
ANNUAL REPORTS
of the
OFFICERS
Grafton Water District
for 2010



Serving your water needs
GRAFTON, MASSACHUSETTS

**REPORTS OF THE OFFICIALS OF THE
GRAFTON WATER DISTRICT
FOR THE YEAR 2010
DISTRICT ELECTED OFFICIALS**

BOARD OF WATER COMMISSIONERS

Alfred J. Corda,Term Expires 2011
Robert P. Sims, Chairman.....Term Expires 2012
Charles N. Bolack.....Term Expires 2013

MODERATOR

Jesse R. Dowd, Jr.....Term Expires 2011

CLERK

Patricia Ann Sims.....Term Expires 2011

EMPLOYEES

MANAGER.....Matthew E. Pearson
OFFICE MANAGER.....Kathleen S. Pelkey
OFFICE ASSISTANT.....Michelle Barnett
UTILITY OPERATOR.....John Hazelwood
UTILITY OPERATOR.....Dave Erickson
UTILITY OPERATOR.....Ron Festa

YEARLY APPOINTMENTS

TREASURER.....Joseph Meichelbeck
COUNSEL.....Mary Bassett

**Minutes of the Grafton Water District
Annual Meeting
Tuesday, April 27, 2010
Grafton Water District**

The meeting was called to order at 7:30 PM by Moderator Jesse Dowd, Jr.
The Clerk, Patricia Sims, read the requirements of the warrant.

Article 1 A motion was made by Commissioner Al Corda and seconded by Commissioner Robert Sims to see if the District will accept the annual Report of the District Commissioners. The moderator called for discussion. There was none. The moderator called for a vote and declared the motion carried unanimously.

Article 2 A motion was made by District Treasurer Joseph Meichelbeck and seconded by Al Corda to see if the that the District vote to accept the Annual Report of the District Treasurer. The moderator called for discussion. There was none. The moderator called for a vote and declared the motion carried unanimously.

Article 3 A motion was made by Al Corda and seconded by Robert Sims to see if the District vote to appropriate from the income of the District and accept the sum of one million nine hundred seventy one, eight hundred and fifty three dollars and no cents (\$1,971,850.00) as the Fiscal 2011 budget as printed in the Annual Report.

The moderator called for discussion. Joe moved to amend the article to read "... nine hundred seventy one thousand..." Al seconded.

The moderator called for a vote. The moderator declared the motion carried unanimously. The moderator called for a vote for the actual amended article, and the motion carried unanimously, yet again. The moderator declared the motion carried unanimously.

Article 4 A motion was made by Robert Sims and seconded by Joe Meichelbeck to see if the District will vote to authorize the Treasurer, with the approval of the Board of Water Commissioners, to borrow in anticipation of revenue under MGL Chapter 44, Section 4. The moderator called for discussion. There was none. The moderator called for a vote and declared the motion carried unanimously.

Article 5 A motion was made by Joseph Meichelbeck and seconded by Al Corda to see if the District will vote to authorize the Board of Water Commissioners to make pre-payments against existing loans. The moderator called for discussion. There was none. The moderator called for a vote and declared the motion carried unanimously.

Article 6 A motion was made by Charles Bolack and seconded by Al Corda to see if the District will vote to authorize the Board of Water Commissioners to offer to eligible District employees an employer contribution plan that matches a certain percentage of the employee contribution and to terminate or change the percentage of the contribution from year to year. The moderator called for discussion. There was none, amazingly. The moderator called for a vote and declared the motion carried unanimously.

Article 7 A motion was made by Robert Sims and seconded by Al Corda to see if the District will vote to raise and appropriate, borrow or transfer from available funds in the Treasury the sum of one hundred and ninety two thousand dollars and no cents (\$192,000.000) for all construction and related costs for approximately sixteen hundred feet (1600') of ductile iron water main water service stubs and appurtenances for new water service and potential customers on North Street, Grafton and to assess within the District By-Laws and Rues and Regulations to properties on North Street who are bettered by the said water mains, appurtenances and services. The moderator called for discussion. There was none. The moderator called for a vote and declared the motion carried unanimously.

