

**WANNACOMET WATER COMPANY**

**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS**

**FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

WANNACOMET WATER COMPANY

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JUNE 30, 2010 AND 2009

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## Independent Auditors' Report

Board of Water Commissioners  
Wannacomet Water Company  
Nantucket, Massachusetts

We have audited the accompanying financial statements of the Wannacomet Water Company, an enterprise fund of the Town of Nantucket, Massachusetts, as of and for the fiscal years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Town of Nantucket Massachusetts' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

These financial statements, as noted in note 1, present only the Wannacomet Water Company and do not purport to, and do not present fairly the financial position of the Town of Nantucket, Massachusetts, as of June 30, 2010 and 2009, and the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wannacomet Water Company of the Town of Nantucket, Massachusetts, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011 on our consideration of the Town of Nantucket, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report was issued in conjunction with our audit of the Wannacomet Water Company, which is an enterprise fund of the Town of Nantucket, Massachusetts. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, retirement system schedule of funding progress, retirement system schedule of employer contributions, other postemployment benefit plan schedule of funding progress and employer contributions and other postemployment benefit plan actuarial methods and

assumptions located after the notes to the financial statements, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Powers & Sullivan*

February 28, 2011

***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Wannacomet Water Company (the Water Company), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal years ended June 30, 2010 and 2009. The Water Company complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB), and Management's Discussion and Analysis are part of these requirements. The GASB is the authoritative standards-setting body that provides guidance on the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The Water Company's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Wannacomet Water Company's financial statements. The financial statements include the Statement of Net Assets, the Statement of Revenue, Expenses and Change in Fund Net Assets, the Statement of Cash Flows, and notes to the financial statements.

**The Statement of Net Assets** presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

**The Statement of Revenue, Expense and Change in Fund Net Assets** presents information showing how the Water Company's net assets changed during the most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned but unused vacation leave).

**The Statement of Cashflows** presents information showing the cash inflows and outflows for the Water Company.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

### ***Financial Highlights as of the Close of Fiscal 2010 and 2009***

- The total of assets exceeded liabilities (i.e., net assets) by \$14.6 million and \$14.5 million respectively.
- Undesignated net assets for Wannacomet Water fund totaled \$3 million and (\$1.2) million respectively..
- Total debt totaled \$21 million and \$22 million respectively.

## Financial Analysis

The following chart provides a summary of the Water Company's financial data for fiscal year 2010, with comparative fiscal 2009 information.

	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Current assets.....	\$ 7,703,659	\$ 11,849,744
Capital assets, not being depreciated.....	12,034,616	9,355,935
Capital assets, net of accumulated depreciation.....	<u>17,392,177</u>	<u>17,977,395</u>
<b>Total assets.....</b>	<b><u>37,130,452</u></b>	<b><u>39,183,074</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	880,938	2,193,098
Noncurrent liabilities (excluding debt).....	390,457	260,413
Current debt.....	1,623,779	3,015,000
Noncurrent debt.....	<u>19,640,000</u>	<u>19,220,000</u>
<b>Total liabilities.....</b>	<b><u>22,535,174</u></b>	<b><u>24,688,511</u></b>
<b>Net Assets:</b>		
Invested in capital assets net of related debt.....	11,570,419	11,726,133
Undesignated.....	<u>3,024,859</u>	<u>2,768,430</u>
<b>Total net assets.....</b>	<b><u>\$ 14,595,278</u></b>	<b><u>\$ 14,494,563</u></b>
<b>Program revenues:</b>		
Charges for services.....	\$ 3,529,897	\$ 4,087,641
Operating grants and contributions.....	<u>173,706</u>	<u>365,736</u>
<b>Total revenues.....</b>	<b><u>3,703,603</u></b>	<b><u>4,453,377</u></b>
<b>Expenses:</b>		
Depreciation.....	699,894	710,027
Supply and pumping.....	157,533	576,929
Water treatment.....	32,958	25,274
Distribution.....	138,952	127,715
Meter reading.....	14,051	13,369
Maintenance.....	152,628	229,095
Insurance.....	56,820	60,172
Administrative and general.....	1,199,359	1,209,586
Pension benefits.....	173,899	146,051
Interest expense.....	826,680	775,136
Employee benefits.....	<u>129,323</u>	<u>149,109</u>
<b>Total expenses.....</b>	<b><u>3,582,097</u></b>	<b><u>4,022,463</u></b>
<b>Transfers.....</b>	<b><u>(20,791)</u></b>	<b><u>-</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 100,715</u></b>	<b><u>\$ 430,914</u></b>

There was a net increase of \$101,000 in net assets related with the Wannacomet Water Company's activities.

