

**DEDHAM-WESTWOOD WATER DISTRICT**  
**Financial Statements**  
**For the Year Ended December 31, 2012**  
**(With Independent Auditors' Report Thereon)**



MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Dedham-Westwood Water District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Dedham-Westwood Water District (the District) as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Dedham-Westwood Water District, at December 31, 2012, and the respective changes in financial position and cash flows thereof 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 Management's Discussion and Analysis and Schedule of Funding Progress (page 3 and page 22 respectively) 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 evidence sufficient to express an opinion or provide any assurance.

*Melanson, Heath + Company P.C.*

May 22, 2013

**Dedham Westwood Water District**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Dedham-Westwood Water District's (the District) annual financial report, District management offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2012.

The District provides water supply services to approximately 13,000 service connections, and approximately 38,000 people, through metered sales in the communities of Dedham and Westwood. The District is responsible for operating and maintaining the water supply system, providing ongoing capital improvements, and for providing the highest quality water product to its customers at the lowest possible price.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements of the District include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses and Changes in Fund Net Position, (3) the Statement of Cash Flows, and (4) Notes to Financial Statements.

The Statement of Net Position is designed to indicate the District's financial position as of a specific point in time. This statement presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. At December 31, 2012, it indicates the District's net worth as \$44.2 million, which comprises \$33.4 million invested in capital assets and \$10.8 million unrestricted.

The Statement of Revenues, Expenses, and Changes in Fund Net Position summarizes operating and non-operating revenues and expenses for the year, reveals how much, if any, profit was earned for the year, and determines the net change in position for the year. That change combined with the previous year-end net position total reconciles to the net position total at the end of the current year. As discussed in more detail below, District net income for 2012 was \$1,843,495.

The Statement of Cash Flows reports cash and cash equivalents activity for the year resulting from operating activities and capital and related financing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current year. A review of the District's Statement of Cash Flows indicates that the cash receipts from operating activities adequately covered District operating expenses in 2012.

The District's financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus, and the accrual basis of accounting are used. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cashflows.

## **B. FINANCIAL HIGHLIGHTS**

As of the close of the current year, the total assets exceeded liabilities by \$44,240,682 (i.e., net position), a change of \$1,843,495 in comparison to the prior year. The increase in net position is primarily attributable to continuing positive operating results.

Operating revenues were \$8,490,022 for the District in 2012, a 2.9% increase from 2011. This change was primarily due to increased residential water revenues, derived from a relatively warm and dry summer in 2012 and an unbudgeted increase in 'Special Revenues' (access fees), resulting from recent commercial and residential developments in Dedham and Westwood.

District operating expenses were \$6,559,880 in 2012, an overall increase of 1.7% from 2011, primarily resulting from an increase in labor costs and increased fuel/power costs related to a dry and warm summer.

The District's Statement of Cash Flows identifies the sources and uses of cash activity for the year. In 2012, District cash and cash equivalents increased by \$1,091,132 primarily due to reductions in cash outlay for both capital acquisitions and principal payments on bonds payable.

## **C. FINANCIAL ANALYSIS**

The following is a summary of condensed financial data for the current and prior years.

SUMMARY OF NET POSITION

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 11,720	\$ 10,509
Capital assets	41,374	41,771
Deferred outflows	<u>74</u>	<u>99</u>
Total assets and deferred outflows	53,168	52,379
Current liabilities	1,913	1,736
Noncurrent liabilities	6,890	8,101
Deferred outflows	<u>124</u>	<u>145</u>
Total liabilities and deferred inflows	8,927	9,982
Net position:		
Net investment in capital assets	33,438	32,436
Unrestricted	<u>10,803</u>	<u>9,961</u>
Total net position	<u>\$ 44,241</u>	<u>\$ 42,397</u>

SUMMARY OF CHANGES IN NET POSITION

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 8,490	\$ 8,254
Investment income	31	19
Lease revenue	<u>148</u>	<u>144</u>
Total revenue	8,669	8,417
Operating expense	6,560	6,451
Interest on long-term debt	<u>265</u>	<u>308</u>
Total expenses	6,825	6,759
Change in net position	1,844	1,658
Net position - beginning of year	<u>42,397</u>	<u>40,739</u>
Net position - end of year	<u>\$ 44,241</u>	<u>\$ 42,397</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$44,240,682, a change of \$1,843,495 from the prior year.

