

**DENNIS WATER DISTRICT**

**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2011 and 2010

**DENNIS WATER DISTRICT**  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Dennis Water District  
Dennis, Massachusetts

We have audited the accompanying basic financial statements of the Dennis Water District as of and for the years ended June 30, 2011 and June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Dennis Water District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dennis Water District as of June 30, 2011 and June 30, 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 2 through 6) and budgetary comparison and pension information (located on pages 23 through 27) 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. 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.

*Sanders, Walsh & Eaton, LLP*

Osterville, Massachusetts  
June 8, 2012

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

As Treasurer of the Dennis Water District, I offer to you, the readers of the Dennis Water District's financial statements, this narrative overview and analysis of the financial activities of the Dennis Water District for the fiscal years ended June 30, 2011 and June 30, 2010.

The District is comprised of 22 production wells, 13 treatment stations and 4 storage tanks. Approximately 1 billion gallons of water are pumped per year of which 90% to 95% is billed to consumers. The District replaces approximately 600 to 800 water meters annually to ensure accuracy in recording the amount of water being used by its customers. The District also maintains approximately 235 miles of water main of various diameters and approximately 1,600 hydrants. Approximately \$50,000 to \$100,000 is expended per year for the replacement of aged 2" main with 6" main and the installation of hydrants for increased fire protection.

Since 2006, the District had been working collaboratively with the Town of Dennis on a comprehensive wastewater management plan and to date has funded \$600,000 for environmental studies designed to identify any potential threat to its public water supply from nitrogen and to quantify the nitrogen sensitivity of Dennis' coastal bays and estuaries. Although the District continues to await the distribution of the draft reports that are intended to establish the total maximum daily limit for nitrogen in the estuaries, by majority vote of the Board of Water Commissioners the District is no longer pursuing special legislation that would allow it to become a sewer district.

In September 2009, the District completed the construction of two water treatment facilities designed to remove 67% of the iron entering the distribution system from 10 of the 22 existing wells. The cost of the project was \$8,086,792 of which \$7,895,590 is being financed by a 2% loan from the Massachusetts Water Pollution Abatement Trust.

**FINANCIAL HIGHLIGHTS:**

- The assets of the District exceeded its liabilities at June 30, 2011, by \$34,685,623. Of this amount, \$4,536,491 (unrestricted net assets) may be used to meet the District's obligations to its members and creditors.
- The District's total net assets increased \$740,208. This increase is due to revenues exceeding expenses and capital contributions. The Implementation of accounting requirement for Other Post Employment Benefit Cost, as described in Note H, increased the District's cost by \$205,384.
- The District's debt decreased by \$600,000 as scheduled during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS:**

This Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Dennis Water District's basic financial statements. The District is a special purpose government engaged in only a business type activity. As such, its financial statements consist of only those required for enterprise funds and notes to the basic financial statements.

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued):**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 10 through 22 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information, schedules of revenues and expenditures - budget and actual and pension plan. The required supplementary information can be found on pages 23 through 27 of this report.

**GOVERNMENTAL FINANCIAL ANALYSIS:**

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. In the case of the District, assets exceed liabilities by \$34,685,622 at June 30, 2011.

The largest portion of the District's net assets (89 percent) reflects its investment in capital assets (e.g., land, facilities, equipment and projects in process) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves can not be used to liquidate these liabilities.

**Dennis Water District's Net Assets**  
**For the Years Ended June 30, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
Current assets	\$ 5,267,668	\$ 4,571,736
Capital assets	39,174,722	39,546,420
<b>Total Assets</b>	<b>44,442,390</b>	<b>44,118,156</b>
Long-term liabilities outstanding	9,554,567	9,949,183
Other liabilities	202,200	223,558
<b>Total Liabilities</b>	<b>9,756,767</b>	<b>10,172,741</b>
<b>Net Assets:</b>		
Invested in capital Assets, net of related debt	30,149,132	29,920,830
Unrestricted	4,536,491	4,024,585
<b>Total Net Assets</b>	<b>\$ 34,685,623</b>	<b>\$ 33,945,415</b>

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**GOVERNMENTAL FINANCIAL ANALYSIS (continued):**

The increase in net assets invested in capital assets, net of related debt of \$228,302 occurred because the funding of debt service and new asset acquisitions for the year exceeded depreciation expense. The increase in unrestricted net assets of \$511,906 occurred because of an increase in water revenues over expenses.

**Dennis Water District's Change in Net Assets**  
**For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Revenues:		
Operating:		
Water service revenues	\$ 4,378,119	\$ 3,822,451
Non-Operating Revenues:		
Tank rental fees	262,467	215,667
Investment income	15,116	15,034
Miscellaneous	6,734	36,086
	<u>284,317</u>	<u>266,787</u>
Total Revenue	4,662,436	4,089,238
Expenses:		
Wages and salaries	1,295,254	1,366,162
Payroll taxes and benefits	492,218	542,948
Post employment benefits	293,252	323,593
Utilities	304,980	264,267
Repairs and maintenance	332,330	567,695
Professional services	26,661	160,287
Interest expense	242,339	264,872
Insurance	115,721	92,100
Office expenses	158,892	82,165
Supplies	24,660	14,851
Vehicle expense	66,535	45,806
Printing and postage	29,905	27,389
Depreciation	539,481	479,164
Total Other Expenses	<u>3,922,228</u>	<u>4,231,299</u>
Change in Net Assets	740,208	(142,061)
Net Assets at Beginning of Year	<u>33,945,415</u>	<u>34,087,476</u>
Net Assets at End of Year	<u>\$ 34,685,623</u>	<u>\$ 33,945,415</u>

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**GOVERNMENTAL FINANCIAL ANALYSIS (continued):**

The assets of the Dennis Water District exceeded its liabilities at the close of the most recent fiscal year. The Dennis Water District's total net income this current fiscal year was \$740,208.

