

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Dennis Water District  
Dennis, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Dennis Water District, as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dennis Water District as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 7) and budgetary comparison and pension information (located on pages 21 through 24) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2015, on our consideration of Dennis Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dennis Water District's internal control over financial reporting and compliance.

*Sanders, Walsh & Eaton, LLP*

Osterville, Massachusetts  
July 7, 2015

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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 year ended June 30, 2014.

In 2012, the District undertook a project to improve water distribution to the Dennis Port area. Water is delivered to Dennis Port primarily by three water mains that are hung beneath three bridges. The installation of a new underground 12" diameter transmission main is being accomplished in three phases. The first phase was the installation of nearly one mile of main. The second phase was the installation of an additional 4,200 feet. Phase III will be the installation of approximately 1,400 feet to complete the installation and work is expected to be completed in the fall of 2015. Not only will this additional main provide water to Dennis Port in the event of a loss of the road bridges it is also improving the water flow to the area. The total amount

Another major multi-year project was the addition of two filter vessels, one in each of the two treatment plants for the removal of iron and manganese from Wells 5 and 22 is also expected to be completed in FY 2015, on time and under budget. The project will increase the treated water entering the distribution system by 1.2 million gallons per day.

**FINANCIAL HIGHLIGHTS:**

- The assets of the District exceeded its liabilities at June 30, 2014, by \$35,905,278. Of this amount, \$3,991,465 (unrestricted net assets) may be used to meet the District's obligations to its members and creditors.
- The District's total net position increased \$459,208. This increase is due to revenues exceeding expenses. The accounting requirement for Other Post Employment Benefit Cost, as described in Note G, increased the District's cost by \$223,285.
- The District's debt decreased by \$555,866 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 Year Ended June 30, 2014

**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 11 through 20 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 21 through 24 of this report.

**GOVERNMENTAL FINANCIAL ANALYSIS:**

Over time, increases or decreases in net position 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 \$35,905,278 at June 30, 2014.

The largest portion of the District's net position (90 percent) reflects its investment in capital assets (e.g., land, facilities, equipment 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 Position**

	<b>ASSETS</b>	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 5,202,514	\$ 5,412,215
Capital assets	<u>39,261,805</u>	<u>39,015,586</u>
<b>Total Assets</b>	<u>44,464,319</u>	<u>44,427,801</u>
Long-term liabilities outstanding	7,897,018	8,207,028
Other liabilities	<u>662,023</u>	<u>774,703</u>
<b>Total Liabilities</b>	<u>8,559,041</u>	<u>8,981,731</u>
Net Position:		
Invested in capital Assets, net of related debt	31,913,813	31,111,728
Unrestricted	<u>3,991,465</u>	<u>4,334,342</u>
<b>Total Net Position</b>	<u><u>\$ 35,905,278</u></u>	<u><u>\$ 35,446,070</u></u>

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2014

**GOVERNMENTAL FINANCIAL ANALYSIS (continued):**

The increase in net assets invested in capital assets, net of related debt of \$802,085 occurred because the funding of debt service and new asset acquisitions for the year exceeded depreciation expense. The decrease in unrestricted net assets of \$376,675 occurred because of an increase in expenses over water revenues.

**Dennis Water District's Change in Net Position**

	2014	2013
<b>Revenues:</b>		
<b>Operating:</b>		
Water service revenues	\$ 4,251,688	\$ 4,491,378
<b>Non-Operating Revenues:</b>		
Tank rental fees	221,561	245,040
Investment income	6,184	6,699
Miscellaneous	5,122	2,568
	<u>232,867</u>	<u>254,307</u>
<b>Total Revenue</b>	<u>4,484,555</u>	<u>4,745,685</u>
<b>Expenses:</b>		
Wages and salaries	1,369,691	1,376,851
Payroll taxes and benefits	512,557	504,932
Post employment benefits	223,285	215,599
Utilities	320,326	293,763
Repairs and maintenance	377,647	384,040
Professional services	22,810	26,967
Interest expense	188,799	204,217
Insurance	122,281	115,308
Office expenses	127,010	238,361
Supplies	33,465	19,714
Vehicle expense	78,805	71,609
Printing and postage	34,311	31,132
Depreciation	614,360	587,260
<b>Total Other Expenses</b>	<u>4,025,347</u>	<u>4,069,753</u>
<b>Change in Net Position</b>	459,208	675,932
<b>Net Position at Beginning of Year</b>	<u>35,446,070</u>	<u>34,770,138</u>
<b>Net Position at End of Year</b>	<u><u>\$ 35,905,278</u></u>	<u><u>\$ 35,446,070</u></u>

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**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 \$459,208.

