's service area was not available. This data is for all of Cumberland County, the population in the areas served by the District represent 71% of the County's total population. In addition, the majority of the employees for the largest employer shown (L.L. Bean) work outside of the District's service area.

OTHER INFORMATION - PAGES 75 TO 88

These schedules present additional information on the District's financial and operating performance which gives the reader more insight into the District.

PROPRIETARY FUND OPERATING REVENUES

Last 10 Fiscal Years

WATER REVENUES

YEAR	Residential	Commercial	Industrial	Public Authorities	Public Fire Protection	Private Fire Protection	Resale	TOTAL
2003	\$10,667,487	\$2,788,261	\$1,556,307	\$565,485	\$978,070	\$619,727	\$137,105	\$17,312,442
2004	\$10,597,429	\$2,773,017	\$1,415,312	\$586,934	\$978,035	\$622,838	\$110,922	\$17,084,487
2005	\$10,532,223	\$2,737,371	\$1,415,702	\$589,301	\$978,070	\$673,456	\$156,964	\$17,083,087
2006	\$10,371,056	\$2,694,789	\$1,380,241	\$553,408	\$978,070	\$699,708	\$103,631	\$16,780,903
2007*1	\$10,951,171	\$2,847,789	\$1,343,468	\$630,494	\$1,091,964	\$709,731	\$137,932	\$17,712,548
2008*2	\$11,102,986	\$3,082,247	\$1,406,459	\$709,712	\$1,091,964	\$728,885	\$137,766	\$18,260,020
2009*3	\$11,380,763	\$3,186,785	\$1,439,469	\$720,772	\$1,124,781	\$767,447	\$122,578	\$18,742,595
2010*4	\$12,162,204	\$3,435,999	\$1,646,460	\$745,569	\$1,151,027	\$789,395	\$138,473	\$20,069,127
2011*5	\$12,170,613	\$3,424,326	\$1,650,656	\$734,420	\$1,178,853	\$820,766	\$146,389	\$20,126,023
2012	\$12,163,820	\$3,470,397	\$1,736,216	\$688,760	\$1,187,433	\$832,535	\$141,273	\$20,220,434

* 1 - Effective January 2007 metered water rates increased an average of 3.5% and public fire protection rates were increased 11.0%.

* 2 - Effective January 2008 metered water rates increased an average of 3.8% and public fire protection rates were unchanged.

* 3 - Effective January 2009 metered water rates increased an average of 7.0% and public and private fire protection increased an average of 3.0%.

* 4 - Effective May 2010 metered water rates, public and private fire rates were increased an average of 3.6%.

* 5 - Effective May 2011 metered water rates, public and private fire rates were increased an average of 1.9%.

WASTEWATER ASSESSMENTS (AMOUNTS EXPRESSED IN THOUSANDS OF DOLLARS)

YEAR	Cape Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	TOTAL
2003	\$863,052	\$498,144	\$45,720	\$490,608	\$8,753,220	\$1,599,100	\$45,996	\$12,295,840
2004	\$1,010,552	\$509,808	\$41,976	\$524,952	\$8,933,508	\$1,665,740	\$45,996	\$12,732,532
2005	\$1,013,052	\$559,092	\$3,627	\$544,320	\$9,437,664	\$1,617,200	\$54,720	\$13,229,675
2006	\$1,014,456	\$695,196	\$14,508	\$704,844	\$8,987,664	\$1,617,200	\$108,852	\$13,142,720
2007	\$1,014,456	\$764,236	\$14,508	\$763,092	\$9,699,360	\$1,685,888	\$108,852	\$14,050,392
2008	\$1,049,052	\$764,236	\$15,016	\$924,732	\$9,951,852	\$1,800,540	\$214,320	\$14,719,748
2009	\$1,049,052	\$564,232	\$15,012	\$1,021,008	\$10,250,412	\$2,208,971	\$331,848	\$15,440,535
2010	\$1,089,984	\$702,264	\$15,012	\$1,068,444	\$10,455,044	\$2,533,176	\$351,756	\$16,215,680
2011	\$1,089,984	\$702,264	\$15,012	\$1,068,444	\$10,340,044	\$2,533,176	\$351,756	\$16,100,680
2012	\$1,293,540	\$712,800	\$15,012	\$1,084,464	\$10,540,044	\$2,533,176	\$351,756	\$16,530,792

WATER STATISTICS

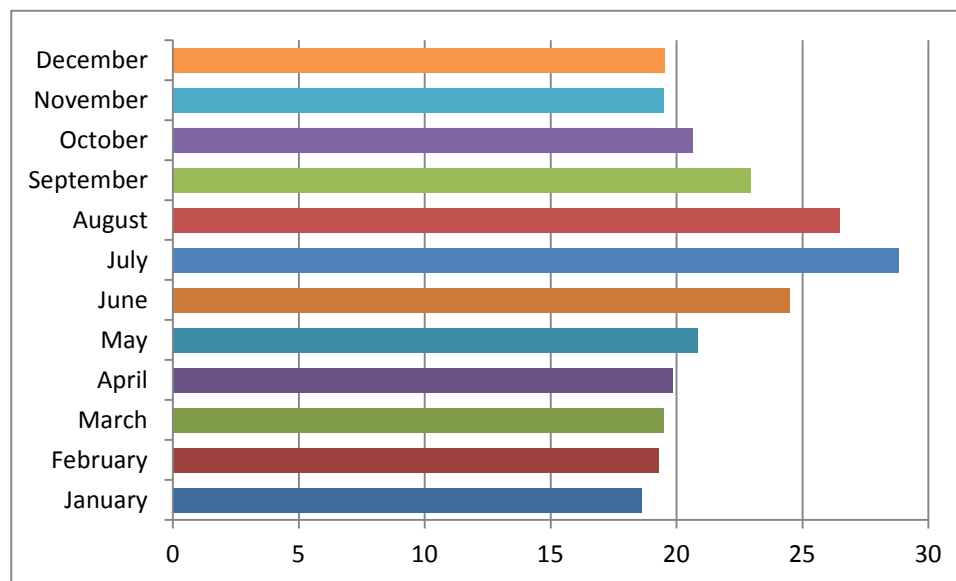
2012 WATER PRODUCTION (AVERAGE MILLION GALLONS PER DAY)

