

CHELMSFORD WATER DISTRICT

REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS

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JUNE 30, 2014

CHELMSFORD WATER DISTRICT

REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS

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JUNE 30, 2014

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Independent Auditor's Report

Page 1

**Report on the Financial Statements** We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of the Chelmsford Water District, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

**Auditor's Responsibility** Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinion** In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of the Chelmsford Water District, as of June 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters - Required Supplementary Information**

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

*Mara CPA, PC*

September 19, 2014

**Chelmsford Water District  
Chelmsford, Massachusetts**



**OVERVIEW OF FINANCIAL STATEMENTS**

The Chelmsford Water District's financial statements are comprised of the following: Government Wide Financial Statement, Governmental Funds Financial Statement, Reconciliations of the Financial Statements and a Comparison of Actual to Budget. These statements provide different views of the District. One includes assets and liabilities of the District and the other focuses on the governmental funds.

As management of the Chelmsford Water District, we offer readers of the Chelmsford Water District's financial statements, this narrative and analysis of financial activities of the year ended June 30, 2014.

**FINANCIAL HIGHLIGHTS**

The assets of the Chelmsford Water District exceeded its liabilities at the close of the fiscal year by \$30,105,722. Of this amount, \$3,586,036 (unrestricted net assets) may be used to meet the ongoing obligations of the District.

The total assets of the District are \$42,171,234. Of this amount, \$7,981,765 represents current assets and \$34,189,470 represents capital assets.

The total liabilities of the District are \$12,065,512. Of this amount, \$1,140,503 represents current liabilities and \$10,925,009 represents long term liabilities.

Total net assets of the District are \$30,105,722 made up of the following categories:

\$23,153,344 Invested in Capital Assets net of related debt

\$ 2,422,110 Restricted for Capital Projects

\$ 944,233 Bond Debt Fund

\$ 3,586,036 Unrestricted Net Assets

The District continues to service the debt of the Riverneck Road Treatment Plant, Crooked Spring Treatment Plant and other capital projects with bonds retiring by FY 2027. The remaining principal is \$11,036,126.

The overall financial position of the District is stable. The change in net assets for the fiscal year amounts to an increase of \$274,432.

The District adopts an annual appropriated budget for its government wide activities. A budgetary comparison has been included. Actual revenues for the year were higher than budgeted revenues by \$739,672. Actual expenditures were greater than budgeted expenditures by \$526,829.

Free cash of the District as reported to the Massachusetts Department of Revenue is \$3,091,976.

**SUMMARIZED FINANCIAL DATA**Income

Water Rates and Fees	\$ 4,912,322
Bond Debt Fee Receipts	\$ 1,390,721
Interest Income	\$ 108,286
Increase Fair Value of Investments	\$ 25,383
<b>Total Income</b>	<b>\$ 6,436,713</b>

Expenses	<u>\$ 6,162,281</u>
Change in Net Assets	<u>\$ 274,432</u>

**CAPITAL ASSETS**

The Chelmsford Water District's investment in capital assets as of June 30, 2014 amounts to \$34,189,470 (net of accumulated depreciation). This investment includes land, buildings and improvements, pumping stations and tanks, infrastructure and improvements, machinery and equipment. The District added \$1,012,216 in capital assets this year. The District transferred \$704,609 from the general fund to the capital projects fund and paid \$179,631 directly from the general fund to acquire these capital assets.

Property and equipment is depreciated utilizing the straight line depreciation method and estimated useful lives as recommended by the Commonwealth of Massachusetts Department of Revenue Bureau of Accounts. The depreciation expense for this fiscal year was \$1,135,090.

Capital Assets are replaced following a replacement schedule prepared by the District.

**FISCAL YEAR 2015**

The District has appropriated a balanced annual budget for FY 2015 of \$5,865,235. The District anticipates that the revenues will be equal projected expenses for fiscal year 2015.

The District has many ongoing capital projects including the rehabilitation of pump station buildings, installation of a Solar Bee Mixer for the Robin Hill Tank, 50 x50 garage addition and infrastructure upgrades such as looping of water main from Meadowbrook Road to Doral Drive. In addition, the District will be replacing the 10 year old media in the filters at the Riverneck Water Treatment Plant.

