

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

APPLICATION FOR APPROVAL OF ISSUE OF SECURITIES

This application is used for approvals required by 35-A M.R.S.A. §§901 – 912, Approval of Stocks, Bonds and Notes by Public Utilities Commission and §§1101 – 1105, Authorization of Sales, Leases, and Mortgages of Property.

Please print or type all required information. Identify all attachments in the main body of this application. All attachments should bear the legal name of the Applicant and should be included on any electronic copy provided. ***Previous versions of this application form are obsolete.*** Applicants should file an original and two copies of the Application and all supporting materials with the **Maine Public Utilities Commission, Administrative Director, 18 State House Station, Augusta, ME 04333-0018.** Applicants may also file an electronic copy in accordance with the Commission's electronic filing process.

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**Name of Utility:** Fryeburg Water Company  
**Address:** 24 Portland Street, Suite #1  
Fryeburg, ME 04037

	<b>Name</b>	<b>Telephone</b>	<b>E-Mail</b>
President/Chief Executive Officer	Hugh W. Hastings II	207-935-2010	Fryeburgh2o@fairpoint.net
Treasurer/Chief Financial Officer	Jean M. Andrews	207-935-2010	Fryeburgh2o@fairpoint.net
Contact for Application	Jean M. Andrews	207-935-2010	Fryeburgh2o@fairpoint.net

**1) Details of debt issuance:**

		Comments
Type of Debt <sup>1</sup>	First Mortgage	See Attachment A
Secured or Unsecured	Secured	
Lender(s)	The Bank of Maine	
Amount of Debt Issuance	\$875,000.00	Not to exceed \$875,000.00
Amount of Principal Forgiveness (if applicable)	\$0	
Amount of Grants (if applicable)	\$0	
Loan Origination Costs	\$0	Bank Closing Cost Est. \$5,215.00
Annual Principal Payment	\$58,333.34	
Annual Interest Payment	Variable	See Attachment B
Interest Rate (Fixed or variable*)	Fixed	First six months fixed at 2.65%; after fixed at 3.87%
Other Fees to Lender (i.e. annual commitment fees, etc)	\$0	
Term	5 year	Balloon payment in 2020
Estimated Closing Date	10/01/2015	

\* If the interest rate of the issuance is variable throughout the life of the loan, provide details as to the calculation of that rate (for example: prime plus .5%)

2) Provide full details of the utility's planned use(s) for the proceeds from this debt issuance either below or as an attachment. Include detailed descriptions of major constructions projects to be funded, and/or (if applicable) all details related to currently outstanding bonds or debts to be refunded, including outstanding balance, remaining term, and interest rate, and similar details for all other uses of these funds.

**This is a refinance of existing mortgage and extension agreement with Maturity Dates of October 6, 2015 due TD Bank, N.A. under dated October 6, 2010. No increase in debt will occur as a result.**

<sup>1</sup> First Mortgage, Second Mortgage, Revenue Bond, etc.

- 3) Provide a copy of the signed Commitment Letter (or "Term Sheet" or other document) from the underwriter, lending agency or other institution.

**See Attachment A.**

- 4) If the debt issuance is secured, provide a description of the property used to secure the debt. (Secured debt requires Commission approval under 35-A M.R.S.A. §1101 as well as §901 and §902.)

**All Maine assets including franchise rights of the Company will be given by Company except two small out lots acquired for wellhead protection mortgaged separately to Maine Municipal Bond Bank.**

- 5) Provide executed copies of all notes, mortgages, indentures, and other applicable agreements related to this issuance either attached to the application or within 90 days after the closing of debt issuance.

**To be filed within 90 days after closing of debt issuance.**

- 6) If the issuance of this instrument is expected to result in a request for an increase in the utility's rates within twelve months after the date of issuance, provide the estimated amount and percent rate change that will likely be required, based upon currently known information. Also provide the expected filing date of the rate request.

**No rate increase anticipated as a result of this request.**

- 7) Provide an attested copy of the authorizations by the appropriate body (trustees, board of directors, stockholders, or other body) for the issuance of this debt instrument. (If provided in a previous case, reference case by docket number and date filed or date of Commission order.)

**See Attachment C.**

- 8) Provide the name and title of officer or outside counsel who has reviewed the applicable charters, articles of incorporation, and/or by-laws and determined that this debt issuance will not cause the utility to exceed any debt limitations or violate any other terms contained in these documents. If applicant has used an outside party to complete this review, applicant should include as an attachment a letter from that party stating that the review was performed and the results of that review.

**See Attachment D.**

9) Provide the following financial information

- a) Copies of the utility's most recent balance sheet, income statement, and cash flow statement as of the end of the fiscal year and current year to date (should be no more than two month's prior to application date).

**See Attachment E, F and G.**

- b) Total Interest Expense, including interest on short-term debt, for the last Fiscal Year and the current year to date:

i) Fiscal Year Ended	<u>12/31/2014</u>	\$ <u>51,144</u>
ii) Year to Date Ended	<u>07/31/2015</u>	\$ <u>24,462</u>

- c) Total debt principal payments for the last Fiscal Year and the current year to date:

i) Fiscal Year Ended	<u>12/31/2014</u>	\$ <u>53,245</u>
ii) Year to Date Ended	<u>07/31/2015</u>	\$ <u>0</u>

- d) Total unrestricted cash balances for at the end of the last Fiscal Year and the current balance year to date:

i) Fiscal Year Ended	<u>12/31/2014</u>	\$ <u>5,808</u>
ii) Year to Date Ended	<u>07/31/2015</u>	\$ <u>45,367</u>

- e) Total combined depreciation and amortization expense for the last Fiscal Year and the current year to date:

i) Fiscal Year Ended	<u>12/31/2014</u>	\$ <u>43,802</u>
ii) Year to Date Ended	<u>07/31/2015</u>	\$ <u>25,551</u>

- f) Net Income (Loss) for the last Fiscal Year and the current year to date:

i) Fiscal Year Ended	<u>12/31/2014</u>	\$ <u>20,870</u>
ii) Year to Date Ended	<u>07/31/2015</u>	\$ <u>20,954</u>



10) Provide information on outstanding debt, including short-term debt, now issued and outstanding by issuance:

Type	Original Amount	Date Issued	Credit Line or Limit	Maturity Date	07/31/2015 Outstanding Balance	Interest Rate	Docket Number
TD Bank, N.A.	\$90,000	2008		10/06/15	\$45,300	5.26%	2008-380 and 2010-238
TD Bank, N.A.	\$959,657.94	2010		10/06/15	\$815,658	5.26%	2010-238
MMBB	\$231.00	2008		11/01/23	\$147,926	2.30%	2008-383

11) Provide details of total capital stock now issued and outstanding, by issuance:

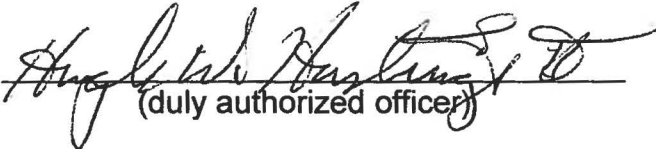
Type/Series	No. of Shares	Par Value per Share	Total per Issuance	Preferred Dividend Rate
Common:	960	\$100.00	\$96,000.00	0
Preferred:	0	0	0	0

Utility: Fryeburg Water Company

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12) Provide any additional information necessary for the Commission to fully evaluate the proposed securities issuance.

The Company is refinancing its existing debts with TD Bank, N.A. with The Bank of Maine with one borrowing of no more than \$875,000.00 to be secured by all Maine property of Company exclusive of two out lots purchased in 2008 and financed separately with Maine Municipal Bond Bank. The refinancing does not result in any increase in the Company's existing long term debt. The refinanced debt was approved in Docket No. 2010-238. The original loan proceeds were used for utility purposes in connection with the Company's utility plant, property and equipment. The new estimated interest on the refinanced amount will be 2.65% for the first six months and 3.87% for the remainder of the loan with principal to have balloon payment in 5 years. No new rate increase is anticipated by the Company to service these refinance debts at this time.