Noncurrent liabilities include an accrued liability for other postemployment benefits in the amount of \$267,000 in fiscal year 2010. The Water Company initially implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* (OPEB) in fiscal year 2009.

## **Capital Asset and Debt Administration**

### **Capital Assets**

Wannacomet Water Company's year end capital assets totaled \$29.4 million which represents a net increase of \$2.1 million from the prior year. Major current additions included various building and improvement projects, infrastructure additions, and furniture and fixtures all totaling approximately \$2.8 million. Depreciation of approximately \$699,900 was recorded in fiscal year 2010.

### **Long-term Debt**

At the end of the fiscal years 2010 and 2009, the Wannacomet Water Company had total bonded debt outstanding of \$21 million and \$22 million, respectively. Of this amount, \$21 million and \$20.4 million are outstanding long-term debt. During fiscal year 2009 Wannacomet Water had \$1.8 million in short-term notes which were paid off in fiscal year 2010. Wannacomet Water did not issue any short-term notes in during fiscal year 2010. This amount is fully supported by the revenue of the Wannacomet Water Company, and does not rely upon a general fund subsidy.

	<u>2010</u>	<u>2009</u>
Current portion of long-term..... \$	1,380,000	\$ 1,215,000
Noncurrent portion of long-term.....	<u>19,640,000</u>	<u>19,220,000</u>
Total..... \$	<u>21,020,000</u>	<u>\$ 20,435,000</u>

Please refer to the notes to the financial statements for further discussion of the major capital assets and debt activity.

### **Requests for Information**

This financial report is designed to provide a general overview of the Wannacomet Water Company's finances for all those with an interest in the Water Company's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Wannacomet Water Company, 1 Milestone Road, Nantucket, Massachusetts 02554, or to the Finance Department of the Town of Nantucket, 16 Broad Street, Nantucket, Massachusetts 02554.

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# ***Financial Statements***

**WANNACOMET WATER COMPANY**  
STATEMENT OF NET ASSETS

JUNE 30, 2010 AND 2009

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 6,558,082	\$ 11,239,545
Receivables, net of allowance for uncollectibles:		
User fees.....	732,486	509,962
Inventory.....	99,965	99,819
Other assets.....	5,273	-
Due from other funds.....	307,853	418
	7,703,659	11,849,744
NONCURRENT:		
Capital assets, not being depreciated.....	12,034,616	9,355,935
Capital assets, net of accumulated depreciation.....	17,392,177	17,977,395
	29,426,793	27,333,330
TOTAL ASSETS.....	37,130,452	39,183,074
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....	411,284	1,678,479
Accrued liabilities.....	10,996	9,609
Accrued payroll.....	30,096	25,191
Accrued interest.....	302,805	293,628
Due to other funds.....	94,893	153,679
Compensated absences.....	30,864	32,512
Notes payable.....	-	1,800,000
Bonds payable.....	1,623,779	1,215,000
	2,504,717	5,208,098
NONCURRENT:		
Compensated absences.....	123,455	130,047
Other postemployment benefit.....	267,002	130,366
Bonds payable.....	19,640,000	19,220,000
	20,030,457	19,480,413
TOTAL LIABILITIES.....	22,535,174	24,688,511
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....	11,570,419	11,726,133
Unrestricted:		
Undesignated.....	3,024,859	2,768,430
TOTAL NET ASSETS.....	\$ 14,595,278	\$ 14,494,563

See notes to financial statements.

**WANNACOMET WATER COMPANY**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010 AND 2009

	<b>2010</b>	<b>2009</b>
<u>OPERATING REVENUES:</u>		
Sales of water.....	\$ 3,371,877	\$ 3,876,403
Reconnection fees.....	14,906	12,000
Other.....	278,753	405,901
TOTAL OPERATING REVENUES .....	3,665,536	4,294,304
<u>OPERATING EXPENSES:</u>		
Depreciation.....	699,894	710,027
Supply and pumping.....	157,533	576,929
Water treatment.....	32,958	25,274
Distribution.....	138,952	127,715
Meter reading.....	14,051	13,369
Maintenance.....	152,628	229,095
Insurance.....	56,820	60,172
Administrative and general.....	1,199,359	1,209,586
Pension benefits.....	173,899	146,051
Employee benefits.....	129,323	149,109
TOTAL OPERATING EXPENSES.....	2,755,417	3,247,327
OPERATING INCOME (LOSS).....	910,119	1,046,977
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	38,067	159,073
Interest expense.....	(826,680)	(775,136)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(788,613)	(616,063)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS.....	121,506	430,914
Transfers in.....	64,074	-
Transfers out.....	(84,865)	-
TOTAL TRANSFERS.....	(20,791)	-
CHANGE IN NET ASSETS.....	100,715	430,914
NET ASSETS AT BEGINNING OF YEAR.....	14,494,563	14,063,649
NET ASSETS AT END OF YEAR.....	\$ 14,595,278	\$ 14,494,563

See notes to financial statements.

