

WANNACOMET WATER COMPANY

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS**

FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

WANNACOMET WATER COMPANY

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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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, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Wannacomet Water Company and 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 described 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, 2011 and 2010, 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, 2011 and 2010, 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 21, 2012 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 LLC

February 21, 2012

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, 2011 and 2010. 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 Revenues, Expenses and Changes 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 2011 and 2010

- The total of assets exceeded liabilities (i.e., net assets) by \$14.8 million and \$14.6 million respectively.
- Unrestricted net assets for Wannacomet Water fund totaled \$1.1 million and \$1.5 million respectively.
- Total debt totaled \$21.9 million and \$21.3 million respectively.

Financial Analysis

The following chart provides a summary of the Water Company's financial data for fiscal year 2011, with comparative fiscal 2010 information.

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets.....	\$ 6,334,093	\$ 7,703,659
Capital assets, not being depreciated.....	14,439,418	12,034,616
Capital assets, net of accumulated depreciation.....	<u>17,683,225</u>	<u>17,392,177</u>
Total assets.....	<u>38,456,736</u>	<u>37,130,452</u>
Liabilities:		
Current liabilities (excluding debt).....	1,282,774	880,938
Noncurrent liabilities (excluding debt).....	445,679	390,457
Current debt.....	3,515,949	1,623,779
Noncurrent debt.....	<u>18,405,000</u>	<u>19,640,000</u>
Total liabilities.....	<u>23,649,402</u>	<u>22,535,174</u>
Net Assets:		
Invested in capital assets net of related debt.....	13,718,662	13,048,998
Unrestricted.....	<u>1,088,672</u>	<u>1,546,280</u>
Total net assets.....	<u>\$ 14,807,334</u>	<u>\$ 14,595,278</u>
Program revenues:		
Charges for services.....	\$ 3,384,309	\$ 3,529,897
Operating grants and contributions.....	<u>489,393</u>	<u>173,706</u>
Total revenues.....	<u>3,873,702</u>	<u>3,703,603</u>
Expenses:		
Depreciation.....	691,779	699,894
Supply and pumping.....	212,898	157,533
Water treatment.....	35,527	32,958
Distribution.....	130,100	138,952
Meter reading.....	8,717	14,051
Maintenance.....	214,565	152,628
Insurance.....	52,179	56,820
Administrative and general.....	1,198,063	1,199,359
Pension benefits.....	189,676	173,899
Interest expense.....	783,769	826,680
Employee benefits.....	<u>53,726</u>	<u>129,323</u>
Total expenses.....	<u>3,570,999</u>	<u>3,582,097</u>
Transfers.....	<u>(90,647)</u>	<u>(20,791)</u>
Change in net assets.....	<u>\$ 212,056</u>	<u>\$ 100,715</u>

There was a net increase of \$212,000 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 \$328,000 as of June 30, 2011. The Water Company will continue to amortize this unfunded liability on an annual basis to the extent that the net cost, including the amortization of the unfunded liability exceeds contributions.

This liability is based on an actuarially determined calculation of the cost of providing benefits, other than pension costs, to retirees and their spouses. The Town of Nantucket obtained an updated actuarial valuation report for fiscal year 2011 which showed a significant decrease in the Town's unfunded liability. Correspondingly, the portion of the unfunded liability attributable to the Water Company also decreased. This resulted in a reduction in Employee benefits expenses in fiscal year 2011.

Capital Asset and Debt Administration

Capital Assets

Wannacomet Water Company's year end capital assets totaled \$32.1 million which represents a net increase of \$2.7 million from the prior year. Major current additions include the Madaket Road water main project and the North Pasture well/tank which are recorded within construction in progress. Depreciation of approximately \$692,000 was recorded in fiscal year 2011.

Long-term Debt

At the end of the fiscal years 2011 and 2010, the Wannacomet Water Company had total bonded debt outstanding of \$19.6 million and \$21 million, respectively. Wannacomet Water issued short-term bond anticipation notes during fiscal year 2011 in the amount of \$2.1 million related to the Madaket Road water main and the Washing Pond Tower project. This amount is fully supported by the revenue of the Wannacomet Water Company, and does not rely upon a general fund subsidy.

