
ANNUAL REPORTS
of the
OFFICERS
Grafton Water District
for 2014



Serving your water needs
GRAFTON, MASSACHUSETTS

**REPORTS OF THE OFFICIALS OF THE
GRAFTON WATER DISTRICT
FOR THE YEAR 2014
DISTRICT ELECTED OFFICIALS**

BOARD OF WATER COMMISSIONERS

Kenneth Grew Term Expires 2017
Robert Frederico Term Expires 2015
Michael Corda..... Term Expires 2016

MODERATOR

Jesse R. Dowd, Jr..... Term Expires 2017

CLERK

Rebecca Corda Term Expires 2017

EMPLOYEES

MANAGER Matthew E. Pearson
OFFICE MANAGER Sharon Carroll-Tidman
UTILITY OPERATOR John Hazelwood
UTILITY OPERATOR Dave Erickson
UTILITY OPERATOR Ron Festa

YEARLY APPOINTMENTS

TREASURER Joseph Meichelbeck
COUNSEL Mary Bassett

**Grafton Water District
Annual Meeting
April 29, 2014**

The meeting was called to order by Moderator Jesse Dowd, at 7:30 PM.

Article 1

A motion was made by Commissioner Robert Frederico and seconded by Commissioner Ken Grew, to see if the District will accept the Annual Report of the District Commissioners or take any action relative thereto. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 2

A motion was made by Commissioner Michael Corda and seconded by Ken Grew To see if the District will accept the Annual Report of the District Treasurer or take any action relative thereto. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 3

A motion was made by Ken Grew and seconded by Michael Corda, To see if the District will vote to appropriate from the income of the District and accept the sum of one million, nine hundred and sixty thousand, seven hundred dollars and no cents (\$1,960,700.00) as the Fiscal 2015 budget as printed in the Annual Report or take any action relative thereto. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 4

A motion was made by Treasurer Joseph Meichelbeck and seconded by Ken Grew, To see if the District will vote to amend Section 11.5 of the Bylaws of the Grafton Water District relating to vacancies by deleting it in its entirety and in its place the following to be inserted:

11.5 Vacancy

"If a vacancy should occur for any cause in the offices of Clerk or Moderator of the District it shall be filled within 60 days of the vacancy for the unexpired term; by a majority vote of the Board of Water Commissioners.

If a vacancy should occur for any cause on the Board of Water Commissioners it shall be filled within 60 days for any unexpired term by a majority vote of the District Moderator, District Clerk and the Chairman of the Board of Commissioners.

All vacancies shall be advertised and posted in a public place within 7 days of the vacancy requesting applications for the open position and said applications shall be accepted for no longer than 30 days and at which time the applications, if any, shall be reviewed and appointments made as required to fill the remaining term of the vacant position.

If more than one Commissioners office is vacant for an unexpired term, which results in the absence of a quorum on the Board of Commissioners, the District Clerk shall call a special election within 14 days of such vacancy to fill the vacant seats." The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 5

A motion was made by Robert Frederico and seconded by Ken Grew to see if the District will amend the last sentence of Section 11.6 of the Bylaws of the Grafton Water District by deleting the words "five o'clock" and adding the words "four o'clock" in its place, so that the sentence as amended states; "This petition must be received at the Grafton Water District office by four o'clock, P. M. at least 45 days prior to the Annual Grafton Water District meeting" or take any action relative thereto. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 6

A motion was made by Michael Corda and seconded by Ken Grew to see if the District will vote to raise and appropriate, or transfer from available funds in the treasury or borrow under provisions of Chapter 44, Section 8 of the Massachusetts General Laws as amended, or by a combination thereof, one million five hundred thousand dollars, (\$1,500,000.00) for the construction of a pumping station, located off of Trinity Avenue, and costs associated therewith, such as engineering, access road, utilities and other appurtenances and to purchase easements, acquire land and or place conservation restrictions in connection therewith or take any action relative thereto. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 7

A motion was made by Ken Grew and seconded by Michael Corda to see if the District will transfer from available sums in the treasury the sum of four hundred and fifty thousand dollars (\$450,000.00) for the installation of an 8-inch insulated water line across the North Street Bridge above the Massachusetts Turnpike or take any action relative thereto. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 8

A motion was made by Joseph Meichelbeck and seconded by Michael Corda to see if the District will vote to amend section 3.2 E of the District By-Laws by deleting the sum \$2,000 and adding the sum \$4,000 in its place, so the sentence as amended states; "A classified statement of all expenditures, in excess of \$4,000 of the District in detail, and receipts, excluding individual water receipts, of the District in detail, so as to give a fair and full exhibit of the objects and methods of all expenditures." or take any action relative thereto. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 9

A motion was made by Robert Frederico and seconded by Michael Corda to see if the District will vote to authorize the Treasurer, with the approval of the Board of Water Commissioners, to borrow

in anticipation of revenue under MGL Chapter 44, Section 4, a sum or take any action relative thereto.

The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 10

A motion was made by Michael Corda and seconded by Ken Grew to see if the District will vote to authorize the Board of Water Commissioners to make pre-payments against existing loans or take any action relative thereto. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

A motion was made by Joe Meichelbeck and seconded by Ken Grew to adjourn the meeting. The meeting was adjourned at 7:39 PM.

