

DENNIS WATER DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

DENNIS WATER DISTRICT
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For the Year Ended June 30, 2016

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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, 2016, 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, 2016, 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 26 through 30) 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 November 22, 2016, 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.

Osterville, Massachusetts
November 22, 2016

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 2016.

The most immediate and singularly significant project is the anticipated construction of a new one million gallon water tank. The District's water storage infrastructure consists of three standpipes and one elevated tank. For several years the District has undertaken a plan to maintain and power-wash these tanks as needed on a routine basis. Due to the cost of rehabilitating the elevated tank in West Dennis and given its total age and anticipated remaining useful life, the Board obtained voter approval of an authorization to build a new replacement tank at a cost of \$4 million. The new tank will be of a composite-style construction and double the storage capacity in West Dennis from one-half million gallons to one million gallons. This is intended to meet current and future demand for usage and fire flows.

FINANCIAL HIGHLIGHTS:

- The assets of the District exceeded its liabilities at June 30, 2016 by \$34,865,821. Of this amount, \$2,191,273 (unrestricted net assets) may be used to meet the District's obligations to its customers and creditors.
- The District's total net position increased by \$1,284,519. 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 \$237,719.
- 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.

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 25 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 26 through 30 of this report.

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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 \$34,865,821 at June 30, 2016

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

	ASSETS	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 6,373,342	\$ 5,416,620
Capital assets	<u>38,915,806</u>	<u>38,957,027</u>
Total Assets	<u>45,289,148</u>	<u>44,373,647</u>
Deferred Outflows of Resources	184,397	4,513
Long-term liabilities outstanding	9,933,548	10,104,615
Other liabilities	<u>674,176</u>	<u>692,243</u>
Total Liabilities	<u>10,607,724</u>	<u>10,796,858</u>
Net Position:		
Invested in capital Assets, net of related debt	32,674,548	32,164,901
Unrestricted	<u>2,191,273</u>	<u>1,416,401</u>
Total Net Position	<u><u>\$ 34,865,821</u></u>	<u><u>\$ 33,581,302</u></u>

The increase in net assets invested in capital assets, net of related debt of \$509,647 occurred because the funding of debt service and new asset acquisitions for the year exceeded depreciation expense. The increase in unrestricted net assets of \$774,872 occurred because of an increase in revenues over water expenses.

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

GOVERNMENTAL FINANCIAL ANALYSIS (continued):

Dennis Water District's Change in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Operating:		
Water service revenues	\$ 5,037,748	\$ 4,197,550
Non-Operating Revenues:		
Tank rental fees	193,160	298,486
Investment income	28,222	13,677
Solar Revenue	158,662	17,591
Miscellaneous	1,756	7,123
	<u>381,800</u>	<u>336,877</u>
Total Revenue	5,419,548	4,534,427
Expenses:		
Wages and salaries	1,383,457	1,444,174
Payroll taxes and benefits	567,770	520,419
Post employment benefits	237,719	227,820
Utilities	325,377	326,480
Repairs and maintenance	536,460	634,701
Professional services	54,032	22,620
Interest expense	161,779	173,383
Insurance	96,613	101,385
Office expenses	28,480	32,378
Supplies	29,967	16,061
Vehicle expense	44,720	63,423
Printing and postage	30,920	34,311
Depreciation	637,735	645,616
Total Other Expenses	<u>4,135,029</u>	<u>4,242,771</u>
Change in Net Position	1,284,519	291,656
Net Position at Beginning of Year	<u>33,581,302</u>	<u>33,289,646</u>
Net Position at End of Year	<u>\$ 34,865,821</u>	<u>\$ 33,581,302</u>

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 \$1,284,519.

- Water revenue accounted for 92% of all revenues.
- The District received \$193,160 for the rental of space for cellular antennas on its water tanks.

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

BUDGETARY HIGHLIGHTS:

The final budget reflects the voters approval, at the Annual District meeting in April 2015. Overall, revenues were more than budget primarily due to favorable summer weather conditions that resulted in a greater demand for water. 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, 2016 amounted to \$38,915,806 (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%.

DEBT ADMINISTRATION:

Long term debt was reduced by \$555,866 from \$6,792,128 to \$6,236,260 as described in Note E. See page 16 Note E for more detail.