- Water revenue accounted for 94% of all revenues.
- The District received \$221,561 for the rental of space for cellular antennas on its water tanks.

**BUDGETARY HIGHLIGHTS:**

The final budget reflects the voters approval, at the Annual District meeting in April 2013. Overall, revenues were slightly less than budget primarily due to a slight decrease in water usage and the termination of a lease by cellular carrier on a water tank. The accounting requirement to recognize other post employment benefit costs was not 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, 2014 amounted to \$39,261,805 (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 1%.

The District completed construction of two water treatment facilities for the removal of iron and manganese from the water it provides to citizens. Funding for the \$8,086,792 project was provided through the state's revolving loan fund program as administered by the Massachusetts Clean Water Trust at an interest rate of 2%. A \$850,000 capital investment is being funded over a three-fiscal year period to increase the capacity of each plant by adding a treatment vessel and redirecting water from two separate existing wells, one to each plant.

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 embayment's. 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 and the second in June 2012. Two additional reports are anticipated, no firm deadlines for their release has been forthcoming. The Board of Water Commissioners remains committed to ensuring that the remaining TMDL reports are received and made available to the community for their review and input.

**DENNIS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**DEBT ADMINISTRATION:**

In March 2011, the Massachusetts Clean Water 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 \$7,347,992. A revised payment schedule for the remainder of the term was issued. See Note E 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 2013 was slightly above average for temperatures and having received only 75% of the average rain, usage by consumers was greater than estimated. Overall, actual revenues billed were 1% more than estimated. The District pumped approximately 84% of its permitted withdrawal limit of 1.189 billion gallons for the 2013 calendar year. 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.

Management's FY2014 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 just over \$17,000 for 27 accounts committed to the Tax Assessing Department as water liens on the FY 2014 real estate tax bills.

**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**  
**Statement of Net Position**  
June 30, 2014

**ASSETS**

**Current Assets:**

Cash and cash equivalents - unrestricted	\$ 2,016,160
Cash - stabilization fund	1,088,910
Accounts receivable (net where applicable of allowance for doubtful accounts of \$0)	1,594,788
Investments - unrestricted	<u>502,656</u>
Total Current Assets	<u>5,202,514</u>

**Capital Assets:**

Land	12,537,139
Buildings	1,821,834
Equipment	2,224,765
General infrastructure	<u>35,961,332</u>
Total Capital Assets	<u>52,545,070</u>
Accumulated depreciation	<u>(13,283,265)</u>
Net Capital Assets	<u>39,261,805</u>

Total Assets	<u>44,464,319</u>
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**LIABILITIES AND NET POSITION**

**Current Liabilities:**

Accounts payable	11,300
Accrued interest	89,857
Current portion of long-term bonds and note payable	<u>560,866</u>
Total Current Liabilities	<u>662,023</u>

**Noncurrent Liabilities:**

Accrued compensated absences	113,155
Net other post employment benefit obligations	996,737
Long-term bonds and note payable	<u>6,787,126</u>
Total Noncurrent Liabilities	<u>7,897,018</u>

Total Liabilities	<u>8,559,041</u>
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**Net Position:**

Invested in capital assets, net of related debt	31,913,813
Unrestricted	<u>3,991,465</u>
Total Net Position	<u>\$ 35,905,278</u>

The accompanying notes are an integral part of these financial statements



**DENNIS WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2014**

Operating Revenues:	
Charges for services	\$ 4,251,688
Total Operating Revenues	<u>4,251,688</u>
Operating Expenses:	
Wages and salaries	1,369,691
Payroll taxes and benefits	512,557
Other post employment benefits	223,285
Water system repairs and maintenance	377,647
Utilities	320,326
Supplies	33,465
Contractual services	22,810
Insurance	122,281
Vehicle expense	78,805
Printing and postage	34,311
Office and administrative expense	127,010
Depreciation	614,360
Total Operating Expenses	<u>3,836,548</u>
Income from Operations	415,140
Non-Operating Revenues (expenses):	
Interest expense	(188,799)
Investment income	6,184
Miscellaneous	5,122
Tank rental fees	221,561
Total Non-Operating Revenues	<u>44,068</u>
Changes in net position	459,208
Net Position at Beginning of Year	<u>35,446,070</u>
Net Position at End of Year	<u><u>\$ 35,905,278</u></u>