**WANNACOMET WATER COMPANY**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2010 AND 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users.....	\$ 3,443,012	\$ 4,219,370
Payments to vendors.....	(709,168)	(1,101,656)
Payments to employees.....	(1,155,027)	(1,088,117)
Payments for interfund services used.....	(129,323)	(149,109)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>1,449,494</b>	<b>1,880,488</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in.....	64,074	-
Transfers out.....	(84,865)	-
Advances to other funds.....	(366,221)	(1,030,308)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(387,012)</b>	<b>(1,030,308)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds and notes.....	1,800,000	4,615,000
Premium from the issuance of bonds and notes.....	243,779	-
Acquisition and construction of capital assets.....	(3,993,288)	(2,782,514)
Principal payments on bonds and notes.....	(3,015,000)	(1,255,000)
Interest expense.....	(817,503)	(742,430)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(5,782,012)</b>	<b>(164,944)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income.....	38,067	159,073
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>38,067</b>	<b>159,073</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(4,681,463)</b>	<b>844,309</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>11,239,545</b>	<b>10,395,236</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 6,558,082</b>	<b>\$ 11,239,545</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>		
<b>FROM OPERATING ACTIVITIES:</b>		
Operating income (loss).....	\$ 910,119	\$ 1,046,977
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	699,894	710,027
User fees.....	(222,524)	(74,934)
Inventory.....	(146)	15,696
Other assets.....	(5,273)	-
Warrants payable.....	(67,264)	37,029
Accrued liabilities.....	1,387	294
Accrued payroll.....	4,905	5,274
Accrued compensated absences.....	(8,240)	9,759
Other postemployment benefit.....	136,636	130,366
<b>Total adjustments.....</b>	<b>539,375</b>	<b>833,511</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 1,449,494</b>	<b>\$ 1,880,488</b>

See notes to financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements present the Wannacomet Water Company (the Water Company) an enterprise fund of the Town of Nantucket, Massachusetts. These statements are not intended to and do not present fairly the financial position of the Town of Nantucket, Massachusetts. These statements 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 accounting policies are described herein.

**A. Reporting Entity**

The Wannacomet Water Company is an enterprise fund of the Town of Nantucket. Its operation is governed by the Board of Water Commissioners.

The Water Company sells water to customers within its service area through its wholly-owned distribution system. The Water Company was formerly a private corporation whose assets, primarily the water distribution system, were purchased by the Town of Nantucket in 1998. Under the provisions of the agreement, the Town agreed to accept and abide by certain operating practices of the former enterprise, particularly in the area of employee contracts and benefits. Water Company employees are not covered by the Town's personnel by-laws.

**B. Measurement Focus. Basis of Accounting and Financial Statement Presentation**

The Wannacomet Water Company's financial statements reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenditures are recorded when the liabilities are incurred.

The operation of the Water Company is accounted for as an enterprise fund, which is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For enterprise fund accounts, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

**C. Cash and Investments**

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. Investments are carried at fair value.

**D. Accounts Receivable**

The recognition of revenue related to accounts receivable reported are reported under the accrual basis of accounting.

**User Fees**

User Fees for Wannacomet Water Company are levied monthly based on individual meter readings and average bills.

All water fees are subject to penalties and interest if they are not paid by the respective due date. Unbilled water fees at year-end are accrued and are recorded as revenue in the current period.

E. Inventories

Inventories of the Wannacomet Water Company are priced at the lower of cost or market, with cost being determined on the first-in, first-out method basis. Expendable supplies and small tools are not inventoried but rather expensed when purchased.

F. Restricted Assets

Certain assets of the Wannacomet Water Company are classified as restricted because their use is restricted by contract covenants.

G. Capital Assets

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the statements. Capital assets are recorded at historical cost or at estimated historical cost when actual historical cost could not be determined. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Vehicles.....	5
Furniture, fixtures, computer equipment.....	5-10
Machinery and equipment.....	10-15
Water infrastructure.....	40-70
Buildings and improvements.....	33-50

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. Net Assets

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

#### I. Long-term debt

Long-term debt is reported as liabilities in the statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

#### J. Advertising

The Water Company's policy is to expense advertising costs the first time the advertising takes place. Advertising expense for the years ended June 30, 2010 and 2009 was \$3,933 and \$17,693, respectively.