A motion was made by Robert Sims and seconded by Al Corda to move to adjourn the meeting. The moderator declared the meeting adjourned at 7:36 PM.

Patricia Ann Sims, Clerk
Grafton Water District

Grafton Water District
Election Results
April, 2010

On April 27, 2010 the Grafton Water District held its annual election. The contest was for one commissioner for a term of three years, The candidate was incumbent Charles Bolack.

Results were: Charles Bolack 5 votes

Charles Bolack was elected for a three year term as water commissioner.

Respectfully submitted,

Patricia Ann Sims
Clerk
Grafton Water District

BOARD OF WATER COMMISSIONERS 2010 ANNUAL REPORT

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

During the past year the Commissioners worked on many projects:

1. The Board put out an RFP for a proposed solar panel “farm” at the Follette Street property. This may allow the District to received reduced electric rates for an extended period of time 20 – 40 years. This project will be reviewed in 2011 for construction.
2. The Board has researched the GASB 45 requirements for “post employee benefits” as required by federal law. A report will be compiled in the near future to meet the District’s obligations.
3. The Board accepted the use of an Intern from the New England Water Works Association for a six month term. The intern will be trained in the water supply industry and is available at no cost to the District.
4. The Board adopted a non-essential water use policy per the DEP requirements.
5. The District hired an independent auditing firm to perform the annual audit of the finances of the District and no discrepancies were found.
6. The Board continues to work with the Manager on the day-to-day operation of the District and wishes to thank him and the other employees for their dedication and professionalism.
7. The Board adopted the State Smart Plan for the employees establishing a 457 Plan to be used for retirement savings.
8. The Commissioners awarded two \$1,000 scholarships to Grafton High school students.

Board of Water Commissioners

Robert Sims, Chairman
Charles Bolack
Alfred Corda

YEAR 2006 THROUGH 2010 COMPARISON

YEAR	# OF SERVICES	GALLONS PUMPED	EMPLOYEES	PAYROLL
2010	4151	464,656,000	5.5	\$405,193
2009	4119	418,022,000	5.5	\$384,606
2008	4062	453,003,000	5.5	\$365,361
2007	4032	497,621,000	5.5	\$345,724
2006	3941	420,835,000	5.5	\$326,304
YEAR	INCOME	EXPENSES	DEBT PAYMENTS	DEBT BALANCE
2010	\$2,134,206	\$1,844,361	\$488,984	\$6,395,522
2009	\$2,206,816	\$1,800,045	\$488,233	\$6,612,625
2008	\$2,822,851	\$1,671,350	\$569,297	\$6,815,350
2007	\$2,158,999	\$1,511,741	\$508,088	\$8,078,469
2006	\$2,896,770	\$1,432,801	\$1,498,088	\$8,586,557
YEAR	EXTRA PAYMENTS	CONNECTION IMPROVEMENTS	CAPITAL IMPROVEMENTS	CONTRIBUTED CAPITAL
2010	0	\$281,912	\$237,560	\$448,740
2009	0	\$242,932	\$119,434	\$176,800
2008	\$1,051,139	\$516,427	\$1,696,951	\$650,500
2007	0	\$384,000	\$197,233	\$1,569,410
2006	\$850,000	\$1,062,000	\$583,675	\$322,250

MANAGERS REPORT 2010

The Grafton Water Districts rate of growth continues this year to be slow with only 32 new service connections. A majority of the water services installed were residential, resulting in a yearly increase in consumption of approximately 8,800 gallons per day. New construction has decreased over last year and it is anticipated that new connections will continue to be limited throughout 2011. There was an additional 3,610 feet of pipe added to the system this year.