MONTH	Sebago Lake Surface Water	Steep Falls Wells	TOTAL SYSTEM	Gorham Boosted	N. Windham Boosted	Prides Corner Boosted	Standish Boosted	Winn Rd. Boosted
January	18.580	0.030	18.610	0.358	0.824	0.631	0.102	0.750
February	19.275	0.027	19.303	0.366	0.793	0.638	0.099	0.745
March	19.472	0.028	19.500	0.355	0.796	0.627	0.106	0.707
April	19.822	0.031	19.853	0.415	0.843	0.656	0.119	0.810
May	20.830	0.003	20.834	0.401	0.843	0.711	0.119	0.844
June	24.491	0.004	24.495	0.433	0.937	0.730	0.133	0.984
July	28.820	0.004	28.824	0.557	0.994	0.827	0.164	1.047
August	26.490	0.004	26.494	0.467	0.908	0.732	0.149	0.986
September	22.926	0.030	22.956	0.447	0.911	0.724	0.130	0.957
October	20.590	0.031	20.620	0.469	0.823	0.639	0.115	0.842
November	19.460	0.032	19.492	0.381	0.804	0.643	0.140	0.825
December	19.494	0.029	19.523	0.378	0.825	0.647	0.102	0.730
Averages	21.688	0.021	21.709	0.419	0.859	0.684	0.123	0.852

2012 WATER PRODUCTION (MILLION GALLONS PER YEAR)

	Sebago Lake Surface Water	Steep Falls Wells	TOTAL SYSTEM	Gorham Boosted	N. Windham Boosted	Prides Corner Boosted	Standish Boosted	Winn Road Boosted
2012	7,942,555	7,680	7,950,235	153,324	314,221	250,253	45,059	311,924

2012 WATER PRODUCTION BY MONTH (MILLIONS OF GALLONS PER DAY, MGD)



HISTORICAL SOURCE WATER PRODUCTION (MILLION GALLONS PER DAY)

YEAR	Source Water								Boosted Water						
	Sebago Lake								Percentage						
	Greater Portland System	Sebago Lake Standish System	Cumberland Wells	N. Windham Wells	Steep Falls Wells	TOTAL	Metered	Difference	Gorham Village	North Windham	Prides Corner	Standish	West Falmouth	Total Boosted	to Total
1960	17.775	0.040	0.000	0.110	0.012	17.937			0.175		0.008			0.183	1.02%
1961	19.092	0.041	0.000	0.121	0.017	19.271			0.146		0.020			0.166	0.86%
1962	17.901	0.052	0.000	0.117	0.011	18.081			0.149		0.017			0.166	0.92%
1963	19.936	0.043	0.000	0.168	0.013	20.160			0.168		0.021			0.189	0.94%
1964	19.402	0.039	0.000	0.144	0.013	19.598			0.188		0.032			0.220	1.12%
1965	20.214	0.047	0.076	0.196	0.011	20.544			0.183		0.025			0.208	1.01%
1966	20.189	0.048	0.161	0.166	0.013	20.577			0.187		0.032			0.219	1.06%
1967	18.785	0.060	0.152	0.142	0.012	19.151			0.195		0.028			0.223	1.16%
1968	20.576	0.159	0.191	0.156	0.014	21.096			0.213		0.031			0.244	1.16%
1969	21.849	0.167	0.192	0.179	0.019	22.406			0.210		0.036			0.246	1.10%
1970	21.875	0.137	0.205	0.186	0.020	22.423	17.180	5.243	0.228		0.043			0.271	1.21%
1971	22.511	0.185	0.275	0.230	0.022	23.223	17.070	6.153	0.246		0.045			0.291	1.25%
1972	21.232	0.221	0.225	0.263	0.022	21.963	16.380	5.583	0.257		0.063			0.320	1.46%
1973	21.846	0.220	0.228	0.288	0.021	22.603	16.290	6.313	0.228		0.113			0.341	1.51%
1974	21.810	0.202	0.221	0.334	0.017	22.584	16.410	6.174	0.242		0.114			0.356	1.58%
1975	21.635	0.215	0.266	0.363	0.021	22.500	15.960	6.540	0.258		0.167			0.425	1.89%
1976	21.589	0.258	0.274	0.345	0.022	22.488	16.020	6.468	0.266		0.194			0.460	2.05%
1977	21.060	0.246	0.310	0.408	0.039	22.063	16.840	5.223	0.273		0.193			0.466	2.11%
1978	21.566	0.247	0.296	0.351	0.037	22.497	17.300	5.197	0.255		0.325			0.580	2.58%
1979	19.306	0.261	0.161	0.490	0.046	20.264	17.470	2.794	0.250		0.160			0.410	2.02%
1980	19.104	0.250	0.177	0.419	0.043	19.993	16.550	3.443	0.266		0.306			0.572	2.86%
1981	19.720	0.274	0.204	0.433	0.039	20.670	16.880	3.790	0.245		0.190			0.435	2.10%
1982	21.462	0.252	0.209	0.433	0.036	22.392	17.840	4.552	0.231		0.214			0.445	1.99%
1983	20.459	0.293	0.186	0.433	0.032	21.403	18.160	3.243	0.213		0.259			0.472	2.21%
1984	21.466	0.273	0.155	0.342	0.044	22.280	18.990	3.290	0.245		0.448			0.693	3.11%
1985	21.322	0.247	0.185	0.357	0.042	22.153	19.270	2.883	0.268		0.428			0.696	3.14%
1986	21.425	0.270	0.201	0.405	0.030	22.331	19.700	2.631	0.289		0.365			0.654	2.93%
1987	22.528	0.255	0.238	0.463	0.044	23.528	19.190	4.338	0.276		0.354			0.630	2.68%
1988	23.141	0.287	0.243	0.426	0.065	24.162	19.460	4.702	0.295		0.465			0.760	3.15%
1989	22.728	0.285	0.209	0.421	0.057	23.700	19.270	4.430	0.324		0.461			0.785	3.31%
1990	22.916	0.182	0.198	0.461	0.053	23.810	18.630	5.180	0.366		0.427			0.793	3.33%
1991	19.293	0.146	0.202	0.432	0.033	20.106	19.670	0.436	0.384		0.485			0.869	4.32%
1992	20.360	0.142	0.263	0.471	0.038	21.274	17.950	3.324	0.394		0.496			0.890	4.18%
1993	23.092	0.160	0.269	0.493	0.046	24.060	17.920	6.140	0.332		0.509		0.146	0.987	4.10%
1994	22.415	0.023	0.194	0.525	0.038	23.195	18.318	4.877	0.357		0.461	N.A.	0.149	0.967	4.17%
1995	21.880	0.000	0.216	0.583	0.027	22.706	18.564	4.142	0.350		0.459	N.A.	0.159	0.968	4.26%
1996	22.619	0.000	0.242	0.699	0.026	23.586	18.402	5.184	0.355		0.452	N.A.	0.135	0.942	3.99%
1997	23.538	0.000	0.252	0.673	0.024	24.487	19.634	4.853	0.357		0.515	0.159	0.325	1.356	5.54%
1998	22.866	0.000	0.000	0.588	0.025	23.479	19.252	4.227	0.341		0.502	0.158	0.379	1.380	5.88%
1999	23.874	0.000	0.000	0.533	0.022	24.429	19.598	4.831	0.380	0.594	0.551	0.181	0.418	2.124	8.69%
2000	23.077	0.000	0.000	0.000	0.028	23.105	18.484	4.621	0.370	0.451	0.578	0.183	0.391	1.973	8.54%
2001	25.424	0.000	0.000	0.000	0.039	25.463	20.389	5.074	0.396	0.620	0.646	0.197	0.464	2.323	9.12%
2002	24.846	0.000	0.000	0.000	0.031	24.877	19.996	4.881	0.395	0.605	0.565	0.172	0.473	2.210	8.88%
2003	24.198	0.000	0.000	0.000	0.036	24.234	19.167	5.067	0.396	0.540	0.602	0.177	0.449	2.164	8.93%
2004	23.774	0.000	0.000	0.000	0.037	23.811	18.789	5.022	0.371	0.645	0.600	0.213	0.504	2.333	9.80%
2005	23.376	0.000	0.000	0.000	0.028	23.404	18.803	4.601	0.392	0.769	0.636	0.222	0.479	2.498	10.67%
2006	22.371	0.000	0.000	0.000	0.024	22.395	18.352	4.043	0.399	0.675	0.703	0.185	0.495	2.457	10.97%
2007	22.441	0.000	0.000	0.000	0.027	22.468	18.266	4.202	0.459	0.885	0.705	0.188	0.604	2.841	12.64%
2008	21.726	0.000	0.000	0.000	0.028	21.754	17.602	4.152	0.452	0.851	0.693	0.140	0.562	2.698	12.40%
2009	20.319	0.000	0.000	0.000	0.027	20.346	17.367	2.979	0.447	0.778	0.698	0.128	0.530	2.581	12.69%
2010	21.957	0.000	0.000	0.000	0.034	21.991	18.568	3.423	0.442	0.663	0.793	0.137	0.957	2.992	13.61%
2011	20.980	0.000	0.000	0.000	0.030	21.010	17.715	3.295	0.426	0.944	0.669	0.154	0.894	3.086	14.71%
2012	21.688	0.000	0.000	0.000	0.021	21.709	17.708	4.001	0.419	0.859	0.684	0.137	0.852	2.950	13.59%