#### K. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

#### L. Use of Estimates

The preparation of 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 financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

### **NOTE 2 – CASH AND INVESTMENTS**

Cash of the Wannacomet Water Company is in control of the Town Treasurer as required by state law.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool).

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

#### Custodial Credit Risk – Deposits

The Town Treasurer, at times, commingles other Town cash accounts with those specifically related to the Wannacomet Water Company. The Water Company portion of these funds is reported on the Statement of Net Assets as cash and cash equivalents.

In the case of deposits, this is the risk that in the event of a bank failure, the Wannacomet Water Company's deposits may not be returned to it. The Wannacomet Water Company does not have a deposit policy for custodial credit risk.

At fiscal year-end June 30, 2010 and 2009, the carrying amount of deposits totaled \$5,700,287 and \$8,853,855 and the bank balance totaled \$5,620,208 and \$11,279,315 respectively. Of the bank balance, \$318,149 and \$533,400 were covered by the Federal Depositors Insurance Company ("FDIC"), \$5,302,059 and \$10,745,915 were collateralized, therefore Wannacomet Water Company did not have funds that were exposed to custodial credit risk because of being uninsured or uncollateralized.

### Investments

As of June 30, 2010, the Wannacomet Water Company had the following investments:

	<u>Fair Value</u>
Other Investments:	
MMDT.....	\$ <u>857,795</u>

As of June 30, 2009, the Wannacomet Water Company had the following investments:

	<u>Fair Value</u>	<u>Maturity Under 1 Year</u>
Investment Type:		
Repurchase Agreements.....	\$ <u>1,531,643</u>	\$ <u>1,531,643</u>
Other Investments:		
MMDT.....	<u>854,047</u>	
Total Investments.....	\$ <u>2,385,690</u>	

The Wannacomet Water Company participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months. Credit ratings associated with the Water Company's investment in MMDT ranged from A1/P1 to unrated; with approximately 98% rated A1/P1 and approximately 2% rated A2/P2.

### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Water Company will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Water Company does not have an investment policy for custodial credit risk.

### Interest Rate Risk

The Water Company 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

The Water Company has not adopted a formal policy related to Credit Risk.

Concentration of Credit Risk

There are no limits on the amount the Water Company may invest in any one issuer.

100% of the Water Company's investments in fiscal year 2010 were in MMDT.

More than 5% of the Water Company's investments are in the following securities for 2009:

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Repurchase Agreements.....	64%
MMDT.....	36%

**NOTE 3 – RECEIVABLES**

At June 30, 2010 and 2009, receivables for the Water Company consist of the following:

**2010 Receivables:**

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Charges for services.....	\$ <u>742,486</u>	\$ <u>(10,000)</u>	\$ <u>732,486</u>

**2009 Receivables:**

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Charges for services.....	\$ <u>519,962</u>	\$ <u>(10,000)</u>	\$ <u>509,962</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the Wannacomet Water Company for the fiscal year ended June 30, 2010, was as follows:

	2009 Beginning Balance	Increases	Decreases	2010 Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Construction in progress.....	6,355,935	2,703,231	(24,638)	9,034,528
Total capital assets not being depreciated.....	<u>9,355,935</u>	<u>2,703,231</u>	<u>(24,638)</u>	<u>12,034,528</u>
<u>Capital assets being depreciated:</u>				
Infrastructure.....	22,128,968	112,971	(1,656)	22,240,283
Buildings.....	846,186	-	-	846,186
Vehicles.....	291,145	-	(23,148)	267,997
Machinery and equipment.....	332,967	-	-	332,967
Furniture, fixtures and computer equipment.....	422,002	1,793	-	423,795
Total capital assets being depreciated.....	<u>24,021,268</u>	<u>114,764</u>	<u>(24,804)</u>	<u>24,111,228</u>
Less accumulated depreciation.....	<u>(6,043,873)</u>	<u>(699,894)</u>	<u>24,804</u>	<u>(6,718,963)</u>
Total capital assets being depreciated, net.....	<u>17,977,395</u>	<u>(585,130)</u>	<u>-</u>	<u>17,392,265</u>
Total business-type activities, capital assets.....	<u>\$ 27,333,330</u>	<u>\$ 2,118,101</u>	<u>\$ (24,638)</u>	<u>\$ 29,426,793</u>

Capital asset activity for the Wannacomet Water Company for the fiscal year ended June 30, 2009, was as follows:

	2008 Beginning Balance	Increases	Decreases	2009 Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Construction in progress.....	2,303,935	4,113,687	(61,687)	6,355,935
 Total capital assets not being depreciated.....	 5,303,935	 4,113,687	 (61,687)	 9,355,935
<u>Capital assets being depreciated:</u>				
Infrastructure.....	21,979,905	149,063	-	22,128,968
Buildings.....	800,278	45,908	-	846,186
Vehicles.....	277,281	13,864	-	291,145
Machinery and equipment.....	331,188	1,779	-	332,967
Furniture, fixtures and computer equipment.....	391,223	30,779	-	422,002
 Total capital assets being depreciated.....	 23,779,875	 241,393	 -	 24,021,268
 Less accumulated depreciation.....	 (5,333,846)	 (710,027)	 -	 (6,043,873)
 Total capital assets being depreciated, net.....	 18,446,029	 (468,634)	 -	 17,977,395
 Total business-type activities, capital assets.....	 \$ 23,749,964	 \$ 3,645,053	 \$ (61,687)	 \$ 27,333,330

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at June 30, 2010 are summarized as follows:

Due From:	Due To:				Total
	Siasconset Water Company	Sewer Enterprise Fund	Wannacomet Water Company	Internal Service Fund	
Town General Fund.....	\$ -	\$ -	\$ 307,853	\$ -	\$ 307,853
Wannacomet Water Company....	410	88,316	-	6,167	94,893
 Total.....	 \$ 410	 \$ 88,316	 \$ 307,853	 \$ 6,167	 \$ 402,746

Interfund receivables and payables at June 30, 2009 are summarized as follows:

Due From:	Due To:				Total
	Siasconset Water Company	Sewer Enterprise Fund	Wannacomet Water Company	Internal Service Fund	
Town General Fund.....	\$ -	\$ -	\$ 418	\$ -	\$ 418
Wannacomet Water Company.....	8,826	138,685	-	6,167	153,678
Total.....	<u>\$ 8,826</u>	<u>\$ 138,685</u>	<u>\$ 418</u>	<u>\$ 6,167</u>	<u>\$ 154,096</u>

Interfund transfers for the fiscal year ended June 20, 2010 are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Wannacomet Water Company	Total
General Fund.....	\$ -	\$ 64,074	\$ 64,074 (1)
Wannacomet Water Company.....	84,865	-	84,865 (2)
Total.....	<u>\$ 84,865</u>	<u>\$ 64,074</u>	<u>\$ 148,939</u>

(1) A reserve fund transfer from the Town's General Fund to the Water Company.

(2) Transfer of indirect costs to the Town's General Fund.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute.

Details related to the short-term debt activity for the fiscal year ended June 30, 2010, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
BAN	Water.....	1.50	2/26/2010	\$ 1,800,000	\$ -	\$ 1,800,000	\$ -

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
BAN	Water.....	1.50	2/26/2010	\$ -	\$ 1,800,000	\$ -	\$ 1,800,000

**NOTE 7 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes the Town of Nantucket indebtedness up to a limit of 5% of the Town’s equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the Water Company’s outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Water Projects.....	4.00 - 5.00	\$ 685,000	\$ -	\$ 60,000	\$ 625,000
Water Meters.....	4.00 - 4.25	300,000	-	150,000	150,000
Water.....	2.50 - 4.13	400,000	-	25,000	375,000
Water.....	2.50 - 4.13	400,000	-	25,000	375,000
Land Acquisition.....	2.50 - 4.13	2,400,000	-	150,000	2,250,000
Water.....	3.75 - 5.00	2,685,000	-	105,000	2,580,000
Water.....	3.75 - 5.00	560,000	-	70,000	490,000
Water.....	3.75 - 5.00	455,000	-	20,000	435,000
Garage and Maintenance Facility.....	3.75 - 5.00	810,000	-	30,000	780,000
Rehab and Administration Building.....	3.00-5.00	710,000	-	40,000	670,000
Source Well and Pump.....	3.00-5.00	1,235,000	-	65,000	1,170,000
Water Storage Tank.....	3.00-5.00	4,750,000	-	250,000	4,500,000
Water Mains.....	3.00-5.00	1,185,000	-	65,000	1,120,000
Water System Distribution Improvements.....	3.00-5.00	950,000	-	50,000	900,000
Water Mains.....	3.00-5.00	95,000	-	5,000	90,000
Water Tank.....	3.00-5.00	2,815,000	-	105,000	2,710,000
Water Meter Battery and Distribution System.....	2.50-4.00	-	1,800,000	-	1,800,000
Total Bonds Payable.....		\$ 20,435,000	\$ 1,800,000	\$ 1,215,000	\$ 21,020,000
Unamortized Premiums on Bonds and Notes.....		-	243,779	-	243,779
Total.....		20,435,000	2,043,779	1,215,000	21,263,779