  
(duly authorized officer)

Hugh W. Hastings II  
(Applicant)

8/20/2015  
(Date)

# Attachment A



May 28, 2015 (Revised July 28, 2015)

Mr. Hugh Hastings II, President  
Ms. Jean Andrews, Vice President  
Fryeburg Water Company  
24 Portland Street, Suite # 1  
Fryeburg, Maine 04037

Subject: Financing Commitment

Dear Hugh and Jean,

The Bank of Maine is pleased to inform you that, pursuant to our most recent discussions, your loan request has been approved. This letter, when properly signed and accepted, shall constitute an agreement between The Bank of Maine, (hereafter referred to as "Bank"), which agrees to lend and Fryeburg Water Company (hereafter referred to as "Borrower"), which agrees to borrow, in accordance with the following terms and conditions, in addition to those as outlined in the loan documents.

**Confidentiality:** The terms and conditions in this proposal are time sensitive and for the exclusive consideration of those addressed herein.

**Borrower:** Fryeburg Water Company (Hereafter referred to as "Borrower")

**Loan Amount:** Up to Eight Hundred and Seventy Five Thousand and 00/100 Dollars (\$875,000)

**Purpose:** Refinance existing debt, closing costs and pre-payment penalties

Use of Funds		Sources of Funds	
TD Loan A	\$ 45,300	Bank Loan	\$875,000
TD Loan B	\$ 815,658		
Bank Closing Costs	\$ 5,215		
Half of TD 1% PPP (est)	\$ 4,305		
Misc Funds to Borrower	\$ 4,522		
<b>Total</b>	<b>\$875,000</b>	<b>Total</b>	<b>\$875,000</b>

Shall a refinancing occur prior to the October loan maturities with TD Bank and there are pre-payment penalties, The Bank of Maine will pay for half of the penalties not to exceed \$4,305 and finance the remaining half with loan proceeds. The interest rate during the first six months of the loan will be at a reduced rate to compensate for the borrower's cost of half the penalty.



**Fees:** Origination Fee: None/waived

Other third party fees including attorney, environmental, etc. Total bank-related closing fees are estimated at \$5,215.00. **In the event there are no pre-payment penalties with TD Bank, the initial 2.65% interest rate on the loan will be available to offset closing fees.**

**Default**

**Interest Rate:** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by adding an additional 3.00 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default.

**Payments:** Interest payments shall be due quarterly commencing in ~~December~~ <sup>November</sup> 2015. Borrower shall make principal payments twice annually, in August and November. Any unpaid principal plus accrued interest will be due and payable at maturity.

*Borrower agrees to make payment by automatic funds transfer.*

**Prepayment**

**Premium:** In the event of a full prepayment, the premium will be based on the loan principal that is prepaid. The prepayment premium will be equal to one percent (1%) of the loan principal that is prepaid during the first three years of the loan. A prepayment premium will not be assessed after the third year.

**Late Charge:** If a payment is 15 days or more late, Borrower will be charged 7.00% of the regularly scheduled payment.

**Security:** The loan will be secured with the following assets:

- First priority mortgages on all real estate owned by the Borrower with the exception for second priority mortgages on real estate that secures a loan with the Maine Municipal Bond Bank. The Mortgages shall include a security agreement providing the Bank with a security interest in, among other things, all (1) equipment directly related to the buildings, such as plumbing and heating, air conditioning, etc., together with all machinery, equipment, and fixtures required to operate the facilities; and (2) income and revenues, including an agreement to assign related leases and rents which leases and rents shall be subject to our review and approval. The mortgages shall secure the Borrower's obligations under the terms of the loan to be made by the Bank and shall also secure all other obligations, whether now existing or hereafter arising, of the Borrower to the Bank.

The mortgages shall provide for the statutory power of sale.

- Assignment of all leases and rents and of all income realized under such leases. All leases shall be subordinate to Bank's mortgages.
- Assignment of the contract with Nestle Waters North America
- First priority security interest in all business assets

**Negative Pledge:**

Borrower will not take any action or cause any action to be taken which will further encumber the business assets and/or the security of this loan during the term of this loan or any extension or renewal thereof without the prior written consent of Bank.

**Environmental Requirements:**

Environmental reports satisfactory in all respects to Bank will be required on the real estate securing the loan. Bank will coordinate the process and the fee for providing the environmental reports will be the sole responsibility of Borrower. The cost of the reports is estimated to be a total of \$665.00. Bank reserves the right to require environmental reports in the future if deemed appropriate and necessary by Bank at the Borrower's expense.

**Financial Covenants:**

Borrower will at all times comply with the following financial covenant, as determined in accordance with generally accepted accounting principles consistently applied. The covenant will be monitored by Bank's analysis of the Borrower's annual audited financial statements.

Minimum Debt Service Coverage (DSC) Ratio: Borrower will maintain a DSC ratio of not less than 1.10:1. DSC will be determined by adding net income, depreciation, amortization, interest expense, adding or subtracting any non-recurring items, subtracting any non-financed capital expenditures and distributions, and then dividing the result by the annualized required principal and interest payments. Non-recurring items will be determined by the Bank.

**Other  
Covenants:**

- Borrower will be required to obtain an extension of the current contract with Nestle Waters North America at least 90 days before the current contract expires, with terms similar to or more favorable to the Borrower relative to the 1997 agreement.
- A default under any requirement of the Maine Public Utilities Commission will be considered a default under the loan documents.

**Financial  
Statements:**

Borrower will furnish Bank with financial information at a minimum of annually or as specified below. The financial information must be signed and dated and in the following form and fashion:

- Borrower's audited financial statements prepared by an independent accountant acceptable in all respects to Bank, within 120 days of year end.
- Borrower's annual report to the Maine Public Utilities Commission, within 30 days of filing.
- Borrower's federal income tax returns, within 30 days of filing.

**Deposit  
Relationship:**

Borrower will be required to establish and maintain its primary checking account at the Bank. The Bank of Maine offers a Remote Deposit Capture (RDC) service that would allow Fryeburg Water Company to electronically deposit checks by way of a desk-top device. RDC is a convenient and safe solution that saves the time and resources needed to physically transport checks to a bank branch. The cost of the service will be provided once volume parameters are determined.

**Items Required  
Prior to Closing:**

None

**Other Conditions:**

1. Borrower will pay all reasonable out-of-pocket cost and expenses incurred by Bank in connection with the proposed loan and financing arrangement. This will include, but will not be limited to, attorneys' fees, lien search fees, environmental audit fees and appraisal fees. These fees will be paid by Borrower whether or not the transaction contemplated herein is closed.

2. Borrower will execute such further documents to secure the loan transaction contemplated hereunder as counsel for Bank determines necessary or advisable in the interest of Bank.
3. Borrower will provide evidence of its organization, existence, certificates of good standing, opinion letters and authority to enter into said transactions as may be required by Bank or its counsel.
4. Any business conducted by Borrower will have all licenses, permits and approvals to operate, including any appropriate environmental approvals prior to loan closing.
5. All collateral shall be kept in good repair and all taxes and municipal assessments thereon shall be paid when due.
6. Adequate Hazard and Public Liability insurance coverage shall be required on all tangible assets listed in the "Security" section of this commitment letter. Bank shall be named mortgagee/loss payee on the hazard policy. The amount of hazard insurance must be equal to the replacement value of the collateral. Liability insurance will be for an amount customary for Borrower's type of business or at a minimum of \$3,000,000. Prior to loan closing Borrower must provide proof of insurance coverage. This can be in the form of an insurance binder. The binder or policy(ies) must state the following: The Bank of Maine ISAOA ATIMA, P.O. Box 190, Gardiner, Maine 04345 and shall entitle The Bank of Maine to thirty (30) days prior to written notice of cancellation or amendment. If a binder is provided, the policy must be received by the Bank within sixty (60) days from the date that the loan closing occurs. Such binders or policies shall be in full force and effect as of the date that the loan closing occurs.
7. Flood insurance is required on real estate property identified as being located in a Flood Hazard Area. This insurance is mandated by the federal government and obtained through your local insurance agency. Bank will notify you if this requirement applies.
8. Bank, at its option, may apply the loss proceeds of any insurance settlement, either in whole or in part, after deducting all costs of collection including reasonable attorney's fees, in payment of the indebtedness secured, whether due or not, or to reconstruction, restoration, or repair of the collateral.
9. Bank will be given as security mortgages that will create valid first (or second, as defined above) mortgages on the real estate. Mortgages shall be pledged with good and merchantable title. Title to the properties will be certified by a company satisfactory to Bank.