The District pumped a total of 464,656,000 gallons of water during the year 2010 this was up from the previous year. This year's increase was a result of the extremely dry and hot July and August. The summer weather has a lot to do with our total years consumption, with dry weather comes more water use. This year was one of the worst summers for us in an effort to keep up with demand. It was the first year that the District instituted a water ban.

The following items address the projects that were worked on during the 2010 calendar year.

1. The District submitted its eleventh Consumer Confidence Report to the District customers. This report highlights the District and its water quality status. The District is pleased to report that the water in which the District supplies meets or exceeds all of the required testing parameters required by State and Federal government.
2. Private developers installed 1,750 feet of 8-inch water pipe within the District last year. Total contributed capital from contractor installations was \$157,500, which is calculated at \$90.00 per linear foot. This price includes testing, hydrants, valves, etc. The Water District installed 950 feet of 8-inch on Deernolm Street for a cost of \$105,000; 1,479 feet of 12-inch pipe on North Street for a cost of 162,000; 50 feet of 6 inch pipe on Martin Drive for a cost of \$3,000 and 340 feet of 6 inch pipe on Kay street for a cost of \$25,000.
3. A break under the diversion channel on Brigham Hill Road near the Quinsigamond River was repaired by installing 150 feet of new 12 inch pipe to replace old 10 inch pipe that had broken the year before.
4. The East Street well #2 was taken off line as result of the new Ground Water Rule. The well had tested positive for e-coli on the untreated side. The well is off-line until a new well can be installed adjacent to it. We hope that this will solve the problem. It was thought that the old well had a cracked seal and had influence from the swamp during warmer months.
5. The Worcester Street well was off line due to an e-coli detect on the untreated side. The problem was a dead squirrel adjacent to the well head. Improvements to the station were: a new concrete pad that slopes away from the building; gutters moved to deposit roof water away from the building and a general cleanup of the site where repair material was stored.
6. All meters in the system are radio read meters and can be read by computers in the vehicle.

7. Regular maintenance of the District facilities was done throughout the year. A new roof was installed on the office including new trim. The roof had signs of failure due to the hail storm and improper installation from the original construction.
8. The District continues to monitor Cronin Brook to see if the Follette street well pumping has any effect on the stream flow. This year's report is promising as it shows limited impact and at some times shows an increase to the stream level during pumping.
9. The District added several hydrants to dead end mains within the system. New hydrants were installed on Amherst Street, Martin Drive and Kay Street. These installations will allow the District to flush the system in the event of a bacteria problem.
10. Employees of the District continue to take courses that keep them abreast of changes in the industry. Each employee is mandated by the State to attend a certain number of training class hours. This participation is required to keep their licenses valid and to be able to continue employment at the District. All of the District water operators are licensed.
11. All of the hydrants in the system were flushed and checked for proper operation. Also, hydrants were greased, painted and maintained as needed throughout the year.
12. The Board of Water Commissioners continues to support local community activities by supplying water or other services during special events. The District supported the Grafton Gazebo Road Race, Lions Club Carnival, Grafton Common lawn watering, Household Hazardous Waste Day, Drinking Water Week in the school system, Grafton Land Trust and others.

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

Matthew E. Pearson
Manager

A handwritten signature in black ink, appearing to read "Matt", written in a cursive style.

2010 WATER PRODUCTION (GALLONS)

	2009	2010
Total Used	418,002,000	464,656,000
Largest Day	2,088,000	2,332,000
Average Day	1,145,000	798,000

MAIN EXTENSIONS

Deernolm Street	8"	950'
North Street	12"	1470'
Martin Drive	6"	50'
Flint Pond Drive	8"	1,400'
Paxton Ct.	8"	350'
Kay Street	6"	340'

WATER MAIN REPAIRS

Upton Street	12"	Samuel Drive	8"
East Street	6"	Janet Circle	8"
Janet Circle	6"		

