



Acton Water District

Annual Report

For the year ending December 31, 2005



Warrant Articles for the Annual Report
March 15, 2006



Acton Water District



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ACTON

WATER

DISTRICT

For the year ending December 31, 2005

Warrant Articles for the Annual Meeting
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**ACTON
WATER
DISTRICT**

**ANNUAL
REPORT**

For the year ending
December 31, 2005



Warrant Articles for
the Annual Meeting
March 15, 2006



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The Acton Water District welcomes you to visit our Website at:

www.actonh2o.com

Commissioners meet on the second and fourth Monday of each month, at
7:30 P.M., 693 Massachusetts Avenue, Acton
The public is welcome to attend

Water District Organization

ELECTED OFFICIALS

Commissioners

| | |
|-------------------------------|-------------------|
| Leonard A. Phillips, Chairman | Term Expires 2006 |
| Ronald R. Parenti | Term Expires 2007 |
| Stephen C. Stuntz | Term Expires 2008 |

District Clerk

| | |
|-----------------------|-------------------|
| Charles E. Orcutt III | Term Expires 2008 |
|-----------------------|-------------------|

District Moderator

| | |
|--------------------|-------------------|
| Richard P. O'Brien | Term Expires 2006 |
|--------------------|-------------------|

APPOINTED OFFICIALS

Finance Committee

| | |
|------------------------------|-------------------|
| William L. Kingman, Chairman | Term Expires 2006 |
| Theodore Jarvis | Term Expires 2007 |
| Charles Bradley | Term Expires 2008 |

District Manager

| | |
|-----------------|-----------------------|
| James L. Deming | Contract Expires 2007 |
|-----------------|-----------------------|

Treasurer/Collector

| | |
|---------------|-------------------|
| Mary J. Bates | Term Expires 2006 |
|---------------|-------------------|

District Counsel

| | |
|-----------------------|-------------------|
| Mary Bassett-Stanford | Term Expires 2006 |
|-----------------------|-------------------|

District Assistant Clerk

| | |
|------------------|-------------------|
| Helen F. Argento | Term Expires 2006 |
|------------------|-------------------|

Commissioners Secretary

| | |
|----------------|-------------------|
| Nancy Peterson | Term Expires 2006 |
|----------------|-------------------|

Auditor

| | |
|-------------------------------|-------------------|
| Maureen Waters Mara, CPA, MST | Term Expires 2006 |
|-------------------------------|-------------------|

Water Land Management

Advisory Committee

John Cipar
Margaretha Eckhardt
Paul Malchodi
Charles Olmstead
Barry Rosen

Water District Staff

| | |
|--------------------------|--|
| Jane Ceraso | Environmental Manager |
| Elaine Lawson | Secretary /A/P Bookkeeper |
| Elizabeth Secinaro | A/R Bookkeeper/Secretary |
| Robert Koch | General Foreman |
| Stephen G. Peterson, Jr. | Assistant Foreman/Water Supply Treatment |
| Patrick DeCesare | Assistant Foreman/Water Distribution |
| Paul McGovern | Operator/Pump Stations |
| Charles Rouleau | Operator/Distribution |
| Andrew Peterson | Operator/Distribution |
| James Trippier | Operator/Distribution |
| Robert P. Dionne, Jr. | Operator/Distribution |
| Robert Murch | MIS Coordinator |

COMMONWEALTH OF MASSACHUSETTS
Middlesex, ss.



To the Clerk of the Water Supply District of Acton, GREETINGS:

You are directed to notify the inhabitants of the Town of Acton who are qualified to vote in elections and town affairs, to assemble at their precinct:

Precinct 1-The Clubhouse at Nagog Woods, 100 Nonset Path
Precincts 2 & 6-Conant School 80 Taylor Road
Precincts 3, 4 & 5-Blanchard Auditorium R.J. Grey Jr. High School
Acton, Massachusetts

On Tuesday, March 28, 2006
Between 7:00 A.M. and 8:00 P.M.

Then and there to bring their votes on one ballot for the following officers:

Commissioner for three years

Moderator for three years

Water Supply District of Acton

W A R R A N T

March 15, 2006

You are further directed to notify the legal voters of the Town of Acton, as aforesaid, to assemble at:

Acton Public Library
486 Main Street
Acton, Massachusetts

Wednesday, March 15, 2006
7:30 P.M.

Then and there to Act on the following Articles:

Warrant Articles

Article 1. To fix salaries of the elected officials.

Article 2. To act on the reports of the Commissioners, the Treasurer and other officers and committees of the District.

Article 3. To see if the District will vote to authorize the Treasurer, with the approval of the Commissioners, to borrow in anticipation of the revenue of the fiscal year beginning July 1, 2006, in accordance with the provisions of General Laws, Chapter 44, Section 4, and to renew any note or notes as may be given for a period of less than one year, in accordance with the provisions of the General Laws, Chapter 44, Section 17, or to take any other action relative thereto.

Article 4. To see what sums of money the District will vote to raise and appropriate to defray the usual expenses of the District.

Article 5. To see if the District will vote to transfer from Surplus Revenue the sum of \$17,000 to inspect and clean existing water storage tanks throughout the District, or to take any other action relative thereto.

Article 6. To see if the District will vote to transfer from Surplus Revenue the sum of \$13,000 for a leak detection survey throughout the District, or to take any other action relative thereto.

Article 7. To see if the District will vote to transfer from Surplus Revenue the sum of \$50,000 to purchase a new utility service vehicle and to authorize the Commissioners to trade or sell the District's 2000 Chevrolet S-10 pick-up truck, or to take any other action relative thereto.

Article 8. To see if the District will vote to transfer from Surplus Revenue the sum of \$25,000 to clean and rehabilitate existing wells throughout the District, or to take any other action relative thereto.

Article 9. To see if the District will vote to transfer from Surplus Revenue the sum of \$10,000 for the purpose of repairing emergency water main breaks, or to take any other action relative thereto.

Article 10. To see if the District will vote to transfer from Surplus Revenue the sum of \$25,000 for the purpose of replacing old water mains, renewing old water services, replacing old fire hydrants, or to take any other action relative thereto.

Article 11. To see if the District will vote to transfer from Surplus Revenue the sum of \$30,000 for the purpose of purchasing new radio read meters to complete the existing program of replacing or installing new radio read meters on all District service lines, or to take any other action relative thereto.

Article 12. To see if the District will vote to transfer from Receipt Reserve for Appropriation Account (W.R. Grace settlement) the sum of \$96,000 for the initial engineering and related costs and expenses associated with gaining regulatory approval for the use of the District's Assabet Well #3 off of High Street in Acton as a public water source or to take any other action relative thereto.