10. A default in any outstanding loan by Borrower to Bank or to any financial institution will be considered as a default in all loans.
11. Borrower will not transfer title or beneficial ownership of the collateral without the written permission of Bank. Either of the foregoing events without the written permission of Bank will be considered a default and will result in the loan and mortgage and/or security agreement coming immediately due and payable.
12. Borrower will not cause or permit to exist any environmental problems from its business activities and will, at all times, maintain compliance with all applicable Federal, State, and Local environmental and Land Use Laws and Regulations, including, but not limited to, those provisions related to fuel and chemical storage tanks.
13. Borrower will promptly notify Bank of any change in the environmental status from that previously supplied to Bank. Further, Borrower will promptly notify Bank of the commencement of any State, Federal, or Private Environmental or Land Use investigation or enforcement proceeding or threat thereof.
14. Borrower agrees to indemnify and hold Bank harmless from liability or loss arising out of violations of any applicable environmental laws or regulations, except insofar as the violation was the result of independent action taken by Bank.
15. This commitment is expressly offered only to Borrower and only for the purposes described herein. This commitment may not be assigned without the written permission of Bank.
16. Any additions, deletions, substitutions, or changes in this Agreement must be documented in writing and signed by Bank and Borrower.
17. Borrower must certify to Bank prior to closing, the status of any actions, suits, proceedings, or investigations, now pending or to the knowledge of Borrower threatened against or affecting Borrower.

The rate and terms of this commitment (and all existing commitments) are in express reliance on the maintenance of the operating checking account of *Fryeburg Water Company* with The Bank of Maine and on your continuing compliance with the terms and conditions of this commitment and all loan documents. If, for any reason, this relationship changes, Bank specifically reserves the right to review and modify the rate and terms committed.

This commitment was approved on the basis of information and financial data furnished by Borrower, and is extended subject to and conditioned on there being no material adverse change in the financial condition of Borrower, and no substantive changes in government regulations or monetary policy. In the event of such material adverse change, in the sole opinion of Bank, the right is reserved to terminate this commitment.

To the extent that the terms and conditions as stated herein are not incorporated into the loan documents, this letter will survive the loan closing and will govern our relationship while the loan herein, together with the interest and fees, remain outstanding.

**Under Maine law, no promise, contract, or agreement to lend money, extend credit, forbear from collection of a debt, or make any other accommodation for the repayment of a debt for more than \$250,000 may be enforced in court against Bank unless the promise, contract or agreement is in writing and signed by Bank. Accordingly, Borrower cannot enforce any oral promise unless it is contained in a loan document signed by Bank, nor can any change, forbearance, or other accommodation relating to the loan, this agreement or any other loan document be enforced, unless it is in writing signed by Bank. Borrower also understands that all future promises, contracts, or agreements of Bank relating to any other transaction between Borrower and Bank cannot be enforced in court unless they are in writing signed by Bank.**

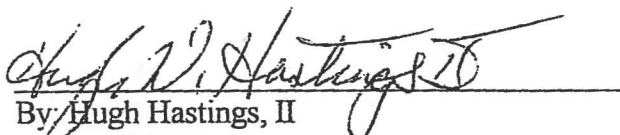
If the terms and conditions as herein stated are satisfactory to you, please sign this letter signifying your acceptance and return a signed and accepted copy no later than **August 6, 2015** as your authorization for Bank to proceed with the preparation of the necessary loan documentation. Please retain a copy for your files. We will anticipate a closing on or before **October 8, 2015**. Unless otherwise extended, this commitment expires if not closed by **October 8, 2015**.

Sincerely,



Christopher Rugullies  
Vice President

**ACCEPTED: Fryeburg Water Company**

  
By: Hugh Hastings, II  
Its. President

  
Date

## Attachment B

Payment	Beginning Balance	Interest	Principal 15 yr	Ending Balance	
<b>Nov-15</b>	<b>\$ 875,000.00</b>	<b>\$ 1,932.29</b>	<b>\$ 29,166.67</b>	<b>\$ 845,833.33</b>	2.65%
Dec-15	\$ 845,833.33	\$ 1,867.88	\$ -	\$ 845,833.33	
Jan-16	\$ 845,833.33	\$ 1,867.88	\$ -	\$ 845,833.33	
Feb-16	\$ 845,833.33	\$ 1,867.88	\$ -	\$ 845,833.33	
Mar-16	\$ 845,833.33	\$ 1,867.88	\$ -	\$ 845,833.33	
Apr-16	\$ 845,833.33	\$ 1,867.88	\$ -	\$ 845,833.33	
May-16	\$ 845,833.33	\$ 2,727.81	\$ -	\$ 845,833.33	3.87%
Jun-16	\$ 845,833.33	\$ 2,727.81	\$ -	\$ 845,833.33	
Jul-16	\$ 845,833.33	\$ 2,727.81	\$ -	\$ 845,833.33	
<b>Aug-16</b>	<b>\$ 845,833.33</b>	<b>\$ 2,727.81</b>	<b>\$ 29,166.67</b>	<b>\$ 816,666.67</b>	
Sep-16	\$ 816,666.67	\$ 2,633.75	\$ -	\$ 816,666.67	
Oct-16	\$ 816,666.67	\$ 2,633.75	\$ -	\$ 816,666.67	
<b>Nov-16</b>	<b>\$ 816,666.67</b>	<b>\$ 2,633.75</b>	<b>\$ 29,166.67</b>	<b>\$ 787,500.00</b>	
Dec-16	\$ 787,500.00	\$ 2,539.69	\$ -	\$ 787,500.00	
Jan-17	\$ 787,500.00	\$ 2,539.69	\$ -	\$ 787,500.00	
Feb-17	\$ 787,500.00	\$ 2,539.69	\$ -	\$ 787,500.00	
Mar-17	\$ 787,500.00	\$ 2,539.69	\$ -	\$ 787,500.00	
Apr-17	\$ 787,500.00	\$ 2,539.69	\$ -	\$ 787,500.00	
May-17	\$ 787,500.00	\$ 2,539.69	\$ -	\$ 787,500.00	
Jun-17	\$ 787,500.00	\$ 2,539.69	\$ -	\$ 787,500.00	
Jul-17	\$ 787,500.00	\$ 2,539.69	\$ -	\$ 787,500.00	
<b>Aug-17</b>	<b>\$ 787,500.00</b>	<b>\$ 2,539.69</b>	<b>\$ 29,166.67</b>	<b>\$ 758,333.33</b>	
Sep-17	\$ 758,333.33	\$ 2,445.63	\$ -	\$ 758,333.33	
Oct-17	\$ 758,333.33	\$ 2,445.63	\$ -	\$ 758,333.33	
<b>Nov-17</b>	<b>\$ 758,333.33</b>	<b>\$ 2,445.63</b>	<b>\$ 29,166.67</b>	<b>\$ 729,166.67</b>	
Dec-17	\$ 729,166.67	\$ 2,351.56	\$ -	\$ 729,166.67	
Jan-18	\$ 729,166.67	\$ 2,351.56	\$ -	\$ 729,166.67	
Feb-18	\$ 729,166.67	\$ 2,351.56	\$ -	\$ 729,166.67	
Mar-18	\$ 729,166.67	\$ 2,351.56	\$ -	\$ 729,166.67	
Apr-18	\$ 729,166.67	\$ 2,351.56	\$ -	\$ 729,166.67	
May-18	\$ 729,166.67	\$ 2,351.56	\$ -	\$ 729,166.67	
Jun-18	\$ 729,166.67	\$ 2,351.56	\$ -	\$ 729,166.67	
Jul-18	\$ 729,166.67	\$ 2,351.56	\$ -	\$ 729,166.67	
<b>Aug-18</b>	<b>\$ 729,166.67</b>	<b>\$ 2,351.56</b>	<b>\$ 29,166.67</b>	<b>\$ 700,000.00</b>	
Sep-18	\$ 700,000.00	\$ 2,257.50	\$ -	\$ 700,000.00	
Oct-18	\$ 700,000.00	\$ 2,257.50	\$ -	\$ 700,000.00	
<b>Nov-18</b>	<b>\$ 700,000.00</b>	<b>\$ 2,257.50</b>	<b>\$ 29,166.67</b>	<b>\$ 670,833.33</b>	
Dec-18	\$ 670,833.33	\$ 2,163.44	\$ -	\$ 670,833.33	
Jan-19	\$ 670,833.33	\$ 2,163.44	\$ -	\$ 670,833.33	
Feb-19	\$ 670,833.33	\$ 2,163.44	\$ -	\$ 670,833.33	
Mar-19	\$ 670,833.33	\$ 2,163.44	\$ -	\$ 670,833.33	
Apr-19	\$ 670,833.33	\$ 2,163.44	\$ -	\$ 670,833.33	
May-19	\$ 670,833.33	\$ 2,163.44	\$ -	\$ 670,833.33	
Jun-19	\$ 670,833.33	\$ 2,163.44	\$ -	\$ 670,833.33	
Jul-19	\$ 670,833.33	\$ 2,163.44	\$ -	\$ 670,833.33	
<b>Aug-19</b>	<b>\$ 670,833.33</b>	<b>\$ 2,163.44</b>	<b>\$ 29,166.67</b>	<b>\$ 641,666.67</b>	