Respectfully Submitted

Patricia Ann Sims
Clerk
Grafton Water District

**Grafton Water District
Annual Budget**

	2013-2014 Budget	2014-2015 Proposal	Change
Maintenance & Operation			
Salaries	\$ 415,613	\$ 413,000	-0.6%
Benefits	150,500	\$ 164,200	9.1%
Maintenance	227,000	\$ 235,500	3.7%
Utilities	172,000	\$ 109,000	-36.6%
Chemicals	46,500	\$ 51,500	10.8%
Engineering Services	30,000	\$ 30,000	0.0%
Miscellaneous	3,650	\$ 3,700	1.4%
Sub Total	\$ 1,045,263	\$ 1,006,900	-3.7%
Administrative Expenses			
Office & Supplies	\$ 50,500	\$ 52,000	3.0%
Insurance	15,000	\$ 15,500	3.3%
Accounting	6,500	\$ 7,000	7.7%
Legal	4,000	\$ 6,000	50.0%
Officers Fee	3,500	\$ 3,500	0.0%
Moderator's Fee	300	\$ 300	0.0%
Treasurer's Fee	12,500	\$ 12,500	0.0%
Sub-Total	\$ 92,300	\$ 96,800	4.9%
Debt Service	\$ 474,749	\$ 476,000	0.3%
Capital			
Gen. System Improvements	\$ 150,000	\$ 150,000	
Vehicle	35,000	40,000	
Capital Projects	186,000	186,000	
Meters	5,000	5,000	
Sub-Total	\$ 376,000	\$ 381,000	1%
Total Expenditures	\$ 1,988,312	\$ 1,960,700	-1.4%
Total Revenue(Anticipated)	\$ 2,542,000	\$ 2,141,000	-15.8%

April 29, 2014

To whom it may concern:

On April 29, 2014 the Grafton Water district held its annual election for officers in the following categories: one Commissioner, one Clerk and one Moderator.

The results were as follows:

Commissioner

Kenneth Grew, 11 votes

Clerk

write in: Rebecca Corda, 7 votes

write in: Patti Sims, 1 vote

Moderator

write in: Jesse Dowd, 6 votes

Patricia Ann Sims

Clerk

Grafton Water District

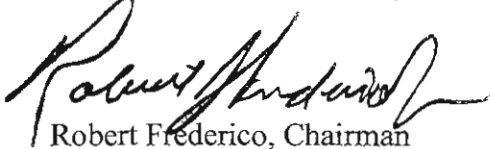
Board of Water Commissioners 2014 Annual Report

The Board elected Robert Frederico as Chairman of the Board. Appointed were Joseph Meichelbeck as Treasurer and Mary Bassett as District Counsel.

During the past year the Commissioners worked on many projects as well as the general management over the operations of the District.

1. The Board had Scanlon & Associates perform a financial audit of the District finances and procedures. This audit is completed annually consistent with sound financial practice and in conformance with State and Federal reporting requirements and as by District debt covenants.
2. The Board worked with the Manager to oversee the operations of the District from a fiscal and day to day task basis.
3. The Board has been working on acquiring a parcel of land off of Trinity Avenue which is owned by the Commonwealth of Massachusetts and will be used for a future water supply well. The Board will be swapping already owned District land on Pleasant Street for this parcel. The property has been appraised and legislation passed by the State to make the sale.
4. The Board has recognized a savings of around \$80,000 on the Districts electric bill, for the first full year of energy credits from the solar farm on Follette Street.
5. The Board is happy to report that Manager, Matthew Pearson has been elected Vice President to the New England Water Works Association. In this position he is able to influence issues that affect the water works industry and bring Grafton into the limelight.
6. The Board voted to increase the service charge from *12.50 to 22.50* and adjust other service charge rates proportionately.
7. The Board worked with the Manager and Treasurer to produce a budget that was approved by the voters at the Annual Meeting in April.
8. The Board wishes to thank the staff of the Water District for operating the water system and maintaining it in great condition and continuing to provide safe dependable water to our customers.

Board of Water Commissioners



Robert Frederico, Chairman
Kenneth Grew, Commissioner
Michael Corda, Commissioner

MANAGERS REPORT 2014

The Grafton Water Districts rate of growth has started to increase over the previous years with a total of 4341 service connections.

The District pumped a total of 509,154,000 gallons of water during the year 2014 this was up from the previous year. A difference between years usually correlates to the type of weather we have during the summer and fall months. During a dry year the amount of water pumped is usually up.

The following items address some of the projects that were worked on during the 2014 calendar year.

1. The District submitted its fifteenth Consumer Confidence Report to the District customers. The report is now available on line at www.graftonwaterdistrict.org This report highlights the District and its water quality status. The District is pleased to report that the water in which the District supplies you meets or exceeds all of the required testing parameters required by State and Federal government.
2. This is the first year as Manager that no private developers have installed pipe within the District. The District also did not install any new pipe.
3. An automatic generator was installed at the District office so we would have power during an outage. Not only does this protect our facilities if the power goes out but it will allow the District office to be used as a shelter for Towns people if need be.
4. The District has bid the North Street Bridge Crossing project and construction will take place this spring.
5. A 4-log removal approval for the East Street Treatment Plant was received by DEP. Now with the 24 hour chlorine dosage monitoring public notification is not required on some detection levels. This monitoring system proves that 4-log treatment is being done as required.
6. A new ¾ ton pickup truck with a plow was purchased to replace a similar old vehicle.
7. Both the East Street Well #3 and the Worcester Street Well were cleaned and inspected.
8. The District has been working with Magill Associates to complete a booster station for phase two of the Highfields development. This project should be done in the spring of 2015.
9. Hydrants were replaced at Deermolm Street and Countryside Road. One hydrant was replaced as it did not have a valve on it and the other was moved due to a large tree growing around it.