* Difference: Includes water used for flushing hydrants and new mains, fire protection, and water lost in main breaks and leakage.

2012 WATER SERVICES SUMMARY

COMMUNITY	# of Services	# of Meters	# of Hydrants	# of Gate Valves	Distribution Mains (miles)
Cape Elizabeth	3,692	3,566	322	737	72.0
Cumberland	1,968	1,709	259	412	48.3
Falmouth	3,472	3,167	393	751	81.9
Gorham	2,789	2,507	304	709	59.0
Islands	1,314	612	87	304	34.5
Portland	18,318	17,621	1,361	3,494	233.1
Raymond	52	31	24	16	2.7
Scarborough	5,377	4,956	625	1,133	109.5
South Portland	8,862	8,156	566	1,625	118.3
Standish	798	684	145	213	26.1
Westbrook	5,926	5,507	541	1,128	88.0
Windham	3,533	3,302	327	748	88.3
TOTAL	56,101	51,818	4,954	11,270	961.7

2012 NUMBER OF WATER SERVICES BY TYPE

COMMUNITY	Surface	Brass	Copper	Plastic	Galvanized	Ductile Iron	Cement Lined	TOTAL
Cape Elizabeth	125	0	3,395	105	9	40	18	3,692
Cumberland	40	5	1,785	78	1	53	6	1,968
Falmouth	130	2	3,138	69	6	104	23	3,472
Gorham	28	0	2,544	89	5	112	11	2,789
Islands	665	0	605	35	2	7	0	1,314
Portland	748	9	15,830	338	41	959	393	18,318
Raymond	0	0	45	0	0	7	0	52
Scarborough	179	1	4,579	273	7	322	16	5,377
South Portland	442	1	7,659	211	20	378	151	8,862
Standish	63	0	697	20	1	12	5	798
Westbrook	213	0	5,250	136	1	305	21	5,926
Windham	113	1	3,024	292	1	91	11	3,533
TOTAL	2,746	19	48,551	1,646	94	2,390	655	56,101

2012 ACTIVE FIRE SERVICES

DIVISION	2"	4"	6"	8"	10"	12"	16"	TOTAL	Percent
Cape Elizabeth	1	3	7	9	1	0	0	21	1.0%
Cumberland	1	0	13	8	0	0	0	22	1.1%
Falmouth	80	8	43	19	1	4	0	155	7.4%
Gorham	19	4	50	29	0	0	0	102	4.9%
Islands	0	1	1	0	0	0	0	2	0.1%
Portland	97	74	494	188	12	9	1	875	41.8%
Raymond	0	0	1	2	0	0	0	3	0.1%
Scarborough	29	22	133	75	2	3	0	264	12.6%
South Portland	11	11	177	120	14	9	0	342	16.4%
Standish	0	0	10	2	1	0	0	13	0.6%
Westbrook	15	15	111	71	5	3	1	221	10.6%
Windham	9	4	39	17	1	1	0	71	3.4%
TOTAL	262	142	1,079	540	37	29	2	2,091	100.0%