In April 2010, Standard & Poor informed the Dennis Water District that they would be upgrading the bond rating from AA+ to AAA. At the same time the Town of Dennis was upgraded from AA+ to AAA. 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. The District has not issued any borrowing since the borrowing funds through the Massachusetts Clean Water Trust for the iron and manganese removal plants.

ECONOMIC FACTORS:

Water revenue is highly dependent on weather conditions, particularly during the months of June, July and August. Water demands during the summer of 2015 were near record levels. The total billed consumption exceeded the estimate by more than one-half a million dollars. The Town's 6MW solar plant went on line in the fall of 2014. The District entered into an Inter municipal Agreement with the Town of Dennis to purchase power through the net-metering credits generated by the solar plant. This fiscal year was the first full year of receipts from those credits and exceeded the estimated income by more than \$88,000. Overall, revenues exceeded budget estimates by 16%.

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

ECONOMIC FACTORS (continued):

Management's FY2017 outlook is that the District will be able to meet its operational and debt service obligations as well as construct a new 1-million gallon water tank to replace an existing elevated tank in West Dennis. The District voted to utilize \$2 million of available cash and reserves and to authorize borrowing of up to \$2 million for the total project cost of \$4 million. The project is expected to begin in the Spring of 2017 and be completed by the end of calendar 2018. Management anticipates that there will be no change in the current water rate structure for at least the next two to three years. Collections remain at nearly 99% of billing with less than 45 accounts being committed as water liens to the Town of Dennis Assessing Department.

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.

Dennis Water District , Treasurer

DENNIS WATER DISTRICT
Statement of Net Position
June 30, 2016

ASSETS

Current Assets:	
Cash and cash equivalents - unrestricted	\$ 3,303,365
Cash - stabilization fund	99,706
Accounts receivable (net where applicable of allowance for doubtful accounts of \$0)	1,714,519
Investments - unrestricted	<u>1,255,752</u>
Total Current Assets	6,373,342
Capital Assets:	
Land	12,537,139
Buildings	1,821,834
Equipment	2,419,681
General infrastructure	<u>36,703,767</u>
Total Capital Assets	53,482,421
Accumulated depreciation	<u>(14,566,615)</u>
Net Capital Assets	<u>38,915,806</u>
Total Assets	<u>45,289,148</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pension	<u>184,397</u>
Total Deferred Outflows of Resources	<u>184,397</u>

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts payable	23,343
Accrued expenses	11,130
Accrued interest	78,837
Current portion of long-term bonds and note payable	<u>560,866</u>
Total Current Liabilities	674,176
Noncurrent Liabilities:	
Accrued compensated absences	110,715
Net pension liability	2,878,159
Net other post employment benefit obligations	1,269,280
Long-term bonds and note payable	<u>5,675,394</u>
Total Noncurrent Liabilities	<u>9,933,548</u>
Total Liabilities	<u>10,607,724</u>
Net Position:	
Invested in capital assets, net of related debt	32,674,548
Unrestricted	<u>2,191,273</u>
Total Net Position	<u>\$ 34,865,821</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, 2016

Operating Revenues:	
Charges for services	\$ 5,037,748
Total Operating Revenues	<u>5,037,748</u>
Operating Expenses:	
Wages and salaries	1,383,457
Payroll taxes and benefits	567,770
Other post employment benefits	237,719
Water system repairs and maintenance	536,460
Utilities	325,377
Supplies	29,967
Contractual services	54,032
Insurance	96,613
Vehicle expense	44,720
Printing and postage	30,920
Office and administrative expense	28,480
Depreciation	637,735
Total Operating Expenses	<u>3,973,250</u>
Income from Operations	1,064,498
Non-Operating Revenues (expenses):	
Interest expense	(161,779)
Investment income	28,222
Solar revenue	158,662
Miscellaneous	1,756
Tank rental fees	193,160
Total Non-Operating Revenues	<u>220,021</u>
Changes in net position	1,284,519
Net Position:	
Beginning of Year, as revised	<u>33,581,302</u>
End of Year	<u><u>\$ 34,865,821</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, 2016