10. I have continued to work on acquiring land off of Trinity Avenue for use as a public water supply. The land is owned by the Commonwealth Fisheries and Wildlife Department. A pump test was performed at the site during the fall of 2014 and has been approved by the State DEP. The State has passed legislation to allow the sale and land transfer.
11. Regular maintenance of the District facilities was done throughout the year.
12. Employees of the District continue to take courses that keep them abreast of changes in the industry. Each employee is mandated by the State to attend a certain number of training class hours. This participation is required to keep their licenses valid and to be able to continue employment at the District. All of the District water operators carry the required State license.
13. All hydrants in the system were flushed and checked for proper operation. Also, hydrants were greased, painted and maintained as needed throughout the year.
14. The Board of Water Commissioners continues to support local community activities by supplying water or other services during special events. The District supported the Grafton Gazebo Road Race, Lions Club Carnival, Grafton Common lawn watering, Household Hazardous Waste Day, Grafton Land Trust and others.

I would like to take this opportunity to thank the Commissioners and employees of the District for their assistance throughout the year. It is with their continued commitment to the District, the community and to their job that I am able to concentrate my efforts on the management side of the District operation.

Matthew E. Pearson
Manager

A handwritten signature in black ink, appearing to read 'Matt Pearson', written over a horizontal line.

2014 WATER PRODUCTION (GALLONS)

	2013	2014
Total Used	438,156,000	514,803,000
Largest Day	1,774,000	2,164,000
Average Day	1,200,000	867,000

MAIN EXTENSIONS

WATER MAIN REPAIRS

Hawthorne Street 6"

WATER SERVICE REPAIRS

Powerline Drive (2) 3/4"	Mill Street 2"
Sunrise Ave (2) 3/4"	Bedford Drive 1"
Gristmill Road 3/4"	Logan Path 2"
Seaver Farm Lane 1"	Woodbridge Court 1"
Worcester Street 3/4"	Nelson Street 3/4"

SYSTEM MAINTENANCE

New Meters – 63	New Hydrants - 3
Replacement Meters – 65	Total Services - 4341

YEAR 2010 THROUGH 2014 COMPARISON

Year	# of Services	Gallons Pumped	Employees	Payroll
2014	4345	509,154,000	5	\$413,965.00
2013	4293	438,156,000	5	\$415,613.00
2012	4239	409,158,000	5	\$407,174.00
2011	4176	434,820,000	5	\$398,420.00
2010	4151	464,656,000	5.5	\$405,193.00

Year	Income	Expenses	Debt Payments	Debt Balance
2014	\$2,181,302.00	\$2,050,324.00	\$474,749.00	\$5,178,303.00
2013	\$2,260,405.00	\$1,963,347.00	\$508,817.00	\$5,427,875.00
2012	\$2,561,679.00	\$1,923,511.00	\$487,984.00	\$5,936,693.00
2011	\$2,234,488.00	\$1,908,274.00	\$491,183.00	\$6,168,808.00
2010	\$2,134,206.00	\$1,844,361.00	\$488,984.00	\$6,395,522.00

Year	Extra Payments	Connection Improvements	Capital Improvements	Contributed Capital
2014	0	\$203,000.00	\$787,016.00	\$238,900.00
2013	0	\$147,700.00	\$535,151.00	\$171,000.00
2012	0	\$242,922.00	\$386,554.00	\$250,160.00
2011	0	\$199,339.00	\$662,864.00	\$157,500.00
2010	0	\$281,912.00	\$237,560.00	\$448,740.00

**GRAFTON WATER DISTRICT
TREASURER'S REPORT
YEAR ENDING JUNE 30, 2014**

I am pleased to report that the Grafton Water District continues to operate on a sound financial basis. Operations were cost effectively managed to meet the short and long-range needs of the Grafton Community.

The accompanying financial reports provide additional information about the District's financial status.

The balance of this report consists of:

1. Independent Auditors Opinion
2. Audited Financial Statements
3. Notes to Financial Statements
4. List of Payments in Excess of \$4,000

Respectfully submitted,



Joseph R. Meichelbeck
Treasurer

Vendor Payments Over \$4000.00

7/1/2013 -- 6/30/2014

Vendor	Amount
A/D INSTRUMENT REPAIR	\$ 8,624.99
MMDT	\$ 250,000.00
BANK OF AMERICA	\$ 7,601.32
MARY E. BASSETT, ESQ	\$ 4,350.70
BAU/HOPKINS	\$ 6,670.88
BIGELOW ELECTRICAL CO., INC.	\$ 4,897.00
BORDEN & REMINGTON CORP.	\$ 30,936.51
BORGES CONSTRUCTION, INC.	\$ 271,081.13
CD US SOLAR MT 2, LLC	\$ 57,617.53
DENIS L MAHER COMPANY, LLC	\$ 170,455.17
EARTHWORKS	\$ 79,648.63
ENVIRONMENTAL INSTRUMENT SER.	\$ 6,369.50
EXXON MOBIL	\$ 13,500.00
FALLON COMMUNITY HEALTH PLAN	\$ 82,274.00
USDA, RURAL DEVELOPMENT	\$ 76,804.00
FAY SPOFFORD & THORNDIKE, INC.	\$ 16,625.00
FLOWRITE	\$ 25,556.65
GEOSPHERE	\$ 6,858.51
GRAZ ENGINEERING	\$ 10,997.50
HACH COMPANY	\$ 5,956.28
HARCROS CHEMICALS, INC.	\$ 6,322.14
HUHTALA OIL & PROPANE	\$ 8,671.39
HYDRA TECH	\$ 11,500.00
JCI JONES CHEMICALS, INC.	\$ 4,187.00
JOSEPH MEICHELBECK	\$ 11,453.36
KOOPMAN HOME CENTER	\$ 6,040.26
LAYNE CHRISTENSEN COMPANY	\$ 13,315.00
LENARD ENGINEERING	\$ 7,190.00
NATIONAL GRID	\$ 14,865.00
MICROBAC LABORATORIES	\$ 11,064.87
NATIONAL GRID	\$ 92,375.58
GRAFTON POSTMASTER	\$ 11,210.00
PRINCIPAL FINANCIAL	\$ 11,203.86
PUTNAM PIPE CORP.	\$ 5,384.93
R. H. WHITE CONSTRUCTION	\$ 4,018.06
MICHAEL RYBAK	\$ 5,735.00
SAVERS BANK	\$ 29,000.14
SCANLON & ASSOCIATES	\$ 4,400.00
STILES COMPANY	\$ 18,867.78
SUPERIOR ROOFING	\$ 4,400.00
TATA & HOWARD	\$ 63,643.60
TIGHE & BOND	\$ 16,050.00
TOWN OF GRAFTON	\$ 191,000.00
VERIZON	\$ 5,480.18
WRIGHT PIERCE	\$ 4,860.00