Payment	Beginning Balance	Interest	Principal 15 yr	Ending Balance
Sep-19	\$ 641,666.67	\$ 2,069.38	\$ -	\$ 641,666.67
Oct-19	\$ 641,666.67	\$ 2,069.38	\$ -	\$ 641,666.67
<b>Nov-19</b>	<b>\$ 641,666.67</b>	<b>\$ 2,069.38</b>	<b>\$ 29,166.67</b>	<b>\$ 612,500.00</b>
Dec-19	\$ 612,500.00	\$ 1,975.31	\$ -	\$ 612,500.00
Jan-20	\$ 612,500.00	\$ 1,975.31	\$ -	\$ 612,500.00
Feb-20	\$ 612,500.00	\$ 1,975.31	\$ -	\$ 612,500.00
Mar-20	\$ 612,500.00	\$ 1,975.31	\$ -	\$ 612,500.00
Apr-20	\$ 612,500.00	\$ 1,975.31	\$ -	\$ 612,500.00
May-20	\$ 612,500.00	\$ 1,975.31	\$ -	\$ 612,500.00
Jun-20	\$ 612,500.00	\$ 1,975.31	\$ -	\$ 612,500.00
Jul-20	\$ 612,500.00	\$ 1,975.31	\$ -	\$ 612,500.00
<b>Aug-20</b>	<b>\$ 612,500.00</b>	<b>\$ 1,975.31</b>	<b>\$ 29,166.67</b>	<b>\$ 583,333.33</b>
Sep-20	\$ 583,333.33	\$ 1,881.25	\$ -	\$ 583,333.33
Oct-20	\$ 583,333.33	\$ 1,881.25	\$ -	\$ 583,333.33

Attachment C

**CORPORATE VOTE  
OF BOARD OF DIRECTORS  
FRYEBURG WATER COMPANY**

At a regular meeting of the Board of Directors of the Fryeburg Water Company held at the office of Hastings Law Office, P.A. in Fryeburg, Maine on July 30, 2015 at which a majority of Directors were present and acting and the following vote was taken:

On motion made and duly seconded, it was unanimously voted to authorize the Fryeburg Water Company to make borrowing up to \$875,000 from The Bank of Maine with a rate of interest to not exceed 4.0% per annum; with interest on the unpaid balance payable on or about February 15 and May 15 of each year and the interest and principal payable on or about August 15 and November 15 of each year with an amortization schedule of fifteen years provided the full amount shall be due and payable as arranged by the Company for a term of not less than five years nor more than fifteen years as approved by the lending bank mortgaging all of the Maine assets of the Company to secure said loan other than two pieces of real estate located in Fryeburg adjacent, but not involved at the pumping site in Fryeburg Village, Maine; and the President, Hugh W. Hastings II, be authorized to make application by the Company for the approval of such financing with the Maine Public Utility Commission and he be authorized to execute a general mortgage covering all of the Company assets in Maine, including its franchise as above noted to secure the borrowing and to generally determine any and all instruments necessary to effectuate the borrowing on behalf of the Company as he shall determine proper in his sole discretion after receiving approval therefore from the Maine Public Utility Commission and to report back to the Commission after completion of such borrowing.

I certify that the above vote remains valid and unrevoked and the Hugh W. Hastings II is the duly authorized and elected President of Fryeburg Water Company.

Dated: July 30, 2015

Attest:  
FRYEBURG WATER COMPANY

By: Jean Andrews  
Jean Andrews, Clerk

The undersigned being all the Directors of said Company acting at the above meeting consent to the above vote waiving all notice requirements therefor.

Hugh W. Hastings II  
Hugh W. Hastings II

John M. Hastings  
John M. Hastings

George C. Weston  
George C. Weston

John E. Gordon  
John E. Gordon

Judith P. Raymond  
Judith P. Raymond

Charles Allan Trumbull  
Charles Allan Trumbull

Peter Hastings (not in attendance)  
Peter Hastings (not in attendance)



Attachment D  
**HASTINGS MALIA** P.A.  
ATTORNEYS AT LAW

PETER G. HASTINGS  
DAVID R. HASTINGS III  
PETER J. MALIA, JR.  
ANDREW P. PIERCE

DAVID R. HASTINGS 1847-1896  
EDWARD E. HASTINGS 1879-1939  
HUGH W. HASTINGS 1914-1967  
DAVID R. HASTINGS II 1949-2010

August 18, 2015

Fryeburg Water Company  
24 Portland Street, Suite 1  
Fryeburg, Maine 04037

Re: Refinancing with The Bank of Maine

Dear People:

This office has reviewed as your attorney, the Company's charter, Articles of Incorporation, Bylaws and recent Corporate Vote authorizing the borrowing of a total of \$875,000.00 from The Bank of Maine. As a result of our review, it is our opinion that the new borrowing to be evidenced by promissory note and Maine real estate mortgage to The Bank of Maine totaling \$875,000.00 is authorized and in conformity with all of the foregoing documentation including said Vote of the Board of Directors so long as approved by the Maine Public Utilities Commission. An application for such approval must be made to the Commission and on granting of the same, the Company may execute and issue promissory note and mortgage in consideration of the borrowing which is only a refinancing by a borrowing from The Bank of Maine to pay off the existing indebtedness of the Company now held by TD Bank, N.A.

Sincerely yours,

Peter G. Hastings

PGH/jpm  
pgh/fvc/bankofmaine/ltr.bankofmaine081815

Attachment E

**FRYEBURG WATER COMPANY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
WITH INDEPENDENT AUDITORS' REPORT**



**FRYEBURG WATER COMPANY  
TABLE OF CONTENTS  
DECEMBER 31, 2014 AND 2013**

	<b>Page</b>
<b>Independent Auditors' Report</b>	<b>1 - 2</b>
<b>Basic Financial Statements:</b>	
<i>Balance Sheets</i>	<b>3</b>
<i>Statements of Income</i>	<b>4</b>
<i>Statements of Cash Flows</i>	<b>5</b>
<b>Notes to Financial Statements</b>	<b>6 - 14</b>
<b>Supplemental Data:</b>	
<i>Operation and Maintenance Expenses</i>	<b>15</b>





**HORTON, McFARLAND & VEYSEY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
P.O. BOX 543  
ELLSWORTH, MAINE 04605  
207-667-5529 • 1-800-499-9108 • FAX 207-667-9915

*James E. McFarland, CPA*  
*Anne's L. Gould, CPA*  
*Ellen Cleveland, CPA*  
*M.R. Horton, Jr., CPA*  
*(1925 - 2010)*  
*Floyd S. Veysey, CPA*  
*(1948 - 2005)*  
*Amy J. Billings, CPA*  
*Nicholas Henry, CPA*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Fryeburg Water Company  
Fryeburg, Maine