Cash Flows from Operating Activities:	
Cash received from customers	\$ 4,821,511
Cash payments to suppliers of goods and services	(1,508,245)
Cash payments to employees for services	(1,642,096)
Net Cash Provided by Operating Activities	<u>1,671,170</u>
Cash Flows from Noncapital and Related Financing Activities:	
Rental income	193,160
Miscellaneous	1,756
Solar Revenue	158,662
Net Cash Provided by Noncapital and Related Financing Activities	<u>353,578</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(596,516)
Acquisition of investments	(748,128)
Repayments of long term borrowings	(555,866)
Interest Expense	(161,779)
Net Cash Used by Capital and Related Financing Activities	<u>(2,062,289)</u>
Cash Flows From Investing Activities:	
Investment income	28,222
Net Cash Provided in Investing Activities	<u>28,222</u>
Net Increase in Cash and Cash Investments	(9,319)
Cash and Cash Equivalents, July 1,	<u>3,412,390</u>
Cash and Cash Equivalents, June 30,	<u><u>\$ 3,403,071</u></u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Income from operations	\$ 1,064,498
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	637,735
Change in assets and liabilities:	
(Increase) /decrease in accounts receivable	(217,913)
(Increase)/decrease in deferred outflows of resources	(179,884)
Increase/(decrease) in accounts payable	20,343
Increase/(decrease) in accrued expenses	(36,468)
Increase/(decrease) in net other post employment benefits	140,027
Increase/(decrease) in net pension liability	242,832
Net Cash Provided by Operating Activities	<u><u>\$ 1,671,170</u></u>
Noncash investing and financing activities	
Unrealized gains	<u><u>\$ 13,921</u></u>

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, 2016

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, 2016.

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 non-operating 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, 2016

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 \$110,715 for the year ended June 30, 2016.

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, 2016 totaled \$637,735.

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.

Pension

The District is a member of a cost-sharing multiple employer defined benefit plan covering employees. See Note F for a full description of plan. Benefit payments are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

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, 2016 is as follows:

Accounts receivable	\$ 1,714,519
Less allowance for uncollectible	-
	<u>\$ 1,714,519</u>

NOTE C - DEPOSITS AND INVESTMENTS:

Local Agency Investment Fund

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 known as The Local Agent Investment Fund (LAIF). 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 LAIF meets the criteria of an external investment pool. The LAIF 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 District's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by MMDT for the entire MMDT portfolio (in relation to the amortized cost of that portfolio). The MMDT Investment Board has established policies, goals and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. .

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, 2016, 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, 2016 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 Year Ended June 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (continued):

Investment Type	Fair Value Measurements Using			
	12/31/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
MMDT Short Term Bond Fund:				
U.S. Agencies	\$ 689,408		\$ 689,408	-
Agencies and Financial Institutions	554,280		554,280	-
Cash	12,064	12,064	-	-
Total MMDT Short Term Bond	<u>\$ 1,255,752</u>	<u>\$ 12,064</u>	<u>\$ 1,243,688</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 are valued using discounted cash flow techniques.

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	\$ 689,408	\$ -	\$ 689,408	\$ -	\$ -
Agencies and Financial Institutions	554,280	-	554,280	-	-
Cash	12,064	12,064	-	-	-
Total MMDT Short Term Bond	<u>\$ 1,255,752</u>	<u>\$ 12,064</u>	<u>\$ 1,243,688</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income for the year ended June 30, 2016, was as follows:

	Operating Fund	Stabilization Fund	Total
Interest and dividend income	\$ 14,301	\$ -	\$ 14,301
Net realized gains (losses)	-	-	-
Net unrealized (loss)	13,921	-	13,921
	<u>\$ 28,222</u>	<u>\$ -</u>	<u>\$ 28,222</u>

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (continued):

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, 2016, 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	\$ 793,473	\$ 805,537
AA+	-	-	-	-
AA	-	-	73,378	73,378
AA-	-	-	-	-
A+	-	-	-	-
A	-	-	192,772	192,772
A-	-	-	-	-
BBB+	-	-	-	-
BBB	-	-	184,066	184,066
BBB-	-	-	-	-
Unrated	-	-	-	-
Total	\$ -	\$ 12,064	\$ 1,243,688	\$ 1,255,752

*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, 2016

NOTE D - CAPITAL ASSETS:

The District's net investments in fixed assets as of June 30, 2016, consist of the following:

	June 30, 2015	Additions	Removal	June 30, 2016
Land	\$ 12,537,139	\$ -	\$ -	\$ 12,537,139
Buildings	1,821,834	-	-	1,821,834
Equipment	2,300,760	122,631	-	2,423,391
General infrastructure	36,226,174	473,883	-	36,700,057
	<u>52,885,907</u>	<u>596,514</u>	<u>-</u>	<u>53,482,421</u>
Less accumulated depreciation for:				
Buildings	(922,029)	(162,225)		(1,084,254)
Equipment	(853,578)	(85,751)		(939,329)
General infrastructure	(12,153,273)	(389,759)		(12,543,032)
	<u>(13,928,880)</u>	<u>(637,735)</u>	<u>-</u>	<u>(14,566,615)</u>
Net Investment in Capital Assets	<u>\$ 38,957,027</u>	<u>\$ (41,221)</u>	<u>\$ -</u>	<u>\$ 38,915,806</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.