Article 13. To see if the District will vote to transfer from Surplus Revenue the sum of \$500,000 for the purpose of constructing an addition to the existing garage in order to store the District's vehicles and equipment, and to install auxiliary power for the garage and office complex at the District's main facility at 693 Massachusetts Avenue, Acton, or to take any other action relative thereto.

Article 14. To see if the District will vote to transfer from Receipt Reserve for Appropriation Account (W.R. Grace settlement) the sum of \$125,000 for the maintenance and repair of the various treatment facilities including, but not limited to, media replacement in the filtration tanks, aeration tower repair, and replacement of packing material, or to take any other action relative thereto.

Article 15. To see if the District will vote to authorize the Treasurer, with the approval of the Commissioners, to transfer to Surplus Revenue the unexpended balance in the sum of \$150,274.40 remaining after completion of a well replacement project at the Assabet well site off of High Street, Acton, as a result of savings from an NSTAR grant to the District for replacement of the then existing high-lift pumps with variable frequency drive (VFD) motors as authorized by vote of the District on Article 2 at the Special Meeting on October 7, 2003.

Article 16. To see if the District will vote to authorize the Treasurer, with the approval of the Commissioners to transfer to Surplus Revenue the following unexpended balances remaining after the completion of projects authorized by vote of the District:

- A. Unexpended balance in the sum of \$4,832.00 Article 9, of the Annual Meeting of March 16, 2005, for purchase of a new automobile.
- B. Unexpended balance in the sum of \$2,048.67 Article 10, of the Annual Meeting of March 16, 2005, for purchase of a new four-wheel drive truck.
- C. Unexpended balance in the sum of \$518.00 Article 11, of the Annual Meeting of March 16, 2005, for purchase of a new automobile.

Hereof fail not and make due returns of this Warrant with your doings thereon to the Water Commissioners on or before the time of holding of said meeting.

Given under our hand this 23rd day of January in the year two thousand and six.

Leonard A. Phillips
Ronald R. Parenti
Stephen C. Stuntz,
Water Commissioners

A TRUE COPY ATTEST:

Charles E. Orcutt, III
District Clerk

FY 2006 Appropriation and Six Month Expenditures

FY 2007 Anticipated Appropriation and Estimated Revenue

| Account Name | FY 2006 Appropriation | July-Dec 2005 Actual | FY 2007 Appropriation |
|---------------------------|--------------------------|-------------------------|--------------------------|
| Expense | | | |
| Accounting | 1,000.00 | 1,000.00 | 1,000.00 |
| Audit | 14,500.00 | 14,500.00 | 14,500.00 |
| Auto Maintenance/Fuel | 30,000.00 | 16,157.27 | 30,000.00 |
| Backflow/Cross Connection | 2,000.00 | 382.48 | 1,500.00 |
| Bank Fees | 2,000.00 | 330.00 | 1,000.00 |
| Bonds, Interest, Fees | 310,000.00 | 309,684.00 | 389,225.00 |
| Chemicals | 20,000.00 | 10,812.89 | 20,000.00 |
| Computer Maintenance | 15,000.00 | 2,018.87 | 15,000.00 |
| DEP Withdrawal | 6,500.00 | 4,808.87 | 6,500.00 |
| Employee Education | 15,000.00 | 4,683.08 | 15,000.00 |
| Engineering | 12,000.00 | 2,782.50 | 12,000.00 |
| Health/Life Insurance | 218,610.00 | 98,655.18 | 250,000.00 |
| Hydrants | 10,000.00 | 7,110.12 | 10,000.00 |
| Insurance | 46,000.00 | 41,995.00 | 50,000.00 |
| Laboratory Analysis | 21,000.00 | 6,132.10 | 18,000.00 |
| Legal | 20,000.00 | 3,733.20 | 20,000.00 |
| Lights/Power/Fuel | 270,000.00 | 115,904.81 | 270,000.00 |
| Maintenance & Operations | 105,000.00 | 70,326.31 | 110,000.00 |
| Middlesex Retirement | 79,265.00 | 79,265.00 | 94,048.00 |
| Meters | 3,000.00 | 2,899.41 | 10,000.00 |
| Office Supplies | 15,000.00 | 5,434.81 | 15,000.00 |
| Paving | 12,000.00 | 6,900.00 | 12,000.00 |
| Petty Cash | 1,000.00 | 400.00 | 1,000.00 |
| Postage | 7,500.00 | 2,764.80 | 8,000.00 |
| Reserve Fund | 25,000.00 | 0.00 | 25,000.00 |
| Salaries & Wages | 950,000.00 | 445,296.46 | 997,500.00 |
| Telephone | 10,000.00 | 2,755.17 | 10,000.00 |
| Information Reports | 25,000.00 | 250.00 | 20,000.00 |
| Total | 2,246,375.00 | 1,256,982.33 | 2,426,273.00 |

Revenue

| | | | |
|----------------------------|--------------|--------------|--------------|
| Water Revenue | 1,891,125.00 | 1,258,261.71 | 2,059,023.00 |
| Fire Protection Sprinklers | 15,250.00 | 15,515.25 | 15,250.00 |
| Rent/Lease | 98,000.00 | 55,156.52 | 110,000.00 |
| Repairs/Installation | 30,000.00 | 22,977.69 | 30,000.00 |
| Cross Connection | 12,000.00 | 8,391.74 | 12,000.00 |
| Demand Fees | 200,000.00 | 67,634.84 | 200,000.00 |
| Total | 2,246,375.00 | 1,427,937.75 | 2,426,273.00 |

**Report of the Treasurer
Audited Account Balances
June 30, 2005**

| | |
|---|-----------------------|
| Sovereign Bank A/P | 72,867.34 |
| Sovereign Money Market | 409,636.82 |
| MMDT | 231,219.62 |
| Middlesex Savings | 5,691.19 |
| Citizens Bank | 6,534.42 |
| Webster Bank | 20,386.39 |
| First Trade Union | 110,916.13 |
| UniBank | 447,572.48 |
| Certificates of Deposit: Peoples Savings | <u>100,000.00</u> |
| Total | 1,404,824.39 |

**Report of the Collector
Audited Account Balances
June 30, 2005**

| | |
|-----------------------------------|---------------------|
| Accounts Receivable June 30, 2004 | 64,149.70 |
| Charges | 2,354,712.27 |
| Interest Charges | 12,302.30 |
| Refunds | - |
| | <u>2,431,164.27</u> |
| Payments | 2,333,987.79 |
| Abatements | 1,459.27 |
| Adjustments | - |
| Outstanding June 30, 2005 | <u>95,717.21</u> |
| | 2,431,164.27 |

**Outstanding Debt
June 30, 2005**

| Description | Original Amount | Interest rate | Date of Issue | Date of Maturity | Balance |
|----------------|-----------------|---------------|---------------|------------------|------------|
| Conant Well II | 800,000.00 | 4.75% | 6/15/1998 | 6/15/2005 | - |
| Water Mains | 455,000.00 | 1.94% | 8/26/2004 | 8/25/2005 | 335,000.00 |
| Water Mains | 650,000.00 | 2.49% | 12/30/2004 | 12/30/2005 | 650,000.00 |

Respectfully submitted,
Mary J. Bates
Treasurer/Collector

Report of Commissioners

During 2005, the Commissioners faced a spectrum of issues, which ranged from operational to strategic. The skills, flexibility and dedication of the AWD staff and the uniquely positive chemistry between the staff and the Commissioners continues to enable the District to address usual and customary operational tasks as well as unique managerial challenges while providing the highest possible level of water supply reliability at consistently low rates for Acton water takers.