WATER SERVICE REPAIRS

Cheryl Drive	¾	South Drive	¾
Jay	¾	Sunrise Ave (2)	¾
Seaver Farm Lane	¾		

SYSTEM MAINTENANCE

New Meters – 32	Hydrant Replaced – 2
Replacement Meters – 477	Total Services - 4151

**GRAFTON WATER DISTRICT
TREASURER'S REPORT
YEAR ENDING JUNE 30, 2010**

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

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

The balance of this report consists of:

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

Respectfully submitted,



Joseph R. Meichelbeck
Treasurer

PAYMENTS IN EXCESS OF \$2000.00
(07/01/2009 to 06/30/2010)

A/D Instrument Repair	5,196.90
Adams Corp.	3,734.00
Aggregate Industries	11,053.63
Bank of America	8,081.50
Borden & Remington Corp.	64,299.37
BP	2,357.42
Brox Industries, Inc.	2,886.06
Francis Casey	8,460.00
Saver's Cooperative	2,192.32
Classic Plumbing	5,415.90
NSTAR	2,659.89
Competitive Edge Services, Inc.	2,751.95
Dennis L. Maher Company, LLC	25,528.75
Commonwealth of Massachusetts DEP	4,229.78
Earthworks	121,853.85
Environmental Instrument Ser.	6,134.00
Exxon Mobil	10,273.46
Fallon Community Health Plan	10,038.00
Fallon Community Health Plan	47,980.00
USDA, Rural Development	92,838.00
Fay Spofford & Thorndike, Inc.	10,272.50
Flowrite	4,887.37
Graybar electric Company, Inc.	7,072.62
Hach Company	2,110.34
Haluch Water Contracting	12,520.90
Hirbour & Haynes, P. C.	4,400.00
H. R. Prescott & Sons, Inc.	6,372.97
Hydra Tech	5,400.00
IBA Printing	2,051.00
Joseph Meichelbeck	12,000.00
Koopman Home Center	6,335.00
Layne Christensen Company	10,905.00
Mann Chemical, LLC	4,058.67
Microbac Laboratories	12,257.00
MIIA Workers Comp. Group., Inc.	16,196.95
MWWA	2,345.00
National Grid	52,774.70
NCS	4,884.04
Nextel/Sprint	2,349.36
Matthew Pearson	2,500.00
Petty Cash	2,186.15

Grafton Postmaster	13,275.00
Principal Financial	8,055.61
Putnam Pipe Corp.	12,815.67
R. H. White Construction Company	5,334.21
Roy Bros. Oil & Propane	5,379.64
Savers Bank	25,270.91
Scott Pelkey	16,280.00
Seaver Bros.	50,656.00
Stantec Consulting Services	4,890.00
Staples	5,493.18
Stiles Company	30,862.06
Suez Energy Resources NA	114,651.70
Town of Grafton	17,000.00
Town of Grafton Police	9,464.14
Underwater Solutions	3,210.00
Verizon	4,221.02
W/M of Central Massachusetts	2,498.42
W. B. Mason	2,068.06
Whitinsville Water Company	7,604.95
Wright Pierce	11,500.41

GRAFTON WATER DISTRICT
Financial Statements
For the Year Ended June 30, 2010
And
Independent Auditor's Report

GRAFTON WATER DISTRICT
Financial Statements
For the Year Ended June 30, 2010
And
Independent Auditor's Report

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GRAFTON WATER DISTRICT
Management Discussion and Analysis
Year Ended June 30, 2010
Unaudited

As management of the Grafton Water District, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. The statements are prepared in accordance with Governmental Accounting Standards.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are presented in the format of a business-type activity referred to as an enterprise fund. Revenues and expenses are reported on the accrual basis. All changes to assets and liabilities are reported as soon as the underlying event giving rise to the transaction occurs, regardless of the timing of related cash flows. The statement of cash flows provides an analysis of the funds provided and used for the year outlining the cash requirements by segments of the activities.