NOTE E - LONG-TERM DEBT:

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.

	June 30, 2015	Borrowings	Repayments	June 30, 2016
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.	\$ 5,472,126	\$ -	\$ (390,866)	\$ 5,081,260

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.

1,320,000	-	(165,000)	1,155,000
<u>\$ 6,792,126</u>	<u>\$ -</u>	<u>\$ (555,866)</u>	<u>\$ 6,236,260</u>

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE E - LONG-TERM DEBT (continued):

Future payments due are as follows:

Year	Principal	Interest	Total
2016	\$ 560,866	\$ 135,743	\$ 696,609
2017	560,866	124,525	685,391
2018	424,986	113,308	538,294
2019	725,866	102,091	827,957
2020 - 2025	1,055,866	90,873	1,146,739
2026 - 2029	2,907,810	290,781	3,198,591
	\$ 6,236,260	\$ 857,321	\$ 7,093,581

NOTE F - PENSION PLAN:

Plan Description

The District is a member of the Barnstable County Retirement Association (BCRA), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 59 member units. The BCRA is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting <http://www.barnstablecounty.org/retirement-association/>.

Benefits Provided

The BCRA provide retirement, disability, survivor and death benefits to plan members and beneficiaries. The BCRA provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. There were no changes of benefit terms that affected the total pension liability at December 31, 2015.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE F - PENSION PLAN (continued):

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the system at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRA a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2015, was \$246,851, 19.48% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2016, the District reported a liability of \$2,878,159 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2014, the District's proportion was 0.467%.

Pension Expense

For the year ended June 30, 2016, the District recognized pension expense of \$309,850. At June 30, 2016, the District reported deferred outflows of resources related to pensions of \$184,397, from the net difference between projected and actual investment earnings on pension plan investments. Since the system performs an actuarial valuation biennially, there are no reported differences between expected and actual experience.

Deferred Inflows and outflows of resources:

Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future period. These amounts will not be recognized as an outflow of resource (expense) or an inflow or resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts for net differences between projected and actual earnings on pension plan investments.

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$	48,565
2018		48,565
2019		48,565
2020		47,460
2021		(8,758)
	\$	<u>184,397</u>

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE F - PENSION PLAN (continued):

Actuarial Assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Valuation date	12/31/14
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Payments increased at 4.0%, except for 2010 Early Retirement Incentive, which is a level payment.
Remaining amortization period	22 years from July 1, 2014 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability and remaining unfunded liability, and 8 years from July 1, 2014 for 2010 Early Retirement Incentive.
Asset valuation method	Sum of actuarial at beginning of the year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that the final actuarial value is within 20% of market value.
Inflation rate	4.00%
Projected salary increases	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.5% for Group 2 and 4.75% for Group 4.
Cost of living adjustments	3.0% of the first \$15,000 of retirement income.
Rates of retirement	Varies based upon age for general employees.
Rates of disability	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected).
Mortality Rates:	
Pre-Retirement	The RP-2000 Employee Mortality Table projected generationally with a Scale from 2010.
Healthy Retiree	The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale AA from 2010.
Disabled Retiree	The RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally with Scale AA from 2010.
Investment rate of return/Discount rate	7.75% net of pension plan investment expense, including inflation previously 7.875%.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE F - PENSION PLAN (continued):

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board and pursuant to the Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return(expected returns, net of pension plan investment expense and inflation)are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2015 are summarized in the following table:

Asset Class	Long-term Expected Real rate of Return	Long-term Expected Asset Allocation
Domestic equity	6.49%	20.00%
International developed markets equity	7.16%	16.00%
International emerging markets equity	9.46%	7.00%
Core fixed income	1.68%	13.00%
High-yield fixed income	4.76%	10.00%
Real Estate	4.37%	10.00%
Commodities	4.13%	4.00%
Hedge Fund, GTAA, Risk Party	3.90%	10.00%
Private Equity	11.04%	10.00%

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 7.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE F - PENSION PLAN (continued):

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Decrease (8.75%)
The District's proportionate share of the net pension	\$ 3,649,934	\$ 2,878,159	\$ 2,223,163

NOTE G - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

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, 2015, the latest actuarial valuation, is as follows:

Active employees	17
Retired employees, beneficiaries and dependents	14
Total	31

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.