We have audited the accompanying financial statements of Fryeburg Water Company (a Maine corporation), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fryeburg Water Company as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Fryeburg Water Company's financial statements as a whole. The accompanying supplemental information presented as Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplemental information presented as Schedule 1 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Horton, McFarland & Veysey, LLC*

Horton, McFarland & Veysey, LLC

Ellsworth, Maine

March 23, 2015



**FRYEBURG WATER COMPANY  
BALANCE SHEETS  
AT DECEMBER 31,**

<b>Assets</b>	<b>2014</b>	<b>2013</b>
<b>Current Assets:</b>		
Cash	5,808	16,333
Accounts Receivable	34,873	37,278
Materials and Supplies	37,894	50,628
Refundable Income Taxes	4,865	7,843
Prepaid Insurance	8,777	7,918
<b>Total Current Assets</b>	<u>92,217</u>	<u>120,000</u>
<b>Non-Current Assets:</b>		
<b>Plant, Property and Equipment:</b>		
Utility Plant	2,700,677	2,697,264
Less: Accumulated Depreciation	807,376	763,211
<b>Total Plant, Property and Equipment</b>	<u>1,893,301</u>	<u>1,934,053</u>
Unamortized Bond Issue Costs	2,893	5,788
Deferred Charges	2,416	4,816
<b>Total Non-Current Assets</b>	<u>1,898,610</u>	<u>1,944,657</u>
<b>Total Assets</b>	<u>1,990,827</u>	<u>2,064,657</u>
<b><i>Liabilities and Stockholder's Equity</i></b>		
<b>Current Liabilities:</b>		
Accounts Payable	22,198	53,015
Short-Term Borrowing	16,000	16,000
Accrued Payroll	3,648	3,648
Accrued Interest	6,228	6,538
Current Portion of Long-Term Debt	875,939	53,245
<b>Total Current Liabilities</b>	<u>924,013</u>	<u>132,446</u>
<b>Non-Current Liabilities:</b>		
Deferred State Income Taxes - Net	391	(390)
Deferred Federal Income Taxes - Net	8,880	9,489
Deferred Credits	20,047	22,167
Long-Term Debt	132,945	1,008,884
<b>Total Non-Current Liabilities</b>	<u>162,263</u>	<u>1,040,150</u>
<b>Stockholder's Equity:</b>		
Common Stock (960 Shares Issued, Authorized and Outstanding, \$100 Par Value)	96,000	96,000
Retained Earnings	509,439	488,568
Contributions in Aid of Construction - Net	299,112	307,493
<b>Total Stockholder's Equity</b>	<u>904,551</u>	<u>892,061</u>
<b>Total Liabilities and Stockholder's Equity</b>	<u>1,990,827</u>	<u>2,064,657</u>

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



**FRYEBURG WATER COMPANY  
STATEMENTS OF INCOME  
YEARS ENDED DECEMBER 31,**

	<b>2014</b>	<b>2013</b>
Operating Revenues:		
Residential	158,299	157,703
Commercial	48,800	50,578
Industrial	13,368	10,741
Public Authorities	4,957	4,432
Public Fire Protection	105,221	103,310
Private Fire Protection	19,434	19,803
Sales for Resale	102,453	108,589
Rents from Water Property	100,605	103,490
All Other	1,654	1,353
Total Operating Revenues	<u>554,791</u>	<u>559,999</u>
Operating Expenses:		
Operation and Maintenance	377,968	475,148
Depreciation	49,288	48,274
Taxes Other Than Income	42,014	39,933
Total Operating Expenses	<u>469,270</u>	<u>563,355</u>
Net Operating Income	<u>85,521</u>	<u>(3,356)</u>
Non-Operating Revenues (Expenses):		
Income from Merchandising and Jobbing	3,415	3,791
Non-Utility Income	-	70,000
Investment Tax Credits Amortized	2,120	2,120
Non-Utility Expense	(20,900)	-
Interest Expense	(51,144)	(53,519)
Amortization of Bond Issue Costs	(2,895)	(996)
Total Non-Operating Revenues (Expenses)	<u>(69,404)</u>	<u>21,396</u>
Net Income (Loss) Before Provision for Income Taxes	16,117	18,040
Provision for Income Taxes:		
Federal	(2,846)	(2,792)
State	(781)	(973)
Total Provision for Income Taxes	<u>(3,627)</u>	<u>(3,765)</u>
Net Income (Loss)	12,490	14,275
Retained Earnings - Beginning of Year	488,568	465,679
Contributions in Aid of Construction Reclassification - Net	<u>8,381</u>	<u>8,614</u>
Retained Earnings - End of Year	<u>509,439</u>	<u>488,568</u>

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



**FRYEBURG WATER COMPANY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31,**

	<b>2014</b>	<b>2013</b>
<b>Cash Flows From Operating Activities:</b>		
Net Income (Loss)	12,490	14,275
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	49,288	48,274
Amortization of Bond Issue Costs	2,895	996
(Increase) Decrease in Accounts Receivable	2,405	(5,236)
(Increase) Decrease in Materials and Supplies	12,734	5,356
(Increase) Decrease in Refundable Income Taxes	2,978	2,680
(Increase) Decrease in Prepaid Insurance	(859)	-
(Increase) Decrease in Deferred Charges	2,400	4,265
Increase (Decrease) in Accounts Payable	(30,817)	5,143
Increase (Decrease) in Accrued Payroll	-	3,060
Increase (Decrease) in Accrued Interest	(310)	(309)
Increase (Decrease) in Deferred State Income Taxes - Net	781	974
Increase (Decrease) in Deferred Federal Income Taxes - Net	(609)	(766)
Increase (Decrease) in Deferred Credits	(2,120)	(2,120)
<b>Net Cash Flows From Operating Activities</b>	<u>51,256</u>	<u>76,592</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of Utility Plant	(8,536)	(8,824)
<b>Net Cash Flows From Investing Activities</b>	<u>(8,536)</u>	<u>(8,824)</u>
<b>Cash Flows From Financing Activities:</b>		
Principal Payments on Long-Term Debt	(53,245)	(52,915)
Short-Term Borrowing Receipts (Payments)	-	-
<b>Net Cash Flows From Financing Activities</b>	<u>(53,245)</u>	<u>(52,915)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(10,525)	14,853
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>16,333</u>	<u>1,480</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>5,808</u>	<u>16,333</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash Paid During the Year For:		
Interest Paid	<u>51,454</u>	<u>53,827</u>
Income Taxes Paid	<u>477</u>	<u>877</u>

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



**FRYEBURG WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 1: Summary of Significant Accounting Policies**

The Fryeburg Water Company's (the Company) financial statements include the operations for which the Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Nature of Business**

The Company supplies water and fire protection services in the Town of Fryeburg, Maine and water service to a portion of East Conway, New Hampshire. Its accounting policies conform to generally accepted accounting principles and the regulations of the Maine Public Utilities Commission. The major sources of revenue are metered water sales, fire protection charges and rents from water property.

**Use of Estimates**

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

**Cash, Cash Equivalents and Custodial Credit Risk**

For purposes of these statements, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, all cash is covered by FDIC insurance at December 31, 2014 and 2013. The Company does not have policies for bank balances not covered by depository insurance known as custodial credit risk. All cash is available for current use at December 31, 2014 and 2013.

**Accounts Receivable**

Accounts receivable are stated at net realizable value. No allowance for doubtful accounts has been recorded in the financial statements. Uncollectible accounts are written off in the year in which they are deemed uncollectible.

**Inventories**

Inventories are stated at average cost. Materials deemed obsolete have been removed from the inventory.

**Unamortized Bond Issue Costs**

Costs incurred to issue long-term bonds are amortized on a straight-line basis over the term of the bond issue until 2015. The amount amortized in 2014 and 2013 was \$2,895 and \$996, respectively.



**Note 1: Summary of Significant Accounting Policies (Continued)**

**Plant, Property and Equipment**

Plant, property and equipment are stated at cost. Depreciation has been provided on a basis considered adequate to amortize the cost of depreciable assets over their estimated useful lives on the straight line method at rates from 1.3% to 12.1%. Annual rates in use are as follows:

Structures	3.0%
Wells and Springs	2.0%
Pumping and Treatment Equipment	5.0%
Standpipes and Mains	1.3%
Services and Meters	3.0% - 4.0%
General Equipment	7.1% - 12.1%

Land costs are not being depreciated because they have indefinite useful lives.