Debt service requirements for principal and interest for Water Company bonds payable in future fiscal years as of June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011..... \$	1,380,000	\$ 824,001	\$ 2,204,001
2012.....	1,235,000	776,682	2,011,682
2013.....	1,255,000	733,492	1,988,492
2014.....	1,255,000	690,292	1,945,292
2015.....	1,270,000	634,918	1,904,918
2016.....	1,300,000	587,131	1,887,131
2017.....	1,225,000	541,223	1,766,223
2018.....	1,205,000	497,856	1,702,856
2019.....	1,220,000	452,483	1,672,483
2020.....	1,140,000	404,002	1,544,002
2021.....	1,195,000	357,408	1,552,408
2022.....	1,130,000	309,267	1,439,267
2023.....	1,160,000	263,659	1,423,659
2024.....	1,185,000	216,116	1,401,116
2025.....	1,200,000	166,907	1,366,907
2026.....	1,005,000	120,125	1,125,125
2027.....	695,000	83,818	778,818
2028.....	670,000	54,432	724,432
2029.....	245,000	25,606	270,606
2030.....	50,000	2,000	52,000
Total..... \$	<u>21,020,000</u>	<u>\$ 7,741,418</u>	<u>\$ 28,761,418</u>

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Water Projects.....	4.00 - 5.00	\$ 745,000	\$ -	\$ 60,000	\$ 685,000
Water Meters.....	4.00 - 4.25	450,000	-	150,000	300,000
Current Refunding of Dec. 1991 Water.....	2.25 - 5.00	150,000	-	150,000	-
Water.....	2.50 - 4.13	425,000	-	25,000	400,000
Water.....	2.50 - 4.13	425,000	-	25,000	400,000
Land Acquisition.....	2.50 - 4.13	2,550,000	-	150,000	2,400,000
Water.....	3.75 - 5.00	2,795,000	-	110,000	2,685,000
Water.....	3.75 - 5.00	625,000	-	65,000	560,000
Water.....	3.75 - 5.00	470,000	-	15,000	455,000
Garage and Maintenance Facility.....	3.75 - 5.00	840,000	-	30,000	810,000
Rehab and Administration Building.....	3.00-5.00	750,000	-	40,000	710,000
Source Well and Pump.....	3.00-5.00	1,300,000	-	65,000	1,235,000
Water Storage Tank.....	3.00-5.00	5,000,000	-	250,000	4,750,000
Water Mains.....	3.00-5.00	1,250,000	-	65,000	1,185,000
Water System Distribution Improvements.....	3.00-5.00	1,000,000	-	50,000	950,000
Water Mains.....	3.00-5.00	100,000	-	5,000	95,000
Water Tank.....	3.00-5.00	-	2,815,000	-	2,815,000
Total Bonds Payable.....		<u>\$ 18,875,000</u>	<u>\$ 2,815,000</u>	<u>\$ 1,255,000</u>	<u>\$ 20,435,000</u>

Debt service requirements for principal and interest for Water Company bonds and notes payable in future fiscal years as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 1,215,000	\$ 799,279	\$ 2,014,279
2011.....	1,240,000	748,495	1,988,495
2012.....	1,095,000	704,676	1,799,676
2013.....	1,115,000	665,686	1,780,686
2014.....	1,115,000	626,686	1,741,686
2015.....	1,130,000	575,512	1,705,512
2016.....	1,160,000	531,925	1,691,925
2017.....	1,085,000	491,617	1,576,617
2018.....	1,070,000	453,850	1,523,850
2019.....	1,085,000	413,877	1,498,877
2020.....	1,090,000	370,796	1,460,796
2021.....	1,145,000	325,702	1,470,702
2022.....	1,080,000	279,561	1,359,561
2023.....	1,110,000	235,453	1,345,453
2024.....	1,135,000	189,910	1,324,910
2025.....	1,150,000	142,327	1,292,327
2026.....	955,000	97,545	1,052,545
2027.....	645,000	63,238	708,238
2028.....	620,000	35,602	655,602
2029.....	195,000	8,776	203,776
Total.....	\$ <u>20,435,000</u>	\$ <u>7,760,513</u>	\$ <u>28,195,513</u>