Funding Policy (continued)

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish the postemployment benefit trust fund and to enable the District to dedicate resources necessary to begin pre-funding its OPEB liabilities. For the year ended June 30, 2016, the District pre-funded \$0 of future other postemployment (OPEB) liabilities.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE G - OTHER POST EMPLOYMENT BENEFITS (continued):

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	\$ 230,107
Interest on net OPEB obligation	50,816
Adjustment to annual required contribution	<u>(41,215)</u>
Annual OPEB cost	237,719
Contributions made	<u>(97,692)</u>
Increase in net OPEB obligation	140,027
Net OPEB obligation at beginning of year	<u>1,129,253</u>
Net OPEB obligation at end of year	<u><u>\$ 1,269,280</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Fiscal Year Ended	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2016	\$ 237,719	40.8%	\$ 1,269,280
June 30, 2015	\$ 227,820	41.8%	\$ 1,129,253
June 30, 2014	\$ 223,285	40.6%	\$ 996,737
June 30, 2013	\$ 211,865	41.2%	\$ 864,036

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

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)
06/30/14	\$ -	\$ 3,130,165	\$ 3,130,165	0.0%	N/A	N/A
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.

In the June 30, 2015, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 5.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funding level of the plan at the valuation date, an annual medical/prescription drug cost trend rate of: 10% initially, decreasing 2.0% for one year and 0.5% for six years to an ultimate level of 5% per year for members under age 65 and 10% initially, decreasing by 0.5% for ten years to an ultimate level of 5.0% per year for members over 65, a GIC medical/prescription drug cost trend rate of 6.5% for one year, 6.0% for eight years, 5.5% for one year to an ultimate level of 5.0% per year, and included a 4.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value on investments over a five-year period. The UALL is being amortized over a 30 year open period using a level percentage of projected payroll with amortization payments increasing at 4.0% per year. The asset valuation method being used is market value. The remaining amortization period at June 30, 2015 is 30 years.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE G - OTHER POST EMPLOYMENT BENEFITS (continued):

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

Actuarial Methods:

Valuation date:	June 30, 2015
Actuarial cost method:	Projected unit credit
Amortization method:	Amortization payments increasing at 4.0%
Remaining amortization period:	30 years, open at June 30, 2015
Asset Valuation method:	Market value

Actuarial Assumptions:

Investment rate of return:	5.5% pay as you go scenario
Inflation rate:	4.0%
Healthcare/medical cost trend rate:	Health - 10.0% decreasing .75% annually to an ultimate level of 5.0%
	Dental - 2.0% for one year then 5.0% thereafter
Part B reimbursement and/or penalties	5.0% annually

NOTE H - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS:

During 2016, the District implemented the following GASB pronouncements during the fiscal year:

The GASB issued Statement #72, Fair Value Measurement and Application. This pronouncement impacted the notes to the basic financial statements with additional disclosure pertaining to three levels of fair value measurement on the District's investments.

The GASB issued Statement #76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This pronouncement did not impact the basic financial statements.

The GASB issued Statement #79, Certain external investment pools and pool participants. This Statement establishes criteria allowing investment pools meeting certain maturity, quality, diversification and other criteria to measure its investments at amortized cost for financial reporting purposes rather than at fair value and allowing the pool's users to measure their investment in the pool at amortized cost. this pronouncement impacted the notes with additional disclosure.

The following GASB pronouncements will be implemented in the future:

The GASB issued 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. The provisions of this statement are effective for 2016-except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE H - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS (continued):

The GASB issued Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in 2017.

The GASB issued Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is required to be implemented in 2018. Financial Reporting

The GASB issued Statement #77, Tax Abatement Disclosures, which is required to be implemented in 2017.

The GASB issued Statement #78, Pensions provided through certain multiple-employer defined benefit plan, which is required to be implemented in 2017.

The GASB issued Statement #80, Blending requirement's for certain component units, which is required to be implemented in 2018.