	<u>2011</u>	<u>2010</u>
Current portion of long-term..... \$	1,235,000 \$	1,380,000
Noncurrent portion of long-term.....	<u>18,405,000</u>	<u>19,640,000</u>
Total..... \$	<u><u>19,640,000</u></u> \$	<u><u>21,020,000</u></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, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 5,714,243	\$ 6,558,082
Receivables, net of allowance for uncollectibles:		
User fees.....	503,468	732,486
Inventory.....	116,382	99,965
Other assets.....	-	5,273
Due from other funds.....	-	307,853
	6,334,093	7,703,659
NONCURRENT:		
Capital assets, not being depreciated.....	14,439,418	12,034,528
Capital assets, net of accumulated depreciation.....	17,683,225	17,392,265
	32,122,643	29,426,793
TOTAL ASSETS	38,456,736	37,130,452
LIABILITIES		
CURRENT:		
Warrants payable.....	389,384	411,284
Accrued liabilities.....	16,586	10,996
Accrued payroll.....	12,037	30,096
Accrued interest.....	291,829	302,805
Due to other funds.....	543,570	94,893
Compensated absences.....	29,368	30,864
Notes payable.....	2,050,000	-
Bonds payable.....	1,465,949	1,623,779
	4,798,723	2,504,717
NONCURRENT:		
Compensated absences.....	117,471	123,455
Other postemployment benefit.....	328,208	267,002
Bonds payable.....	18,405,000	19,640,000
	18,850,679	20,030,457
TOTAL LIABILITIES	23,649,402	22,535,174
NET ASSETS		
Invested in capital assets, net of related debt.....	13,718,662	13,048,998
Unrestricted.....	1,088,672	1,546,280
TOTAL NET ASSETS	\$ 14,807,334	\$ 14,595,278

See notes to financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011 AND 2010

	2011	2010
<u>OPERATING REVENUES:</u>		
Sales of water.....	\$ 3,363,847	\$ 3,371,877
Connection fees.....	20,462	14,906
Other.....	470,984	278,753
	3,855,293	3,665,536
<u>OPERATING EXPENSES:</u>		
Depreciation.....	691,779	699,894
Supply and pumping.....	212,898	157,533
Water treatment.....	35,527	32,958
Distribution.....	130,100	138,952
Meter reading.....	8,717	14,051
Maintenance.....	214,565	152,628
Insurance.....	52,179	56,820
Administrative and general.....	1,198,063	1,199,359
Pension benefits.....	189,676	173,899
Employee benefits.....	53,726	129,323
	2,787,230	2,755,417
TOTAL OPERATING EXPENSES.....	2,787,230	2,755,417
OPERATING INCOME (LOSS).....	1,068,063	910,119
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	18,409	38,067
Interest expense.....	(783,769)	(826,680)
	(765,360)	(788,613)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(765,360)	(788,613)
INCOME (LOSS) BEFORE TRANSFERS.....	302,703	121,506
Transfers in.....	-	64,074
Transfers out.....	(90,647)	(84,865)
	(90,647)	(20,791)
TOTAL TRANSFERS.....	(90,647)	(20,791)
CHANGE IN NET ASSETS.....	212,056	100,715
NET ASSETS AT BEGINNING OF YEAR.....	14,595,278	14,494,563
NET ASSETS AT END OF YEAR.....	\$ 14,807,334	\$ 14,595,278

See notes to financial statements.

WANNACOMET WATER COMPANY
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011 AND 2010

	2011	2010
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 4,084,311	\$ 3,443,012
Payments to vendors.....	(686,527)	(709,168)
Payments to employees.....	(1,346,985)	(1,155,027)
Payments for interfund services used.....	(53,726)	(129,323)
NET CASH FROM OPERATING ACTIVITIES.....	1,997,073	1,449,494
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers in.....	-	64,074
Transfers out.....	(90,647)	(84,865)
Advances to other funds.....	756,530	(366,221)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	665,883	(387,012)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the issuance of bonds and notes.....	2,050,000	1,800,000
Premium from the issuance of bonds and notes.....	-	243,779
Acquisition and construction of capital assets.....	(3,387,629)	(3,993,288)
Principal payments on bonds and notes.....	(1,380,000)	(3,015,000)
Interest expense.....	(807,575)	(817,503)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(3,525,204)	(5,782,012)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	18,409	38,067
NET CASH FROM INVESTING ACTIVITIES.....	18,409	38,067
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(843,839)	(4,681,463)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,558,082	11,239,545
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,714,243	\$ 6,558,082
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ 1,068,063	\$ 910,119
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	691,779	699,894
User fees.....	229,018	(222,524)
Inventory.....	(16,417)	(146)
Other assets.....	5,273	(5,273)
Warrants payable.....	(21,900)	(67,264)
Accrued liabilities.....	5,590	1,387
Accrued payroll.....	(18,059)	4,905
Accrued compensated absences.....	(7,480)	(8,240)
Other postemployment benefit.....	61,206	136,636
Total adjustments.....	929,010	539,375
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,997,073	\$ 1,449,494
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Bond premium amortization.....	\$ (12,830)	\$ -