FINANCIAL HIGHLIGHTS

	<u>June 30</u>	
	<u>2009</u>	<u>2010</u>
Total Assets	\$20,326,911	\$20,624,866
Total Liabilities	6,839,280	6,666,171
Net Assets	13,487,631	13,958,695
Operating Revenues	2,206,816	2,134,206
Operating Expenses	1,800,045	1,844,361
General Long-Term Debt	6,612,625	6,395,522

The slump in the housing market continues to negatively affect expansion and development. Connection fees and contributed capital improvements have continued to decline and operating revenue was lower for 2010 as a result of decreased water usage.

Positive cash flows provided payment of long-term capital debt. This reduced capital debt is approximately 3 percent. General obligation bonds issued June 1, 2007 provided for a financial guaranty by Ambac Assurance Corporation and were rated AAA by Standard and Poor's. Acquisitions are constantly being made to improve water quality and commitments to the community.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the operations of the Grafton Water District and its financial position. Questions concerning any information provided in the accompanying financial data should be addressed to the Grafton Water District, 44 Millbury Street, Grafton, MA 01519. The District also prepares an annual report of the officials, which can be obtained from the District's office.



Hirbour & Haynes, P.C.

Certified Public Accountants
Consultants

579 Pleasant Street • Suite 5
Paxton, MA 01612
Telephone (508) 752-3337
Fax (508) 752-3348

Independent Auditor's Report

Board of Water Commissioners
Grafton Water District
Grafton, Massachusetts

We have audited the general purpose financial statements of the Grafton Water District as of and for the year ended June 30, 2010 as listed in the foregoing Table of Contents. These financial statements are the responsibility of the District's 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Grafton Water District as of June 30, 2010 and the results of operations and changes in cash flows for the year 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 August 2, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

The Management Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board and includes financial statement data.

Hirbour & Haynes, P.C.
Paxton, Massachusetts

August 2, 2010

GRAFTON WATER DISTRICT

Balance Sheet

June 30, 2010

ASSETS

CURRENT ASSETS

Cash and Equivalents	\$ 1,132,424
Accounts Receivable – Net	406,404
Betterments Receivable	<u>165,461</u>
	<u>1,704,289</u>

PROPERTY AND EQUIPMENT – NET	<u>18,920,577</u>
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TOTAL ASSETS	<u>\$20,624,866</u>
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LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 105,188
General Obligation Bonds Payable – Current Portion	216,715
Deferred Revenue – Betterments	<u>165,461</u>
	487,364

GENERAL OBLIGATION BONDS PAYABLE – Long-Term	<u>6,178,807</u>
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TOTAL LIABILITIES	<u>6,666,171</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	12,525,055
Fund Equity	<u>1,433,640</u>

TOTAL NET ASSETS	<u>\$13,958,695</u>
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The accompanying notes are an integral part of the financial statements.

GRAFTON WATER DISTRICT

Statement of Revenues, Expenses and Changes in Fund Equity

Year Ended June 30, 2010

OPERATING REVENUES	
Water Rates	\$ 1,852,294
Other Charges and Fees	<u>281,912</u>
	<u>2,134,206</u>
 OPERATING EXPENSES	
Payroll	405,193
Service and Distribution	705,200
Depreciation	<u>733,968</u>
	<u>1,844,361</u>
 OPERATING INCOME	 289,845
 NON-OPERATING REVENUE AND EXPENSE	
Interest Income	3,295
Contributed Capital (Acquired Improvements)	448,740
Interest Expense	<u>(270,816)</u>
 CHANGES IN NET ASSETS	 471,064
 Net Assets, Beginning of Year	 <u>13,487,631</u>
 NET ASSETS, END OF YEAR	 <u>\$13,958,695</u>

The accompanying notes are an integral part of the financial statements.