The GASB issued Statement #81, Irrevocable split interest agreements, which is required to be implemented in 2018.

The GASB issued Statement #82, Pension issues-an amendment of GASB statements No. 67, No.68 and 73, which is required to be implemented in 2018.

The GASB issued Statement #83, Certain asset retirement obligations, which is required to be implemented in 2019.

REQUIRED SUPPLEMENTARY INFORMATION

DENNIS WATER DISTRICT
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variances Positive (Negative)
Revenues:				
Water revenue	\$ 4,111,214	\$ 4,111,214	\$ 5,037,748	\$ 926,534
Rental income	253,174	253,174	193,160	(60,014)
Investment income	6,000	6,000	28,222	22,222
Late charges and miscellaneous	5,000	5,000	1,756	(3,244)
	<u>4,375,388</u>	<u>4,375,388</u>	<u>5,260,886</u>	<u>885,498</u>
Expenditures:				
Payroll and fringe benefits	2,055,987	2,055,987	1,951,227	104,760
Maintenance and operation	1,030,825	1,030,825	949,535	81,290
Appropriations				
Principal on loans	555,866	555,866	555,866	-
Interest on loans	188,799	188,799	161,779	27,020
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	596,516	675,984
	<u>5,447,349</u>	<u>5,447,349</u>	<u>4,461,957</u>	<u>985,392</u>
Net Income (Loss)	(1,071,961)	(1,071,961)	798,929	1,870,890
Other Financing Sources				
Debt proceeds	-	-	-	-
Budgetary Fund Balance, Beginning of Year	<u>33,532,753</u>	<u>33,532,753</u>	<u>33,581,302</u>	<u>(4,124,107)</u>
Budgetary Fund Balance, End of Year	<u>\$ 32,460,792</u>	<u>\$ 32,460,792</u>	<u>\$ 34,380,231</u>	<u>\$ (2,253,217)</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, 2016

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.

	<u>Revenues</u>	<u>Expenditures</u>
Per Statement of Revenues, Expenses and Changes in Net Assets	\$ 5,260,886	\$ 4,135,029
Adjustments:		
Eliminate depreciation and amortization	-	(637,735)
Eliminate Net OPEB	-	(237,719)
Add reserve transfers		50,000
Add loan payments	-	555,866
Add capital assets acquired through budget	-	596,516
Per Schedule	<u>\$ 5,260,886</u>	<u>\$ 4,461,957</u>

DENNIS WATER DISTRICT
Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2016

PENSION PLAN SCHEDULES

The Schedule of the District's Proportionate share of the Net Pension Liability presents multi-year trend information on the District's net pension liability and related ratios.

The Schedule of the District's Contributions presents multi-year trend information on the District's required and actual contributions to the pension plan and related ratios. Proportionate share of the Net Pension Liability presents multi-year trend information on the District's net pension liability and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

DENNIS WATER DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Barnstable County Retirement Association

	<u>December 31, 2015</u>
District's proportion of the net pension liability (asset)	45.71%
District's proportionate share of the net pension liability (asset)	\$ 2,878,159
District's covered employee payroll (*)	\$ 1,267,569
Net pension liability as a percentage of covered-employee payroll	227.06%
Plan fiduciary net position as a percentage of the total pension liability	58.10%

Until a 10-year trend is compiled, information is presented for those years for which information is available.

*Covered employee payroll as reported in the December 31, 2015 funding valuation report.

A. Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Changes in Assumptions - None

C. Changes in Plan Provisions - None

DENNIS WATER DISTRICT
Schedule of the District's Contributions
Barnstable County Retirement Association

	December 31, 2015
Actuarially determined contributions (a)	\$ 246,851
Contributions in relation to the actuarially determined contribution	<u>(246,851)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll (*)	\$ 1,267,569
Contributions as a percentage of covered-employee payroll	19.48%

Until a 10-year trend is compiled, information is presented for those years for which information is available.

(a) based on the results of the January 1, 2015 actuarial valuation (including assumptions and methods), which determined budget appropriations for fiscal 2015.

*Covered employee payroll as reported in the December 31, 2015 funding valuation report.

A. Schedule of the District's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in July at a discount rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the District based on covered payroll.

B. Changes in Assumptions - None

C. Changes in Plan Provisions - None

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, 2016, and the related notes to the financial statements and have issued our report thereon dated November 22, 2016.

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*.

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.

Osterville, Massachusetts
November 22, 2016