- Water revenue accounted for 94% of all revenues.
- Investments decreased by \$393,339 during the year.
- The District received \$262,467 for the rental of space for cellular antennas on its water

**BUDGETARY HIGHLIGHTS:**

The final budget reflects the voters approval, at the Annual District meeting in April 2010, of a transfer from "free cash" to the stabilization fund for the fiscal year 2011 appropriation. Overall, revenues were higher than budget, primarily due to an increased water consumption. The accounting requirement to recognize other post employment benefit costs was not a budgeted expense item and is reported as a reconciliation item to the GAAP statements.

**CAPITAL ASSETS:**

The Dennis Water District investment in capital assets as of June 30, 2011 amounted to \$39,174,722 (net of depreciation). This investment in capital assets includes land, buildings, and capital improvements to all developments without receiving public or private grants during the fiscal periods. The total increase in the District's investment in capital assets was approximately 2%.

The Board obtained funding at the April 29, 2008, Annual District Meeting for the construction of two water treatment facilities for the removal of iron and manganese from the water it provides to citizens. The estimated cost of construction was \$9,500,000 with final project cost at \$8,086,792. Long-term debt financing is being provided through the state's revolving loan fund program as administered by the Massachusetts Water Pollution Abatement Trust at an interest rate of 2%.

The District continues to participate in the Massachusetts Estuaries Project for the eventual determination of the Total Maximum Daily Limit for Nitrogen (TMDL) to enter the Town's coastal embayments. This is a multi-year project requiring the establishment of a water quality baseline based on three years of consecutive water samples. The summer of 2007 concluded the baseline study. The final determination of the TMDL has been delayed repeatedly. The first report was received in June 2010. While other reports are anxiously anticipated, no firm deadlines for their release has been forthcoming. For its part in initiating these studies, the Board of Water Commissioners is proud of its original commitment to undertake the first critical step in the development of this project and remains committed to ensuring that the final TMDL reports are made available to the community for their review and input.

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**DEBT ADMINISTRATION:**

In March 2011, the Massachusetts Water Pollution Abatement Trust closed \$704,409 of unspent project funds held in escrow by the Trust. This reduced the District's total loan from \$8,600,00 to \$7,895,591. A revised payment schedule for the remainder of the term was issued. See Note E and F on the financial statements for more detail.

In April 2010, Standard & Poor informed the Dennis Water District that they would be upgrading the bond rating from AA- to AA+. At the same time the Town of Dennis was upgraded from AA to AA+. The bond rating firm attributed the upgrade to the ability of both entities to establish and maintain healthy reserves, capital asset management and investment as well as low debt.

**ECONOMIC FACTORS:**

Water revenue is highly dependent on weather conditions, particularly during months of June, July and August. The summer of 2010 was warmer than normal and overall demand for water resulted in actual revenues being approximately 9% more than estimated. The high temperatures and protracted lack of rain during the summer 2010 will yield an increase of approximately 15% in surplus water revenue compared to the estimated income. Water revenue is based on a five-year average customer demand. The District continues to stay within its permitted annual ground water withdrawal permit issued by the Massachusetts Department of Environmental Protection.

Despite the gravity of the economic recession, management's FY2012 outlook is that the District will be able to meet its operational and debt service obligations as well as continue to maintain capital assets and make improvements to the system without having to increase water rates and charges for at least the next three to four years. Collections remain constant as a percentage of billing with less than 300 letters of demand issued out of approximately 13,900 accounts billed.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Dennis Water District for those with an interest in the government's finances. Questions concerning any of this information provided in this report or requests for additional information should be addressed to the Treasurer, Dennis Water District, PO Box 2000, Dennis, MA 02638.