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 from nonoperating items. 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, 2011 and 2010 was \$9,933 and \$3,933 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, 2011 and 2010, the carrying amount of deposits totaled \$4,135,483 and \$5,700,287 and the bank balance totaled \$4,132,110 and \$5,620,208 respectively. Of the bank balance, \$282,824 and \$318,149 were covered by the Federal Depositors Insurance Company ("FDIC"), \$3,849,286 and \$5,302,059 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, 2011, the Wannacomet Water Company had the following investments:

	Fair Value	Maturity Under 1 Year
Investment Type:		
Repurchase Agreements.....	\$ 718,346	\$ 718,346
Other Investments:		
MMDT.....	860,414	
Total Investments.....	\$ 1,578,760	

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

	Fair Value
Other Investments:	
MMDT.....	\$ 857,795

The Wannacomet Water Company participates in MMDT. Investments in MMDT are unrated.

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.

The repurchase agreement consists of an overnight sweep agreement which is invested in U.S. Treasury Notes.

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 2011 were in MMDT and repurchase agreements.

NOTE 3 – RECEIVABLES

At June 30, 2011 and 2010, receivables for the Water Company consist of the following:

2011 Receivables:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Charges for services.....	\$ 513,468	\$ (10,000)	\$ 503,468

2010 Receivables:

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

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Wannacomet Water Company for the fiscal year ended June 30, 2011, was as follows:

	2010 Beginning Balance	Increases	Decreases	2011 Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Construction in progress.....	9,034,528	3,341,365	(936,475)	11,439,418
Total capital assets not being depreciated.....	12,034,528	3,341,365	(936,475)	14,439,418
<u>Capital assets being depreciated:</u>				
Infrastructure.....	22,240,283	57,374	-	22,297,657
Buildings.....	846,186	922,399	-	1,768,585
Vehicles.....	267,997	-	-	267,997
Machinery and equipment.....	332,967	2,966	-	335,933
Furniture, fixtures and computer equipment.....	423,795	-	-	423,795
Total capital assets being depreciated.....	24,111,228	982,739	-	25,093,967
Less accumulated depreciation.....	(6,718,963)	(691,779)	-	(7,410,742)
Total capital assets being depreciated, net.....	17,392,265	290,960	-	17,683,225
Total business-type activities, capital assets.....	\$ 29,426,793	\$ 3,632,325	\$ (936,475)	\$ 32,122,643

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.....	<u>6,355,935</u>	<u>2,703,231</u>	<u>(24,638)</u>	<u>9,034,528</u>
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.....	<u>422,002</u>	<u>1,793</u>	<u>-</u>	<u>423,795</u>
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>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at June 30, 2011 are summarized as follows:

Due From:	Due to:			Total
	General Fund	Siasconset Water Company	Sewer Enterprise Fund	
Wannacomet Water Company.....	<u>\$ 90,647</u>	<u>\$ 71,715</u>	<u>\$ 381,208</u>	<u>\$ 543,570</u>

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.....	<u>\$ 410</u>	<u>\$ 88,316</u>	<u>\$ 307,853</u>	<u>\$ 6,167</u>	<u>\$ 402,746</u>

Interfund transfers for the fiscal year ended June 30, 2011 are summarized as follows:

Transfers Out:	Transfers In:	
	General Fund	
Wannacomet Water Company.....	\$ 90,647	(1)

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

Interfund transfers for the fiscal year ended June 30, 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 anticipation notes (RANS).
- 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, 2011, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
BAN	Wannacomet Water.....	1.50	02/24/12	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000
BAN	Wannacomet Water Equipment.....	1.50	02/24/12	-	850,000	-	850,000
Total.....				\$ -	\$ 2,050,000	\$ -	\$ 2,050,000