GRAFTON WATER DISTRICT

Report on the Examination of Basic Financial Statements

Fiscal Year Ended June 30, 2014

GRAFTON WATER DISTRICT
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR'S REPORT ON:	
Basic Financial Statements	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-9
BASIC FINANCIAL STATEMENTS	10
Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	14-22
SUPPLEMENTARY SCHEDULE	23
Schedule of Accounts Receivable	24

To the Commissioners
Grafton Water District
Grafton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Grafton Water District in Grafton, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Grafton Water District's basic 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Grafton Water District as of June 30, 2014, and the respective changes in financial position and, cash flows thereof for the year then ended in conformity 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 on pages 6 through 9. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grafton Water District's basic financial statements. The Supplementary Schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplementary Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Scanlon & Associates, LLC
South Deerfield, Massachusetts

December 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Grafton, Massachusetts Water District, (the District) we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. The District's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District's assets exceeded its liabilities by \$15,882,385 (net position) at the close of the 2014 fiscal year. This is an increase from the previous year of \$393,886 (3%) as a result of this year's operations.
- Total liabilities of the District decreased during the year by \$195,486 (3%) to \$5,396,887. This net change resulted mainly from a net decrease in long term bond payable of \$249,572 and an increase in the Other Post Employment Benefits (OPEB) obligation payable of \$69,644 from the previous year.
- At June 30, 2014, the Water District's total current assets in the amount of \$2,279,550 exceeded its total current liabilities of \$358,484 by \$1,921,066. The relative value of the difference in those two amounts provides a good indication of the District's financial strength over the short-term.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Grafton Water District's basic financial statements. The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. In layman's terms, this presentation means that financial information is reported using accounting methods similar to those followed by private sector companies. The statements offer both short-term and long-term financial information about the activities of the Grafton Water District.

REQUIRED FINANCIAL STATEMENTS FOR BUSINESS-TYPE ACTIVITIES

In reporting on the operations of its enterprise funds, the Water District's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Fund Position; and a Statement of Cash Flows. The financial statements also include notes that are considered essential to a full understanding of the data that is being presented on the face of the statements. The primary purpose of the notes is to provide additional discussion, enhanced disclosures and tabular presentation of data to further explain information in the financial statements and to provide more detailed data.

The information contained in the Statement of Net Position represents all of the Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Water District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Position. This statement measures the success of the Water District's operations over the past year and can be used to determine whether the Grafton Water District has successfully recovered all of its costs through user fees and other charges. It provides the user with basic financial information about the profitability and credit worthiness of the Water District.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Water District's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. The purpose of this statement is to tell the user where the Water District's cash came from, what the cash was used for, and by how much the cash balance changed over the course of the fiscal year.

In addition to the financial statements and accompanying notes, this report also presents as required supplementary information, a schedule of revenues and expenditures – budget and actual.

FINANCIAL ANALYSIS OF THE DISTRICT'S BUSINESS-TYPE ACTIVITY

Financial Highlights

Statement of Net Position Highlights

	Business-Type Activities		
	2014	2013	Change
Assets:			
Current assets	\$ 2,279,550	\$ 2,233,140	\$ 46,410
Noncurrent assets	53,531	98,268	(44,737)
Capital assets	18,946,191	18,749,464	196,727
Total assets	21,279,272	21,080,872	198,400
Liabilities:			
Current liabilities (excluding debt)	96,954	112,512	(15,558)
Current debt	261,530	250,650	10,880
Noncurrent liabilities (excluding debt)	121,630	51,986	69,644
Noncurrent debt	4,916,773	5,177,225	(260,452)
Total liabilities	5,396,887	5,592,373	(195,486)
Net Position:			
Net investment in capital assets	13,767,888	13,321,589	446,299
Unrestricted	2,114,497	2,166,910	(52,413)
Total net position	\$ 15,882,385	\$ 15,488,499	\$ 393,886

**Statement of Revenues, Expenses and
Changes in Net Position Highlights**

	2014	2013	Change
Operating Revenues:			
Charges for services - Rates	\$ 2,181,302	\$ 2,260,405	\$ (79,103)
Service and entrance fees	203,000	147,700	55,300
Miscellaneous fees	33,728	44,480	(10,752)
Total revenues	2,418,030	2,452,585	(34,555)
Expenses:			
Salaries and wages	412,890	397,257	15,633
Employee benefits	233,680	178,321	55,359
Professional fees	58,569	41,417	17,152
Office expenses	50,627	46,565	4,062
Maintenance and operating	454,016	489,390	(35,374)
Depreciation	840,542	810,397	30,145
Total expenses	2,050,324	1,963,347	86,977
Non-operating revenues (expenses):			
Interest Income	13,636	3,955	9,681
Grant revenue	-	4,200	(4,200)
Contributed Capital	238,900	171,000	67,900
Interest Expense	(226,356)	(239,584)	13,228
Total non-operating revenues (expenses)	26,180	(60,429)	86,609
Change in net position	393,886	428,809	(34,923)
Net position - beginning of year	15,488,499	15,059,690	428,809
Net position - end of year	\$ 15,882,385	\$ 15,488,499	\$ 393,886