The Commissioners are pleased that water rates, which were last restructured in 2003, remain unchanged. The 2003 rates, which were then expected to last 3 years, are now projected to last through calendar 2006 and beyond.

The installation of radio read meters is virtually complete, with only 300 old meters left in service and scheduled for replacement during 2006. The radio read devices are dramatically decreasing the challenge of obtaining meter readings while enhancing the accuracy of the readings, and essentially eliminating the need for estimated bills and resulting problems.

The U.S. Environmental Protection Agency (EPA) released its Record of Decision (ROD) pertaining to the W.R. Grace contamination case. In a public hearing held by the EPA on July 19, 2005, the undersigned Commissioner was surprised that the EPA team assembled at the hearing was not aware that the District had plans to develop the high-capacity exploratory well known as WRG-3, in which contamination was first detected in 1977. It was the detection of this contamination that launched the subsequent investigation by the Federal and State governments and the District into the source of the contamination, ultimately leading to the citing of the W.R. Grace facility as a Superfund Site. Title to WRG-3 was later transferred to the District by W.R. Grace in the 1980s. As a result of the ROD the well can now be reevaluated as a new source of additional water supply to be known as Assabet 3. The process of certification is projected to take 5-6 years.

A series of paper and pilot studies was completed, which focused on the elimination of organic color from water supplied from the Kennedy and Marshall wells in North Acton. Preliminary results point to a treatment method which could control this yellow-orange color, which is an esthetic problem but that poses no discernible health effects. However, implementing the solution would require constructing a filtration facility at an estimated capital cost of \$4 million.

In pursuit of enhancing security for our disparate water supply facilities, the District evaluated the concept of a "Longwatch" real-time video surveillance system. The cost of this system was estimated at about \$15,000 per site; 15 sites plus 4 storage facilities are potential candidates. The effort was placed under advisement.

In its first year of action, the Water-Land Management Advisory Committee (WLMAC) has thoroughly reviewed the conditions under which the District might consider expansion, in context with the current and past goals of the District. Their report in this Annual Report summarizes their findings and interim recommendations.

In all of these strategic issues, and in day-to-day operations, our District Manager, Jim Deming, continues to do an excellent job of handling the business of the District and in keeping morale and performance standards high. District staff continued its around-the-clock effort to maintain our 120 miles of water mains, four storage tanks, and variety of treatment facilities, despite weather conditions. We salute each of them.

Respectfully submitted

Leonard A. Phillips, Chair
Ronald Parenti
Stephen Stuntz

Report of the District Manager

In the 1980s the Acton Water District settled it's lawsuit with the W.R. Grace Company for the contamination that they caused to the ground water which provided the recharge to some of our existing potable water supplies. In addition to the money, we also were given the land surrounding an existing production well that was located on the Grace property. At the time that well, and the ground water around it, was known to be contaminated, however the collective wisdom was that at some point in the future that well could be reactivated.

This past September, following more than 20 years of effort, the Environmental Protection Agency issued their Record of Decision on the W.R. Grace Superfund Site. This document represents the final plan for the clean up of the contaminated groundwater. To a very large degree the roadmap that the federal, state, and local authorities have agreed to in this plan, was written based upon the projections provided by the "Ground Water Model" developed for this purpose.

The Acton Water District was able to take advantage of this very same "Ground Water Model" and with the information it provided we have received preliminary Department of Environmental Protection approval to move forward with the permitting process that should ultimately lead to us being able to place a new well, Assabet #3, on line. This well will be located in the same aquifer as are our existing Assabet 1A and Assabet 2A Wells. This aquifer is over 70 feet deep and has more than 40 feet of saturated material. Our sources in this area are least affected by seasonality, and when all three are producing they will be capable of providing approximately 75% of the District's current needs. Perhaps most importantly, the "Model" has calculated that we can withdraw an additional 350 gallons per minute and not adversely affect the ongoing groundwater remediation efforts that are outlined in the Record of Decision.

Additionally, while the "Model" anticipates that this new well will not draw in any of the known contaminants in the existing plume, the Acton Water District has over 20 years of history and experience treating the water in this aquifer so that it meets, and exceeds, all standards for currently regulated contaminants.

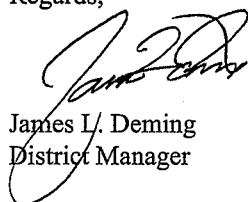
Over the past 30 years the Acton Water district has searched extensively throughout the community for additional potential well sites. Changes in state regulations, encroachment by development, and cost considerations, have rendered all other potential sites unworthy of pursuit. Assabet #3 represents the sole remaining potential public potable well location within the community. Its development is vital to the continued success of the Acton Water District.

The first step in the process of putting the new Assabet #3 on line is to perform a prolonged pumping test. We will then be able to take actual samples and have them analyzed for all contaminants. We will also be able to take actual draw down measurements, both in the well itself and also in a number of observation wells in the area. From this information we will be able to confirm, or possibly deny, the information provided from the "Ground Water Model" and we will then be able to use that information as we prepare for the future.

Article # 12 on this years warrant is asking for a transfer from the W.R. Grace Account to begin this most vital project. Once we have acquired this information we will be coming back to the District voters at a future Annual Meeting with more specific information, as well as the hard data to support it.

I would like to take this opportunity to thank the Town and the School Department as well as all their employees for their help and cooperation throughout the year. I'd also like to express my gratitude to the Water District officials and all the employees for their continued support. Finally, I'd like to thank the residents for their understanding and cooperation throughout the year.

Regards,



James L. Deming
District Manager

Report of the Finance Committee

This report is for the calendar year ended December 31, 2005.

The Water Supply District of Acton (AWD) is directed by three elected Commissioners, one elected each year for a three year term. The Commissioners set policy for the District and hire a Manager to operate the water supply for the District. A District Moderator and Clerk perform the same functions as those with similar titles in many New England Towns.