The largest portion of net position \$33,438,023 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**D. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District continues to aggressively respond to infrastructure funding needs throughout the water system. Total investment in capital assets at year end amounted to \$41,373,967 (net of accumulated depreciation), a change of \$(397,307) from the prior year. In 2012, the District's capital asset additions totaled approximately \$1,150,271, and included installation of water mains and services, well redevelopments, and installation of water meters.

**Debt Plan**

The District has substantially reduced its total debt service levels in the last seven years, from \$18.3 million in 2005 to \$8.7 million (includes principal and interest) at the end of 2012. In August, 2010, the District bonded \$3.05 million in new debt that will fund infrastructure improvements that include 9,400 feet of water mains, replacement of customer service lines, water meters, and a treatment plant oil tank. In 2011, the District received a 10-year no-interest loan (\$510,500.) from the MWRA for application to capital projects. On April 23, 2010, the District received an upgrade in its underlying debt rating (Moody's) from Aa3 to Aa2 for its general obligation debt.

As of December 31, 2012, the District has four series of general obligation bonds outstanding totaling \$7,929,450. Maturities by issue are as follows:

	<u>2012</u>
Series D through 2021	\$ 459,450
Series E through 2019	1,400,000
Series F through 2016	2,820,000
Series G through 2020	<u>3,250,000</u>
Total	<u>\$ 7,929,450</u>

**E. GASB STATEMENT 45**

GASB 45 relates to the accounting and disclosure for Other Post-employment Benefits (OPEB) provided by the District to its current and retired employees. In 2006, the District assumed direct responsibility for all personnel costs including OPEB. As of December 31, 2012, the District has no retired employees. GASB 45 requires the disclosure of the actuarial valuation of the District's postemployment obligation and requires a financial liability to be recorded when the actuarial cost of benefits exceeds the amount paid by the District. In March, 2011, the District



Board of Commissioners approved a "closed-loop" OPEB plan which will provide post-retirement benefits for a specific group of 17 (both union and non-union) staff. In April, 2008, the District contracted with the Segal Company to provide actuarial consulting services regarding OPEB statements for the District, and to assist in assuring compliance with GASB 45 requirements. In 2011, Segal updated the District's OPEB actuarial valuation as of December 31, 2010. In late 2011, District Commissioners approved OPEB budgets for both 2011 and 2012, and engaged an OPEB legal consultant to advise them regarding the benefits of establishing an OPEB irrevocable trust as compared to a non-trust OPEB fund. As of December 31, 2012, no final decision regarding an OPEB irrevocable trust had been rendered by the Board of Commissioners. However, in early 2013, the Board authorized a Request for Proposal (RFP) for OPEB investment advisory services, and on February 27, 2013, VALIC Financial Advisors, Inc. favorably responded to the RFP, and is currently prepared to assist the Board regarding funding options for an OPEB irrevocable trust account. Additional information on OPEB costs can be found in the Notes to Financial Statements Note 13.

### **REQUESTS FOR INFORMATION**

This information is designed to provide a general overview of the District's finances for all those with an interest in those finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Dedham-Westwood Water District  
50 Elm Street, P.O. Box 9137  
Dedham, MA 02027-9137