At June 30, 2010 and 2009, the Water Company had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Wannacomet Water Company.....	\$ <u>2,300,000</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Current Portion
Long-Term Bonds and Notes.....	\$ 20,435,000	\$ 1,800,000	\$ (1,215,000)	\$ 21,020,000	\$ 1,380,000
Compensated Absences.....	162,559	24,272	(32,512)	154,319	30,864
Other Postemployment Benefits.....	130,366	177,662	(41,026)	267,002	-
Total Long Term Liabilities.....	<u>\$ 20,727,925</u>	<u>\$ 2,001,934</u>	<u>\$ (1,288,538)</u>	<u>\$ 21,441,321</u>	<u>\$ 1,410,864</u>

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009	Current Portion
Long-Term Bonds and Notes.....	\$ 18,875,000	\$ 2,815,000	\$ (1,255,000)	\$ 20,435,000	\$ 1,215,000
Compensated Absences.....	115,053	150,992	(103,486)	162,559	32,512
Other Postemployment Benefits.....	-	130,366	-	130,366	-
Total Long Term Liabilities.....	<u>\$ 18,990,053</u>	<u>\$ 3,096,358</u>	<u>\$ (1,358,486)</u>	<u>\$ 20,727,925</u>	<u>\$ 1,247,512</u>

**NOTE 8 – RISK FINANCING**

The Wannacomet Water Company is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous four fiscal years.

The Town of Nantucket is self-insured for its health insurance and workers' compensation activities, the Wannacomet Water Company is included in the Town insurance plan. The Wannacomet Water Company pays the Town's health insurance fund for its proportionate share of coverage.

**NOTE 9 – PENSION PLAN**

*Plan Description* - The Wannacomet Water Company contributes to the Barnstable County Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Substantially all employees of the Water Company are members of the System.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Barnstable County Retirement Board and are borne by

the System. The System issues a publicly available, unaudited, financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 99 Willow Street, Yarmouthport, Massachusetts, 02675.

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Water Company is required to pay into the System their share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Water Company. The Water Company's contributions to the System for the fiscal year ended June 30, 2008, 2009 and 2010 totaled \$118,681, \$146,052, and \$173,899 respectively, which equaled its required contributions for each fiscal year.

The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Water Company is one participating employer, as well as the Water Company's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Water Company.

#### **NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Fiscal year 2009 was the initial year that the Wannacomet Water Company has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Water Company has established the net Other Postemployment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Water Company and the unions representing the Water Company employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Water Company and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Water Company contributes 80% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 20% of their premium costs. For fiscal year 2010, the Water Company contributed approximately \$41,133 to the plan.

*Annual OPEB Cost and Net OPEB Obligation* – The Water Company's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual Required Contribution	\$ 169,231
Interest on net OPEB obligation.....	<u>8,538</u>
Annual OPEB cost (expense).....	177,769
Contributions made.....	<u>(41,133)</u>
Increase in net OPEB obligation.....	136,636
Net OPEB obligation - beginning of year.....	<u>130,366</u>
Net OPEB obligation - end of year.....	<u>\$ 267,002</u>

The Water Company's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 170,657	24%	\$ 130,366
6/30/2010	177,769	23%	267,002

*Funded Status and Funding Progress* – As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits totaled approximately \$2,032,000, all of which was unfunded.

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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*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 the effects of 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, 2009, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Water Company, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 5-9%. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.50% per year. The remaining amortization period at June 30, 2010 is 28 years.

**NOTE 11 – COMMITMENTS**

The Wannacomet Water Company has contracts with C.B. &I. for the North Pasture Water Tank, and Siasconset Water Tank. As of June 30, 2010, the open contract totaled approximately \$621,480.

**NOTE 12 – CONTINGENCIES**

The Wannacomet Water Company participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010 and 2009, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2010 and 2009, cannot be ascertained, management believes any resulting liability should not materially affect the Water Company's financial position at June 30, 2010 and 2009.

**NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2010, the Water Company has implemented the following GASB pronouncements:

- The GASB issued Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The standards in this statement permits an agent employer that has an individual employer OPEB plan with fewer than 100 members to use an alternative measurement method to produce actuarially based information for purposes of financial reporting, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The standards in this statement provide guidance for bankrupt state and local governments by establishing requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities and for classifying changes in those items and related costs. Management elected to implement this standard early and this standard did not impact the basic financial statements.