2012 METERS IN SERVICE

DIVISION	5/8"	3/4"	1"	1.5"	2"	3"	4"	6"	8"	10"	TOTAL	Percent
Cape Elizabeth	3,366	79	63	21	27	6	2	1	1	0	3,566	6.9%
Cumberland	1,564	61	52	10	13	5	2	0	1	1	1,709	3.3%
Falmouth	2,815	125	103	45	58	11	2	5	3	0	3,167	6.1%
Gorham	2,341	49	40	23	39	12	2	0	1	0	2,507	4.8%
Islands	590	4	9	5	3	0	0	1	0	0	612	1.2%
Portland	15,424	661	524	368	485	93	36	26	4	0	17,621	34.0%
Raymond	20	1	2	2	6	0	0	0	0	0	31	0.1%
Scarborough	4,521	83	140	82	92	16	6	13	3	0	4,956	9.6%
South Portland	7,498	99	165	127	195	33	11	25	2	1	8,156	15.7%
Standish	652	10	9	3	6	0	2	2	0	0	684	1.3%
Westbrook	5,033	118	154	60	91	26	8	10	3	4	5,507	10.6%
Windham	3,065	65	72	48	38	5	3	6	0	0	3,302	6.4%
TOTAL	46,889	1,355	1,333	794	1,053	207	74	89	18	6	51,818	100.0%

METERED WATER (IN THOUSANDS OF GALLONS)

YEAR	Residential	Commercial	Industrial	Public Authorities	For Resale	TOTAL
2002	3,530,423	1,551,618	1,785,429	341,116	90,081	7,298,667
2003	3,387,593	1,502,247	1,636,379	336,819	133,078	6,996,116
2004	3,376,228	1,500,147	1,542,579	351,239	106,612	6,876,805
2005	3,354,639	1,508,781	1,488,483	358,154	153,152	6,863,209
2006	3,335,238	1,448,735	1,463,345	343,850	107,173	6,698,341
2007	3,368,388	1,489,936	1,326,391	356,155	126,414	6,667,284
2008	3,254,121	1,418,794	1,268,587	382,357	118,327	6,442,186
2009	3,216,991	1,410,177	1,247,882	367,354	96,396	6,338,800
2010	3,397,429	1,502,978	1,421,402	349,222	106,312	6,777,343
2011	3,290,807	1,430,439	1,328,681	305,690	110,197	6,465,814
2012	3,271,898	1,430,679	1,374,942	274,003	129,613	6,481,135

To convert "Thousand of Gallons (TOG)" to "Hundred Cubic Feet (HCF)" divide TOG by 748, for example the 2012 volume of 6,481,135 TOG equals 8,664,619 HCF

WATER QUALITY ANALYSIS
(AS TESTED ON APRIL 19, 2012, UNLESS OTHERWISE NOTED)

Constituents recorded with a less than sign (<) before the number were NOT detected.
 They are presented at the level in which detection is possible with available technology.

Constituent	Units	Greater Portland Untreated	Greater Portland Treated ¹	Munjoy Fire Station (Distribution)	Steep Falls Untreated	Steep Falls Treated ¹	MCL (for comparison only) ²
Physical							
Color	SU	<5	<5	<5	<5	<5	15
Conductivity	µS	47	63	64	193	183	**
Total Residue	mg/L	31	36	40	84	100	500
Turbidity	NTU	0.27	0.24	0.22	0.1	0.12	1
Inorganic Non-metals							
Residual chlorine	mg/L	NA	2.3	0.8	NA	NA	4
Alkalinity(as CaCO ₃)	mg/L	4.9	7.9	8.2	15.2	22.8	**
Carbon dioxide	mg/L	1.76	0.63	0.88	22.1	1.23	**
Ammonia – N	mg/L	<0.02	0.48	0.39	<0.02	<0.02	**
Nitrite – N	mg/L	<0.005	<0.005	0.012	<0.005	<0.005	1
Nitrate – N	mg/L	<0.2	<0.2	<0.2	0.8	0.7	10
Chloride	mg/L	6	9	9	38	29	250
Dissolved Oxygen	mg/L	14.62	15.63	14.31	10.45	12.4	**
Fluoride	mg/L	0.04	0.62	0.63	0.07	0.59	4
Hardness(asCaCO ₃)	mg/L	6.7	7.2	7	16.5	15.5	150
pH	SU	6.5	8.25	7.4	7.2	7.6	8.5
Silica	mg/L	2.4	2.7	2.7	7.7	7.8	**
Phosphorus	mg/L	0.04	0.36	0.34	0.03	0.03	**
Sulfate ³	mg/L	NA	3	NA	NA	5	250
Inorganic Metals							
Arsenic	mg/L	<0.01	<0.01	<0.01	<0.01	<0.01	0.05
Barium	mg/L	<0.01	<0.01	<0.01	<0.01	<0.01	2
Cadmium	mg/L	<0.001	<0.001	<0.001	<0.001	<0.001	0.005
Calcium	mg/L	2.7	2.9	2.8	6.6	6.2	**
Chromium	mg/L	<0.01	<0.01	<0.01	<0.01	<0.01	0.05
Copper	mg/L	<0.01	<0.01	0.01	0.06	<0.01	1.3
Iron	mg/L	0.12	0.02	0.06	0.02	0.02	0.3
Lead	mg/L	<0.01	<0.01	<0.01	<0.01	<0.01	0.015
Magnesium	mg/L	0.56	0.58	0.57	1.66	1.54	**
Manganese	mg/L	<0.01	<0.01	<0.01	<0.01	<0.01	0.05
Mercury ⁴	mg/L	NA	<0.00005	NA	NA	<0.00005	0.002
Nickel	mg/L	<0.01	<0.01	<0.01	<0.01	<0.01	0.1
Potassium	mg/L	0.47	0.49	0.49	1.87	1.62	**
Selenium	mg/L	<0.01	<0.01	<0.01	<0.01	<0.01	0.05
Silver	mg/L	<0.01	<0.01	<0.01	<0.01	<0.01	0.05
Sodium	mg/L	4.8	8.3	8.1	27.3	27.1	100
Zinc	mg/L	<0.01	0.11	0.12	<0.01	<0.01	5
Aggregate Organic							
Carbon, total organic ⁵	mg/L	2.6	2.4	NA	0.6	0.6	**
Pesticide/Herbicide⁶							
	µg/L	NA	ND	NA	NA	ND	
Asbestos⁷							
(million fibers/L)	10 ⁶ /L	NA	<0.12	NA	NA	NA	7
Radionuclides							
Gross alpha ⁸	pCi/L	NA	0.117	NA	NA	5.48	15