DEDHAM-WESTWOOD WATER DISTRICT  
 BUSINESS-TYPE PROPRIETARY FUND  
 COMPARATIVE STATEMENT OF NET POSITION

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$ 9,687,441	\$ 8,596,309
Accounts receivable	1,510,315	1,423,022
Other assets	464,572	420,231
Noncurrent:		
Bond issue costs	57,460	69,034
Capital assets		
Land	1,799,332	1,799,332
Other capital assets, net of accumulated depreciation	39,574,635	39,971,942
Deferred outflows of resources	74,309	99,079
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>53,168,064</b>	<b>52,378,949</b>
<b>LIABILITIES</b>		
Current:		
Accounts payable	172,512	114,661
Accrued expenses	314,475	178,404
Current portion of long-term liabilities:		
Bonds payable	1,391,050	1,406,050
Compensated absence	34,787	37,028
Noncurrent:		
Bonds payable, net of current portion	6,538,400	7,929,450
Accrued other post employment benefits	351,826	170,885
Deferred inflows of resources	124,332	145,284
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>8,927,382</b>	<b>9,981,762</b>
<b>NET POSITION</b>		
Net investment in capital assets	33,438,023	32,435,776
Unrestricted	10,802,659	9,961,411
<b>TOTAL NET POSITION</b>	<b>\$ 44,240,682</b>	<b>\$ 42,397,187</b>

See notes to financial statements

DEDHAM-WESTWOOD WATER DISTRICT  
 BUSINESS-TYPE PROPRIETARY FUND  
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
User charges	\$ 8,308,482	\$ 8,127,213
Miscellaneous	<u>181,540</u>	<u>126,776</u>
Total Operating Revenues	8,490,022	8,253,989
<b>Operating Expenses:</b>		
Direct labor	2,142,985	2,038,174
Depreciation	1,541,331	1,488,480
Fuel and power	662,063	649,428
Other operating costs	615,286	544,392
Repairs and maintenance	313,776	398,127
Pension assessment	346,793	328,807
Health care	308,307	325,607
Other employee benefits	240,698	227,234
Chemicals	112,794	116,203
General insurance	94,349	113,037
Transportation, heat, electric	80,272	90,834
Temporary help	36,352	50,359
Payroll tax	40,198	42,015
Water conservation	<u>24,676</u>	<u>38,476</u>
Total Operating Expenses	<u>6,559,880</u>	<u>6,451,173</u>
Operating Income	1,930,142	1,802,816
<b>Other Income (Expenses):</b>		
Lease revenue	147,695	144,119
Interest income	30,518	19,275
Interest expense	<u>(264,860)</u>	<u>(308,009)</u>
Total Other Income (Expenses)	<u>(86,647)</u>	<u>(144,615)</u>
Net Income	1,843,495	1,658,201
Net Position at Beginning of Year	<u>42,397,187</u>	<u>40,738,986</u>
Net Position at End of Year	<u>\$ 44,240,682</u>	<u>\$ 42,397,187</u>

See notes to financial statements.

DEDHAM-WESTWOOD WATER DISTRICT  
 BUSINESS-TYPE PROPRIETARY FUND  
 COMPARATIVE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Receipts from customers and users	\$ 8,358,386	\$ 8,201,169
Payments to vendors and employees	<u>(4,645,926)</u>	<u>(4,793,516)</u>
Net Cash Provided By Operating Activities	3,712,460	3,407,653
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>		
Proceeds from issuance of bonds	-	510,500
Acquisition and construction of capital assets, net of disposition	(1,144,023)	(2,710,704)
Principal payments on bonds payable	(1,406,050)	(1,615,000)
Amortization of debt related costs	15,392	15,393
Interest expense	<u>(264,860)</u>	<u>(308,008)</u>
Net Cash Used For Capital and Related Financing Activities	(2,799,541)	(4,107,819)
<b><u>Cash Flows From Investing Activities:</u></b>		
Lease revenue	147,695	144,119
Investment income	<u>30,518</u>	<u>19,274</u>
Net Cash Provided by Investing Activities	178,213	163,393
Net Change in Cash and Cash Equivalents	1,091,132	(536,773)
Cash and Cash Equivalents, Beginning of Year	<u>8,596,309</u>	<u>9,133,082</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,687,441</u>	<u>\$ 8,596,309</u>
<b><u>Reconciliation of Operating Income to Net Cash:</u></b>		
Operating income	\$ 1,930,142	\$ 1,802,816
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	1,541,331	1,488,480
Accounts receivable	(87,294)	(2,572)
Other assets	(44,342)	(20,877)
Accounts payable	57,852	52,080
Accrued expenses	136,071	(57,735)
Accrued other post employment benefits	180,941	170,885
Deferred revenue	-	(29,371)
Compensated absences	<u>(2,241)</u>	<u>3,947</u>
Net Cash Provided By Operating Activities	<u>\$ 3,712,460</u>	<u>\$ 3,407,653</u>

See notes to financial statements.