The three members of the Finance Committee are appointed by the District Moderator to three year terms with one term expiring each year. Most of the functions of the AWD Finance Committee are analogous to functions of the Town's Finance Committee. We advise the Commissioners on all matters that have an impact on the finances of the District. We review the annual budget and the results of operating with that budget. The committee also monitors the transfers from the Reserve Fund when necessary for budget line item accounts. We review the results of the annual audit. We take a public position about each warrant article that has a financial impact at each Annual and Special District Meeting. We monitor the investments and income of the W.R. Grace Fund. At least one member of the Committee attends each meeting of the Commissioners.

The District is financially healthy. For many years, most capital expenditures have been made from free cash, the equivalent of a company's retained earnings. Certified free cash as of July 1, 2005 was \$631,822. The District has relatively little debt. The only bonded debt was paid off in June, 2005. The other debt is scheduled to be paid off in 2006. Interest rates have been low enough and the District's credit rating (Aa3 by Moody) is good enough that the District can save money simply by borrowing rather than issuing bonds for the projects we have done recently that were not financed from free cash.

Water rates were last raised in March 2003, with the expectation that no further increase would be needed for at least two or three years. The Finance Committee expects no increase will be needed during 2006. Water rates are well below the average of nearby towns and the towns Acton is often compared to.

In 1987, the District received \$2,250,000 from W.R. Grace Co. as a result of a suit for the contamination of the water supply. The money has been invested and income and some principal is used to keep the water supply free from contamination. As of December 31, 2005, the fund had a market value of \$2,879,210.43. The fund's investments are managed by Brown Brothers Harriman, under guidelines provided by the Finance Committee. This year the committee reaffirmed that 30-50% should be invested in stocks.

The District has completed a pilot study for a necessary water treatment plan for the Kennedy and Marshall wells. It will be submitted to the Massachusetts Department of Environmental Protection in 2006. A similar study will be necessary for (W.R. Grace) Assabet #3 well in the near future. These are expenses that some of the Grace fund assets will be supporting.

Substantially all the employees of the District are members of the Middlesex Retirement System (MRS). The retirement system is funded by employee and employer contributions. On December 23, 2005, the MRS notified the District of its assessment for FY 2007, which has been included within this budget. Investment performance for the MRS for calendar year 2005, as of November 30, shows that the fund had a total return of 6.03%. All categories of investment exceeded their benchmark. The fund is invested 54.54% in equities and 33% in fixed income and cash equivalents. The balance, 12.46% is invested in four other specialty categories. The diversification and performance of the fund is a substantial improvement over the previous report in 2000.

We extend our thanks to the Commissioners and employees of the District. It is a pleasure to work with them.

All meetings of the Finance Committee are posted and are open to the public. We welcome your interest.

Respectfully submitted,
William Kingman, Chairman
Charles Bradley
Theodore Jarvis

Environmental Manager's Report for 2005

On the environmental front, the Acton Water District (AWD) accomplished the following in 2005:

Environmental Compliance

We completed all drinking water monitoring and notification requirements under the Safe Drinking Water Act (SDWA.) We experienced several coliform detections, but fortunately the problems were all quickly resolved. We were granted monitoring reductions for haloacetic acids (disinfection by-products) and perchlorate, due to extremely low levels detected in previous monitoring. During the spring and summer of 2005, we completed several pilot studies to evaluate possible treatment alternatives to reduce natural organic color, iron and manganese and meet future SDWA requirements at the Kennedy and Marshall wells.

Water Conservation

During Drinking Water Week in early May, we held a rain barrel day, providing over 75 rain barrels below cost to AWD customers. We also participated in a League of Women Voter's seminar on local water issues, presenting AWD's approach to source protection and water conservation. We continued our fruitful collaboration with the Acton Garden Club's Water Wise Committee, hosting a water conservation workshop in which Acton residents showcased various ways they have saved water outdoors. I became the chair of the New England Water Works Association (NEWWA) Conservation Committee, which gives me an opportunity to network with other water suppliers in New England and share successful water conservation approaches. I presented the results of Acton's innovative irrigation system audits at the NEWWA Fall Conservation Symposium.

Source Water Protection

Finalized a conservation restriction on a parcel of property in Concord, adjacent to the Lawsbrook well, in order to protect water quality in that well. We partnered with water department staff from several surrounding towns to win a grant from the Toxics Use Reduction Institute (TURI) at the University of Massachusetts Lowell for a multi-town pesticide awareness project. Under this project, we will provide outreach to landscape professionals on ways to protect our drinking water from chemicals used in the industry. Jointly with the Bird House Garden Center, we filmed a cable show, and hosted a free workshop on sustainable lawn care. I continued to serve on Acton's Comprehensive Water Resources Management Plan Citizen's Advisory Committee, which is in the process of evaluating the best way to meet Acton's future wastewater needs while protecting other water resources.

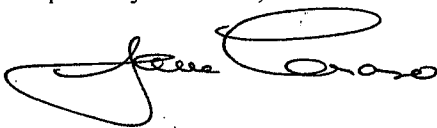
School Education Program

We provided tours of our Conant wells to Acton-Boxborough High School science classes, and all fourth grades at the Conant School, as well as a class on Acton's drinking water to all fourth graders at the Conant School. We participated in the Parent Involvement Project's "Science and Tech Fest" at the Junior High School with several hands-on groundwater demonstrations, and the Acton-Boxborough Community Service Learning Network.

WR Grace Site Cleanup

We continued our participation in technical and public meetings and review of documents related to the Acton-WR Grace site cleanup process. After decades of investigation, The United States EPA and Massachusetts DEP determined the final cleanup decisions for the WR Grace-Acton Superfund site. This plan is the final phase of the cleanup, and will provide remediation for the plumes of contamination near our public wells. EPA outlined the plans in a Record of Decision (ROD), issued in October, 2005. We reviewed a groundwater model to determine that there would be no adverse plume migration should the Assabet III well come online in the future.

Respectfully Submitted,



Jane Ceraso
Environmental Manager

Report of the M.I.S. Coordinator

This document summarizes the main achievements of the Management Information Systems Coordinator. I continue to support, program and implement the systems critical to the smooth running of the Acton Water District and my commitment is to develop and transform the District's information systems.

Software/Application Development

Applications continue to be developed and enhanced daily, some of the most important of these are the accounts receivable, accounts payable, payroll and reporting. These are the core applications that keep the District operating. I continue to enhance the functionality of these programs to help the staff make better decisions and support their daily activities. Other applications that have been developed include the cross connection program that tracks and reports on all backflow testing for state compliance. SCADA support and well programs allow up to the minute well monitoring, chemical additions and allow management to view problems in real time. Reporting from this application is vital for State compliance.