**Capitalization Policy**

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. The amounts charged to utility plant accounts represent all reasonable and necessary costs, including labor, materials, overhead, equipment charges and interest costs incurred. Routine maintenance and repairs are expensed as incurred. The Company has a policy setting a minimum capitalization threshold for amount or lives for reporting capital assets.

**Deferred Charges**

Deferred study costs are being amortized at \$2,400 per year until 2015 using the straight-line method.

**Deferred Credits**

Accumulated deferred investment tax credits are being amortized on the straight-line basis according to regulations of the Maine Public Utilities Commission ending in 2023. The amount amortized in 2014 and 2013 was \$2,120.

**Contributions in Aid of Construction**

Contributions in aid of construction include direct non-refundable contributions. Utility plant funded by contributions is not depreciated for rate making purposes. The net contributions in aid of construction included in total stockholder's equity at December 31, 2014 and 2013 is \$299,112 and \$307,493, respectively.





**FRYEBURG WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Regulation**

As a regulated water utility, the Company is subject to regulation by the Maine Public Utilities Commission, which has jurisdiction with respect to rates, service, accounting procedures, acquisitions and other matters. The Company defers certain costs and credits as regulatory assets and liabilities when it is probable that such amounts will be recognized in the rate making process in a period different from the period in which they would have been reflected in income by an unregulated entity.

**Restricted Resources**

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

**Note 2: Short-Term Borrowing**

In 2012, the Company borrowed \$16,000 from Mr. Hugh Hastings, II, at 0% interest to be repaid within one year. No payments have been made towards this liability.

**Note 3: Long-Term Debt**

Bonds payable as of December 31, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance
Bonds payable to TD Bank, maturing in 2015. Interest rate of 5.26%.	58,500		6,600	51,900
Bonds payable to TD Bank, maturing in 2015. Interest rate of 5.26%.	879,658		32,000	847,658
Bonds payable to Maine Municipal Bond Bank, maturing in 2023. Interest rate of 2.30%.	176,886		14,315	162,571
<b>Total Bonds Outstanding</b>	<b>1,115,044</b>		<b>52,915</b>	<b>1,062,129</b>
<b>Less: Current Portion</b>	<b>52,915</b>			<b>53,245</b>
<b>Total Long-Term Debt</b>	<b>1,062,129</b>			<b>1,008,884</b>



**FRYEBURG WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 3: Long-Term Debt (Continued)**

Bonds payable as of December 31, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance
Bonds payable to TD Bank, maturing in 2015. Interest rate of 5.26%.	51,900		6,600	45,300
Bonds payable to TD Bank, maturing in 2015. Interest rate of 5.26%.	847,658		32,000	815,658
Bonds payable to Maine Municipal Bond Bank, maturing in 2023. Interest rate of 2.30%.	162,571		14,645	147,926
<b>Total Bonds Outstanding</b>	<b>1,062,129</b>		<b>53,245</b>	<b>1,008,884</b>
<b>Less: Current Portion</b>	<b>53,245</b>			<b>875,939</b>
<b>Total Long-Term Debt</b>	<b>1,008,884</b>			<b>132,945</b>

The Company will be refinancing its two TD Bank bonds in 2015.

The following is a schedule of maturities on long-term debt:

	Principal	Interest	Total
2015	875,939	48,689	924,628
2016	15,326	3,058	18,384
2017	15,679	2,705	18,384
2018	16,039	2,345	18,384
2019	16,408	1,976	18,384
2020	16,785	1,599	18,384
2021	17,171	1,213	18,384
2022	17,567	817	18,384
2023	17,970	414	18,384
	<b>1,008,884</b>	<b>62,816</b>	<b>1,071,700</b>



**FRYEBURG WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 4: Regulatory**

Rate schedules effective in 2010 were designed to produce annual revenues of \$545,443, a return after taxes before interest expense of \$112,353, and a return on rate base of 6.70%. Actual revenues for the years ended December 31, 2014 and 2013 were \$554,791 and \$559,999, respectively.

The actual return after taxes before interest expense is calculated as follows at December 31:

	2014	2013
Net Income (Loss)	12,490	14,275
CIAC Amortization Included in Depreciation Expense	8,381	8,614
CIAC Included in Net Income	-0-	-0-
Interest Expense	51,144	53,519
Amortization of Bond Issue Costs	2,895	996
Return After Taxes Before Interest Expense	<u>74,910</u>	<u>77,404</u>

The rate base is calculated as follows at December 31:

	2014	2013
Utility Plant	2,700,677	2,697,264
Materials and Supplies	37,894	50,628
Accumulated Depreciation	(807,376)	(763,211)
Deferred Credits	(20,047)	(22,167)
Contributions in Aid of Construction – Net	(299,112)	(307,493)
Rate Base	<u>1,612,036</u>	<u>1,655,021</u>
Return on Rate Base	<u>4.65%</u>	<u>4.67%</u>

**Note 5: Net Operating Losses**

The Company sustained tax net operating losses in 2008 and 2009 that have been carried forward for state income tax purposes. Net operating losses can be carried forward twenty years following the loss year. The losses are available for carry forward and will expire as follows:

	State
2028	29,990
2029	<u>18,027</u>
	<u>48,017</u>



**FRYEBURG WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 6: Related Party Transactions**

In 2014 and 2013, Mr. Hugh Hastings, II, President, Director and Stockholder, was paid \$9,100 for rental of part of a building used as the Company office.

During 2014 and 2013, the Company paid \$412 and \$11,200, respectively, to businesses owned by Directors and Shareholders of the Company for equipment rental, legal services and operating supplies.

At December 31, 2014 and 2013, the Company owed \$7,915 to businesses owned by Directors and Shareholders of the Company.

Mr. John Hastings, Director and Stockholder, and Mr. Hugh Hastings, II, each have employment agreements with the Fryeburg Water Company.

In 2012, the Company borrowed \$16,000 from Mr. Hugh Hastings, II, at 0% interest to be repaid within one year. The balance of this short-term borrowing at December 31, 2014 and 2013 was \$16,000. No payments were made on this liability during 2014 or 2013.

**Note 7: Utility Plant**

Capital asset costs, additions and disposals are as follows for the year ended December 31, 2013:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	392,046			392,046
Structures	91,415			91,415
Wells and Springs	195,863			195,863
Pumping Equipment	118,058			118,058
Water Treatment Equipment	23,684			23,684
Distribution Reservoirs	531,515			531,515
Mains	806,026			806,026
Services	297,022	4,672		301,694
Meters	134,323	4,152		138,475
Hydrants	49,301			49,301
Other Plant Equipment	25,024			25,024
Office Equipment	2,839			2,839
Tools	13,858			13,858
Laboratory Equipment	283			283
Miscellaneous Equipment	7,183			7,183
Gross Utility Plant	2,688,440	8,824		2,697,264
Less: Accumulated Depreciation	714,937	48,274		763,211
Net Utility Plant	1,973,503	(39,450)		1,934,053



**FRYEBURG WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 7: Utility Plant (Continued)**

Capital asset costs, additions and disposals are as follows for the year ended December 31, 2014:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	392,046			392,046
Structures	91,415			91,415
Wells and Springs	195,863			195,863
Pumping Equipment	118,058			118,058
Water Treatment Equipment	23,684			23,684
Distribution Reservoirs	531,515			531,515
Mains	806,026			806,026
Services	301,694			301,694
Meters	138,475	5,536	3,000	141,011
Hydrants	49,301			49,301
Other Plant Equipment	25,024			25,024
Office Equipment	2,839			2,839
Tools	13,858		2,123	11,735
Laboratory Equipment	283			283
Miscellaneous Equipment	7,183	3,000		10,183
Gross Utility Plant	2,697,264	8,536	5,123	2,700,677
Less: Accumulated Depreciation	763,211	49,288	5,123	807,376
Net Utility Plant	1,934,053	(40,752)	-0-	1,893,301

**Note 8: Risk Management**

The Company is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Company purchases commercial insurance for the risks of losses to which it is exposed. There have been no significant reductions in the commercial coverage from the prior year. The Company is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2014 and 2013.