<b>CHELMSFORD WATER DISTRICT</b>						Page 4
Statement of Net Assets						
June 30, 2014	<i>Unrestricted</i>	<i>Bond Debt</i>	<i>Retirement</i>	<i>Restricted</i>	<i>Invested in</i>	<i>Total</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Cap Projects</i>	<i>Capital</i>	
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$2,788,811	\$877,635				\$3,666,447
Due to/from unrestricted/bond debt fund	(256,598)	256,598				0
Due to/from unrestricted/capital projects	(2,422,110)			\$2,422,110		0
Investments	3,032,770					3,032,770
Accounts Receivable less allow bad debts	519,548					519,548
Unbilled Accounts Receivable	763,000					763,000
Total Current Assets	4,425,422	1,134,233	\$0	2,422,110	\$0	7,981,765
<i>Non Current Assets</i>						
Land					683,807	683,807
Depreciable Infrastructure					46,661,027	46,661,027
Depreciable Buildings, Property & Equipment					1,323,243	1,323,243
Less Accumulated Depreciation					(14,478,607)	(14,478,607)
Total Non Current Assets	0	0	0	0	34,189,470	34,189,470
Total Assets	\$4,425,422	\$1,134,233	\$0	\$2,422,110	\$34,189,470	\$42,171,234
<b>LIABILITIES AND NET ASSETS</b>						
<i>LIABILITIES</i>						
<i>Current Liabilities</i>						
Current Portion Long Term Debt					\$899,606	\$899,606
Accrued Bond Interest Payable		\$190,000				190,000
Miscellaneous Liabilities	\$50,897					50,897
Total Current Liabilities	50,897	190,000	\$0	\$0	899,606	1,140,503
<i>Long Term Liabilities</i>						
Bonds Payable					10,136,520	10,136,520
Accrued Compensated Absences	174,200					174,200
Other Post Employment Benefits	614,289					614,289
Total Long Term Liabilities	788,489	0	0	0	10,136,520	10,925,009
Total Liabilities	839,386	190,000	0	0	11,036,126	12,065,512
<b>NET ASSETS</b>						
Net Assets	3,586,036	944,233	0	2,422,110	23,153,344	30,105,722
Total Liabilities and Net Assets	\$4,425,422	\$1,134,233	\$0	\$2,422,110	\$34,189,470	\$42,171,234

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

<b>CHELMSFORD WATER DISTRICT</b>						Page 5
Statement of Activities	<i>Unrestricted</i>	<i>Bond Debt</i>	<i>Retirement</i>	<i>Restricted</i>	<i>Invested in</i>	
For the Year Ended June 30, 2014	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Cap Projects</i>	<i>Capital</i>	<i>Total</i>
<b>REVENUES</b>						
Water Rates and Services	\$4,921,119				(\$8,797)	\$4,912,322
Bond Debt Fee Receipts		\$1,390,721				1,390,721
Interest Revenue	105,030	1,909	\$1,348			108,286
Increase Fair Value of Investments	25,383					25,383
Total Revenues	5,051,532	1,392,629	1,348	\$0	(8,797)	6,436,713
<b>EXPENSES</b>						
Salaries and Wages	1,383,192					1,383,192
Retirement Fund Expense	350,000		772,540			1,122,540
Other Post Employment Benefits Expense	109,497					109,497
Depreciation Expense					1,135,090	1,135,090
Equipment and Building	236,763					236,763
Fuel, Light and Power	155,728					155,728
Group Insurance	242,997					242,997
FICA/Medicare Tax	15,794					15,794
System Maintenance Reserve Expense	69,920					69,920
Riverneck Rd Plant Operations	172,614					172,614
Crooked Spring Plant Operations	194,203					194,203
Smith St Plant Operations	93,811					93,811
Meters and Equipment	0					0
General Insurance	91,513					91,513
Interest & Fees Expense		454,451				454,451
Water Treatment	1,745					1,745
Middlesex Retirement Assessment	227,230					227,230
Trucks Backhoe and Machinery	64,419					64,419
Printing Advertising Stationary	29,180					29,180
New Service and Repairs	32,607					32,607
Laboratory Testing	45,719					45,719
Consulting and Engineering	31,069					31,069
Computer Office Equip Maintenance	35,401					35,401
Professional Fees	44,868					44,868
Telephone and Radio	23,582					23,582
Consumer Outreach	19,909					19,909
Police Hire	14,870					14,870
Dues, License Certificates	7,669					7,669
D.E.P. Clean Water Assessment	7,229					7,229
Misc Equipment	3,942					3,942
Unemployment Compensation	2,559					2,559
Administration Misc and Transportation	2,248					2,248
Water Main Extensions	74,429					74,429
Investment Advisory Fees	15,493					15,493
Total Expenses	3,800,200	454,451	772,540	0	1,135,090	6,162,281
<b>CHANGE IN NET ASSETS</b>	1,251,332	938,179	(771,192)	0	(1,143,887)	274,432
Net Transfers General to Capital Projects	(704,609)			704,609		0
Net Capital Project Expenditures				(832,585)	832,585	0
Expenditures Capitalized	(179,631)				179,631	0
Debt Principal Retired		(895,965)			895,965	0
Net Assets - Beginning of Year	3,218,944	902,019	771,192	2,550,085	22,389,050	29,831,290
Net Assets - End of Year	\$3,586,036	\$944,233	\$0	\$2,422,110	\$23,153,344	\$30,105,722