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	\$ -

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, 2011, and the debt service requirements are as follows:

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Water Projects.....	4.00 - 5.00	\$ 625,000	\$ -	\$ 60,000	\$ 565,000
Water Meters.....	4.00 - 4.25	150,000	-	150,000	-
Water.....	2.50 - 4.13	375,000	-	25,000	350,000
Water.....	2.50 - 4.13	375,000	-	25,000	350,000
Land Acquisition.....	2.50 - 4.13	2,250,000	-	150,000	2,100,000
Water.....	3.75 - 5.00	2,580,000	-	115,000	2,465,000
Water.....	3.75 - 5.00	490,000	-	75,000	415,000
Water.....	3.75 - 5.00	435,000	-	20,000	415,000
Garage and Maintenance Facility.....	3.75 - 5.00	780,000	-	35,000	745,000
Rehab and Administration Building.....	3.00-5.00	670,000	-	40,000	630,000
Source Well and Pump.....	3.00-5.00	1,170,000	-	65,000	1,105,000
Water Storage Tank.....	3.00-5.00	4,500,000	-	250,000	4,250,000
Water Mains.....	3.00-5.00	1,120,000	-	65,000	1,055,000
Water System Distribution Improvements.....	3.00-5.00	900,000	-	50,000	850,000
Water Mains.....	3.00-5.00	90,000	-	5,000	85,000
Water Tank.....	3.00-5.00	2,710,000	-	110,000	2,600,000
Water Meter Battery and Distribution System.....	2.50-4.00	1,800,000	-	140,000	1,660,000
Total Bonds Payable.....		<u>21,020,000</u>	<u>-</u>	<u>1,380,000</u>	<u>19,640,000</u>
Unamortized Premiums on Bonds and Notes.....		<u>243,779</u>	<u>-</u>	<u>12,830</u>	<u>230,949</u>
Total.....		<u>\$ 21,263,779</u>	<u>\$ -</u>	<u>\$ 1,392,830</u>	<u>\$ 19,870,949</u>

Debt service requirements for principal and interest for Water Company bonds payable in future fiscal years as of June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>19,640,000</u>	\$ <u>6,917,417</u>	\$ <u>26,557,417</u>

Details related to the 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.....	2.25 - 5.00	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.....	2.50 - 4.13	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.....	3.75 - 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.....	3.00-5.00	-	1,800,000	-	1,800,000
Total Bonds Payable.....		<u>20,435,000</u>	<u>1,800,000</u>	<u>1,215,000</u>	<u>21,020,000</u>
Unamortized Premiums on Bonds and Notes.....		<u>-</u>	<u>243,779</u>	<u>-</u>	<u>243,779</u>
Total.....		<u>\$ 20,435,000</u>	<u>\$ 2,043,779</u>	<u>\$ 1,215,000</u>	<u>\$ 21,263,779</u>

Debt service requirements for principal and interest for Water Company bonds and notes 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>

At June 30, 2011 and 2010, the Water Company had the following authorized and unissued debt:

Purpose	Amount
Wannacomet Water Company.....	\$ <u>250,000</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Current Portion
Long-Term Bonds and Notes.....	\$ 21,020,000	\$ -	\$ (1,380,000)	\$ 19,640,000	\$ 1,235,000
Compensated Absences.....	154,319	23,384	(30,864)	146,839	29,368
Other Postemployment Benefits.....	267,002	94,257	(33,859)	327,400	-
Total Long Term Liabilities.....	<u>\$ 21,441,321</u>	<u>\$ 117,641</u>	<u>\$ (1,444,723)</u>	<u>\$ 20,114,239</u>	<u>\$ 1,264,368</u>

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>

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, 2011, 2010 and 2009 totaled \$189,676, \$173,899 and \$146,052 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

Plan Description – The Town of Nantucket administers a single-employer defined benefit healthcare plan (the plan), in which the Water Company participates. 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 the Town's school teachers. 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 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 2011, the Water Company contributed approximately \$35,000 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.....	\$	91,997
Interest on net OPEB obligation.....		13,446
Adjustment to the ARC.....		<u>(9,028)</u>
Annual OPEB cost (expense).....		96,415
Contributions made.....		<u>(35,209)</u>
Increase in net OPEB obligation.....		61,206
Net OPEB obligation - beginning of year.....		<u>267,002</u>
Net OPEB obligation - end of year.....	\$	<u><u>328,208</u></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 2011 was as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2011	\$ 96,415	\$ 37%	\$ 328,208
6/30/2010	177,769	23%	267,002
6/30/2009	170,657	24%	130,366

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits totaled approximately \$1,312,813, 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, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5% 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 10% decreasing by .75% for 6 years and by .50% for 1 year to an

ultimate level of 5% per year. 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, 2011 is 27 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, 2011, the open contract totaled approximately \$208,000. In addition, an open contract amount of \$704,000 is held with Haley & Ward for the Madaket Water Main and Storage Tank Project.