**Note 9: Retirement Plan**

The Company offers employees a Simple IRA defined contribution retirement plan through American Funds whereby the Company matches up to 3.0% of employees' gross wages on their behalf as approved by the Board of Directors. Total expense at December 31, 2014 and 2013 was \$4,366 and \$3,289, respectively. Employee contributions totaled \$5,694 and \$3,289 during 2014 and 2013, respectively. The Board of Directors have authority over plan provisions, requirements and amendments.



**FRYEBURG WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 10: Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of tax currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statements and income tax purposes. The differences relate to depreciable assets and the use of different depreciation methods and lives for financial statement and income tax purposes. The deferred tax asset and liability represents the future tax return consequences of those differences, which will either be taxable or deductible when the asset or liability is recovered or settled. No valuation allowance has been recognized for deferred tax assets.

Income tax expense consists of the following:

	2014	2013
Current Taxes:		
Federal	3,455	3,557
State	-0-	-0-
Deferred Taxes:		
Federal	(609)	(765)
State	781	973
Provisions for Income Taxes	<u>3,627</u>	<u>3,765</u>

The deferred tax asset and liability in the accompanying balance sheets include the following components:

	2014	2013
Federal		
Tax Asset – Net Operating Loss	-0-	-0-
Tax Liability – Depreciation	<u>(8,880)</u>	<u>(9,489)</u>
Net Deferred Tax Liability	<u>(8,880)</u>	<u>(9,489)</u>
State		
Tax Asset – Net Operating Loss	1,681	3,800
Tax Liability – Depreciation	<u>(2,072)</u>	<u>(3,410)</u>
Net Deferred Tax Liability	<u>(391)</u>	<u>390</u>

The Company's tax returns are subject to federal and state review by taxing authorities for calendar years 2012, 2013 and 2014.

**Note 11: Payroll Taxes**

The Company is subject to Federal and State payroll taxes and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of December 31, 2014. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.



**FRYEBURG WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 12: Nestle Waters North America Inc. Agreement**

In June of 2012, the Company renegotiated and entered into a new agreement with Nestle Waters North America Inc. (Nwana) which would replace the current 1997 agreement. Under the terms of the new agreement, the Company agrees to lease one of its wells to Nwana for its exclusive use and benefit and the Company agrees to sell spring water from the leased well to Nwana. Under the terms of the new agreement, Nwana will purchase a minimum of 75,000,000 gallons of water annually whether they take the water or not. They also agreed to a flat monthly rental fee of \$12,000.

The original term of the agreement was twenty-five years with four additional renewal terms of five years each available. During additional negotiations the parties have agreed to a term of twenty years with five additional renewal terms of five years each available. The effective date of the agreement is the date when the agreement is approved by the Maine Public Utilities Commission (MPUC). The Company filed the agreement with the MPUC on September 24, 2012. In 2014 the MPUC approved the agreement; however, the agreement approval was appealed to the Maine Supreme Court. As of December 31, 2014, the appeal had not gone before the Maine Supreme Court. The Company still sells water to Nwana under the original 1997 agreement. The Company incurred \$21,865 and \$115,664 of legal expenses related to this matter in 2014 and 2013, respectively. In 2013 the Company received \$70,000 from Nwana for regulatory legal expenses related to the new agreement; this income was posted to non-utility income in the statement of income.

**Note 13: Major Customer**

The Company derived 19% and 18% of its operating revenues from the Town of Fryeburg related to servicing of public fire hydrants for the years ended December 31, 2014 and 2013, respectively. The Company derived 37% and 38% of its operating revenues from Nestle Waters North America Inc. related to land rental and water sales for resale for the years ended December 31, 2014 and 2013, respectively.

**Note 14: Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 23, 2015, the date the financial statements were available to be issued.



**FRYEBURG WATER COMPANY  
OPERATION AND MAINTENANCE EXPENSES  
YEARS ENDED DECEMBER 31,**

**SCHEDULE 1**

	<b>2014</b>	<b>2013</b>
<b>Salaries and Wages:</b>		
Pumping Operation	5,063	4,952
Pumping Maintenance	7,862	10,429
Treatment	30,495	32,037
Distribution Operation	10,662	13,168
Distribution Maintenance	24,096	19,319
Customer Accounting	22,890	22,695
Administration	43,255	37,661
Officers and Directors	40,500	41,100
<b>Total Salaries and Wages</b>	<u>184,823</u>	<u>181,361</u>
<b>Pensions and Benefits</b>	50,807	47,597
<b>Purchased Power</b>	20,411	21,042
<b>Chemicals</b>	16,095	26,702
<b>Materials and Supplies:</b>		
Pumping	2,966	2,869
Treatment	2,833	2,701
Distribution	6,084	7,974
Administration	9,338	10,405
<b>Total Materials and Supplies</b>	<u>21,221</u>	<u>23,949</u>
<b>Contractual Services:</b>		
Accounting	6,750	6,425
Legal	21,865	115,664
Other	13,150	12,377
<b>Total Contractual Services</b>	<u>41,765</u>	<u>134,466</u>
<b>All Other:</b>		
Rentals	9,100	9,100
Transportation	13,660	11,167
Insurance	9,358	7,160
Regulatory	-	1,865
Bad Debt Expense	2,172	1,802
Miscellaneous	8,556	8,937
<b>Total All Other</b>	<u>42,846</u>	<u>40,031</u>
<b>Total Operation and Maintenance Expenses</b>	<u>377,968</u>	<u>475,148</u>

*See accompanying independent auditors' report.*





Fryeburg Water Company  
**Balance Sheet**  
 As of July 31, 2015

	<u>Jul 31, 15</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
131 · Checking #8-99-002846-3	48,039.60
1311000 · Checking #0241584441	215.71
<b>Total Checking/Savings</b>	<u>48,255.31</u>
<b>Accounts Receivable</b>	
141 · Customer Account Receivable	33,917.01
<b>Total Accounts Receivable</b>	<u>33,917.01</u>
<b>Other Current Assets</b>	
105 · Petty Cash	20.76
115 · Undeposited Funds	-2,909.42
142 · Other Accounts Receivable	
1421000 · Pure Mt. Spring Water	9,631.22
<b>Total 142 · Other Accounts Receivable</b>	<u>9,631.22</u>
151 · Plant Materials & Supplies	46,381.17
162 · Prepayments	
1621200 · Prepaid Income Tax-State	4,760.00
1621300 · Prepaid Income Tax-Fed	1,740.00
1623000 · Prepaid Insurance	8,776.73
<b>Total 162 · Prepayments</b>	<u>15,276.73</u>
181 · Unamort Debt Disc & Expense	2,893.32
186 · Miscellaneous Deferred Debits	2,415.57
<b>Total Other Current Assets</b>	<u>73,709.35</u>
<b>Total Current Assets</b>	<u>155,881.67</u>
<b>Fixed Assets</b>	
<b>101 · Utility Plant in Service</b>	
1013032 · Land-Source of Supply	392,045.35
1013042 · Struc. & Improv. Sour&Sup	91,414.78
1013072 · Wells & Springs-Source	195,862.55
1013112 · Pumping Equipment-Source	118,057.94
1013203 · Water Treat Equip	23,684.51
1013300 · Distribution Reserv & Standpipe	531,517.31
1013314 · Distribution Mains	806,024.97
1013334 · Services	301,693.74
1013344 · Meters & Installations	141,011.37
1013354 · Hydrants	49,300.58
1013392 · Other Plant (Road to Well)	25,024.50
1013405 · Office Furn. & Eqpt.	2,838.05
1013435 · Tools, Shop & Gar. Equip.	11,734.80
1013445 · Laboratory Equip.	282.95
1013475 · Misc.Equip.	10,183.95
<b>Total 101 · Utility Plant in Service</b>	<u>2,700,677.35</u>