# DEDHAM-WESTWOOD WATER DISTRICT

## Notes to Financial Statements

### 1. Reporting Entity

The District is a government instrumentality created by Chapter 193 of the Acts of 1985 of the Commonwealth of Massachusetts (the Enabling Act) for the purpose of supplying the Towns of Dedham and Westwood, Massachusetts, with water and providing water treatment works and facilities. Pursuant to the Enabling Act, the District was organized on July 24, 1985. The Enabling Act requires that a six-member Board of Water Commissioners exercise the management and control of the District. The Boards of Selectmen from the Towns of Dedham and Westwood each select three residents from their respective towns to serve as water commissioners.

### 2. Summary of Significant Accounting Policies

The accounting policies of the Dedham-Westwood Water District (the District) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies followed by the District:

#### A. Basis of Presentation

The operations of the District are accounted for as an enterprise fund. The District's financial statements are reported on an accrual basis of accounting as specified by the GASB requirements for an enterprise fund. The accrual basis of accounting recognizes revenues when earned and recognizes expenses when the related liability is incurred, regardless of when the related cash flow takes place.

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2011.

#### B. Operating Revenue and Expense

Operating revenue consists of billings for metered and unmetered water supplied to residential, commercial, and industrial entities; water system access fees; sales to public authorities; water property; and other water

related services. The District bills users of the system on a cycle basis and unbilled revenue is accrued for as of December 31, 2012. Accounts receivable reported in the Statement of Net Position are net of estimated uncollectible accounts. All other revenue is considered nonoperating.

Operating expenses include costs to provide water services.

C. Inventories

Inventories are valued at cost using the weighted average cost method. The costs of inventories are recorded as expenditures when purchased rather than when consumed.

D. Capital Assets

Capital assets are stated at historical cost. Depreciation expense is calculated on the straight-line method over the estimated useful lives of the assets. Major betterments or renewals are capitalized and depreciated over their estimated useful lives. The District capitalizes interest costs as part of constructing transmission and distribution facilities; however, the District did not have any material construction in progress or capitalized interest costs in 2012.

Estimated useful lives used in computing depreciation are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and improvements	5 - 60 years
Machinery and equipment	5 - 25 years
Infrastructure	5 - 75 years

E. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation pay benefits. All vested vacation pay is accrued when incurred. A liability for these amounts is reported in the Financial Statements.

F. Fund Equity

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The remaining net position is reported as unrestricted.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Bond Issue Costs

Expenses related to the issuance of bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method.

I. Unrestricted Net Position

Included in the unrestricted net position of \$10,802,659 at December 31, 2012 is a board-designated stabilization fund of \$1,800,000.

3. Cash and Cash Equivalents

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the District's deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." As of December 31, 2012, \$48 of the District's bank balance of \$9,733,411 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the District's name.

4. Accounts Receivable

Accounts receivable consists of the following at December 31, 2012:

	<u>2012</u>	<u>2011</u>
Customer Accounts:		
Billed	\$ 822,606	\$ 743,781
Unbilled	<u>687,709</u>	<u>679,241</u>
Total receivables	<u>\$ 1,510,315</u>	<u>\$ 1,423,022</u>

## 5. Other Assets

Other assets consist primarily of the following:

	<u>2012</u>	<u>2011</u>
Miscellaneous accounts receivable	\$ 41,952	\$ 23,078
Prepaid pension assessment	177,588	169,204
Inventory	161,203	158,754
Prepaid expenses	83,629	67,861
Other	<u>200</u>	<u>1,334</u>
Total other assets	<u>\$ 464,572</u>	<u>\$ 420,231</u>