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

<b>CHELMSFORD WATER DISTRICT</b>					Page 6
Governmental Funds - Balance Sheet					
June 30, 2014					
				<i>Capital</i>	<i>Total</i>
	<i>General</i>	<i>Bond Debt</i>	<i>Retirement</i>	<i>Projects</i>	<i>Governmental</i>
<i>ASSETS</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>
<i>Current Assets</i>					
Cash and Cash Equivalents	\$2,788,811	\$877,635	\$0	\$0	\$3,666,447
Due to/from general/bond debt fund	(256,598)	256,598	0	0	0
Due to/from general/capital projects fund	(2,422,110)	0	0	2,422,110	0
Investments	3,032,770				3,032,770
Total Assets	\$3,142,873	\$1,134,233	\$0	\$2,422,110	\$6,699,216
<i>LIABILITIES AND NET ASSETS</i>					
<i>LIABILITIES</i>					
<i>Current Liabilities</i>					
Miscellaneous Liabilities	\$50,897				\$50,897
Total Current Liabilities	50,897	\$0	\$0	\$0	50,897
Total Liabilities	50,897	0	0	0	50,897
<i>NET ASSETS</i>					
Net Assets	3,091,976	1,134,233	0	2,422,110	6,648,319
Total Liabilities and Net Assets	\$3,142,873	\$1,134,233	\$0	\$2,422,110	\$6,699,216

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT



<b>CHELMSFORD WATER DISTRICT</b>					Page 7
Governmental Funds - Statement of Revenues, Expenditures and					
Changes in Fund Balances				<i>Capital</i>	<i>Total</i>
For the Year Ended June 30, 2014	<i>General</i>	<i>Bond Debt</i>	<i>Retirement</i>	<i>Projects</i>	<i>Governmental</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>
<b>REVENUES</b>					
Water Rates and Services	\$4,978,743				\$4,978,743
Bond Debt Fee Receipts		\$1,390,721			1,390,721
Interest Revenue	105,030	1,909	\$1,348		108,286
Increase Fair Value of Investments	25,383				25,383
Total Revenues	5,109,156	1,392,629	1,348	\$0	6,503,133
<b>EXPENSES</b>					
Capital Project Expenditures				832,585	832,585
Salaries and Wages	1,366,192				1,366,192
Other Post Employment Benefits Expense	300,000				300,000
Retirement Fund Expense	350,000		772,540		1,122,540
Bonds, Interest & Fees Expense		1,364,416			1,364,416
Fuel, Light and Power	155,728				155,728
Group Insurance	242,997				242,997
FICA/Medicare Tax	15,794				15,794
Equipment and Building	236,763				236,763
System Maintenance Reserve Expense	69,920				69,920
Riverneck Rd Plant Operations	172,614				172,614
Crooked Spring Plant Operations	194,203				194,203
Smith St Plant Operations	93,811				93,811
Meters and Equipment	179,631				179,631
General Insurance	91,513				91,513
Water Treatment	1,745				1,745
Middlesex Retirement Assessment	227,230				227,230
Trucks Backhoe and Machinery	64,419				64,419
Printing Advertising Stationery	29,180				29,180
New Service and Repairs	32,607				32,607
Laboratory Testing	45,719				45,719
Consulting and Engineering	31,069				31,069
Computer Office Equip Maintenance	35,401				35,401
Professional Fees	44,868				44,868
Telephone and Radio	23,582				23,582
Consumer Outreach	19,909				19,909
Police Hire	14,870				14,870
Dues, License Certificates	7,669				7,669
D.E.P. Clean Water Assessment	7,229				7,229
Misc Equipment	3,942				3,942
Unemployment Compensation	2,559				2,559
Administration Misc and Transportation	2,248				2,248
Water Main Extensions	74,429				74,429
Investment Advisory Fees	15,493				15,493
Total Expenses	4,153,334	1,364,416	772,540	832,585	7,122,875
<b>CHANGE IN NET ASSETS</b>	955,822	28,214	(771,192)	(832,585)	(619,741)
Net Transfers General to Capital Projects	(704,609)			704,609	0
Fund Balances - Beginning of Year	2,840,764	1,106,019	771,192	2,550,085	7,268,060
Fund Balances - End of Year	\$3,091,976	\$1,134,233	\$0	\$2,422,110	\$6,648,319