**Fryeburg Water Company**  
**Balance Sheet**  
 As of July 31, 2015

	Jul 31, 15
108 · Accumulated Depreciation	-807,376.35
<b>Total Fixed Assets</b>	<b>1,893,301.00</b>
<b>Other Assets</b>	
190 · Deferred Tax Asset	1,681.00
<b>Total Other Assets</b>	<b>1,681.00</b>
<b>TOTAL ASSETS</b>	<b>2,050,863.67</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
231 · Accounts Payable	6,229.57
<b>Total Accounts Payable</b>	6,229.57
<b>Other Current Liabilities</b>	
220 · Sales Tax Payable	1,399.03
2311000 · Additional Accounts Payable	20,243.27
236 · Accrued Taxes	
2362000 · Accrued Sales Tax	-874.43
2363000 · Dererred Tax Liability	10,952.00
<b>Total 236 · Accrued Taxes</b>	10,077.57
237 · Accrued Interest	6,227.85
238 · Employee Health Insurance	2,854.20
241 · Misc Current and Accrued Liabil	3,647.54
255 · Accum Deferred Inc Credit	3,450.00
283 · Accumulated Deferred Income Tax	16,597.00
<b>Total Other Current Liabilities</b>	64,496.46
<b>Total Current Liabilities</b>	70,726.03
<b>Long Term Liabilities</b>	
221 · Bonds	1,008,883.94
<b>Total Long Term Liabilities</b>	1,008,883.94
<b>Total Liabilities</b>	1,079,609.97
<b>Equity</b>	
1110 · Retained Earnings	41,068.67
201 · Common Stock Issued	96,000.00
214.000 · Appropriated Retained Earn	488,568.26
271 · Contribution in Aid of Construc	474,587.66
272 · Accumulated Amortization - CIAC	-175,476.00
Net Income	46,505.11
<b>Total Equity</b>	971,253.70
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,050,863.67</b>

**Fryeburg Water Company**  
**Profit & Loss**  
 January through July 2015

**Attachment G**

	<u>Jan - Jul 15</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>408 · Taxes - Other Than Income</b>	
4082000 · FICA	-8,811.36
4082300 · FUTA - Federal Unemployment	-168.00
408 · Taxes - Other Than Income - Other	-14,325.00
	<hr/>
<b>Total 408 · Taxes - Other Than Income</b>	-23,304.36
<b>415 · Jobbing Income</b>	1,381.28
<b>461 · Metered Water Revenue</b>	
4611000 · Residential	112,443.03
4612000 · Commercial	31,552.06
4613000 · Industrial	2,796.52
4614000 · Public Authorities	3,996.52
	<hr/>
<b>Total 461 · Metered Water Revenue</b>	150,788.13
<b>462 · Fire Protection Revenue</b>	
4621000 · Public Fire Protection Service	78,915.75
4622000 · Private Fire-Protection Service	10,345.78
	<hr/>
<b>Total 462 · Fire Protection Revenue</b>	89,261.53
<b>466 · Water Sales for Resale</b>	63,088.82
<b>470 · Water Service Charges</b>	1,332.00
<b>471 · Misc. Service Rev - Finance Cha</b>	
4712000 · Purchases Discounts	14.96
	<hr/>
<b>Total 471 · Misc. Service Rev - Finance Cha</b>	14.96
<b>472 · Rents From Water Property</b>	61,352.06
<b>6200 · Interest Expense</b>	
4271000 · Interest Expense Long Term	-24,461.68
	<hr/>
<b>Total 6200 · Interest Expense</b>	-24,461.68
<b>Total Income</b>	<hr/> 319,452.74
<b>Cost of Goods Sold</b>	
<b>5000 · Cost of Goods Sold</b>	
5001000 · Jobbing Costs	-1,731.25
	<hr/>
<b>Total 5000 · Cost of Goods Sold</b>	-1,731.25
<b>Total COGS</b>	<hr/> -1,731.25
<b>Gross Profit</b>	<hr/> 321,183.99

Fryeburg Water Company  
Profit & Loss  
January through July 2015

	<u>Jan - Jul 15</u>
<b>Expense</b>	
<b>604 · Employee Pen &amp; Ben</b>	
6041000 · Employee Pen & Ben Hastings	33,742.06
6042000 · Employee Pen & Ben Jean Andrews	27,311.39
6043000 · Employee Pen & Ben Hastings II	23,333.31
6044000 · Employee Pen & Ben State	446.40
6046000 · Employee Pen & Ben Belcher	27,275.10
6048000 · Health Insurance	30,866.09
6048100 · Emp Benefits Laundry	350.25
6048200 · Vehicle Allotments	15,799.52
604 · Employee Pen & Ben - Other	4,366.05
<b>Total 604 · Employee Pen &amp; Ben</b>	<u>163,490.17</u>
<b>615 · Purchased Power</b>	
6151000 · Operations	16,032.15
6151100 · Reservoir	114.78
6158000 · Admin & General	523.87
<b>Total 615 · Purchased Power</b>	<u>16,670.80</u>
<b>620 · Materials &amp; Supplies</b>	
6201000 · Source Sup & Pump - Operation	
6201100 · Fuel - Diesel	824.74
6201150 · Source Sup Oper Telephone	388.90
6201000 · Source Sup & Pump - Operation - Other	47.25
<b>Total 6201000 · Source Sup &amp; Pump - Operation</b>	<u>1,260.89</u>
6202000 · Source Sup & Pump - Maint.	182.11
6203000 · Treatment Oper - Chemicals	
6203150 · Treatment Oper - Water Testing	828.72
6203200 · Treatment Oper - Chem Feed Add	1,525.00
6203000 · Treatment Oper - Chemicals - Other	8,414.40
<b>Total 6203000 · Treatment Oper - Chemicals</b>	<u>10,768.12</u>
6204000 · Maintenance	
6204100 · Treatment - Maintenance	631.07
<b>Total 6204000 · Maintenance</b>	<u>631.07</u>
6205000 · Trans. & Dist. - Operations	77.79
6206000 · Trans. & Dist. - Maint.	
6206600 · Hydrants	23.93
6206700 · Equipment	9,540.91
6206000 · Trans. & Dist. - Maint. - Other	189.90
<b>Total 6206000 · Trans. &amp; Dist. - Maint.</b>	<u>9,754.74</u>
6207000 · Customer Accounts	243.26

Fryeburg Water Company  
Profit & Loss  
January through July 2015

	Jan - Jul 15
6208000 · Admin. & General	
6208100 · Bank Fees	85.06
6208200 · Postage	1,620.52
6208350 · Telephone Office	2,385.69
6208000 · Admin. & General - Other	1,819.61
	<hr/>
Total 6208000 · Admin. & General	5,910.88
	<hr/>
Total 620 · Materials & Supplies	28,828.86
632 · Contractual Services - Acct.	5,825.00
633 · Contractual Services - Legal	
6338000 · Admin & General	
6338100 · Admin & General - ME PUC	16,171.07
6338200 · Admin & General - NH PUC	3,594.50
	<hr/>
Total 6338000 · Admin & General	19,765.57
	<hr/>
Total 633 · Contractual Services - Legal	19,765.57
635 · Contractual Services - Other	
6352000 · Source Sup & Pumping - Maint	1,632.96
6356000 · Trans. & Dist. Expenses Maint.	3,585.45
6356200 · Contractual Services Other	11,486.71
635 · Contractual Services - Other - Other	8,187.50
	<hr/>
Total 635 · Contractual Services - Other	24,892.62
641 · Rental of Bldg/Real Property	
6418000 · Building Rent	4,900.00
	<hr/>
Total 641 · Rental of Bldg/Real Property	4,900.00
657 · Insurance-General Liability	4,224.00
658 · Insurance - Workman's Comp.	
6588000 · Insur. Workman's Comp Adm & Gen	1,704.00
	<hr/>
Total 658 · Insurance - Workman's Comp.	1,704.00
675 · Miscellaneous Expenses	
6758000 · Miscellaneous	519.38
6758100 · Directors Fees	300.00
6758150 · Utility & Regulatory Dues	3,533.60
675 · Miscellaneous Expenses - Other	24.78
	<hr/>
Total 675 · Miscellaneous Expenses	4,377.76
699 · Uncategorized Expenses	0.10
	<hr/>
Total Expense	274,678.88
	<hr/>
Net Ordinary Income	46,505.11
	<hr/>
Net Income	46,505.11
	<hr/> <hr/>