Hardware/Technology

The District replaced the old Compaq Windows NT Server with a new HP Windows 2003 Small Business Server. This new technology has allowed staff members Remote Management, shadow copy backups, enhanced virus protection, faster daily backups, in-house email and larger storage for historical archiving. We continue to build on our technology with Windows XP workstations that are able to take full advantage of the new Server and its functionality. The District has made a lateral move in their meter reading technology and has purchased a new laptop for acquiring the information necessary to address customer service issues, billing complaints, leak detection studies, audit conservation programs, and other water usage studies.

Water Meter Program

We are in the final phase of meter replacement and 95% of the town now has radio transponders on their water meters. This technology allows meter reading personnel to get readings from the street as they drive by the property and significantly reduces the time it takes to acquire and process readings for semi-annual billings. The District primarily uses Badger Meter products for its Automated Meter Reading Technology.

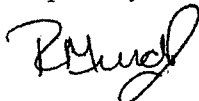
Telephone, Nextel and DSL

New equipment and contracts for these services were negotiated, significantly reducing our monthly costs and providing Acton Water District staff with more reliable ways to communicate.

Cross Connection Program

This program is directed at commercial, municipal, institutional and industrial locations served by the District. Testing is done either annually or semi-annually depending on the degree of hazard and surveys are done to identify new hazards. All the data collected from testing is documented in a database application and allows staff to identify testing dates, state reporting and historical archiving. We have never had a backflow incident to date.

Respectfully Submitted,



Robert Murch

Report of the District Manager

The following report covers the activities of the District in 2005.

| | |
|--|-----|
| • New Meter Installations | 54 |
| • New Housing Units (single family) | 45 |
| • New Multi-Family Units | 6 |
| • Old meters replaced with radio read meters | 930 |
| • Service lines replaced or renewed | 19 |
| • Water mains repaired | 4 |
| • Fire hydrants repaired or replaced | 12 |

Total gallons pumped in 2005 – 621,419,411 gallons

Water Land Management Advisory Committee Executive Summary

Introduction

The Acton Water District (AWD) was formed in 1912 as an independent government body to supply water for domestic and fire fighting purposes in South and West Acton. Since then, District boundaries have been expanded to include the entire geographic boundaries of the Town. While its goal of providing safe, adequate water has remained constant, the District now faces new challenges, such as population growth, limits of water resources, and the impact of environmental pollutants.

In recent years, AWD has received occasional requests for water service to properties in adjacent towns. The Commissioners for the Acton Water District have reestablished the Water-Land Management Advisory Committee (WLMAC) to recommend the conditions, if any, under which the District should consider expansion.

How can expansion of water service be consistent with the fact that the availability of groundwater is limited? In this report, WLMAC will present concepts that support the idea that, under some circumstances, expansion will help the District address the limits of its resources.

Future Expansion of the Acton Water District

During the past year, WLMAC has considered three major types of expansion:

Expansion Within-District: AWD is chartered by the state to provide water to the residents and businesses within District boundaries. Anticipation of build-out demand for water must be central to its planning and development activities.

Expansion Outside-District: In considering extension of water service across current District boundaries, AWD must make certain that there is adequate benefit to the District in serving such properties. Possible benefits include:

- Improved protection of groundwater recharge areas that extend beyond current District boundaries, by control over the nature of the development and the amount of withdrawal allowed.
- Potential for development of new water supplies.
- Spread fixed costs of District over a larger number of ratepayers.

Regionalization: Combining water supply and service with one or more contiguous municipalities may offer AWD a way to share both resources and risks. In addition to the benefits listed above, regionalization could offer the following:

- Larger range of possibilities for increased water supply.
- Application of uniform control of land use in groundwater recharge zones.
- Combined resources for monitoring water quality and quantity-related issues.
- Risk of major supply problem reduced by spreading likelihood over a larger area.

Strategies

The merit of any proposed expansion should be measured by its positive impact on the efforts of the District to continue its present level of excellent service. WLMAC has identified four strategies that will be critical to those efforts.

Water Source Protection: The District's water supply is vulnerable to the loss of any of its wells due to contamination. Even if it did not force a well to be closed, groundwater contamination would increase treatment costs. To protect the quality of existing water resources, control of activities is critical on land above groundwater recharge areas. Because portions of groundwater recharge areas for several AWD wells lie within neighboring towns, AWD benefits from maintaining cooperative working relationships with those towns. By expanding water service to properties above recharge areas, the District could increase its opportunities to control activities on that land. WLMAC recommends the purchase of land and establishment of conservation restrictions in recharge areas.

Water Conservation: While the current water supply meets present needs, both expected and unpredictable increases in use could place additional stress on existing resources. Water conservation is the most cost-effective way to optimize use of those resources. WLMAC recommends that AWD enhance its efforts to promote and reward water conservation, by public education programs and by using the rate structure as an incentive. Such incentives would also apply to any rate payers with service beyond current District boundaries and extend the District's conservation authority to a larger portion of the land above the aquifer.

New Water Supplies: Protection and conservation of existing water resources are essential to the future of the water supply, but by themselves may not be sufficient. AWD should pursue new water supply sources to allow for a margin of safety as well as for new growth. Because of the expense of developing new water sources, AWD should consider combining efforts with neighboring towns. Extension of AWD water service to properties in those towns will enhance options for finding new sources.

Collaboration: Cooperative efforts between AWD and Town planning and zoning departments already make a positive contribution to the future of our water supply. WLMAC recommends a formal process linking the AWD and the Town when making decisions about development and long range planning. Recognizing the value of their political separation, AWD and the Town must work together to ensure that new development does not impose demands that exceed a prudent safety margin for available water.

Conclusions

In responding to requests for expansion of water service, the Acton Water District must determine whether there are benefits in terms of the four strategies outlined above. The Committee recommends taking this approach one step further, to consider proactive exploration of expansion scenarios that offer benefits to the District.

Respectfully submitted,
Water Land Management Advisory Committee



From left to right: Margaretha Eckhardt, Barry Rosen, Paul Malcholi, Charles Olmstead and John Cipar

Mara & Associates, PC

Certified Public Accountants

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70 Junction Square Drive
Concord, MA 01742

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Independent Auditor's Report

Board of Water Commissioners
Water Supply District of Acton
Acton, Massachusetts

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Water Supply District of Acton as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Water Supply District of Acton as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 - 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Supply District of Acton basic financial statements. The Supplemental Schedule of Capital Projects Activity on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements, and is fairly presented, in all material respects, in relation to the basic financial statements in conformity with accounting principles generally accepted in the United States of America.

Mara & Associates, PC

Mara & Associates, PC
August 4, 2005

Management's Discussion and Analysis

As Management of The Water Supply District of Acton, we offer readers of the Water Supply District of Acton's financial statements this narrative overview and analysis of financial activities for the year ended June 30, 2005.