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Dennis Water District , Treasurer



**DENNIS WATER DISTRICT**  
**Statements of Net Assets**  
June 30, 2011 and 2010

**ASSETS**

	2011	2010
Current Assets:		
Cash - unrestricted	\$ 2,437,934	\$ 2,002,927
Cash - stabilization fund	925,079	208,942
Investments - unrestricted	503,622	334,648
Investments - stabilization fund	6,356	568,669
Accounts receivables (net where applicable of allowance for doubtful accounts of \$0)	1,394,677	1,456,550
Total Current Assets	<u>5,267,668</u>	<u>4,571,736</u>
Capital Assets:		
Land	12,537,139	12,537,139
Buildings	8,108,610	8,108,610
Equipment	827,596	819,842
General infrastructure	29,224,207	29,064,178
Total Capital Assets	<u>50,697,552</u>	<u>50,529,769</u>
Accumulated depreciation	(11,522,830)	(10,983,349)
Net Capital Assets	<u>39,174,722</u>	<u>39,546,420</u>
Total Assets	<u>44,442,390</u>	<u>44,118,156</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:		
Accounts payable	10,250	10,250
Accrued expenses	191,950	213,308
Current portion of long-term bonds and note payable	600,000	600,000
Total Current Liabilities	<u>802,200</u>	<u>823,558</u>
Noncurrent Liabilities:		
Net other post employment benefit obligations	528,977	323,593
Long-term bonds and note payable	8,425,590	9,025,590
Total Noncurrent Liabilities	<u>8,954,567</u>	<u>9,349,183</u>
Total Liabilities	<u>9,756,767</u>	<u>10,172,741</u>
Net Assets:		
Invested in capital assets, net of related debt	30,149,132	29,920,830
Unrestricted	4,536,491	4,024,585
Total Net Assets	<u>\$ 34,685,623</u>	<u>\$ 33,945,415</u>

The accompanying notes are an integral part of these financial statements

**DENNIS WATER DISTRICT****Statements of Revenues, Expenses and Changes in Net Assets**

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Charges for services	\$ 4,378,119	\$ 3,822,451
Total Operating Revenues	<u>4,378,119</u>	<u>3,822,451</u>
Operating Expenses:		
Wages and salaries	1,295,254	1,366,162
Payroll taxes and benefits	492,218	542,948
Other post employment benefits	293,252	323,593
Water system repairs and maintenance	332,330	567,695
Utilities	304,980	264,267
Supplies	24,660	14,851
Contractual services	26,661	160,287
Insurance	115,721	92,100
Vehicle expense	66,535	45,806
Printing and postage	29,905	27,389
Office and administrative expense	158,892	82,165
Depreciation	539,481	479,164
Total Operating Expenses	<u>3,679,889</u>	<u>3,966,427</u>
Income from Operations	698,230	(143,976)
Non-Operating Revenues (expenses):		
Interest expense	(242,339)	(264,872)
Investment income	15,116	15,034
Miscellaneous	6,734	36,086
Tank rental fees	262,467	215,667
Total Non-Operating Revenues	<u>41,978</u>	<u>1,915</u>
Changes in net assets	740,208	(142,061)
Net Assets at Beginning of Year	<u>33,945,415</u>	<u>34,087,476</u>
Net Assets at End of Year	<u>\$ 34,685,623</u>	<u>\$ 33,945,415</u>

The accompanying notes are an integral part of these financial statements

**DENNIS WATER DISTRICT**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 4,444,461	\$ 3,728,860
Cash payments to suppliers of goods and services	(1,665,597)	(1,810,797)
Cash payments to employees for services	(1,295,254)	(1,366,162)
Net Cash Provided by Operating Activities	<u>1,483,610</u>	<u>551,901</u>
Cash Flows from Noncapital and Related Financing Activities:		
Rental income	262,467	215,667
Miscellaneous	21,852	36,086
Net Cash Provided by Noncapital and Related Financing Activities	<u>284,319</u>	<u>251,753</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(167,783)	(1,186,447)
Proceeds from long term borrowings	-	1,192,704
Repayments of long term borrowings	(600,000)	(760,000)
Interest Expense	(242,339)	(264,872)
Net Cash Used by Capital and Related Financing Activities	<u>(1,010,122)</u>	<u>(1,018,615)</u>
Cash Flows From Investing Activities:		
Proceeds/(funding) from investments	376,488	296,366
Investment income	16,849	15,034
Net Cash Provided in Investing Activities	<u>393,337</u>	<u>311,400</u>
Net Increase in Cash and Cash Investments	1,151,144	96,439
Cash and Cash Equivalents, July 1,	<u>2,211,869</u>	<u>2,115,430</u>
Cash and Cash Equivalents, June 30,	<u>\$ 3,363,013</u>	<u>\$ 2,211,869</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$ 698,230	\$ (143,976)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	539,481	479,164
Change in assets and liabilities:		
(Increase) /decrease in accounts receivable	61,873	(94,832)
Increase/(decrease) in accounts payable	-	(22,855)
Increase/(decrease) in accrued expenses	(21,358)	10,807
Increase/(decrease) in net other post employment benefits	205,384	323,593
Net Cash Provided by Operating Activities	<u>\$ 1,483,610</u>	<u>\$ 551,901</u>
Noncash investing and financing activities		
Change in fair value of investments	<u>\$ 1,733</u>	<u>\$ (2,766)</u>

The accompanying notes are an integral part of these financial statements

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Dennis Water District are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal years ended June 30, 2011 and June 30, 2010.

Reporting Entity

The Dennis Water District (the "District") was incorporated in 1945 as a political subdivision of the Commonwealth of Massachusetts by a special act of the Massachusetts General Court and is governed by an elected board of Commissioners; it is a special purpose government engaged in only a business type activity. The commissioners are elected to staggered three-year terms and the day-to-day operations of the District are managed by a Superintendent and Clerk/Treasurer appointed by the Commissioners. The District provides water service to approximately 13,900 residential and business accounts in the Town of Dennis.