The accompanying notes are an integral part of these financial statements

**DENNIS WATER DISTRICT**  
**Statement of Cash Flows**  
For the Year Ended June 30, 2014

**Cash Flows from Operating Activities:**

Cash received from customers	\$ 4,173,147
Cash payments to suppliers of goods and services	(1,123,157)
Cash payments to employees for services	(1,937,063)
Net Cash Provided by Operating Activities	<u>1,112,927</u>

**Cash Flows from Noncapital and Related Financing Activities:**

Rental income	221,561
Miscellaneous	5,122
Net Cash Provided by Noncapital and Related Financing Activities	<u>226,683</u>

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of capital assets	(860,579)
Acquisition of investments	(502,656)
Repayments of long term borrowings	(555,866)
Interest Expense	(188,799)
Net Cash Used by Capital and Related Financing Activities	<u>(2,107,900)</u>

**Cash Flows From Investing Activities:**

Investment income	6,184
Net Cash Provided in Investing Activities	<u>6,184</u>

Net Increase in Cash and Cash Investments (762,106)

Cash and Cash Equivalents, July 1, 3,867,176

Cash and Cash Equivalents, June 30, \$ 3,105,070

**Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:**

Income from operations	\$ 415,140
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	614,360
Change in assets and liabilities:	
(Increase) /decrease in accounts receivable	(49,749)
Increase/(decrease) in accounts payable	(11,837)
Increase/(decrease) in accrued expenses	12,312
Increase/(decrease) in net other post employment benefits	132,701
Net Cash Provided by Operating Activities	<u><u>\$ 1,112,927</u></u>

Noncash investing and financing activities

\$ -

The accompanying notes are an integral part of these financial statements

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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

Introduction

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The accounting and reporting framework and the more significant accounting principles and Practices of the District are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended June 30, 2014.

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 is a special purpose government engaged only in a business type activity. As such, its financial statements consist of only those required for enterprise funds and notes to the financial statements. The financial statements are prepared on the accrual basis of accounting. Under this method of accounting, expenses are recorded as incurred and revenue is recorded when earned.

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 Year Ended June 30, 2014**

**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 \$113,155 for the year ended June 30, 2014.

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, 2014 totaled \$614,360.

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 Year Ended June 30, 2014

**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. Unpaid water liens are transferred to the Town Treasurer by the Tax collector and are recorded as tax title. No allowance is booked due to immaterial amounts. A summary of accounts receivable at June 30, 2014 is as follows:

	2014
Accounts receivable	\$ 1,594,788
Less allowance for uncollectible	-
	<u>\$ 1,594,788</u>

**NOTE C - DEPOSITS AND INVESTMENTS:**

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The treasurer may also invest in trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

**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 has a policy for custodial risk. As of June 30, 2014, the bank balance of \$2,940,962, \$857,848 was covered by Federal Depository Insurance, \$1,354,642 was covered by Depositors Insurance Fund, \$392,236 was covered by Securities Investors Protection Corporation, \$336,236 was collateralized and \$0 was uninsured and uncollateralized.

**Investments Summary**

The District's investments at June 30, 2014 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

2014					
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
MMDT Short Term Bond Fund:					
U.S. Agencies	\$ 209,608	\$ -	\$ 209,608	\$ -	\$ -
Agencies and Financial Institutions	280,985	-	280,985	-	-
Cash	12,064	12,064	-	-	-
Total MMDT Short Term Bond	<u>\$ 502,656</u>	<u>\$ 12,064</u>	<u>\$ 490,592</u>	<u>\$ -</u>	<u>\$ -</u>

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Year Ended June 30, 2014

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

Investment income for the year ended June 30, 2014, was as follows:

	Operating Fund	Stabilization Fund	Total
Interest and dividend income	\$ 3,568	\$ -	\$ 3,568
Net realized gains (losses)	-	-	-
Net unrealized (loss)	2,616	-	2,616
	<u>\$ 6,184</u>	<u>\$ -</u>	<u>\$ 6,184</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, 2014, none of the District's investments were exposed to custodial credit risk.