## 6. Capital Assets

The following is a summary of the 2012 activity in capital assets (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,246	\$ 214	\$ -	\$ 19,460
Machinery, equipment, and furnishings	11,838	550	(119)	12,269
Infrastructure	<u>32,911</u>	<u>386</u>	<u>(8)</u>	<u>33,289</u>
Total capital assets, being depreciated	63,995	1,150	(127)	65,018
Less accumulated depreciation for:				
Buildings and improvements	(4,969)	(477)	-	(5,446)
Machinery, equipment, and furnishings	(8,525)	(533)	119	(8,939)
Infrastructure	<u>(10,529)</u>	<u>(531)</u>	<u>2</u>	<u>(11,058)</u>
Total accumulated depreciation	<u>(24,023)</u>	<u>(1,541)</u>	<u>121</u>	<u>(25,443)</u>
Total capital assets, being depreciated, net	39,972	(391)	(6)	39,575
Capital assets, not being depreciated:				
Land	<u>1,799</u>	<u>-</u>	<u>-</u>	<u>1,799</u>
Total capital assets, not being depreciated	<u>1,799</u>	<u>-</u>	<u>-</u>	<u>1,799</u>
Governmental activities capital assets, net	<u>\$ 41,771</u>	<u>\$ (391)</u>	<u>\$ (6)</u>	<u>\$ 41,374</u>

## 7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

In 2004, the District refunded bonds issued in 1986 and 1988. This resulted in a deferred loss of \$297,239, which was to be amortized over 12 years. The current and non-current portion of the deferred loss at December 31, 2012 is \$24,770 and \$49,539, respectively, totaling \$74,309.



8. **Accounts Payable**

Accounts payable represent 2012 expenditures paid in 2013.

9. **Accrued Expenses**

Accrued expenses consist of the following:

	<u>2012</u>	<u>2011</u>
Accrued payroll	\$ 53,444	\$ 49,109
Accrued interest	50,126	58,316
Accrued unbilled items	35,536	1,358
Accrued Purch Water - MWRA	105,083	18,156
Other accrued liabilities	<u>70,286</u>	<u>51,465</u>
Total accrued expenses	<u>\$ 314,475</u>	<u>\$ 178,404</u>

10. **Bonds Payable**

A. **General Obligation Bonds**

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

<u>Business-Type Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>12/31/12</u>
General obligation series D	2021	0.00%	\$ 459,450
General obligation series E	2019	3.00 - 4.40%	1,400,000
General obligation series F	2016	2.00 - 3.75%	2,820,000
General obligation series G	2020	2.00 - 3.25%	<u>3,250,000</u>
Total Business-Type Activities:			<u>\$ 7,929,450</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2012 are as follows:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY13	\$ 1,391,050	\$ 233,013	\$ 1,624,063
FY14	1,381,050	192,163	1,573,213
FY15	1,361,050	142,638	1,503,688
FY16	1,341,050	101,138	1,442,188
FY17	656,050	59,138	715,188
FY18 - FY21	<u>1,799,200</u>	<u>81,213</u>	<u>1,880,413</u>
Total	<u>\$ 7,929,450</u>	<u>\$ 809,303</u>	<u>\$ 8,738,753</u>

**C. Changes in General Long-Term Liabilities**

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Total Balance 1/1/12	Additions	Reductions	Total Balance 12/31/12	Less Current Portion	Equals Long-Term Portion 12/31/12
<u>Business-Type Activities</u>						
General obligation bonds	\$ 9,335,500	\$ -	\$ (1,406,050)	\$ 7,929,450	\$ (1,391,050)	\$ 6,538,400
Other:						
Compensated absence	37,028	-	(2,241)	34,787	(34,787)	-
Accrued other post-employment benefits	<u>170,885</u>	<u>180,941</u>	<u>-</u>	<u>351,826</u>	<u>-</u>	<u>351,826</u>
Totals	<u>\$ 9,543,413</u>	<u>\$ 180,941</u>	<u>\$ (1,408,291)</u>	<u>\$ 8,316,063</u>	<u>\$ (1,425,837)</u>	<u>\$ 6,890,226</u>

Under state law and by authorization of the Board of Commissioners, the District is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RANs);
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs);
- Federal and state-aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the District and carry maturity dates, which are limited by statute. No interest expenditures were made for temporary borrowings during 2012 and no temporary borrowings were outstanding during 2012.