Basis of Accounting and Financial Statement Presentation

The District uses the accrual method of accounting for financial reporting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. In addition, the District follows all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally resulted from providing water and related services to residents and business entities. The principal operating revenues consist of charges for water usage and repair services. Operating expenses include payroll and benefits, power, chemicals, repairs and maintenance, and other operating expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

Marketable securities that are owned by a specific account and that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents" and included in the statement of cash flows. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Deposits and Investments

For purposes of the Statement of Cash Flows, the District considers all demand deposits, savings deposits, and short-term investments, including amounts with the Massachusetts Municipal Depository Trust to be cash and cash equivalents. State Statutes place certain limitations on the nature of deposits and investments available to the District. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than ninety days from the date of purchase and units in the Massachusetts Municipal Depository Trust.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Stabilization Fund**

The commissioners have set aside funds (based on District voters authorization) to the stabilization fund which can be appropriated for any legal purpose such as improving the water system infrastructure.

Marketable securities that are owned by a specific account and that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**Compensated Absences**

Compensated absences (sick leave buy back) are accrued and amounted to \$77,289 and \$82,426 for the years ended June 30, 2011 and 2010, respectively.

**Estimates**

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

**Capital Assets**

Property, plant and equipment owned by the District are recorded at cost or, if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and a useful life of five years or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 - 100 Years
General infrastructure	100 Years
Equipment	5 - 10 Years

Depreciation expense for the years ended June 30, 2011 and June 30, 2010, totaled \$539,481 and \$479,164, respectively.

**Advertising**

The District follows the policy of charging costs of advertising to expense as incurred. Advertising costs incurred for the years ended June 30, 2011 and June 30, 2010, was \$1,186 and \$407, respectively.

**Budgetary information**

Pursuant to the Massachusetts general Laws, the District adopts a budget for its activities and is approved by the voters at the annual meeting. The Treasurers office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system. The budgetary comparison schedules presented in the accompanying supplementary information presents comparisons of the budget with actual results.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Years Ended June 30, 2011 and 2010

**NOTE B - ACCOUNTS RECEIVABLE:**

The District provides water and water related services to the residents and businesses of Dennis. The billings for water consumption are made on a bi-annual basis in February and August. Each billing period covers a consumption period of six (6) months; i.e., consumption from July through December is billed in February. Amounts deemed uncollectible are referred to the Town of Dennis Assessor's office for water lien attachment on the property tax bills. All receivables are deemed uncollectible after one year and written off; no allowance is booked due to immaterial amounts. A summary of accounts receivable at June 30, 2011 and 2010, is as follows:

	2011	2010
Accounts receivable	\$ 1,394,677	\$ 1,456,550
Less allowance for uncollectible	-	-
	<u>\$ 1,394,677</u>	<u>\$ 1,456,550</u>

**NOTE C - DEPOSITS AND INVESTMENTS:**

The Massachusetts General Laws (M.G.L.) place limitations on the nature of deposits and investments that are available to the District. Deposits (including demand and term deposits) in any one financial institution may not exceed certain prescribed levels without collateralization or insurance protection by the financial institution involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of less than one year from the date of purchase, or in repurchase agreements having maturities of 90 days or less which are collateralized by such securities. The District also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

The composition of the District's deposits and investments fluctuates throughout the year depending primarily on the timing of water and sewer revenues, proceeds from borrowings and capital outlay.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for custodial credit risk of deposits is to rely on the FDIC insurance coverage which has no limit on checking account balances thru December 31, 2012 and \$250,000 of deposits on interest bearing accounts and SIF insurance at each financial institution. As of June 30, 2011, \$3,465,886 of the District's bank balance of \$3,465,886 was collateralized with securities held by Pledging Financial institutions, and \$0 was uninsured and uncollateralized. As of June 30, 2010, \$2,674,284 of the District's bank balance of \$2,674,284 was collateralized with securities held by pledging financial institutions, and \$0 was uninsured and

Investments Summary

The District's investments at June 30, 2011 and June 2010, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Years Ended June 30, 2011 and 2010

**NOTE C - DEPOSITS AND INVESTMENTS (continued):**

2011					
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Debt Securities:					
U.S. Agencies	\$ 2,992	\$ 2,992	\$ -	\$ -	\$ -
Certificate of deposits	506,986	506,986	-	-	-
Total Debt Securities	<u>\$ 509,978</u>	<u>\$ 509,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income for the year ended June 30, 2011, was as follows:

	Operating Fund	Stabilization Fund	Total
Interest and dividend income	\$ 13,351	\$ 32	\$ 13,383
Net realized gains (losses)	-	-	-
Net unrealized (loss)	1,733	-	1,733
	<u>\$ 15,084</u>	<u>\$ 32</u>	<u>\$ 15,116</u>

2010					
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Debt Securities:					
U.S. Agencies	\$ 2,950	\$ -	\$ 2,950	\$ -	\$ -
Certificate of deposits	900,367	900,367	-	-	-
Total Debt Securities	<u>\$ 903,317</u>	<u>\$ 900,367</u>	<u>\$ 2,950</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income for the year ended June 30, 2010, was as follows:

	Operating Fund	Stabilization Fund	Total
Interest and dividend income	\$ 17,099	\$ 701	\$ 17,800
Net realized gains (losses)	-	-	-
Net unrealized (loss)	(2,766)	-	(2,766)
	<u>\$ 14,333</u>	<u>\$ 701</u>	<u>\$ 15,034</u>

**Investments (Debt Securities) - Interest Rate Risk**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The District does not have a policy for interest rate risk of debt securities since M.G.L. limit the District's investments to U.S. backed securities that mature no more than one year from the initial investment date.

**Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the District. As of June 30, 2011 and June 30, 2010, none of the District's investments were exposed to custodial credit risk.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Years Ended June 30, 2011 and 2010

**NOTE C - DEPOSITS AND INVESTMENTS (continued):**

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The District does not have a policy for credit risk of debt securities since M.G.L. limits the District's investments to U.S. backed securities or AAA rated money market mutual funds. Investments in Certificates of Deposits are insured by the FDIC. The credit quality ratings of the District's investments in debt securities are as follows:

2011				
Quality Ratings*	Corporate Bonds	Money Market CD's	Mutual Bond Funds	Total
A+	-	\$ 506,986	-	\$ 506,986
A	-	-	-	-
AA-	-	-	-	-
BB+	-	-	-	-
BB	-	-	-	-
BBB+	-	-	-	-
BBB-	-	-	-	-
Unrated	-	-	-	-
Total	\$ -	\$ 506,986	\$ -	\$ 506,986

2010				
Quality Ratings*	Corporate Bonds	Money Market CD's	Mutual Bond Funds	Total
A+	-	\$ 900,367	-	\$ 900,367
A	-	-	-	-
AA-	-	-	-	-
BB+	-	-	-	-
BB	-	-	-	-
BBB+	-	-	-	-
BBB-	-	-	-	-
Unrated	-	-	-	-
Total	\$ -	\$ 900,367	\$ -	\$ 900,367

\*Per the rating scale of Standard & Poor's (a national credit rating organization)



**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Years Ended June 30, 2011 and 2010

**NOTE D - CAPITAL ASSETS:**

The District's net investments in fixed assets as of June 30, 2011, consist of the following:

	June 30, 2010	Additions	Removal	June 30, 2010
Land	\$ 12,537,139	\$ -	\$ -	\$ 12,537,139
Buildings	8,108,610	-	-	8,108,610
Equipment	819,842	7,754	-	827,596
Construction in progress	-	-	-	-
General infrastructure	29,064,178	160,029	-	29,224,207
	<u>50,529,769</u>	<u>167,783</u>	<u>-</u>	<u>50,697,552</u>
Less accumulated depreciation for:				
Buildings	(110,905)	(162,225)		(273,130)
Equipment	(476,693)	(50,017)		(526,710)
General infrastructure	(10,395,751)	(327,239)		(10,722,990)
	<u>(10,983,349)</u>	<u>(539,481)</u>	<u>-</u>	<u>(11,522,830)</u>
Net Investment in Capital Assets	<u>\$ 39,546,420</u>	<u>\$ (371,698)</u>	<u>\$ -</u>	<u>\$ 39,174,722</u>

The District's net investments in fixed assets as of June 30, 2010, consist of the following:

	June 30, 2009	Additions	Removal	June 30, 2010
Land	\$ 12,537,139	\$ -	\$ -	\$ 12,537,139
Buildings	10,660	8,097,950	-	8,108,610
Equipment	767,896	51,946	-	819,842
Construction in progress	6,988,883	1,109,065	(8,097,948)	-
General infrastructure	29,038,743	25,435	-	29,064,178
	<u>49,343,321</u>	<u>9,284,396</u>	<u>(8,097,948)</u>	<u>50,529,769</u>
Less accumulated depreciation for:				
Buildings	(2,666)	(108,239)		(110,905)
Equipment	(431,779)	(44,914)		(476,693)
General infrastructure	(10,069,740)	(326,011)		(10,395,751)
	<u>(10,504,185)</u>	<u>(479,164)</u>	<u>-</u>	<u>(10,983,349)</u>
Net Investment in Capital Assets	<u>\$ 38,839,136</u>	<u>\$ 8,805,232</u>	<u>\$ (8,097,948)</u>	<u>\$ 39,546,420</u>

The District owns approximately 996 acres of undeveloped land in Dennis, Massachusetts. The land is recorded as a component of fund equity at its then historical cost and is available for water supply development, distribution and protection, subject to appropriation, at the water commissioners' discretion.

The District completed the construction of two water treatment facilities at a capitalized cost of \$8,097,950 and became operational in October 2009. The project is being financed in part by the \$8,600,000 loan from the Massachusetts Water Pollution Abatement Trust. Construction costs incurred for the years ended June 30, 2011 and 2010, were \$0 and \$1,109,065, respectively.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Years Ended June 30, 2011 and 2010

**NOTE E - SHORT-TERM FINANCING:**

Short-term debt may be authorized and issued to fund capital project costs and other approved expenditures incurred prior to obtaining permanent financing through the issuance of bond anticipation notes (BAN). Short-term loans are general obligations and carry maturity dates that are limited by statute. The District had no short term debt outstanding at June 30, 2010 but did retire \$160,000 of short term debt during the fiscal year.