WATER QUALITY ANALYSIS - SUPPLEMENTAL INFORMATION

Constituent	MCL ² (MG/L)		Greater Portland	Steep Falls
ORGANIC				
VOLATILE ORGANICS (EPA 524.2)				
BENZENE	0.005		<0.0005	<0.0005
CARBON TETRACHLORIDE	0.005		<0.001	<0.001
p-DICHLOROBENZENE	0.075		<0.0005	<0.0005
1,2-DICHLOROETHANE	0.005		<0.0005	<0.0005
1,1-DICHLOROETHENE	0.007		<0.0005	<0.0005
1,1,1-TRICHLOROETHANE	0.2		<0.0005	<0.0005
TRICHLOROETHENE	0.005		<0.0005	<0.0005
VINYL CHLORIDE	0.002		<0.0005	<0.0005
METHYL TERT-BUTYL ETHER	0.035		<0.001	<0.001
o-DICHLOROBENZENE	0.6		<0.0005	<0.0005
cis-1,2-DICHLOROETHENE	0.07		<0.0005	<0.0005
trans-1,2-DICHLOROETHENE	0.1		<0.0005	<0.0005
1,2-DICHLOROPROPANE	0.005		<0.0005	<0.0005
ETHYLBENZENE	0.7		<0.0005	<0.0005
CHLOROBENZENE	0.1		<0.0005	<0.0005
STYRENE	0.1		<0.0005	<0.0005
TETRACHLOROETHENE	0.005		<0.0005	<0.0005
TOLUENE	0.1		<0.0005	<0.0005
XYLENES	10		<0.0005	<0.0005
DICHLOROMETHANE	0.005		<0.001	<0.001
1,2,4-TRICHLOROBENZENE	0.07		<0.0005	<0.0005
1,1,2-TRICHLOROETHANE	0.005		<0.0005	<0.0005
1,2-DIBROMO-3-CHLOROPROPANE	**		STWV ⁹	STWV ⁹
ETHYLENE DIBROMIDE	**		STWV ⁹	STWV ⁹
SYNTHETIC ORGANIC-PESTICIDES (EPA 525.2)				
ATRAZINE	0.003		<0.0001	STWV ⁹
ALACHLOR (LASSO)	0.002		<0.0002	STWV ⁹
BENZO(A)PYRENE	0.0002		<0.0001	STWV ⁹
BHC GAMMA (LINDANE)	0.0002		<0.0001	STWV ⁹
BIS (2-ETHYLHEXYL) ADIPATE	0.4		<0.0005	STWV ⁹
BIS (2-ETHYLHEXYL) PHTHALATE	0.001		<0.0002	STWV ⁹
ENDRIN	0.002		<0.0002	STWV ⁹
HEPTACHLOR	0.0004		<0.0001	STWV ⁹
HEPTACHLOR EPOXIDE	0.0002		<0.0002	STWV ⁹
HEXACHLOROBENZENE	0.001		<0.0001	STWV ⁹
HEXACHLOROCYCLOPENTADIENE	0.05		<0.0002	STWV ⁹
METHOXYCHLOR	0.04		<0.0002	STWV ⁹
SIMAZINE	0.004		<0.0001	STWV ⁹
PESTICIDES/PCB'S (EPA 508.1)				
CHLORDANE	0.002		<0.00053	STWV ⁹
POLYCHLORINATED BIPHENYLS, TOTAL	0.0005		<0.00011	STWV ⁹
TOXAPHENE	0.003		<0.00053	STWV ⁹
CARBAMATES (EPA 531.1)				
ALDICARB	**		<0.002	STWV ⁹
ALDICARB SULFONE	**		<0.002	STWV ⁹
ALDICARB SULFOXIDE	**		<0.002	STWV ⁹
CARBOFURAN	0.04		<0.002	STWV ⁹
OXAMYL	0.2		<0.002	STWV ⁹
SYNTHETIC ORGANICS - HERBICIDES (EPA 515.3)				
2,4-D	0.07		<0.00048	STWV ⁹
2,4,5 TP (SILVEX)	0.05		<0.00038	STWV ⁹
DALAPON	0.2		<0.001	STWV ⁹
DINOSEB	0.007		<0.00048	STWV ⁹
PENTACHLOROPHENOL	0.001		<0.000095	STWV ⁹
PICLORAM	0.5		<0.00071	STWV ⁹

FOOTNOTES:

¹ Chlorine and pH vary throughout the distribution system so values at your tap may differ from this locale. Also, iron, copper and lead can be affected by the condition of distribution pipes and interior plumbing.

² MCL= Maximum Contaminant Level. The highest level of a contaminant that is allowed or recommended in drinking water.

³ Sulfate analyzed in June 2011.

⁴ Mercury analyzed in June 2011.

⁵ TOC analyzed in December 2000.

⁶ Pesticide/herbicide analyzed in September and December 2011(Gr. Portland) and August 2008 (Steep Falls).

⁷ Asbestos analyzed in July 2011 in Cumberland area.

⁸ Gross alpha analyzed in May 2006.

⁹ STWV-state waiver, no testing required.

DEFINITIONS:

** MCL does not exist for these constituents

N/A – Not analyzed

ND – None detected

SU – Standard Unit

mg/l: milligrams per liter, or parts per million, ppm

µg/l: micrograms per liter, or parts per billion, ppb

pCi/l: picocuries per liter (a measure of radioactivity)

< = less than. The number following the less than sign is the lowest amount that can be reliably measured.

Turbidity: The measurement of cloudiness or suspended colloidal matter (silt). Excessive turbidity levels can cause problems with water disinfection.