D. Prior Refundings

On August 18, 2010 the District sold \$4,090,000 general obligation bonds. \$1,040,000 of this issue was to current refund the outstanding balance of the \$2,545,000 General Obligation Bonds of the District originally dated October 15, 2000 and maturing October 15, 2011 through 2020. The refunding bonds were dated September 1, 2010 and will mature on September 1, 2020. The outstanding balance of the refunded portion as of December 31, 2012 was \$810,000.

**11. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of December 31, 2012:

	<u>Business-type Activities</u>
Unamortized bond premium	\$ 124,322

**12. Pension Plan**

The District follows the provisions of GASB Statement No. 27, (as amended by GASB 50), *Accounting for Pensions by State and Local Government Employers*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases.

A. Plan Description

In 2006, the District began contributing to the Norfolk County Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by a county retirement board that is subject to oversight from PERAC. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Norfolk County Retirement System, 480 Neponset Street, Building #15, Canton, Massachusetts 02021.

**B. Funding Policy**

Plan members are required to contribute to the System at rates ranging from 9% to 11% of annual covered compensation. The District is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the District are governed by Chapter 32 of the Massachusetts General Laws. The District's contributions to the System at December 31, 2012 and 2011 were \$346,793 and \$328,807, respectively, which were equal to its annual required contributions for each of these years.

**13. Post-Employment Healthcare and Life Insurance Benefits**

**Other Post-Employment Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

**A. Plan Description**

In addition to providing the pension benefits described, the District provides post-employment healthcare and life insurance benefits for a limited number of retired employees on a "closed loop" basis through the District's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of December 31, 2010, the actuarial valuation date, 17 active employees met the eligibility requirements. The plan does not issue a separate financial report.

**B. Benefits Provided**

The District provides medical, prescription drug, vision, and dental insurance to retirees and their covered dependents. Those specific active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 50% of the cost of the health plan, as determined by the District. The District contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The District's 2012 annual OPEB 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending December 31, 2012, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of December 31, 2010.

Annual Required Contribution (ARC)	\$ 186,770
Interest on net OPEB obligation	7,690
Adjustment to ARC	<u>(7,125)</u>
Annual OPEB cost	187,335
Contributions made	<u>(6,394)</u>
Increase in net OPEB obligation	180,941
Net OPEB obligation - beginning of year	<u>170,885</u>
Net OPEB obligation - end of year	<u>\$ 351,826</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 187,335	3%	\$ 351,826
2011	\$ 174,297	2%	\$ 170,885

The District's net OPEB obligation as of December 31, 2012 is recorded as a component of the "accrued other post employment benefits" liability line item.

E. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 937,400
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 937,400</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ -</u>
UAAL as a percentage of covered payroll	<u>0%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the District 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 District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the District has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 26 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

**14. Commitments and Contingencies**

There are no significant pending legal issues in which the District is involved. The District and its legal counsel estimate that any other potential claims against the District not covered by insurance would not materially affect the financial statements of the District.

**15. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past five years.

**16. Lease Revenue**

The District has entered into operating leases with certain cellular telecommunication companies whereby these companies use District property for cellular towers.

**17. Implementation of New GASB Standards**

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015. Management's current assessment is that this pronouncement will have a significant impact on the District's basic financial statements by recognizing as a liability and expense, the District's applicable portion of the District's actuarially accrued liability.

**DEDHAM-WESTWOOD WATER DISTRICT  
 SCHEDULE OF FUNDING PROGRESS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 December 31, 2012  
 (Unaudited)**

**Other Post-Employment Benefits**

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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 Percent- age of Covered Payroll [(b-a)/c]
12/31/10	\$ -	\$ 937,400	\$ 937,400	0%	\$ -	0%

See Independent Auditors' Report.