GRAFTON WATER DISTRICT

Statement of Cash Flows

Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 2,164,529
Payments to Suppliers and Services	(664,893)
Payments to Employees	<u>(400,441)</u>
Net Cash Provided by Operating Activities	<u>1,099,195</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Contributed Capital Improvements, Net of Addition to Property of \$448,740	-
Purchases of Property and Equipment	(237,560)
Principal Paid on Capital Debt	(217,103)
Interest Paid	<u>(271,881)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(726,544)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>3,295</u>
Cash Balance, Beginning of Year	<u>756,478</u>

CASH BALANCE, END OF YEAR

\$ 1,132,424

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income	\$ 289,845
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	733,968
Changes in Assets and Liabilities – Net:	
Receivables	(30,323)
Accounts Payable and Accrued Expenses – Operating	<u>105,705</u>
Net Cash Provided by Operating Activities	<u>\$ 1,099,195</u>

The accompanying notes are an integral part of the financial statements.

GRAFTON WATER DISTRICT

Notes to Financial Statements

Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Grafton Water District is a governmental organization established by a special act of the Commonwealth of Massachusetts in 1984. Its purpose is to provide water and related services to the inhabitants of the Town of Grafton. The accounting policies of the Grafton Water District conform to generally accepted accounting principles applicable to government entities. The following is a summary of significant accounting policies which is presented to assist the reader in interpreting the financial statements and other data in this report.

BASIS OF REPORTING

The financial statements have been prepared in conformity with the requirements of *Governmental Accounting and Financial Reporting Standards* issued by the Governmental Accounting Standards Board. The accompanying financial statements have been prepared utilizing the presentation of a proprietary fund.

BASIS OF ACCOUNTING

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

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures. Actual results may differ from these estimates.

Cash and Cash Equivalents

The Water District considers all highly liquid investments including Certificates of Deposits with a maturity of ninety (90) days or less to be cash equivalents.

Receivables

The accounts receivable are carried net of an allowance for doubtful accounts of \$29,099.

GRAFTON WATER DISTRICT

Notes to Financial Statements

Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Inventories

Inventories of supplies and spare parts are considered to be expenditures at the time of purchase and are not included in the balance sheet.

Fixed Assets

Property and equipment are capitalized and depreciated over the estimated useful lives on a straight-line basis. Certain additions to the water system are often constructed by third parties and become extensions that are added to the Water District facilities. These assets are recognized at estimated values for the acquired improvements as contributed capital when they are designated Water District property.

Budget

The Water District controls operations through an annual budget process and the appropriation of funds to finance expenses based upon available revenues. The actual budget is inclusive of debt principal payments and capital expenditures but excludes depreciation expense. Accordingly, a budget to actual income and expense statement is not included in this report since it is not comparable to the statement of operations.

NOTE B – DEPOSITS AND INVESTMENTS

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

GRAFTON WATER DISTRICT

Notes to Financial Statements

Year Ended June 30, 2010

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Cash and Equivalents

The carrying amount of the Water District's deposits is separately displayed on the balance sheet as "cash and equivalents." The carrying amount represents reconciled book balances.

	<u>June 30, 2010</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 252,284	\$ 251,934
Uninsured	880,140	862,062
Total	<u>\$ 1,132,424</u>	<u>\$ 1,113,996</u>

Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and deposits in Massachusetts-chartered savings banks are insured in full above the FDIC limit from the State Insurance Fund of Massachusetts. FDIC insurance coverage is generally less than the Water District's normal carrying amount of cash deposits. The Water District utilizes two financial institutions for banking purposes.