WASTEWATER STATISTICS

EAST END WASTEWATER TREATMENT FACILITY

YEAR	Flow Treated (average million gallons/day)		Trucked in Waste (average gallons/day)		Biosolids Disposal (average/day)		% Removals	
	Primary Treatment Only	Secondary Treatment	Septage Treated	Holding Tank Waste Treated	TOTAL	Units	BOD	TSS
2003	0.408	19.334	4,773	4,233	49.34	Wet Tons	95	91
2004	0.662	19.393	4,229	2,452	49.08	Wet Tons	95	92
2005	0.720	20.390	4,727	1,009	46.29	Wet Tons	95	94
2006	1.203	17.465	4,303	1,167	48.63	Wet Tons	96	95
2007	0.639	15.896	3,311	605	45.59	Wet Tons	93	89
2008	1.090	17.955	3,457	865	50.75	Wet Tons	92	92
2009	1.211	16.102	4,354	4,918	51.33	Wet Tons	93	93
2010	1.268	16.877	2,780	303	45.20	Wet Tons	93	92
2011	0.935	17.100	1,973	304	43.54	Wet Tons	93	92
2012	1.016	16.989	1,647	302	38.66	Wet Tons	93	93

WESTBROOK/GORHAM/WINDHAM REGIONAL WASTEWATER TREATMENT FACILITY

YEAR	Flow Treated (average million gallons/day)	Trucked in Waste (average gallons/day)		Biosolids Disposal (average/day)		% Removals		% Flow		
	Secondary Treatment	Septage Treated	Holding Tank Waste Treated	TOTAL	Units	BOD	TSS	Westbrook	Gorham	Windham
2003	2.593	4,813	3,065	10.35	Wet Tons	90	94	85.721	14.279	-
2004	2.675	4,041	2,248	10.05	Wet Tons	93	95	86.791	13.209	-
2005	3.350	4,634	2,148	10.37	Wet Tons	93	94	88.300	11.700	-
2006	3.225	4,774	1,753	11.27	Wet Tons	96	94	88.341	11.659	-
2007	3.039	4,640	3,157	11.72	Wet Tons	95	94	89.952	10.048	-
2008 *1	3.924	4,392	2,210	12.24	Wet Tons	95	95	89.890	8.795	1.315
2009 *2	3.742	1,384	515	11.61	Wet Tons	95	96	88.863	8.732	2.405
2010 *3	3.291	2,077	263	10.67	Wet Tons	96	97	88.033	9.727	2.240
2011 *4	3.523	2,489	303	11.80	Wet Tons	96	96	86.322	11.675	2.003
2012	3.131	2,996	395	12.38	Wet Tons	95	97	80.904	16.717	2.379

*1 - Windham flow started being processed at the Westbrook Regional facilities effective 4/1/08.

*2 - Trucked in Waste deliveries to the Westbrook Regional Treatment Plant were suspended 6/1/09 - 10/31/09 for odor control purposes.

*3 - Trucked in Waste deliveries to the Westbrook Regional Treatment Plant were suspended 7/24/10 - 10/31/10 for odor control purposes.

*4 - Trucked in Waste deliveries to the Westbrook Regional Treatment Plant resumed year-round deliveries in 2011.

CAPE ELIZABETH WASTEWATER TREATMENT FACILITY

YEAR	Flow Treated (average million gallons/day)	Biosolids Disposal (average/day)		% Removals	
	Secondary Treatment	TOTAL	Units	BOD	TSS
2002	0.293	0.51	Wet Tons	97	97
2003	0.324	0.39	Wet Tons	95	95
2004	0.316	0.98	Wet Tons	96	97
2005	0.43	0.63	Wet Tons	92	96
2006	0.358	0.46	Wet Tons	91	95
2007	0.257	0.43	Wet Tons	94	95
2008	0.338	0.43	Wet Tons	89	92
2009	0.326	0.65	Wet Tons	93	97
2010	0.275	0.57	Wet Tons	95	96
2011	0.297	0.59	Wet Tons	97	98
2012	0.280	0.48	Wet Tons	95	95

PEAKS ISLAND WASTEWATER TREATMENT FACILITY

YEAR	Flow Treated (average million gallons/day)	Biosolids Disposal (average/day)		% Removals	
	Secondary Treatment	TOTAL	Units	BOD	TSS
2002	0.080	0.07	Wet Tons	97	96
2003	0.075	0.06	Wet Tons	96	96
2004	0.078	0.07	Wet Tons	96	96
2005	0.085	0.08	Wet Tons	92	94
2006	0.108	0.06	Wet Tons	92	91
2007	0.084	0.09	Wet Tons	95	93
2008	0.129	0.07	Wet Tons	92	91
2009	0.114	0.03	Wet Tons	90	91
2010	0.093	0.07	Wet Tons	92	92
2011	0.102	0.12	Wet Tons	93	91
2012	0.093	0.12	Wet Tons	96	95

EAST END WASTEWATER TREATMENT FACILITY

SLUDGE CAKE METALS (MG/DRY KG)

YEAR	MONTH	Cadmium	Copper	Chromium	Lead	Nickel	Zinc	Mercury
2012	January	1.6	228	13	32	11	378	0.3
	February	1.4	233	13	26	9	420	0.4
	March	1.1	238	17	30	13	533	0.2
	April	1.1	230	14	38	13	550	0.3
	May	1.2	256	19	47	15	560	0.4
	June	1.4	236	21	71	20	563	0.5
	July	1.4	303	15	52	14	650	0.8
	August	2.1	313	18	68	17	670	0.4
	September	1.4	286	26	32	22	620	0.7
	October	1.2	250	16	45	17	563	1.2
	November	0.9	250	9	25	9	430	0.5
	December	1.2	221	14	50	14	500	0.3
Annual Average		1.3	254	16	43	14	536	0.5

HISTORICAL SLUDGE CAKE METALS AVERAGES (MG/DRY KG)