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

<b>CHELMSFORD WATER DISTRICT</b>	Page 8
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances	
to the Statement of Net Assets	
June 30, 2014	
Total Governmental Fund Balances	\$6,648,319
Capital assets used in governmental activities are not financial resources,	34,189,470
and therefore are not reported in the funds.	
The Statement of Activities includes accounts receivable on billed and unbilled water delivered,	
whereas in the governmental funds, revenue is not reported until collected.	
Accounts receivable	519,548
Unbilled accounts receivable	763,000
The Statement of Activities includes long term debt and the related accrued interest,	
and accrued liabilities whereas in the governmental funds these are not reported until paid.	
Long term debt (including current portion)	(11,036,126)
Accrued interest payable	(190,000)
Accrued compensated absences	(174,200)
Other post employment benefits	(614,289)
Net Assets of Governmental Activities	\$30,105,722
<b>CHELMSFORD WATER DISTRICT</b>	
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities	
For the Year Ended June 30, 2014	
Net Change in Fund Balances - Total Governmental Funds	(\$619,741)
Governmental funds report capital outlays as expenditures. However, in the Statement of	
Activities, the cost is allocated over the estimated useful lives and is depreciated.	
Capital expenditures - capital projects fund	832,585
Capital expenditures - meters expense	179,631
Depreciation expense	(1,135,090)
Some revenues reported in the Statement of Activities do not provide current financial	
resources and, therefore, are not reported as revenue in the governmental funds.	
Water rates and services	(57,624)
Some expenses reported in the Statement of Activities do not consume current financial	
resources and, therefore, are not reported as expenses in the governmental funds.	
Interest expense	14,000
Salaries/compensated absences	(17,000)
Other post employment benefits expense	(109,497)
Loss on disposal of fixed asset	(8,797)
The repayment of long-term obligations consumes the financial resources of	
governmental funds, but it has no effect on net assets.	
Long-term debt repayment	895,965
Other post employment benefits funding	300,000
Change in Net Assets of Governmental Activities	\$274,432

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

<b>CHELMSFORD WATER DISTRICT</b>					Page 9
Governmental Funds - Statement of Revenues, Expenditures and Changes					
in Fund Balance - Budget and Actual					
For the Year Ended June 30, 2014		<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Variance</i>
		<i>General</i>	<i>Bond Debt</i>	<i>Retirement</i>	<i>Positive</i>
	<i>Budget</i>	<i>Fund</i>	<i>Fee Fund</i>	<i>Fund</i>	<i>(Negative)</i>
<b>REVENUES</b>					
Water Rates and Services	\$4,363,461	\$4,978,743			\$615,282
Bond Debt Fee Receipts	1,400,000		\$1,390,721		(9,279)
Interest Revenue		105,030	1,909	\$1,348	108,286
Increase Fair Value of Investments		25,383			25,383
Total Revenues	5,763,461	5,109,156	1,392,629	1,348	739,672
<b>EXPENSES</b>					
Salaries and Wages	1,414,000	1,366,192			47,808
Other Post Employment Benefits Expense	150,000	300,000			(150,000)
Retirement Fund Expense	350,000	350,000		772,540	(772,540)
Bonds, Interest & Fees Expense	1,366,231		1,364,416		1,815
Equipment and Building	275,000	236,763			38,237
Fuel, Light and Power	160,000	155,728			4,272
Group Insurance	270,000	242,997			27,003
FICA/Medicare Tax	16,000	15,794			206
Riverneck Rd Plant Operations	150,000	172,614			(22,614)
Crooked Springs Plant Operations	210,000	194,203			15,797
Smith St Plant Operations	160,000	93,811			66,189
Meters and Equipment	280,000	179,631			100,369
Water Treatment	3,000	1,745			1,255
Middlesex Retirement Assessment	227,230	227,230			0
General Insurance	110,000	91,513			18,487
Laboratory Testing	62,000	45,719			16,281
System Maintenance Reserve Expense	70,000	69,920			80
Trucks Backhoe and Machinery	75,000	64,419			10,581
New Service and Repairs	40,000	32,607			7,393
Professional Fees	55,000	44,868			10,132
Printing Advertising Stationery	50,000	29,180			20,820
Consulting and Engineering	35,000	31,069			3,931
Computer Office Equip Maintenance	35,000	35,401			(401)
Consumer Outreach	20,000	19,909			91
Police Hire	25,000	14,870			10,130
Telephone and Radio	22,000	23,582			(1,582)
D.E.P. Clean Water Assessment	8,000	7,229			771
Dues, License Certificates	10,000	7,669			2,331
Misc Equipment	5,000	3,942			1,058
Administration Misc and Transportation	5,000	2,248			2,752
Unemployment Compensation	5,000	2,559			2,441
Water Main Extensions	100,000	74,429			25,571
Investment Advisory Fees	0	15,493			(15,493)
Total Expenses	5,763,461	4,153,334	1,364,416	772,540	(526,829)
REVENUES OVER (UNDER) EXPENDITURES	0	955,822	28,214	(771,192)	212,843
Transfers General Fund to Capital Projects	(704,609)	(704,609)			0
Budgetary Fund Balance - Beginning of Year	4,717,975	2,840,764	1,106,019	771,192	
Budgetary Fund Balance - End of Year	\$4,013,366	\$3,091,976	\$1,134,233	\$0	\$212,843