	<u>June 30, 2009</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>June 30, 2010</u>
Massachusetts Serial State House Note payable to bank biannual consisting of interest and principal maturing June 1, 2010 including interest of 4.20%. Unsecured note backed by the full faith and credit of the District and certified through the Massachusetts Department of Revenue Bureau of Accounts.				
	160,000		(160,000)	-
	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ (160,000)</u>	<u>\$ -</u>

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Years Ended June 30, 2011 and 2010

**NOTE F - LONG-TERM DEBT:**

	<u>June 30, 2010</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>June 30, 2011</u>
Massachusetts Water Pollution Abatement Trust Drinking Water Project loan Program note payable for \$8,600,000; biannual consisting of interest and principal maturing July 15, 2028. Interest at 2% annually. Backed by full faith and credit of the District. The interim loan portion (described above) was permanently financed by the Trust into Pool Series 14 in March 2009.	\$ 7,465,590	\$ -	\$ (430,000)	\$ 7,035,590
General obligation bonds maturing in years 2008 through 2022 with true interest cost of 4.19%. Principal payable yearly on July 15 and interest payable semi-annually on July 15th and January 15th; Bonds maturing after July 15, 2018, subject to redemption prior to maturity at the option of District.	<u>2,160,000</u>	<u>-</u>	<u>(170,000)</u>	<u>1,990,000</u>
	<u>\$ 9,625,590</u>	<u>\$ -</u>	<u>\$ (600,000)</u>	<u>\$ 9,025,590</u>

Future payments due are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 600,000	\$ 214,290
2013	600,000	189,864
2014	600,000	174,252
2015	600,000	150,040
2016	600,000	100,026
Thereafter	6,025,590	666,487
	<u>\$ 9,025,590</u>	<u>\$ 1,494,959</u>

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Years Ended June 30, 2011 and 2010

**NOTE F - LONG-TERM DEBT (CONTINUED):**

	<u>June 30, 2009</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>June 30, 2010</u>
Massachusetts Water Pollution Abatement Trust Drinking Water Project loan Program note payable for \$8,600,000; biannual consisting of interest and principal maturing July 15, 2028. Interest at 2% annually. Backed by full faith and credit of the District. The interim loan portion (described above) was permanently financed by the Trust into	\$ 6,702,886	\$ 1,192,704	\$ (430,000)	\$ 7,465,590

General obligation bonds maturing in years 2008 through 2022 with true interest cost of 4.19%. Principal payable yearly on July 15 and interest payable semi-annually on July 15th and January 15th; Bonds maturing after July 15, 2018, subject to redemption prior to maturity at the option of District.

2,330,000	-	(170,000)	2,160,000
<u>\$ 9,032,886</u>	<u>\$ 1,192,704</u>	<u>\$ (600,000)</u>	<u>\$ 9,625,590</u>
<u>\$ 9,032,886</u>	<u>\$ 1,192,704</u>	<u>\$ (600,000)</u>	<u>\$ 9,625,590</u>

**NOTE G - PENSION PLAN:**

Plan Description

The District contributes to the Barnstable County Retirement Association (the "Association"), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Substantially all employees of the District are members of the System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The Association provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension plan. Cost-of-living adjustments granted after 1997 must be authorized by the Barnstable County Retirement Board and are borne by the Association. The Association issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the Association located at 750 Attucks Lane, Hyannis, Massachusetts 02601.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE G - PENSION PLAN (continued):**

Funding Policy

Chapter 32 of the MGL governs the contributions of plan members and the District. Plan members are required to contribute to the Association at rates ranging from 5% to 11% of annual covered compensation. The District is required to pay into the Association its share of the association-wide actuarial determined contribution that is apportioned among the employees based on annual current payroll. The District's contributions to the Association for the fiscal years ended June 30, 2011, 2010 and 2009, were \$205,777, \$199,900 and \$181,355, respectively, which equaled its required contribution for each fiscal year.

**NOTE H - OTHER POST EMPLOYMENT BENEFITS:**

Plan Description

The District provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of June 30, 2010, the latest actuarial valuation, is as follows:

Active employees	19
Retired employees, beneficiaries and dependents	<u>13</u>
Total	<u><u>32</u></u>

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District. The required health and dental insurance (including Medicare Part B) contribution rates of Plan members and the District are 25% and 75%, respectively. The Plan members and the District contribute 25% and 75%, respectively, towards a \$5,000 term life insurance premium. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are included in the premium rate structure which are shared on a 75%/25% basis between the District and the employees/retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in 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 any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes to the District's net OPEB obligations.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Years Ended June 30, 2011 and 2010

**NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued):**

	2011	2010
Annual required contribution	\$ 288,907	\$ 408,000
Interest on net OPEB obligation	16,180	-
Adjustment to annual required contribution	(11,835)	-
Annual OPEB cost	293,252	408,000
Contributions made	(87,868)	(84,407)
Increase in net OPEB obligation	205,384	323,593
Net OPEB obligation at beginning of year	323,593	-
Net OPEB obligation at end of year	<u>\$ 528,977</u>	<u>\$ 323,593</u>

Fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the District has elected to implement prospectively.