YEAR	Cadmium	Copper	Chromium	Lead	Nickel	Zinc	Mercury
2003	2.0	215	16	48	12	560	0.5
2004	0.8	216	16	51	13	540	0.4
2005	1.2	230	18	57	14	565	0.5
2006	0.9	242	19	60	14	599	1.6
2007	0.9	254	17	51	13	575	0.5
2008	1.2	239	19	54	14	600	0.4
2009	1.4	248	18	47	15	633	0.4
2010	0.5	260	16	42	13	541	0.5
2011	1.3	205	17	47	15	484	0.5
2012	1.3	254	16	43	14	536	0.5

MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION SCREENING LAND APPLICATION LIMITS (MG/DRY KG)

Cadmium	Copper	Chromium	Lead	Nickel	Zinc	Mercury
10	1,000	1,000	300	200	2,000	6

WESTBROOK GORHAM WINDHAM REGIONAL WASTEWATER TREATMENT FACILITY

SLUDGE CAKE METALS (MG/DRY KG)

YEAR	QUARTERLY *	Cadmium	Copper	Chromium	Lead	Nickel	Zinc	Mercury
2012	January	1.5	477	50	26	89	888	0.4
	April	1.6	560	30	36	46	970	0.3
	July	1.5	566	28	34	39	1,100	0.4
	October	1.4	576	33	29	33	1,100	1.4
Annual Average		1.5	545	35	31	52	1,015	0.6

* PWD received a minor modification of its Solid Waste License that reduced Westbrook's monitoring frequency to no less than quarterly. Based on regulations and the quantity of biosolids produced at Westbrook, this frequency is now more consistent with the regulatory requirements.

HISTORICAL SLUDGE CAKE METALS AVERAGES (MG/DRY KG)

YEAR	Cadmium	Copper	Chromium	Lead	Nickel	Zinc	Mercury
2003	2.4	504	33	34	35	1,144	0.3
2004	1.1	542	42	41	39	1,211	0.7
2005	1.5	553	37	41	25	1,141	1.2
2006	1.2	615	80	42	63	1,359	1.2
2007	1.1	567	68	37	25	1,185	0.5
2008	1.4	578	84	36	49	1,225	0.5
2009	1.3	469	43	35	25	1,032	0.4
2010	0.5	410	39	32	20	879	0.5
2011	0.9	467	42	32	65	931	0.8
2012	1.5	545	35	31	52	1,015	0.6

MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION SCREENING LAND APPLICATION LIMITS (MG/DRY KG)

Cadmium	Copper	Chromium	Lead	Nickel	Zinc	Mercury
10	1,000	1,000	300	200	2,000	6

WASTEWATER SUMMARY BY DIVISION

Portland System: *1					
Mainland	Estimated population served	60,000			
	Treatment plant design flow:				
	average / peak wet weather	19.8 mgd average / 80 mgd peak			
	Pump stations	10			
	Interceptors	73,926 feet			
	Force Mains	15,880 feet			
	Estimated population served	500			
	Treatment plant design flow:				
	average / peak wet weather	0.2 mgd average / .61 mgd peak			
	Pump stations	3			
Peaks Island	Collectors	24,905 feet			
	Interceptors	1,517 feet			
	Force Mains	3,289 feet			
	Storm Drains	9,100 feet			
Westbrook *2					
	Estimated population served	11,000			
	Treatment plant design flow:				
	average / peak wet weather	4.54 mgd average / 15.7 mgd peak			
	Westbrook allocated average treatment plant flow (76.4%)	3.47 mgd average / 11.99 mgd peak			
			Joint Use	Westbrook Only	Gorham Only Windham Only
	Pump stations	3	1	2	
	Interceptors	24,965 feet	9,200	15,765	
	Force Mains	17,500 feet	4,500	13,000	
	Percentage Flow			80.904%	16.708% 2.388%
Cape Elizabeth System *3					
Cape - North	Estimated population served	4,000			
	Treatment contracted to South Portland				
	System design flow	0.72 mgd			
	Pump stations	13			
	Interceptors	28,700 feet			
	Force Mains	4,100 feet			
	Estimated population served	3,100			
	Treatment plant design flow:				
	average / peak wet weather	0.52 mgd average / 2.75 mgd peak			
	Pump stations	10			
Cape - South	Interceptors	19,985 feet			
	Force Mains	18,610 feet			
Cumberland					
	Estimated population served	2,200			
	Treatment contracted to Falmouth				
	System Design Flow	0.47 mgd			
	Pump stations	11			
	Interceptors	43,727 feet			
	Collectors	61,275 feet			
	Force Mains	26,879 feet			
Gorham Village					
	Estimated population served	6,000			
	Treatment conveyed to Westbrook				
	System design flow	1.4 mgd			
	Gorham allocated average treatment plant flow (21%)	0.95 mgd average / 3.30 mgd peak			
	Pump stations	7			
	Interceptors	34,544 feet			
	Collectors	49,537 feet			
	Force Mains	11,972 feet			
Little Falls System *4					
	Estimated population served	1,000			
	Windham allocated average treatment plant flow (2.6%)	0.12 mgd average / .41 mgd peak			
			Joint Use	Gorham Only	Windham Only
	Pump stations	5	2	1	2
	Interceptors/Collectors	20,424 feet	12,579	4,758	3,087
	Force Mains	17,014 feet	11,280	3,245	2,489
	Percentage Flow			29.549%	70.451%

FOOTNOTES:

*1 - The Portland System contains two separate treatment facilities. The mainland facility processes wastewater for the city of Portland. Trucked in waste and thickened sludge from the Peaks Island and Cape Elizabeth South Treatment Facilities are also processed here. The Peaks Island System processes wastewater for Peaks Island (which is a part of the city of Portland) to a thickened sludge product. This product is then transported to the Portland plant for final dewatering and sludge disposal

*2 – Historically, the Westbrook System had one treatment plant which processed wastewater for the city of Westbrook and Gorham Village. Trucked in waste and thickened sludge from the Little Falls Treatment Facility was also processed here. The Gorham Village wastewater is pumped to Westbrook for processing. Gorham reimburses Westbrook for all joint use costs incurred in transporting and processing the wastewater. Effective 4/1/08, Windham flow was transferred to the Westbrook Regional Treatment Facility through the new Little Falls Conveyance System. Effective 5/1/08, Gorham Little Falls flow was also diverted to the Westbrook Regional Treatment Facility, resulting in the retirement of the Little Falls Treatment Facility. Windham and Gorham Little Falls also reimburses Westbrook for all joint use costs in the transportation and processing of the wastewater.