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

<b>CHELMSFORD WATER DISTRICT</b>	Page 10
Statement of Fiduciary Net Assets - Other Post Employment Benefits Fund	
June 30, 2014	
<i>ASSETS</i>	
Current Assets	
Cash	\$300,058
Total Assets	
	\$300,058
<i>LIABILITIES</i>	
<i>NET ASSETS</i>	
Unappropriated Net Assets	\$300,058
Total Net Assets	300,058
Total Liabilities and Net Assets	\$300,058
<b>CHELMSFORD WATER DISTRICT</b>	
Statement of Changes in Fiduciary Net Assets - Other Post Employment Benefits Fund	
For the Year Ended June 30, 2014	
<i>ADDITIONS</i>	
Employer Contribution	\$300,000
Interest Income	58
Total Additions	300,058
Net Assets - Beginning of Year	0
Net Assets - End of Year	\$300,058
<b>SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT</b>	

**CHELMSFORD WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** – The Chelmsford Water District ("the District") is a municipality incorporated in the Commonwealth of Massachusetts with the purpose of providing water and related services to the residents and businesses of Chelmsford. The District is a separate municipality, distinct from the Town of Chelmsford. There are no component units included within the reporting entity. The basic operations of the District are financed by water rate and services charges. The District's financial statements include the accounts of all District operations. Inhabitants of the Town of Chelmsford who are qualified to vote in elections and town affairs are eligible to vote on matters concerning the District and to act on articles of the District.

**Summary of Significant Accounting Policies** - The following significant accounting policies were applied in the preparation of the accompanying financial statements:

**Basis of Accounting and Presentation** – The District reports its financial statements in accordance with both the Governmental Accounting Standards Board Statement 34 (GASB 34) and the Commonwealth of Massachusetts uniform reporting system. The financial statements include reconciliations that report the differences between the GASB 34 statements and the Commonwealth of Massachusetts statements. The two reporting standards are briefly described here.

**GASB 34** - This financial model includes the presentation of Management's Discussion and Analysis as well as Government-Wide financial statements that are prepared on the accrual method of accounting. Revenues are reported when earned and expenses are reported when incurred, regardless of when payments are either received or made. The accrual basis financial statements report capital assets and the related depreciation expense and accumulated depreciation. All liabilities are reported, including compensated absences and short and long term debt. The net assets (equity) is reported in five components: invested in capital assets, net of related debt, restricted for capital projects, restricted for bond debt fund, restricted for retirement fund and unrestricted net assets.

**COMMONWEALTH OF MASSACHUSETTS** – This financial model presents the District's governmental funds (the general fund, the bond debt fund, the retirement fund and the capital projects fund). Under this method, revenues are recorded when received and expenditures are recorded when they are paid. Accounts receivable are fully reserved until they are collected and recorded as income.

Capital assets and infrastructure are not recorded in the governmental funds. Funds used to acquire capital assets are accounted for as expenditures in the Capital Projects Fund in the fiscal year payment is made. Appropriation balances of capital projects are carried forward in the Capital Projects Fund until completion of the project or until unexpended balances are transferred to the General Fund by approval of the Annual Meeting. The governmental funds report the unreserved fund balance, commonly referred to as "Free Cash."

**Budgets and Budgetary Accounting** - The District's annual budget is a legally adopted budget that is approved at the District's Annual Meeting. Appropriations for the Capital Projects Fund are also approved at the Annual Meeting. Any budget overrides or additional appropriations must be approved at a specially called District Meeting.