Financial Highlights

The assets of the Water Supply District of Acton exceeded its liabilities at the close of the fiscal year by \$20,688,381. (net assets). Of this amount, \$1,355,574 (unrestricted net assets) may be used to meet the ongoing obligations of the District.

The total assets of the District are \$21,780,346. Of this amount, \$2,235,541 represents current assets and \$19,544,805 represents capital assets.

The total liabilities of the District are \$1,091,965. Of this amount, \$998,506 represents current liabilities and \$93,459 represents long term liabilities.

Total net assets of the District are \$20,688,381. This includes \$18,559,805 invested in capital assets, net of related debt, \$773,002 which is restricted for capital projects and \$1,355,574 which is unrestricted.

The District issued a one year bond for \$650,000 for the installation of new water mains. The bond at 2.49% is due and payable 12/30/2005.

The overall financial position of the District is stable. The change in net assets for the fiscal year amounts to a decrease of \$46,804.

Overview of Financial Statements

The Water Supply District of Acton's financial statements are comprised of the following: Government wide Financial Statement, Fiduciary Fund 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.

The District adopts an annual appropriated budget for its government wide activities. A budgetary comparison has been included. Actual revenues for the year exceeded budgeted revenues by \$185,647. Actual expenditures were less than budgeted expenditures by \$212,145.

The fiduciary fund financial statements contain revenues and expenses relating to the W.R. Grace Fund, a restricted fund which can only be used for expenditures relating to improving water quality.

Comparison of current year to prior year

Income for the Water Supply District of Acton is generated from water rates, installation of new services and interest income.

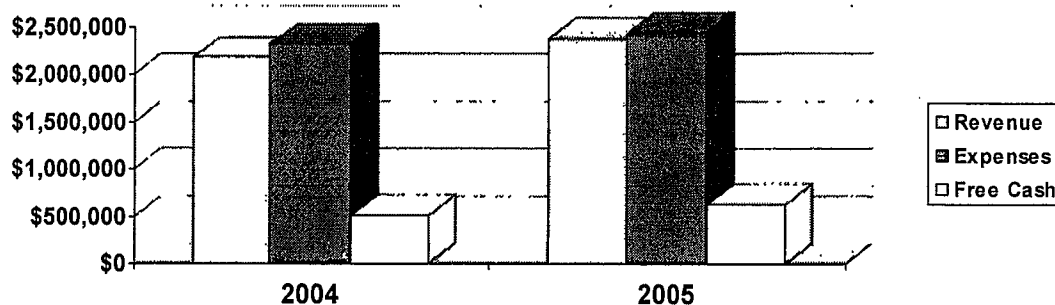
Income for the current fiscal year exceeded the income for the previous fiscal year by \$160,668. Income from water rates was \$174,782 greater than last year. Income from water services decreased from the previous fiscal year by \$28,705. There were fewer new connections this year. Interest income of \$26,174 reflects an increase of \$14,591 over the previous fiscal year.

The total revenue for the District was \$2,381,119. Revenue is generated from the sale of water and charging demand fees for new connections according to a schedule adopted by the Board of Water Commissioners. \$26,174 in income was generated from investment income.

Expenses for the current fiscal increased from the previous fiscal year by \$141,519. Total expenditures for the year amounted to \$2,427,923.

At the close of the fiscal year the Unreserved Fund Balance for the General Fund (Free Cash) was \$631,822. This represents an increase of \$118,052.

At the close of the fiscal year there was a balance of \$773,002 restricted for capital projects. This represents an increase of \$79,354 over the previous fiscal year.



Capital Assets

The Water Supply District of Acton's investment in capital assets as of June 30, 2005 amounts to \$19,544,805 (net of accumulated depreciation). This investment includes land, buildings and improvements, pumping stations and tanks, infrastructure and improvements, machinery and equipment. The District added \$880,195 in capital assets this year. The District transferred \$290,000 from the general fund to the capital projects fund to fund these expenditures.

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 \$701,877.

The total net assets of the District at the end of the fiscal year amount to \$20,688,381. This reflects a decrease from the previous fiscal year of \$46,804.

Capital Assets are replaced following a replacement schedule prepared by the District. This schedule is updated every 5 years.

Fiscal Year 2006

The District has appropriated a balanced annual budget for FY 2006 of \$2,246,375. There is no rate increase anticipated this year. There will be a short term bond roll over in August of \$215,000. There will also be a short term bond rollover in December of \$530,000. The District anticipates that revenues and expenses will be in line with the current fiscal year.

WATER SUPPLY DISTRICT OF ACTON
Statement of Net Assets
June 30, 2005

Page 4

ASSETS

Current Assets

| | |
|------------------------------|------------------|
| Cash and Cash Equivalents | \$1,404,824 |
| Accounts Receivable | 95,717 |
| Unbilled Accounts Receivable | <u>735,000</u> |
| Total Current Assets | <u>2,235,541</u> |

Non Current Assets

| | |
|--|-------------------|
| Capital Assets | |
| Land | 777,225 |
| Depreciable Infrastructure, net | 16,868,345 |
| Depreciable Buildings, Property & Equipment, net | <u>1,899,235</u> |
| Total Non Current Assets | <u>19,544,805</u> |

| | |
|--------------|----------------------------|
| Total Assets | <u><u>\$21,780,346</u></u> |
|--------------|----------------------------|

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

| | |
|---------------------------|----------------|
| Short Term Debt | \$985,000 |
| Accrued Interest Payable | <u>13,506</u> |
| Total Current Liabilities | <u>998,506</u> |

Long Term Liabilities

| | |
|------------------------------|---------------|
| Accrued Compensated Absences | <u>93,459</u> |
| Total Liabilities | 1,091,965 |

NET ASSETS

| | |
|---|----------------------------|
| Invested in Capital Assets, net of related debt | 18,559,805 |
| Restricted for Capital Projects | 773,002 |
| Unrestricted | <u>1,355,574</u> |
| Total Net Assets | <u>20,688,381</u> |
| Total Liabilities and Net Assets | <u><u>\$21,780,346</u></u> |

WATER SUPPLY DISTRICT OF ACTON
Statement of Activities
For the Year Ended June 30, 2005

Page 5

REVENUES

| | |
|-----------------|------------------|
| Water Rates | \$2,154,397 |
| Water Services | 200,548 |
| Interest Income | 26,174 |
| Total Revenues | <u>2,381,119</u> |