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 Cash and Certificates of Deposit are insured by FDIC. The credit quality ratings of the District's investments in debt securities are as follows:

Quality Ratings*	Corporate Bonds	Money Market CD's/Cash	MMDT Bond Funds	Total
AAA	\$ -	\$ 12,064	\$ 308,631	\$ 320,695
AA+	-	-	-	-
AA	-	-	29,657	29,657
AA-	-	-	-	-
A+	-	-	-	-
A	-	-	77,912	77,912
A-	-	-	-	-
BBB+	-	-	-	-
BBB	-	-	74,393	74,393
BBB-	-	-	-	-
Unrated	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 12,064</u>	<u>\$ 490,592</u>	<u>\$ 502,656</u>

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

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Year Ended June 30, 2014

**NOTE D - CAPITAL ASSETS:**

The District's net investments in fixed assets as of June 30, 2014, consist of the following:

	June 30, 2013	Additions	Removal	June 30, 2014
Land	\$ 12,537,139	\$ -	\$ -	\$ 12,537,139
Buildings	8,108,610	-	-	8,108,610
Equipment	1,158,188	150,862	-	1,309,050
General infrastructure	29,880,554	709,717	-	30,590,271
	<u>51,684,491</u>	<u>860,579</u>	<u>-</u>	<u>52,545,070</u>
Less accumulated depreciation for:				
Buildings	(597,579)	(162,225)		(759,804)
Equipment	(675,659)	(82,759)		(758,418)
General infrastructure	(11,395,667)	(369,376)		(11,765,043)
	<u>(12,668,905)</u>	<u>(614,360)</u>	<u>-</u>	<u>(13,283,265)</u>
Net Investment in Capital Assets	<u>\$ 39,015,586</u>	<u>\$ 246,219</u>	<u>\$ -</u>	<u>\$ 39,261,805</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 was financed in part by the \$8,600,000 loan from the Massachusetts Clean Water Trust.

**NOTE E - LONG-TERM DEBT:**

	June 30, 2013	Borrowings	Repayments	June 30, 2014
Massachusetts Clean Water 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.	\$ 6,253,858	\$ -	\$ (390,866)	\$ 5,862,992

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.

	1,650,000	-	(165,000)	1,485,000
	<u>\$ 7,903,858</u>	<u>\$ -</u>	<u>\$ (555,866)</u>	<u>\$ 7,347,992</u>

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Year Ended June 30, 2014

**NOTE E - LONG-TERM DEBT (continued):**

Future payments due are as follows:

Year	Principal	Interest
2015	\$ 560,866	\$ 150,000
2016	560,866	135,743
2017	560,866	124,525
2018	424,986	113,308
2019	725,866	102,091
2020 - 2025	1,055,866	90,873
2026 - 2029	3,458,676	345,868
	\$ 7,347,992	\$ 1,062,408

**NOTE F - 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 Association.

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 99 Willow Street, Yarmouthport, Massachusetts 02675.

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, 2014, 2013 and 2012 was \$233,739, \$224,385 and \$201,263 respectively which equaled its required contribution for the fiscal year.

**NOTE G - 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.



**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Year Ended June 30, 2014

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

The number of participants as of June 30, 2012, the latest actuarial valuation, is as follows:

Active employees	20
Retired employees, beneficiaries and dependents	13
Total	<u>33</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.

Annual required contribution	\$ 215,938
Interest on net OPEB obligation	38,882
Adjustment to annual required contribution	<u>(31,535)</u>
Annual OPEB cost	223,285
Contributions made	<u>(90,584)</u>
Increase in net OPEB obligation	132,701
Net OPEB obligation at beginning of year	<u>864,036</u>
Net OPEB obligation at end of year	<u>\$ 996,737</u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation for fiscal year 2014 was as follows:

Fiscal Year Ended	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2014	\$ 223,285	40.6%	\$ 996,737
June 30, 2013	\$ 211,865	41.2%	\$ 864,036
June 30, 2012	\$ 306,678	31.3%	\$ 739,451
June 30, 2011	\$ 293,252	29.9%	\$ 528,977

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
For the Year Ended June 30, 2014

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

Funded Status and Funding Progress

The funded status of the Plan as of 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)
06/30/12	\$ -	\$ 2,805,517	\$ 2,805,517	0.0%	N/A	N/A
06/30/10	\$ -	\$ 5,321,755	\$ 5,321,755	0.0%	\$ 1,366,162	389.5%
06/30/08	\$ -	\$ 5,664,263	\$ 5,664,263	0.0%	N/A	N/A

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.

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, 2012
Actuarial cost method:	Projected unit credit
Amortization method:	Amortization payments increasing at 4.5%
Remaining amortization period:	30 years at July 1, 2011
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

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

Statement #65, Items Previously Reported as Assets and Liabilities. The implementation of this Statement had no reporting impact on the financial statements.