NOTE C – PROPERTY AND EQUIPMENT – NET

The following tabulation summarizes the Water District property and equipment and related depreciation:

	<u>Carrying Amount</u>	<u>Accumulated Depreciation</u>	<u>Balance</u>
Water System and Improvements	\$17,391,157	\$ 6,236,491	\$11,154,666
Contributed Capital Additions	8,372,142	1,553,270	6,818,872
Operations Center	278,076	172,407	105,669
Office Furniture and Equipment	21,543	21,543	-
Vehicles	122,764	115,292	7,472
Land	833,898	-	833,898
Totals	<u>\$27,019,580</u>	<u>\$ 8,099,003</u>	<u>\$18,920,577</u>

Generally, the useful lives of the assets for depreciation purposes are as follows:

Water System and Improvements	20 to 40 years
Operations Center	25 years
Furniture and Equipment	5 years
Vehicles	3 years

GRAFTON WATER DISTRICT

Notes to Financial Statements

Year Ended June 30, 2010

NOTE D – GENERAL OBLIGATION BONDS PAYABLE

The following is a summary of changes in long-term loans payable for the year:

<u>Description and Interest</u>	<u>Due Date</u>	<u>Balance July 1, 2009</u>	<u>Payments</u>	<u>Balance June 30, 2010</u>
4.10%	06/01/27	\$ 5,010,000	\$ 195,000	\$ 4,815,000
4.50%	01/27/42	<u>1,602,625</u>	<u>22,103</u>	<u>1,580,522</u>
Totals		<u>\$ 6,612,625</u>	<u>\$ 217,103</u>	<u>\$ 6,395,522</u>

The annual requirement to amortize the aforementioned loans, including interest, at June 30, 2010 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 216,715	\$ 272,268	488,983
2012	226,715	264,468	491,183
2013	232,692	255,291	487,983
2014	243,713	245,870	489,583
2015	254,780	236,003	490,783
2016-2020	1,426,661	1,017,450	2,444,111
2021-2025	1,746,536	703,774	2,450,310
2026-2030	1,314,998	334,858	1,649,856
2031-2035	274,157	206,140	480,297
2036-2040	354,215	122,534	476,749
2041-2043	<u>104,340</u>	<u>38,968</u>	<u>143,308</u>
Totals	<u>\$ 6,395,522</u>	<u>\$ 3,697,624</u>	<u>\$10,093,146</u>

SUPPLEMENTAL INFORMATION

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects only when considered in conjunction with the basic financial statements taken as a whole.



Hirbour & Haynes, P.C.

Certified Public Accountants
Consultants

579 Pleasant Street • Suite 5
Paxton, MA 01612
Telephone (508) 752-3337
Fax (508) 752-3348

**Report On Compliance And On Internal Control Over Financial Reporting
Based On An Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Water Commissioners
GRAFTON WATER DISTRICT
Grafton, Massachusetts

We have audited the financial statements of the Grafton Water District as of and for the year ended June 30, 2010 and have issued our report thereon dated August 2, 2010. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hirbour & Haynes, P.C.
Paxton, Massachusetts

August 2, 2010

MARY E. BASSETT
Attorney at Law

of counsel to:

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

Telephone: 978-369-2252
Fax: 978-369-6989
Email: lawmbs@aol.com

February 16, 2011

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

RE: Legal Services

Dear Members of the Board:

Once again, I have been honored to serve as Counsel to the Grafton Water District this fiscal year 2010. Although I have consulted with you and the District Manager on several legal matters, I am pleased to report to you that, to my knowledge, there are no pending or threatened legal actions.

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

Sincerely yours,


Mary E. Bassett

**COMMONWEALTH OF MASSACHUSETTS
GRAFTON WATER DISTRICT
WARRANT**

Worcester, ss:

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

Greetings:

In the name of the Commonwealth of Massachusetts, you are directed to notify and warn the voters of the territory included within the boundaries of that Grafton Water District in the Town of Grafton, as established by Chapter 135 of the Acts of 1984 and amended by Chapter 427 of the Acts of 1987, to meet at the office of the Grafton Water District on Tuesday the twenty sixth of April 2011, A. D., at seven thirty o'clock, p.m., to act on the following articles hereinafter mentioned.