The Water District's net position (i.e., the difference between assets and liabilities) is one way to measure financial health or financial position. Over time, increases or decreases in the Water District's net assets are a general indicator of whether its financial health is improving or deteriorating. In addition to the relative change in net assets, readers will also have to take into consideration the impact on operations of other non-financial factors and external influences. These would include, but are not limited to, economic conditions, population growth, unusual rainfall patterns, changes in governmental legislation, restrictions on outdoor water use, the issuance of new regulations and the utilization of new technologies.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$15,882,385 at the close of fiscal year 2014.

Net position of \$13,767,888 (87%) reflects its investment in capital assets (e.g., infrastructure); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 cannot be used to liquidate these liabilities.

The remaining balance is *unrestricted net position* of \$2,114,497 (13%) and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position for its business-type activities.

The *Water Fund* is the financing and operations of the District's water system. The water fund shows an increase in net position of \$393,886 (3%) during the current fiscal year, which reflects the results of operations. This change was mainly due to operating revenues exceeding current operating costs by \$367,706, interest income of \$13,636, contributed capital of \$238,900 and interest expense of \$226,356. Operating revenues decreased by \$34,555 (1%) while operating expenses increased by \$71,344 (4%) from the prior year.

The revenue changes were mainly due to charges for services decreasing by \$79,103 (3%) while the service and entrance fees increased by \$55,300.

Major changes of over 10% in general fund expenditures as compared to the prior fiscal year are as follows:

- Employee benefits increased \$55,359 (31%).
- Professional fees increased \$17,152 (41%).

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets as of June 30, 2014 amounts to \$18,946,191.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year included the following:

- Purchase of the Doris Drive land for \$152,200.
- Trinity Avenue pumps testing for \$233,061.
- Infrastructure improvements for \$888,491.

Debt Administration. The District's outstanding governmental debt as of June 30, 2014, totaled \$5,178,303 for various water projects.

Please refer to note 2C and 2E for further discussion of the capital and debt activity.

Next Year's Annual District Meeting

The District operates under the "Open Meeting" concept where each registered voter has an equal vote in the adopting of District's budgets and appropriations. The financial statements for June 30, 2014 do not reflect the fiscal year 2015 District meeting action. The annual District meeting on April 29, 2014 authorized a fiscal year 2015 operating budget as follows:

From Water receipts	<u>\$ 1,960,700</u>
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Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Grafton Water District, 44 Millbury Street, Grafton, Massachusetts.

BASIC FINANCIAL STATEMENTS

**GRAFTON WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Business-Type Activity Enterprise Fund
	Water Fund
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 441,783
Investments	1,239,790
User Charges, net of allowance for uncollectibles	505,355
Betterment Receivable	47,506
Due from Other Governments	45,116
Total current assets	2,279,550
NONCURRENT:	
Betterment Receivable	53,531
Capital Assets, net of accumulated depreciation	
Nondepreciable	1,219,159
Depreciable	17,727,032
Total noncurrent assets	18,999,722
Total Assets	21,279,272
LIABILITIES	
CURRENT:	
Warrants Payable	46,871
Accrued Payroll	11,858
Accrued Interest	38,225
Bonds Payable	261,530
Total current liabilities	358,484
NONCURRENT:	
Other Post Employment Benefits Payable	121,630
Bonds Payable	4,916,773
Total noncurrent liabilities	5,038,403
Total Liabilities	5,396,887
NET POSITION	
Net Investment in Capital Assets	13,767,888
Unrestricted	2,114,497
Total Net Position	\$ 15,882,385

The Notes to the Financial Statements are an integral part of this Statement.

**GRAFTON WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activity Enterprise Fund
	Water Fund
Operating Revenues:	
Charges for Services - Rates	\$ 2,181,302
Service and Entrance Fees	203,000
Miscellaneous Fees	33,728
Total Operating Revenues	2,418,030
Operating Expenses:	
Salaries & Wages	412,890
Employee Benefits	233,680
Professional Fees	58,569
Office Expenses	50,627
Maintenance and Operating	454,016
Depreciation	840,542
Total Operating Expenses	2,050,324
Operating Income (Loss)	367,706
Non-Operating Revenues (Expenses):	
Interest Income	13,636
Contributed Capital	238,900
Interest Expense	(226,356)
Total Non-Operating Revenues (Expenses)	26,180
Change in Net Position	393,886
Net Position at Beginning of Year	15,488,499
Net Position at End of Year	\$ 15,882,385

The Notes to the Financial Statements are an integral part of this Statement.

**GRAFTON WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activity Enterprise Fund
	Water Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 2,460,075
Payments to Vendors	(788,027)
Payments to Employees	(413,965)
Net Cash Provided by (Used for) Operating Activities	1,258,083
Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(798,368)
Principal Payments on Bonds and Notes	(249,573)
Interest Expense	(225,176)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,273,117)
Cash Flows from Investing Activities:	
Investment Income	13,636
Purchase of Investments	155,386
Net Cash Provided by (Used for) Investing Activities	169,022
Net Increase (Decrease) in Cash and Cash Equivalents	153,988
Cash and Cash Equivalents at Beginning of Year	287,795
Cash and Cash Equivalents at End of Year	\$ 441,783
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Operating Income (Loss)	\$ 367,706
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	840,542
Change in Assets and Liabilities:	
Increase (Decrease) in Warrants Payable	(15,663)
Increase (Decrease) in Accrued Payroll	(1,075)
Increase (Decrease) in Other Post Employment Benefits Payable	69,644
Decrease (Increase) in Due from Other Governments	(45,116)
Decrease (Increase) in Betterment Receivable	34,562
Decrease (Increase) in User Charges Receivable	7,483
Total Adjustments	890,377
Net Cash Provided by (Used for) Operating Activities	\$ 1,258,083

The Notes to the Financial Statements are an integral part of this Statement.

GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Grafton, Massachusetts Water District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant District accounting policies are described herein.

A. Reporting Entity

The Grafton Water District (Water District) was created pursuant to Chapter 135 of the Acts of 1984 and amended by Chapter 427 of the Acts of 1987 as a public entity, politic and corporate, for the purpose of acquiring, consolidating, improving, and operating the existing water systems serving the Town of Grafton. The Water District is a separate governmental unit granted independent authority by the Commonwealth of Massachusetts to allow the Water District's Board of Directors to set rates, fees, and charges without oversight, supervision, or direction from any other State or local entity or agency.

For financial reporting purposes, the Water District has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Water District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Water District are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2014, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units. The District is considered to be a special-purpose government.

B. Basis of Presentation

The business-type activities are financed in whole or in part by fees charged to external parties. All activities of the Water District are considered business-type activities.

Fund Financial Statements. The Government-wide Financial Statements provide information about the Water District's funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions. The Water District has one fund category – proprietary funds.

Enterprise Fund

The Enterprise Fund is used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water District operates as a singular enterprise fund.

C. Measurement Focus and Basis of Accounting

The Water District uses the accrual method of accounting for financial reporting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, repair services and entrance fees. 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.

D. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

E. Investments

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 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 and repurchase agreements guaranteed by such securities with maturity dates of no more than ninety (90) days from the date of purchase and units in the Massachusetts Municipal Depository Trust. All investments are carried at fair value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

User Charges

User charges consist of water that is levied based on individual meter readings and usage and are subject to penalties and interest and sales if they are not paid by the respective due date. User charges also include sales and connections.

Receivables are reviewed periodically to establish or update the provision for uncollectible amounts. These provisions are estimated based on an analysis of the age of the various accounts. The District records as revenue the amount of earned but unbilled betterments.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. water mains), are reported in the applicable

**GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and related improvements	10-25
Machinery, equipment and other	3-7
Infrastructure	30

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Long-term Debt

Long-term debt is reported as liabilities in the government-wide statement of net position.

I. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with Massachusetts General Law, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums for retirees and spouses and surviving spouses in the general fund in the fiscal year paid.

J. Net Position

Net position in the proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments imposed by law through State statute. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

K. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

2. DETAILED NOTES

A. Cash and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2014 were \$462,895. Of these, \$212,895 were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2014, the District's only investments were in the MMDT in the amount of \$1,239,790.

Custodial Credit Risks - Investments

For an investment, custodial risk 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. Of the District's investments all are in the MMDT and thus are exempt from collateralization. The District has a policy on custodial credit risk.

Interest Rate Risk - Investments

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments

The District does not have any exposure to credit risk as of June 30, 2014.

Concentration of Credit Risk - Investments

District places no limit on the amount the District may invest in one issuer.

GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

B. Receivables

At June 30, 2014, receivables including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
User charges	\$ 517,246	\$ (11,891)	\$ 505,355
Betterment receivable	101,037	-	101,037
Due from other governments	45,116	-	45,116
	<u>\$ 663,399</u>	<u>\$ (11,891)</u>	<u>\$ 651,508</u>

The composition of amounts due from other governments as of June 30, 2014 for business-type funds is a solar panel reimbursement from the National Grid and Capital Dynamics; which passes through the town of Grafton in the amount of \$45,116.

C. Capital Assets

Capital asset activity for the year ended June 30, 2014, is as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 833,898	\$ 152,200	\$ -	\$ 986,098
Construction in progress	236,243	233,061	(236,243)	233,061
Total capital assets not being depreciated	<u>1,070,141</u>	<u>385,261</u>	<u>(236,243)</u>	<u>1,219,159</u>
Capital assets being depreciated:				
Buildings and renovations	278,076	-	-	278,076
Machinery, equipment and other	166,681	-	(18,735)	147,946
Infrastructure	27,636,610	888,491	-	28,525,101
Total capital assets being depreciated	<u>28,081,367</u>	<u>888,491</u>	<u>(18,735)</u>	<u>28,951,123</u>
Less accumulated depreciation for:				
Buildings and renovations	201,605	15,294	-	216,899
Machinery, equipment and other	112,562	20,155	(18,735)	113,982
Infrastructure	10,087,877	805,333	-	10,893,210
Total accumulated depreciation	<u>10,402,044</u>	<u>840,782</u>	<u>(18,735)</u>	<u>11,224,091</u>
Total capital assets being depreciated, net	<u>17,679,323</u>	<u>47,709</u>	<u>-</u>	<u>17,727,032</u>
Total business-type activities capital assets, net	<u>\$ 18,749,464</u>	<u>\$ 432,970</u>	<u>\$ (236,243)</u>	<u>\$ 18,946,191</u>

GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

D. Long Term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the business-type activities.

General obligation bonds currently outstanding of the business-type activities are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2014
Outside Debt:					
General Obligation Bond	4.03%	06/01/07	06/01/27	\$ 5,370,000	\$ 3,950,000
U.S.D.A. Rural Development Note 91-08					1,228,303
Total Business-type debt					<u>\$ 5,178,303</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2014, are as follows:

Year	Principal	Interest	Total
2015	\$ 261,530	\$ 214,019	\$ 475,549
2016	267,499	203,450	470,949
2017	278,512	192,637	471,149
2018	289,570	181,379	470,949
2019	305,675	169,674	475,349
2020-2024	1,716,784	653,362	2,370,146
2025-2029	1,277,919	291,771	1,569,690
2030-2034	227,950	156,070	384,020
2035-2039	284,067	99,953	384,020
2040-2043	268,797	38,418	307,215
	<u>\$ 5,178,303</u>	<u>\$ 2,200,733</u>	<u>\$ 7,379,036</u>

GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

A summary of the changes in long term debt during the year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Business-type activities:					
Bond Payable:					
General obligation bonds	\$ 4,180,000	\$ -	\$ 230,000	\$ 3,950,000	\$ 240,000
Rural development notes	1,247,875	-	19,572	1,228,303	21,530
OPEB liability obligation	51,986	69,644	-	121,630	-
Governmental activity					
Long-term liabilities	\$ 5,479,861	\$ 69,644	\$ 249,572	\$ 5,299,933	\$ 261,530

3. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014. The outcome of lawsuits is not expected to materially affect the financial condition of the District.

C. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The District adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the District's future cash flows.

Plan Description

The District offers continued medical coverage through the District's medical plan carrier, a single-employer defined benefit, to employees who retire from the District at age 55 or older with a minimum of 10 years of service. The District provides 50 percent (plus an additional 10 percent for each additional year of service at retirement in excess of 10 years – not to exceed 100 percent) of the cost for medical coverage. This plan is authorized and may be amended by the Board of Directors. This plan is included

GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

in the District financial statements, thus separate financial statements are not issued. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 7 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The actual contribution is based on projected pay-as-you-go requirements. For the fiscal year ended June 30, 2014, the District did not contribute current premiums toward the OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years on a closed basis.

The annual OPEB cost and the net OPEB obligation at June 30, 2014 was as follows:

Normal Cost		\$	53,087
Amortization of unfunded actuarial accrued liability			16,557
Annual required contribution			69,644
Contributions made during the fiscal year			-
Increase in net OPEB obligation			69,644
Net OPEB Obligation - beginning of year			51,986
Net OPEB Obligation - end of year		\$	121,630

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net obligation for the fiscal year ended June 30, 2014 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions Made	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/14	\$ 69,644	\$ -	0.00%	\$ 121,630
6/30/2013	\$ 34,915	\$ -	0.00%	\$ 51,986
6/30/2012	\$ 17,071	\$ -	0.00%	\$ 17,071

Funding Status and Funding Progress

As of July 1, 2013, the most recent valuation date, the plan is 0.0% funded. The actuarial liability for benefits is \$435,213, and the actuarial value of assets is 0.0 thousand, resulting in an unfunded actuarial accrued liability (UAAL) of \$435,213. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll is not provided.

Actuarial valuations of an ongoing plan involved estimates of the values of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the Plan and the Annual Required Contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made

GRAFTON, MASSACHUSETTS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

about the future. The schedule of funding progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/13	\$ -	\$ 435,213	\$ 435,213	0%	N/A	N/A
7/1/2012	\$ -	\$ 360,948	\$ 360,948	0%	\$ 397,257	90.86%
7/1/2011	\$ -	\$ 169,580	\$ 169,580	0%	\$ 393,065	43.14%

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a 1% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual healthcare cost trend rate of 8%, reduced by increments to an ultimate rate of 5 percent after seven years, and a payroll increase rate of 3.3 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30-year period.

The UAAL is being amortized as a level percent of payroll over 30 years. The amortization period is open. The remaining amortization period at June 30, 2014 was 26 years.

D. Implementation Of New GASB Pronouncements

During fiscal year 2014, the GASB implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement introduced the concept of deferred outflows and deferred inflows to the financial statements. As such, certain items that were previously reported as assets and liabilities were reclassified to deferred outflows and deferred inflows. The District currently has no items that qualify for reporting in these categories.

E. Future GASB Pronouncements

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the District's basic financial statements by recognizing as an asset/(liability) and revenue/(expense), the District's portion of the Hampshire County Retirement System actuarial accrued liability.

SUPPLEMENTARY SCHEDULE

**GRAFTON, MASSACHUSETTS WATER DISTRICT
 SCHEDULE OF ACCOUNTS RECEIVABLE
 JULY 1, 2013 TO JUNE 30, 2014**

Accounts Receivable July 1, 2013	Accounts Billed	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Accounts Receivable June 30, 2014	Accounts Receivable Per Detail June 30, 2014
\$ 525,048	\$ 2,180,023	\$ (4,979)	\$ 2,192,804	\$ 517,246	\$ 517,246
\$ 17,202	-	221	6,575	10,406	10,406
82,354	-	-	23,929	58,425	58,425
36,043	-	(248)	4,085	32,206	32,206
\$ 135,599	-	(27)	\$ 34,589	\$ 101,037	\$ 101,037

Water Rates

Betterments:
 North Street
 Stonebrook
 Cold Spring

MARY E. BASSETT
Attorney at Law

of counsel to:

McWalter, Barron & Boisvert, P.C.
30 Monument Square
Concord, MA 01742

Telephone: 978-369-2252
Fax: 978-369-6989
Email: Mary@marybassettlaw.com

February 2, 2015

Board of Water Commissioners
Grafton Water District
44 Millbury Street
Grafton, MA 01519

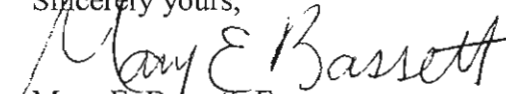
RE: Legal Services

Dear Members of the Board:

Once again, I have been honored to serve as District Counsel to the Grafton Water District this past year. Although I have consulted with you and the District Manager on several legal matters, I am pleased to report to you that, to my knowledge, there are no pending or threatened legal actions.