EXPENSES

| | |
|---------------------------------|------------|
| Salaries and Wages | 868,243 |
| Depreciation Expense | 701,877 |
| Lights, Power and Fuel | 221,253 |
| Health and Life Insurance | 188,560 |
| Maintenance and Operations | 101,265 |
| Middlesex Retirement | 75,215 |
| Insurance | 41,025 |
| Chemicals | 29,388 |
| Auto Maintenance and Fuel | 24,997 |
| Interest Expense | 21,080 |
| Legal | 15,953 |
| Laboratory Analysis | 15,371 |
| Information Reports | 15,208 |
| Office Supplies | 13,577 |
| Audit | 13,500 |
| Education | 12,850 |
| Paving | 12,000 |
| Hydrants | 10,000 |
| Engineering | 9,100 |
| Postage | 7,471 |
| Loss on Disposal Capital Assets | 7,177 |
| Telephone | 6,286 |
| D.E.P. Withdrawal and Fees | 5,786 |
| Computer Maintenance | 3,125 |
| Reserve Expense | 3,000 |
| Backflow | 2,000 |
| Bank Fees | 1,111 |
| Petty Cash | 800 |
| Meters | <u>705</u> |

| | |
|----------------|------------------|
| Total Expenses | <u>2,427,923</u> |
|----------------|------------------|

| | |
|-----------------------------|----------|
| <i>CHANGE IN NET ASSETS</i> | (46,804) |
|-----------------------------|----------|

| | |
|--------------------------------|-------------------|
| Net Assets - Beginning of Year | <u>20,735,185</u> |
|--------------------------------|-------------------|

| | |
|--------------------------|---------------------|
| Net Assets - End of Year | <u>\$20,688,381</u> |
|--------------------------|---------------------|

WATER SUPPLY DISTRICT OF ACTON
 Governmental Funds - Balance Sheet
 June 30, 2005

Page 6

| | <i>General Fund</i> | <i>Capital Projects Fund</i> | <i>Total Governmental Funds</i> |
|--|-------------------------|--------------------------------------|---|
| <i>ASSETS</i> | | | |
| Cash and Cash Equivalents | \$976,148 | \$428,676 | \$1,404,824 |
| Accounts Receivable | 95,717 | | 95,717 |
| Less Reserve for Uncollectible Receivables | (95,717) | | (95,717) |
| Due from General Fund | | 344,326 | 344,326 |
| Total Assets | <u>\$976,148</u> | <u>\$773,002</u> | <u>\$1,749,150</u> |
| <i>LIABILITIES AND FUND BALANCES</i> | | | |
| <i>LIABILITIES</i> | | | |
| Due to Capital Projects Fund | <u>\$344,326</u> | | <u>\$344,326</u> |
| Total Liabilities | <u>344,326</u> | 0 | <u>344,326</u> |
| <i>FUND BALANCES</i> | | | |
| Unreserved | 631,822 | | 631,822 |
| Reserved for Capital Projects | | <u>\$773,002</u> | <u>773,002</u> |
| Total Fund Balances | <u>631,822</u> | <u>773,002</u> | <u>1,404,824</u> |
| Total Liabilities and Fund Balances | <u>\$976,148</u> | <u>\$773,002</u> | <u>\$1,749,150</u> |

WATER SUPPLY DISTRICT OF ACTON

Page 7

Governmental Funds - Statement of Revenues, Expenditures and

Changes in Fund Balances

For the Year Ended June 30, 2005

| | <i>General Fund</i> | <i>Capital Projects Fund</i> | <i>Total Governmental Funds</i> |
|--|-------------------------|--------------------------------------|---|
| REVENUES | | | |
| Water Rates | \$2,127,830 | | \$2,127,830 |
| Water Services | 200,548 | | 200,548 |
| Interest Income | 19,598 | \$6,576 | 26,174 |
| Total Revenues | <u>2,347,976</u> | <u>6,576</u> | <u>2,354,552</u> |
| EXPENDITURES | | | |
| Capital Project Expenditures | | 864,910 | 864,910 |
| Salaries and Wages | 857,240 | | 857,240 |
| Bonds, Interest and Fees | 263,397 | | 263,397 |
| Lights, Power and Fuel | 221,253 | | 221,253 |
| Health and Life Insurance | 188,560 | | 188,560 |
| Maintenance and Operations | 101,265 | | 101,265 |
| Middlesex Retirement | 75,215 | | 75,215 |
| Insurance | 41,025 | | 41,025 |
| Chemicals | 29,388 | | 29,388 |
| Auto Maintenance and Fuel | 24,997 | | 24,997 |
| Legal | 15,953 | | 15,953 |
| Laboratory Analysis | 15,371 | | 15,371 |
| Information Reports | 15,208 | | 15,208 |
| Office Supplies | 13,577 | | 13,577 |
| Audit | 13,500 | | 13,500 |
| Education | 12,850 | | 12,850 |
| Paving | 12,000 | | 12,000 |
| Hydrants | 10,000 | | 10,000 |
| Engineering | 9,100 | | 9,100 |
| Postage | 7,471 | | 7,471 |
| Telephone | 6,286 | | 6,286 |
| D.E.P. Withdrawal and Fees | 5,786 | | 5,786 |
| Computer Maintenance | 3,125 | | 3,125 |
| Reserve Expense | 3,000 | | 3,000 |
| Backflow | 2,000 | | 2,000 |
| Bank Fees | 1,111 | | 1,111 |
| Petty Cash | 800 | | 800 |
| Meters | 705 | | 705 |
| Total Expenditures | <u>1,950,183</u> | <u>864,910</u> | <u>2,815,093</u> |
| REVENUES OVER (UNDER) EXPENDITURES | 397,793 | (858,334) | (460,541) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers General Fund to Capital Projects | (290,000) | 290,000 | 0 |
| Transfers Capital Projects to General Fund | 10,259 | (10,259) | 0 |
| Proceeds from Bond Financing | 0 | 650,000 | 650,000 |
| Proceeds from Trade of Vehicle | 0 | 7,947 | 7,947 |
| Net Change in Fund Balances | <u>118,052</u> | <u>79,354</u> | <u>197,406</u> |
| Fund Balances - Beginning of Year | <u>513,770</u> | <u>693,648</u> | <u>1,207,418</u> |
| Fund Balances - End of Year | <u>\$631,822</u> | <u>\$773,002</u> | <u>\$1,404,824</u> |

WATER SUPPLY DISTRICT OF ACTON

Page 8

Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances
to the Statement of Net Assets
For the Year Ended June 30, 2005

| | |
|--|----------------------------|
| Total Governmental Fund Balances | \$1,404,824 |
| Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. | 19,544,805 |
| The Statement of Activities, accounts receivable is accrued on billed and unbilled water pumped, whereas in the governmental funds, revenue is not reported until collected. | |
| Accounts receivable | 95,717 |
| Unbilled accounts receivable | 735,000 |
| The Statement of Activities includes short term debt and the related accrued interest, whereas in governmental funds these are not reported until due. | |
| Short term debt | (985,000) |
| Accrued interest payable | (13,506) |
| Accrued compensated absences are not due and payable in the current period, and therefore are not reported in the governmental funds. | <u>(93,459)</u> |
| Net Assets of Governmental Activities | <u><u>\$20,688,381</u></u> |