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

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

Article 3. To see if the District will vote to appropriate from the income of the District and accept the sum of \$1,963,120.00 as the Fiscal 2012 budget as printed in the Annual Report or take any action relative thereto.

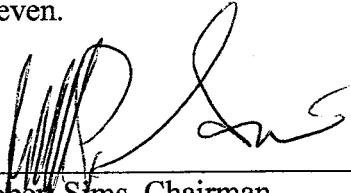
Article 4. To see if the District will vote to authorize the Treasurer, with the approval of the Board of Water Commissioners, to borrow in anticipation of revenue under MGL Chapter 44, Section 4, a sum or take any action relative thereto.

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

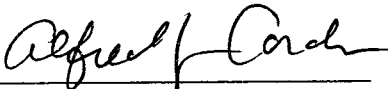
And you are directed to serve the warrant by posting attested copies thereof in two or more public places in the territory of the Grafton Water District at least fourteen days before the time of said meeting.

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

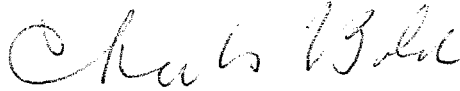
Given under our hands this 5TH day of April in the year of our Lord Two Thousand and Eleven.



Robert Sims, Chairman



Alfred Corda, Commissioner



Charles Bolack, Commissioner

**Grafton Water District
Annual Budget**

	2010-2011 Budget	2011-2012 Proposal	Change
Maintenance & Operation			
Salaries	\$ 386,103	\$ 398,420	3.1%
Benefits	146,800	\$ 148,250	1.0%
Maintenance	187,500	\$ 219,000	14.4%
Utilities	192,000	\$ 187,000	-2.7%
Chemicals	46,500	\$ 46,000	-1.1%
Engineering Services	20,000	\$ 20,000	0.0%
Miscellaneous	6,650	\$ 6,150	-8.1%
Sub Total	\$ 985,553	\$ 1,024,820	3.8%
Administrative Expenses			
Office & Supplies	\$ 47,500	\$ 51,000	6.9%
Insurance	14,000	\$ 14,500	3.4%
Accounting	5,000	\$ 6,000	16.7%
Legal	6,000	\$ 4,000	-50.0%
Officers Fee	3,500	\$ 3,500	0.0%
Moderator's Fee	300	\$ 300	0.0%
Treasurer's Fee	12,000	\$ 12,000	0.0%
Sub-Total	\$ 88,300	\$ 91,300	3.3%
Debt Service	\$ 488,000	\$ 491,000	0.6%
Capital			
Gen. System Improvements	\$ 150,000	\$ 150,000	
Meters	140,000	\$ 5,000	
Road Sign		\$ 16,000	
Water Main Improvements	-	185,000	
Deernolm	120,000		
Sub-Total	\$ 410,000	\$ 356,000	-13%
Total Expenditures	\$ 1,971,853	\$ 1,963,120	-0.4%
Total Revenue(Anticipated)	\$ 1,890,000	\$ 1,885,000	-0.3%

Commonwealth of Massachusetts

Grafton Water District

Annual Election

Worcester, ss:

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

Greetings:

In the name of the Commonwealth of Massachusetts, you are directed to notify and warn the voters, qualified to vote in elections, of the territory included within the boundaries of the Grafton Water District in the Town of Grafton, as established by Chapter 135 of the Acts of 1984 and amended by Chapter 427 of the Acts of 1987, to meet at the Grafton Water District, 44 Millbury Street on Tuesday, the twenty-sixth day of April 2011, AD at 5:15 o'clock PM (polls open from 5:15 PM to 7:15 PM) to cast their votes for the following officers:

One Commissioner for a term of three years

One Clerk for a term of three years

One Moderator for a term of three years

And you are directed to serve this notice by posting copies thereof as outlined in the District By-Laws in the territory of the Grafton Water District at least fourteen days before the time of said election.

A True Copy, Attest

Patricia Ann Sims - Clerk
Grafton Water District

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