Thank-you for the opportunity to serve you and I remain ready to act in accordance with your direction as District Counsel.

Sincerely yours,


Mary E. Bassett, Esq.

**COMMONWEALTH OF MASSACHUSETTS
GRAFTON WATER DISTRICT
WARRANT**

Worcester, ss:

To the Clerk of the Grafton Water District, in the County of Worcester:

Greetings:

In the name of the Commonwealth of Massachusetts, you are directed to notify and warn the voters of the territory included within the boundaries of that Grafton Water District in the Town of Grafton, as established by Chapter 135 of the Acts of 1984 and amended by Chapter 427 of the Acts of 1987, to meet at the office of the Grafton Water District, 44 Millbury Street, Grafton, MA on Tuesday the 28th day of April 2015, A. D., at seven thirty o'clock, p.m., to act on the following articles hereinafter mentioned.

Article 1. To see if the District will accept the Annual Report of the District Commissioners or take any action relative thereto.

Article 2. To see if the District will accept the Annual Report of the District Treasurer or take any action relative thereto.

Article 3. To see if the District will vote to appropriate from the income of the District and accept the sum of one million, nine hundred, ninety thousand, three hundred and ninety eight dollars and no cents (\$1,990,398.00) as the Fiscal 2016 budget as printed in the Annual Report or take any action relative thereto.

Article 4. To see if the District will vote to authorize the Treasurer, with the approval of the Board of Water Commissioners, to borrow in anticipation of revenue under MGL Chapter 44, Section 4, a sum or take any action relative thereto.

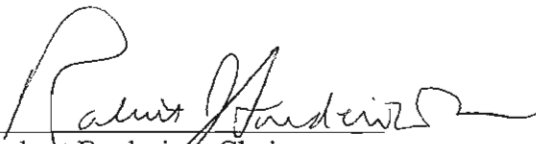
Article 5. To see if the District will vote to authorize the Board of Water Commissioners to make pre-payments against existing loans or take any action relative thereto.

Article 6. To see if the District will authorize the Commissioners to enter into a long-term written lease of land, with options to extend for a period not to exceed twenty (30) years, for the purpose of constructing a water treatment pumping station and associated equipment and materials on a portion of the property owned by the Town of Grafton located off of Powerline Drive in Grafton (Book 11125 Page 258); the written lease to include terms, conditions and limitations as the Commissioners shall deem necessary and proper for the benefit of the District or take any action relative thereto.

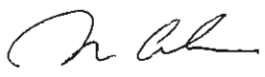
And you are directed to serve the warrant by posting attested copies thereof in two or more public places in the territory of the Grafton Water District at least fourteen days before the time of said meeting.

Hereof fail not, and making due return of this warrant, with your doings thereon, to the Commissioners of the Grafton Water District before the opening of said meeting.

Given under our hands this 7th day of April in the year two thousand and fifteen.


Robert Frederico, Chairman


Kenneth Grew, Commissioner


Michael Corda, Commissioner

**Grafton Water District
Annual Budget**

	2014-2015 Budget	2015-2016 Proposal	Change
Maintenance & Operation			
Salaries	\$ 423,000	\$ 440,407	4.1%
Benefits	164,200	\$ 201,891	23.0%
Maintenance	235,500	\$ 235,100	-0.2%
Utilities	109,000	\$ 112,000	2.8%
Chemicals	51,500	\$ 57,500	11.7%
Engineering Services	30,000	\$ 30,000	0.0%
Miscellaneous	3,700	\$ 3,700	0.0%
Sub Total	\$ 1,016,900	\$ 1,080,598	6.3%
Administrative Expenses			
Office & Supplies	\$ 52,000	\$ 49,500	-4.8%
Insurance	15,500	\$ 15,500	0.0%
Accounting	7,000	\$ 10,000	42.9%
Legal	6,000	\$ 6,000	0.0%
Officers Fee	3,500	\$ 3,500	0.0%
Moderator's Fee	300	\$ 300	0.0%
Treasurer's Fee	12,500	\$ 13,000	4.0%
Sub-Total	\$ 96,800	\$ 97,800	1.0%
Debt Service	\$ 476,000	\$ 471,000	-1.1%
Capital			
Gen. System Improvements	\$ 150,000	\$ 150,000	0.0%
Capital Projects	186,000	186,000	0.0%
Vehicle	40,000		
Meters	5,000	5,000	0.0%
Sub-Total	\$ 381,000	\$ 341,000	-10.5%
Total Expenditures	\$ 1,970,700	\$ 1,990,398	1.0%
Total Revenue(Anticipated)	\$ 2,141,000	\$ 2,552,000	19.2%

A True Copy, Attest

April 9, 2015

I have complied with the requirements of the above warrant and with the provisions by posting an attested copy of the Warrant in the Grafton Center Post Office, Upton Street, Grafton; the North Grafton Post Office, Worcester Street, North Grafton; the South Grafton Post Office, Ferry Street, South Grafton; on the bulletin board at the Grafton Municipal Center, 30 Providence Road, Grafton and on the bulletin board at the Grafton Water District office, 44 Millbury Street, Grafton on the above date.

A handwritten signature in cursive script that reads "Rebecca Corda". The signature is written in black ink and is positioned above a horizontal line.

Rebecca Corda - Clerk
Grafton Water District

Notes

Notes