NOTE 12 – CONTINGENCIES

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, 2011 and 2010, cannot be ascertained, management believes any resulting liability should not materially affect the Water Company's financial position at June 30, 2011 and 2010.

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2011, the Water Company has implemented the following GASB pronouncements:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011.
- The GASB issued Statement #59, *Financial Instruments Omnibus*, was implemented in fiscal year 2011 and did not impact the financial statements.

Future Implementation of GASB Pronouncements:

- 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.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, 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 #64, Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53, which is required to be implemented in fiscal year 2012. 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)
1/1/2010	\$ 554,876,554	\$ 1,030,210,321	\$ 475,333,767	53.9%	\$ 234,374,075	202.8%
1/1/2009	520,089,855	966,564,614	446,474,759	53.8%	249,971,296	178.6%
1/1/2007	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%
1/2/2006	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%
1/1/2004	378,317,300	647,655,411	269,338,111	58.4%	190,614,004	141.3%
1/1/2002	362,911,896	553,531,966	190,620,070	65.6%	173,610,557	109.8%
1/1/2000	300,396,700	462,462,500	162,065,800	65.0%	152,293,100	106.4%
1/1/1998	235,247,660	404,215,695	168,968,035	58.2%	121,161,677	139.5%
1/1/1996	157,044,089	276,107,221	119,063,132	56.9%	108,456,079	109.8%
1/1/1993	97,194,645	226,430,792	129,236,147	42.9%	97,074,725	133.1%

The Water Company's share of the UAAL, as of January 1, 2010, is approximately .46%.

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	
2010	\$ 41,327,508	\$ 41,327,508	100%	\$ 189,676	0.46%	
2009	36,943,817	36,943,817	100%	173,899	0.47%	
2008	34,360,912	34,360,912	100%	146,052	0.43%	
2007	32,038,146	32,038,146	100%	118,681	0.37%	
2006	31,044,132	31,044,132	100%	115,903	0.37%	
2005	27,846,430	27,846,430	100%	109,122	0.39%	

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 Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

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)
7/1/2010	\$ -	\$ 1,316,054	\$ 1,316,054	0%	\$ N/A	N/A
7/1/2009	-	2,032,106	2,032,106	0%	N/A	N/A
7/1/2007	-	823,700	823,700	0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2011	\$ 91,997	\$ 35,209	38%
6/30/2010	177,769	41,133	23%
6/30/2009	170,657	40,291	24%

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2010
Actuarial cost method.....	Projected Unit Credit Cost Method
Amortization method.....	Amortization payments increasing at 4.50%
Remaining amortization period.....	30 years, open

Actuarial Assumptions:

Investment rate of return.....	5.00%, pay-as-you-go scenario
Medical/drug cost trend rate.....	10% decreasing by .75% for 6 years and by .50% for 1 year to an ultimate level of 5% per year.

Plan Membership, Town Wide:

Current retirees, beneficiaries, and dependents.....	213
Current active members.....	<u>474</u>
 Total	 <u><u>687</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, 2010
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.0% per year after fiscal 2015.
Remaining Amortization Period.....	28 years from July 1, 2010 for 2002 and 2003 Early Retirement Incentives and remaining unfunded liability
Asset Valuation Method.....	5-year smoothing of investment returns greater (less) than expected.

Actuarial Assumptions:

Investment rate of return.....	8.00%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.75% and 5.25% for Groups 1 and 4, respectively
Cost of living adjustments.....	3.0% for the first \$12,000 of retirement income, increasing to \$13,000 in fiscal 2012.

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,422
Terminated participants entitled to a return of their employee contributions.....	649
Terminated participants with a vested right to a deferred or immediate benefit.....	123
Active participants.....	4,786
Total.....	7,980

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 Water Company 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 Water Company 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.