*3 – The Cape Elizabeth System is processed through two separate treatment facilities. The town of Cape Elizabeth in conjunction with the Portland Water District has a contract with the city of South Portland to provide wastewater treatment for the Cape North Sewer System. The Cape North System pumps all wastewater to the South Portland Pollution Control Facility for processing and reimburses South Portland for all joint use costs incurred in transporting and processing. The Cape South Sewer System processes wastewater at its own treatment facility to a thickened sludge product which is then transported to the Portland Treatment Plant for final dewatering and sludge disposal. The Cape South Treatment Plant was upgraded in 2011, resulting in a peak wet weather design flow increase from 1.7 MGD to 2.75 MGD, whereas the average design flow remained at .52 MGD as originally designed.




*4 – The Little Falls System processes wastewater from an area which is located within two separate communities. Residents in the towns of Windham and Gorham share in the Little Falls System costs incurred in transporting and processing the wastewater at the Little Falls Treatment Facility. A thickened sludge product was then transported to the Westbrook Treatment Facility for final dewatering and sludge disposal. The Little Falls Treatment Facility was in full operations through 3/31/08. Effective 4/1/08, Windham flow was transferred to the Westbrook Regional Treatment Facility and effective 5/1/08, the Gorham flow was also diverted there. This resulted in the retirement of the Little Falls Treatment Facility as of 5/1/08.

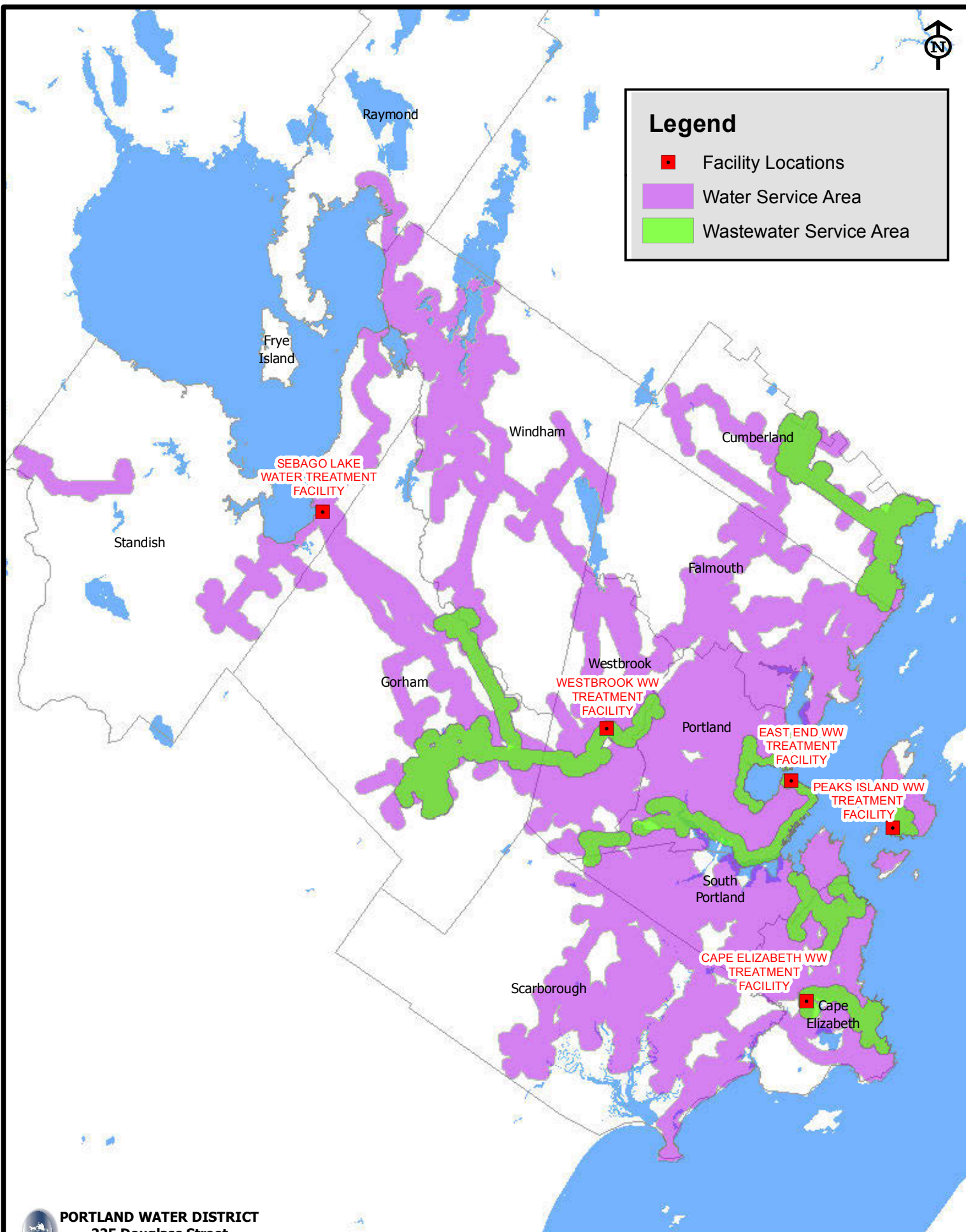
WASTEWATER PIPELINE LENGTH (MILES)

COMMUNITY	Interceptors	Forcemains	Collectors	Storm Drains	TOTAL	# of Manholes	# of CSOs
Cape Elizabeth	9.2	4.3	0.0	0.0	13.5	275	1
Cumberland	8.3	5.1	11.6	0.0	25.0	579	0
Gorham	9.8	5.1	9.4	0.0	24.3	601	0
Windham	0.6	0.5	0.0	0.0	1.1	13	0
Portland	14.3	3.6	4.7	1.7	24.3	792	22
Westbrook	4.7	3.3	0.0	0.0	8.0	117	5
TOTAL	46.9	21.9	25.7	1.7	96.2	2,377	28



Legend

-  Facility Locations
-  Water Service Area
-  Wastewater Service Area



PORTLAND WATER DISTRICT
225 Douglass Street
Portland, ME 04104