Statement #67, Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

Statement #70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The implementation of this Statement had no reporting impact on the financial statements.

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

The GASB has issued the following statements:

Statement #68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the District will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

Statement #69, Government Combinations and Disposals of Government Operations, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

Statement #71, Pension Transition for Contributions Made Subsequent to the Measurement date, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

Statement #72, Fair Value Measurement and Application, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

Statement #73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

**DENNIS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE I - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (continued):**

The GASB has issued the following statements:

Statement #74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

Statement #76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

# DENNIS WATER DISTRICT

## Schedule of Revenues and Expenditures - Budget and Actual For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variances Positive (Negative)
Revenues:				
Water revenue	\$ 4,111,214	\$ 4,111,214	\$ 4,251,688	\$ 140,474
Rental income	253,174	253,174	221,561	(31,613)
Investment income	6,000	6,000	6,184	184
Late charges and miscellaneous	5,000	5,000	5,122	122
	<u>4,375,388</u>	<u>4,375,388</u>	<u>4,484,555</u>	<u>109,167</u>
Expenditures:				
Payroll and fringe benefits	2,055,987	2,055,987	1,882,248	173,739
Maintenance and operation	1,030,825	1,030,825	919,621	111,204
Appropriations				
Principal on loans	555,866	555,866	555,866	-
Interest on loans	188,799	188,799	188,799	-
Reserve fund	50,000	50,000	50,000	-
General	293,372	293,372	197,034	96,338
Capital Expenditures	1,272,500	1,272,500	860,579	411,921
	<u>5,447,349</u>	<u>5,447,349</u>	<u>4,654,147</u>	<u>793,202</u>
Net Income (Loss)	(1,071,961)	(1,071,961)	(169,592)	902,369
Other Financing Sources				
Debt proceeds	-	-	-	-
Budgetary Fund Balance, Beginning of Year	<u>32,490,271</u>	<u>32,490,271</u>	<u>35,446,070</u>	<u>(4,124,107)</u>
Budgetary Fund Balance, End of Year	<u>\$ 31,418,310</u>	<u>\$ 31,418,310</u>	<u>\$ 35,276,478</u>	<u>\$ (3,221,738)</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 Year Ended June 30, 2014

#### 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 2014 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, 2014.

	Revenues	Expenditures
Per Statement of Revenues, Expenses and Changes in Net Assets	\$ 4,484,555	\$ 4,025,347
Adjustments:		
Eliminate depreciation and amortization	-	(614,360)
Eliminate Net OPEB	-	(223,285)
Add reserve transfers	-	50,000
Add loan payments	-	555,866
Add capital assets acquired through budget	-	860,579
Per Schedule	<u>\$ 4,484,555</u>	<u>\$ 4,654,147</u>

**DENNIS WATER DISTRICT**  
**Required Supplementary Information - Pension Plan**  
For the Year Ended June 30, 2014

Additional information of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2014
Actuarial cost method:	Entry age normal cost
Amortization method:	Increasing payments 4.0% per year after fiscal year 2015
Remaining amortization period:	22 years from July 1, 2014, 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:	7.750%
Projected salary increases:	4.75% -5.25%
Cost of living adjustments:	3% 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:

Schedules of Funding Progress (Association)

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)
01/01/14	\$ 862,069,292	\$ 1,426,632,712	\$ 564,563,420	60.4%	\$ 253,920,107	222.3%
01/01/12	\$ 651,063,981	\$ 1,173,483,848	\$ 522,419,867	55.5%	\$ 239,437,303	218.2%
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**  
**Required Supplementary Information - Pension Plan**  
**For the Year Ended June 30, 2014**

Schedule of Employer Contributions (Association)

<u>Year Ended December 31</u>	<u>Annually Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed (%)</u>
2014	\$ 52,473,575	100
2013	\$ 46,702,087	100
2012	\$ 43,807,158	100
2011	\$ 43,893,051	100
2010	\$ 39,899,322	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>
2014	\$ 247,758	100	0.5%
2013	\$ 210,575	100	0.5%
2012	\$ 205,173	100	0.5%
2011	\$ 205,777	100	0.5%
2010	\$ 199,900	100	0.5%

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Dennis Water District  
Dennis, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Dennis Water District as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated July 7, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dennis Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dennis Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dennis Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dennis Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sanders, Walsh & Eaton, LLP*

Osterville, Massachusetts

July 7, 2015