**Capital Assets** - Capital assets, which include land, infrastructure, buildings, vehicles and office equipment, are reported in the Government-Wide financial statements at historical cost or estimated historical cost. Depreciation is provided using the estimated useful lives recommended by the Massachusetts Department of Revenue, Division of Local Services, Bureau of Accounts.

**Compensated Absences** - The District has a policy of buying back up to 120 days of a retiring employee's unused sick time if the employee was hired before July 1, 2006. Regular employees hired after July 1, 2006 may accumulate sick time for use during employment with the District but will not be compensated for unused sick time upon retirement.

**CHELMSFORD WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**District Funds** - The District categorizes its funds into governmental and fiduciary funds.

The following *governmental funds* are reported:

**Unrestricted Fund** - This primary operating fund is used for financial resources other than those that are required to be accounted for in another fund.

**Bond Debt Fund** - This fund reports receipts for “Bond Debt Fee” that all water takers pay based on the size of water service, regardless of water usage. The receipts are used to pay principal, interest and fees on the District’s debt.

**Retirement Fund** - This fund reported discretionary amounts that the District set aside to pay toward its unfunded actuarial accrued retirement liability at Middlesex County Retirement System. The fund was closed in 2014 when all of its funding was deposited with Middlesex County Retirement System.

**Restricted Capital Projects Fund** - This fund reports the activity for the appropriations and spending for construction projects or for acquiring assets.

**Invested in Capital Assets Fund** - This fund reports the historical cost of fixed assets less accumulated depreciation.

The following *fiduciary fund* is reported:

**Other Post Employment Benefits (OPEB) Fund** - This fund is an irrevocable trust fund established by the District in 2013 pursuant to Massachusetts General Laws. The fund can only be used to fund the District’s OPEB obligations.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The District considers all highly liquid investments with a maturity date of less than one year to be cash equivalents.

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2014, \$256,598 is due to the Bond Debt Fund and \$2,422,110 is due to the Capital Projects Fund from the General Fund/Unrestricted Fund.

**NOTE 4 - RETIREMENT PLANS**

Substantially all employees of the District are members of the Middlesex County Retirement System. The retirement system is funded by both employer and employee contributions. The District's annual contributions to the retirement system are calculated to pay current normal cost as well as unfunded actuarially calculated liabilities from prior years. In addition, employees contribute 5%, 7%, 8% or 9% of their base pay depending on when they entered the system. The District's contribution (as calculated by the Middlesex County Retirement System) for the year ended June 30, 2014 was \$227,230. In addition, the District voluntarily contributed \$350,000 from the General/Unrestricted Fund and \$772,540 from the Retirement Fund to Middlesex County Retirement System. These voluntary payments have been applied against the District’s unfunded actuarially accrued liability.

The District has a voluntary Section 457 retirement plan to which employees may make pre-tax contributions. The maximum employee contribution is adjusted annually per Federal tax regulations.

**CHELMSFORD WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the District for the year ended June 30, 2014 consisted of the following:

Description	Beginning Balance	Additions	(Disposals)	Reclassifications	Ending Balance
Land	\$683,807				\$683,807
Infrastructure	42,358,158	\$867,657		\$3,358,749	46,584,563
Buildings	396,000				396,000
Vehicles	801,017	37,909	\$(37,259)		801,667
Office Equipment	125,576				125,576
Capital Assets Under Construction	3,328,562	106,650		(3,358,749)	76,464
Total at Historical Cost	47,693,120	1,012,216			48,668,077
Less Accumulated Depreciation	13,371,979	1,135,090	(28,462)		(14,478,607)
Capital Assets, Net	\$34,321,141				\$34,189,470

Infrastructure additions include \$179,631 of meters that were budgeted as expenses but were capitalized as assets in accordance with generally accepted accounting principles. The ending balance of Capital Assets Under Construction consists primarily of water main projects and the garage addition.

**NOTE 6 - LONG TERM DEBT**

The following is a summary of the changes in long-term debt for the year ended June 30, 2014:

Description	Interest Rate	Beginning Balance	Paid Down	Ending Balance
Riverneck - pool 9	2.0%	\$3,181,648	\$241,648	\$2,940,000
Riverneck - pool 11	2.0%	210,443	14,317	196,126
Crooked Springs/Other	4.0 - 5.0%	8,540,000	640,000	7,900,000
Totals		\$11,932,091	\$895,965	\$11,036,126

Interest and fees expense of \$454,451 reported in the Statement of Activities reflects the accrual basis calculation of interest incurred during the year ended June 30, 2014 on long term notes, regardless of when the actual payments of interest were made by the District.