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2010*	\$ 408,000	20.7%	\$ 323,593
June 30, 2011	293,252	56.9%	528,977

\*Transition year

Funded Status and Funding Progress

The funded status of the Plan at June 30, 2010, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/10	\$ -	\$ 5,321,755	\$ 5,321,755	0.0%	\$ -	0.0%

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 the healthcare cost trend. 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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued):**

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and 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 employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	June 30, 2010
Actuarial cost method:	Projected unit credit
Amortization method:	Amortization payments increasing at 4.5%
Remaining amortization period:	30 years at July 1, 2010
Interest discount rate:	5.0%
Healthcare/medical cost trend rate:	Health - 10.0% decreasing .75% annually to an ultimate level of 5.0% Dental - 5.0% per year
Projected salary increases:	4.5% annually

**NOTE I - PENDING LITIGATION:**

In 2003, the District acquired 24.86 acres of land on Old Chatham Road by eminent domain for watershed protection purposes. Two land damage suits have been filed against the District's acquisition in the Barnstable Superior Court. Each suit claims that the District acquired approximately one acre of land and did not compensate the alleged owners. One suit claims damages of \$700,000. The other claim is for an unspecified sum. The District does not believe that the parcels claimed by the plaintiffs lie within the plan of land for the taking and have filed motions for a determination as to location and title ownership. Accordingly, no amounts are reflected in the financial statements for the years ended June 30, 2011 and 2010. On February 8, 2011, the court ordered judgment in both cases in favor of the District.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE J - IMPLEMENTATION OF GASB PRONOUNCEMENTS:**

The District implemented the following GASB pronouncements during fiscal year 2011:

Statement #54, Establishes standards for Fund Balance Reporting in governmental funds including definitions. The implementation of this Statement had no reporting impact on the financial statements.

Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The implementation of this Statement had no reporting impact on the financial statements.

Statement #59, Financial Instruments Omnibus. The implementation of this Statement had no reporting impact on the financial statements.

**NOTE K - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:**

The GASB has issued the following statements:

Statement #60, Accounting and Financial Reporting for Service Concession Arrangements, which is required to be implemented during fiscal year 2013. The District is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #61, The Financial Reporting Entity: Omnibus \_ an amendment of GASB Statements No.14 and No.34, which is required to be implemented during fiscal year 2013. The District is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #62, Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements, which is required to be implemented during fiscal year 2013. The District is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is required to be implemented during fiscal year 2013. The District is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53, which is required to be implemented during fiscal year 2013. The District is currently evaluating the effect that this Statement will have on its basic financial statements.



## REQUIRED SUPPLEMENTARY INFORMATION

**DENNIS WATER DISTRICT**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variances Positive (Negative)
Revenues:				
Water revenue	\$ 4,017,581	\$ 4,017,581	\$ 4,378,119	\$ 360,538
Rental income	222,604	222,604	262,467	39,863
Investment income	12,500	12,500	15,116	2,616
Late charges and miscellaneous	14,900	14,900	6,734	(8,166)
	<u>4,267,585</u>	<u>4,267,585</u>	<u>4,662,436</u>	<u>394,851</u>
Expenditures:				
Payroll and fringe benefits,	1,900,000	1,900,000	1,875,340	24,660
Maintenance and operation	1,120,043	1,120,043	943,963	176,080
General Expenses	617,010	617,010	358,060	258,950
Reserve fund	150,000	150,000	150,000	-
Principal on loans	600,000	600,000	600,000	-
Capital improvements	208,350	208,350	167,783	40,567
	<u>4,595,403</u>	<u>4,595,403</u>	<u>4,095,146</u>	<u>500,257</u>
Net Income (Loss)	(327,818)	(327,818)	567,290	895,108
Other Financing Sources				
Debt proceeds	-	-	-	-
Budgetary Fund Balance, Beginning of Year	<u>33,945,415</u>	<u>33,945,415</u>	<u>33,945,415</u>	<u>-</u>
Budgetary Fund Balance, End of Year	<u>\$ 33,617,597</u>	<u>\$ 33,617,597</u>	<u>\$ 34,512,705</u>	<u>\$ 895,108</u>