Future Implementation of GASB Pronouncements

- The GASB issued Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented in fiscal year 2011. The implementation of this GASB will impact Nantucket Memorial Airport's financial statements, as it changes fund balance components into Nonspendable; Restricted; Committed; Assigned; and Unassigned.
- The GASB issued Statement #59, Financial Instruments Omnibus, which is required to be implemented in fiscal year 2011. Management is assessing the impact this pronouncement will have on the basic financial statements.
- The GASB issued Statement #60, Accounting and Financial Reporting for Service Concession Arrangements, which is required to be implemented in fiscal year 2013. Management is assessing the impact this pronouncement will have on the basic financial statements.

- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management is assessing the impact this pronouncement will have on the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management is assessing the impact this pronouncement will have on the basic financial statements.

# ***Required Supplementary Information***

# ***Retirement System Schedules of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Wannacomet Water Company is one participating employer, as well as the Water Company's proportionate share of the plan's annual contributions.

**BARNSTABLE COUNTY CONTRIBUTORY RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1993	\$ 97,194,645	\$ 226,430,792	\$ 129,236,147	42.9%	\$ 97,074,725	133.1%
1/1/1996	157,044,089	276,107,221	119,063,132	56.9%	108,456,079	109.8%
1/1/1998	235,247,660	404,215,695	168,968,035	58.2%	121,161,677	139.5%
1/1/2000	300,396,700	462,462,500	162,065,800	65.0%	152,293,100	106.4%
1/1/2002	362,911,896	553,531,966	190,620,070	65.6%	173,610,557	109.8%
1/1/2004	378,317,300	647,655,411	269,338,111	58.4%	190,614,004	141.3%
1/2/2006	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%
1/1/2007	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%
1/1/2009	520,089,855	966,564,614	446,474,759	53.8%	249,971,296	178.6%

The Water Company's share of the UAAL, as of January 1, 2009, is approximately 1.02%.

See notes to required supplementary information.

**BARNSTABLE COUNTY CONTRIBUTORY RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year Ended December 31	System Wide			Wannacomet Water Company	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Water Company's Percentage of System Wide Actual Contributions
2005	\$ 27,846,430	\$ 27,846,430	100%	\$ 121,102	0.43%
2006	31,044,132	31,044,132	100%	109,122	0.35%
2007	34,360,812	34,360,812	100%	115,903	0.34%
2008	39,899,322	39,899,322	100%	118,681	0.30%
2009	43,893,051	43,893,051	100%	146,052	0.33%

The Company's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

**Schedule of Funding Progress**

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)
7/1/2007	\$ -	\$ 823,700	\$ 823,700	0%	\$ N/A	N/A
7/1/2009	-	2,032,106	2,032,106	0%	N/A	N/A

**Schedule of Employer Contributions**

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2009	\$ 170,657	\$ 40,291	24%
6/30/2010	169,231	41,133	23%

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	July 1, 2009
Actuarial cost method.....	Projected Unit Credit Cost Method
Amortization method.....	Amortization payments increasing at 4.50%
Remaining amortization period.....	28 years as of July 1, 2009, closed.

Actuarial Assumptions:

Investment rate of return.....	4.00%, pay-as-you-go scenario
Medical/drug cost trend rate.....	5-9%

Plan Membership, Town Wide:

Current retirees, beneficiaries, and dependents.....	228
Current active members.....	<u>682</u>
 Total	 <u><u>910</u></u>

See notes to required supplementary information.

**NOTE A – PENSION PLAN**

The Wannacomet Water Company contributes to the Barnstable County Contributory Retirement System (“Retirement System”), a cost-sharing, multiple-employer defined benefit pension plan (“Plan”) administered by the Barnstable County Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Water Company is required to pay into the Retirement System its share of the systemwide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Water Company is one participating employer, as well as the Water Company’s proportionate share of the plans annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Water Company.

The following actuarial methods and assumptions were used in the Retirement System’s most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2009
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.50% per year after fiscal 2013.
Remaining Amortization Period.....	19 years from July 1, 2009 for 2002 and 2003 Early Retirement Incentives and remaining unfunded liability
Asset Valuation Method.....	5-year smoothing of investment returns greater (less) than expected.

Actuarial Assumptions:

Investment rate of return.....	4%, pay-as-you-go scenario
Projected salary increases.....	5.00%
Cost of living adjustments.....	3.0% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,368
Terminated participants entitled to a return of their employee contributions.....	635
Terminated participants with a vested right to a deferred or immediate benefit.....	113
Active participants.....	<u>5,290</u>
Total.....	<u><u>8,406</u></u>

**NOTE B – OTHER POSTEMPLOYMENT BENEFITS**

The Wannacomet Water Company participates in the Town's healthcare plan. The Town administers a single-employer defined benefit healthcare plan ("the Retiree Health plan"). The plan provides lifetime healthcare for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actual value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets

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

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.