During the year ended June 30, 2014, the following breakdown of payments is reported as "Bonds, Interest and Fees" in the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances:

Riverneck pools 9 & 11—principal, interest and fees	\$338,978
Crooked Springs—principal and interest	816,250
Booster Station/Other—principal and interest	209,188
Total "Bonds, Interest and Fees"	\$1,364,416

**CHELMSFORD WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

**NOTE 6 - LONG TERM DEBT – (continued)**

The annual debt service requirements for principal and interest for Long Term Debt at June 30, 2014 are as follows:

Fiscal Years	Principal	Interest	Total
2015	\$899,606	\$432,160	\$1,331,766
2016	904,901	398,205	1,303,106
2017	915,202	362,138	1,277,340
2018	890,510	317,641	1,208,151
2019	905,823	275,261	1,181,084
2020-2024	4,689,041	832,823	5,521,864
2025-2027	1,831,042	153,141	1,984,183
Totals	\$11,036,126	\$2,771,369	\$13,807,495

As of June 30, 2014 the District has authorized and unissued debt as follows:

Purpose	Date of Vote	Original Authorization	Amount Issued	Amount Rescinded	Amount Unissued
Booster Station	January 28, 2008	\$1,500,000	\$800,000		\$700,000
Treatment Plant	January 28, 2008	2,500,000		\$1,220,000	1,280,000
Total		\$4,000,000	\$800,000	\$1,220,000	\$1,980,000

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS**

The District implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45) starting in the fiscal year ended June 30, 2010. As allowed by GASB 45, the District has established the net Other Post Employment Benefits (OPEB) obligation at zero at the beginning of that transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis. Fiscal year ended June 30, 2014 is the fourth year of implementation.

*Plan Description-* The District administers a defined benefit healthcare plan in conjunction with the Town of Chelmsford. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town of Chelmsford's group health insurance plan. Massachusetts General Laws Chapter 32B assigns authority for the Town of Chelmsford to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town of Chelmsford and the unions representing Town employees and are renegotiated each bargaining period. Although Chelmsford Water District employees are non-union, their benefits are consistent with those of Town employees. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy-* Contribution requirements are set by the Board of Water Commissioners and approved with a Special Meeting vote by the water takers of the District. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 60 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 40 percent of their premium costs.



**CHELMSFORD WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS – (continued)**

*Annual OPEB Cost and Net OPEB Obligation-* The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 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 over a period not to exceed thirty years. The components of the District's annual obligation are summarized in the following table:

Normal cost	\$75,865
Amortization of unfunded actuarial accrued liability	84,238
Annual OPEB cost (expense)	160,103
Contributions made	350,606
Decrease in net OPEB obligation	190,503
Net OPEB obligation- beginning of year	804,792
Net OPEB obligation- end of year	\$614,289

The District's annual OPEB expense, the percentage of annual OPEB expense contributed to the plan, and the net OPEB obligation for the fiscal years of OPEB reporting were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$160,103	219%	\$614,289
6/30/2013	\$160,103	32%	\$804,792
6/30/2012	\$285,098	19%	\$695,295
6/30/2011	\$285,098	19%	\$463,530
6/30/2010	\$285,098	19%	\$231,765

*Funded Status and Process-* As of July 1, 2012, the most recent actuarial valuation date, the actuarially accrued liability benefits was \$1,456,649 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,251,443 and the ratio of unfunded actuarially accrued liability to the covered payroll was 116%.

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 of 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 historical pattern of sharing of benefit costs between the employer and plan members to that point. Since the District has fewer than 100 employees, it has elected to use the alternative measurement method to calculate the actuarial valuations of its OPEB. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, actuarial liabilities were determined using the projected unit credit method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the District.

**CHELMSFORD WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

<b>NOTE 8 - COMMITMENTS AND CONTINGENCIES</b>
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The District has entered into certain contracts for garage construction, water main installations, improvements to existing water lines, improvements to water quality, purchase of vehicles and other similar projects.

In the last calendar quarter of 2013, the District began billing East Chelmsford Water District for water delivered into ECWD based on readings at the “pit meter” rather than at account locations within the East District. The new billing system has resulted in significantly greater billed amounts. The East District has refused to pay the full amounts billed, and has paid lower amounts. The District intends to continue asserting its claim for payment in full, and counsel for East District has threatened litigation in response. Due to the uncertainty regarding this dispute and the amount that may be ultimately realized, the District has not recorded any of the accounts receivable from the East District as of June 30, 2014.