See Notes to Schedule of Revenues and Expenditures - Budget and Actual

**DENNIS WATER DISTRICT**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Variances Positive (Negative)
Revenues:				
Water revenue	\$ 4,009,781	\$ 4,009,781	\$ 3,822,451	\$ (187,330)
Rental income	217,501	217,501	215,667	(1,834)
Investment income	7,400	7,400	15,034	7,634
Late charges and miscellaneous	15,300	15,300	36,086	20,786
	<u>4,249,982</u>	<u>4,249,982</u>	<u>4,089,238</u>	<u>(160,744)</u>
Expenditures:				
Payroll and fringe benefits,	1,900,000	1,900,000	1,909,110	(9,110)
Maintenance and operation	1,217,436	1,217,436	1,162,460	54,976
General Expenses	624,021	624,021	356,972	267,049
Reserve fund	-	-	-	-
Principal on loans	760,000	760,000	760,000	-
Capital improvements	338,500	338,500	1,186,447	(847,947)
	<u>4,839,957</u>	<u>4,839,957</u>	<u>5,374,989</u>	<u>(535,032)</u>
Net Income (Loss)	(589,975)	(589,975)	(1,285,751)	(695,776)
Other Financing Sources				
Debt proceeds	1,192,704	1,192,704	1,192,704	-
Budgetary Fund Balance, Beginning of Year	<u>34,087,476</u>	<u>34,087,476</u>	<u>34,087,476</u>	<u>-</u>
Budgetary Fund Balance, End of Year	<u>\$ 33,497,501</u>	<u>\$ 33,497,501</u>	<u>\$ 32,801,725</u>	<u>\$ (695,776)</u>

See Notes to Schedule of Revenues and Expenditures - Budget and Actual

**DENNIS WATER DISTRICT**  
**Notes to Schedule of Revenues and Expenditures - Budget and Actual**  
For the Years Ended June 30, 2011 and 2010

**NOTE A - BUDGETARY - GAAP RECONCILIATION:**

Pursuant to the Massachusetts General Laws, the District adopts an annual budget for all of its activities.

All portions budget of the annual budget are prepared under the direction of the Superintendent and Treasurer. The budget must be approved by voters at the annual meeting.

In fiscal 2011, the original budget did not change.

The District's annual budget is prepared on a basis other than GAAP. The "actual" results column of the Schedule of Revenues and Expenditures is presented on a "budgetary basis" to provide a meaningful comparison with the budgets.

The following reconciliations summarize the differences between budgetary and GAAP - basis accounting principles for the year ended June 30, 2011.

	Revenues	Expenditures
Per Statement of Revenues, Expenses and Changes in Net Assets	\$ 4,662,436	\$ 3,922,228
Adjustments:		
Eliminate depreciation and amortization	-	(539,481)
Eliminate Net OPEB	-	(205,384)
Add reserve transfers		150,000
Add loan payments	-	600,000
Add capital assets acquired through budget	-	167,783
Per Schedule	<u>\$ 4,662,436</u>	<u>\$ 4,095,146</u>

The following reconciliations summarize the differences between budgetary and GAAP - basis accounting principles for the year ended June 30, 2010.

	Revenues	Expenditures
Per Statement of Revenues, Expenses and Changes in Net Assets	\$ 4,089,238	\$ 4,231,299
Adjustments:		
Eliminate depreciation and amortization	-	(479,164)
Eliminate Net OPEB	-	(323,593)
Add loan payments	-	760,000
Add capital assets acquired through budget	-	1,186,447
Per Schedule	<u>\$ 4,089,238</u>	<u>\$ 5,374,989</u>

**DENNIS WATER DISTRICT**  
**Required Supplementary Information - Pension Plan**  
**For the Years Ended June 30, 2011 and 2010**

Additional information of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2010
Actuarial cost method:	Entry age normal cost
Amortization method:	Increasing payments 4.5% per year after fiscal year 2015
Remaining amortization period:	28 years from July 1, 2010, for 2002 and 2003 early retirement incentives and remaining unfunded liability
Asset valuation method:	5-year smoothing of investment returns greater (less) than expected

Actuarial Assumptions

Investment rate of return:	8.00%
Projected salary increases:	4.75% - 5.25%
Cost of living adjustments:	3.0% of the first \$12,000 of retirement income

Pension Plan Schedules

The following schedules provide information related to the Association as a whole, for which the District is one participating employer:

<u>Schedules of Funding Progress (Association)</u>						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 554,876,554	\$1,030,210,321	\$ 475,333,767	53.9%	\$ 234,374,075	202.8%
01/01/09	\$ 520,089,855	\$ 966,564,614	\$ 446,474,759	53.8%	\$ 249,971,296	178.6%
01/01/07	\$ 517,396,087	\$ 825,863,068	\$ 308,466,981	62.6%	\$ 226,391,633	136.3%
01/01/06	\$ 465,637,984	\$ 765,747,723	\$ 300,109,739	60.8%	\$ 215,474,180	139.3%

# DENNIS WATER DISTRICT

## Notes to Schedule of Revenues and Expenditures - Budget and Actual For the Years Ended June 30, 2011 and June 30, 2010

### Schedule of Employer Contributions (Association)

<u>Year Ended December 31</u>	<u>Annually Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed (%)</u>
2007	\$ 34,360,912	100
2008	\$ 36,982,873	100
2009	\$ 39,899,322	100
2010	\$ 43,893,051	100

The following schedule provides information related to the District's portion of the Association's ARC.

### DISTRICT SHARE OF ASSOCIATION ARC

<u>Fiscal Year Ended</u>	<u>ARC</u>	<u>Percentage of ARC Contributed (%)</u>	<u>District ARC as a Percentage of Association ARC(%)</u>
2008	\$ 181,355	100	0.5%
2009	\$ 199,900	100	0.5%
2010	\$ 205,777	100	0.5%