CONCLUDED.

**CHELMSFORD WATER DISTRICT****Required Supplemental Information and Notes to Required Supplemental Information - June 30, 2014****OTHER POST-EMPLOYMENT BENEFITS**

<b>SCHEDULE OF FUNDING PROGRESS</b>		
Actuarial valuation date	7/1/12	7/1/09
Actuarial value of assets	0	0
Actuarial accrued liability (AAL)	\$1,456,649	\$2,936,775
Unfunded AAL (UAAL)	\$1,456,649	\$2,936,775
Funded ratio	0%	0%
Covered payroll	\$1,251,443	\$1,223,887
UAAL as a percentage of covered payroll	116%	240%
<b>ACTUARIAL METHODS</b>		
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar	Level Dollar
Remaining amortization period	30 years	30 years
<b>ACTUARIAL ASSUMPTIONS</b>		
Investment rate of return	4%	3%
Health care trend rate	5.42%-7.9%, graded to 5% over 10 years	9.5% or 10%, graded to 5% over 10 years

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>	6/30/14	6/30/13	6/30/12	6/30/11	6/30/10
Annual required contributions (ARC)	\$160,103	\$160,103	\$285,098	\$285,098	\$285,098
Actual contributions made	350,606	50,606	53,333	53,333	53,333
Percentage contributed	219%	34%	19%	19%	19%
<b>PLAN MEMBERSHIP</b>					
Current retirees, beneficiaries, and dependents	12	12	12	12	12
Current active members	19	18	19	20	21
Total	31	30	31	33	33

**NOTE A - OTHER POST-EMPLOYMENT BENEFITS**

The District administers a defined benefit healthcare plan that provides lifetime healthcare insurance for eligible retirees and their spouses through the Town of Chelmsford's health insurance plan, which covers both active and retired members. The District currently finances its other post-employment benefits (OPEB) on a "pay-as-you-go" basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards Board Statement 45 (GASB 45), the District 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 multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since 2010 was the District's initial year of implementation of GASB 45, information for years prior to 2010 is not available. Projections of benefits for financial reporting purposes are based on the substantive plan 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.

<b>CHELMSFORD WATER DISTRICT</b>						Page 18
Supplemental Schedule of Governmental Fund Balance - Capital Projects Activity						
For the Year Ended June 30, 2014						
		Transfers	Transfers	Transfers		
	Beginning	Within	From	(To)	Payments	Ending
	Balance	Capital	General	General	(Made)	Balance
		Projects	Fund	Fund	Net	
2013 4WD Pickup with Exterior Cab	\$38,000				(\$37,909)	\$91
2-way radio equipment	7,748			(\$228)	(7,520)	0
Access Tanks, Pump Stations, Wells	91,333	\$50,000			(17,590)	123,743
Barnes Terrace/Cranberry Bog	187,880			(187,780)		100
Booster Station Robin Hill Rd	290,644				(289,989)	655
Excavator	0		\$250,000			250,000
Infrastructure Upgrade	151,200				(8,955)	142,244
Jordan Pump Station	58,728				(54,410)	4,318
Locke Rd Steel Tank	202,843				(174,736)	28,107
Meadowbrook 3 Monitoring & Wetlands	15,405			(15,405)		0
Meadowbrook/Doral Main Loop	100,000		350,000		(15,062)	434,938
Media Replacement Riverneck Rd TP	0		375,000			375,000
Mill Rd Main Upgrade	124,215			(121,336)	(2,878)	0
New Garage	364,230	279,093			(25,632)	617,691
Rehabilitation of Pump Station Buildings	0	91,142			(8,995)	82,147
Repairs and Cleaning Amble & Robin Hill	110,000	(30,000)			(50,794)	29,206
Security System Upgrade	33,437	50,000			(28,848)	54,589
Smith Street Treatment Plant	144,623	(50,000)			21,521	116,144
Summit Tank Mixer	2,167			(2,167)		0
Summit Tank Repairs	58,137	(50,000)				8,137
Tank Mixer Amble Rd.	80,000			(23,460)	(56,540)	0
Tank Mixer Robin Hill Tank	0		80,000			80,000
Truck 4WD (2012)	14			(14)		0
Turnpike Rd Well Upgrade	75,000					75,000
Warren Pump Station	91,331	(61,141)			(30,190)	0
Water Meter Upgrade & Exchange	323,151	(279,093)			(44,058)	0
Totals	\$2,550,085	\$0	\$1,055,000	(\$350,391)	(\$832,585)	\$2,422,110