WATER SUPPLY DISTRICT OF ACTON

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, 2005

| | |
|---|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$197,406 |
| 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 | 864,910 |
| Depreciation expense | (701,877) |
| Loss on disposal capital assets | (7,177) |
| Proceeds from trade of vehicle | (7,947) |
| Some revenue reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported as revenue in the governmental funds. | |
| Water revenue | 26,567 |
| Some expenses reported in the governmental funds that required the use of current financial resources had been accrued in the prior year Statement of Activities. Therefore these expenses are not reported as current expenditures in the Statement of Activities. | |
| Interest expense | (7,683) |
| Salaries and wages (compensated absences) | (11,003) |
| The repayment of the principal of long-term debt consumes the financial resources of governmental funds, but it has no effect on net assets. | |
| Principal received on bonds issued | (650,000) |
| Principal paid on bonds | <u>250,000</u> |
| Change in Net Assets of Governmental Activities | <u><u>(\$46,804)</u></u> |

WATER SUPPLY DISTRICT OF ACTON

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General Fund - Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

| | <i>Budget</i> | <i>Actual</i> | <i>Variance Positive (Negative)</i> |
|--|------------------|------------------|---|
| <i>REVENUES</i> | | | |
| Water Rates | \$1,962,328 | \$2,127,830 | \$165,502 |
| Water Services | 200,000 | 200,548 | 548 |
| Interest Income | 0 | 19,598 | 19,598 |
| Total Revenues | <u>2,162,328</u> | <u>2,347,976</u> | <u>185,647</u> |
| <i>EXPENDITURES</i> | | | |
| Salaries and Wages | 915,000 | 857,240 | 57,760 |
| Bonds, Interest and Fees | 270,468 | 263,397 | 7,071 |
| Lights, Power and Fuel | 270,000 | 221,253 | 48,747 |
| Health and Life Insurance | 203,400 | 188,560 | 14,840 |
| Maintenance and Operations | 102,000 | 101,265 | 735 |
| Middlesex Retirement | 75,215 | 75,215 | 0 |
| Insurance | 41,745 | 41,025 | 720 |
| Chemicals | 30,000 | 29,388 | 612 |
| Reserve Fund | 30,000 | 3,000 | 27,000 |
| Laboratory Analysis | 26,000 | 15,371 | 10,629 |
| Auto Maintenance and Fuel | 25,000 | 24,997 | 3 |
| Information Reports | 22,000 | 15,208 | 6,792 |
| Telephone | 20,000 | 6,286 | 13,714 |
| Legal | 20,000 | 15,953 | 4,047 |
| Computer Maintenance | 15,000 | 3,125 | 11,875 |
| Office Supplies | 15,000 | 13,577 | 1,423 |
| Education | 15,000 | 12,850 | 2,150 |
| Audit | 13,500 | 13,500 | 0 |
| Paving | 12,000 | 12,000 | 0 |
| Engineering | 10,000 | 9,100 | 900 |
| Hydrants | 10,000 | 10,000 | 0 |
| Postage | 7,500 | 7,471 | 29 |
| D.E.P. Withdrawal and Fees | 6,500 | 5,786 | 714 |
| Bank Fees | 2,000 | 1,111 | 889 |
| Cross Connection | 2,000 | 2,000 | 0 |
| Accounting | 1,000 | 0 | 1,000 |
| Meters | 1,000 | 705 | 295 |
| Petty Cash | 1,000 | 800 | 200 |
| Total Expenditures | <u>2,162,328</u> | <u>1,950,183</u> | <u>212,145</u> |
| <i>REVENUES OVER EXPENDITURES</i> | 0 | 397,793 | 397,793 |
| <i>OTHER FINANCING SOURCES (USES)</i> | | | |
| Transfers General Fund to Capital Projects | (290,000) | (290,000) | 0 |
| Transfers Capital Projects to General Fund | 10,259 | 10,259 | 0 |
| Net Change in Fund Balance | (279,741) | 118,052 | 397,793 |
| Budgetary Fund Balance - Beginning of Year | 513,770 | 513,770 | 0 |
| Budgetary Fund Balance - End of Year | <u>\$234,029</u> | <u>\$631,822</u> | <u>\$397,793</u> |

WATER SUPPLY DISTRICT OF ACTON

Page 10

Fiduciary Fund - Statement of Fiduciary Net Assets - WR Grace Fund
June 30, 2005*ASSETS**Current Assets*

| | |
|---------------------------|--------------------|
| Cash and Cash Equivalents | \$166,994 |
| Investments | <u>2,680,127</u> |
| Total Assets | <u>\$2,847,121</u> |

NET ASSETS

| | |
|---|--------------------|
| Restricted for WR Grace Fund (water improvement activities) | <u>\$2,847,121</u> |
|---|--------------------|

WATER SUPPLY DISTRICT OF ACTONFiduciary Fund - Statement of Changes in Fiduciary Net Assets - WR Grace Fund
For the Year Ended June 30, 2005*ADDITIONS*

| | |
|---|----------------|
| Dividend and Interest Income | \$97,903 |
| Net Increase in the Fair Value of Investments | <u>47,923</u> |
| Total Additions | <u>145,826</u> |

DEDUCTIONS

| | |
|----------------------------|--------------|
| Investment Management Fees | 23,074 |
| Maintenance and Operations | 60,916 |
| Pilot Study | <u>6,500</u> |

| | |
|------------------|---------------|
| Total Deductions | <u>90,490</u> |
|------------------|---------------|

| | |
|----------------------|--------|
| Change in Net Assets | 55,336 |
|----------------------|--------|

| | |
|--------------------------------|------------------|
| Net Assets - Beginning of Year | <u>2,791,785</u> |
|--------------------------------|------------------|

| | |
|--------------------------|--------------------|
| Net Assets - End of Year | <u>\$2,847,121</u> |
|--------------------------|--------------------|

WATER SUPPLY DISTRICT OF ACTON
Notes to the Financial Statements
June 30, 2005

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

Reporting Entity - The Water Supply District of Acton ("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 Acton. The District is a separate municipality, distinct from the Town of Acton. 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 Acton 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 accounting and reporting policies of the District relating to the funds and account groups included in the accompanying financial statements conform with the Commonwealth of Massachusetts' uniform reporting system. The following significant accounting policies were applied in the preparation of the accompanying financial statements:

Basis of Presentation - In 2004 the District implemented Governmental Accounting Standards Board Statement 34 (GASB 34). A Practical Guide for Implementation of GASB Statement 34 for Massachusetts Local Governments, published in June 2001 by the Massachusetts Department of Revenue Division of Local Services, Bureau of Accounts gives a good description of the change from the former reporting model to the new model, and is presented here (with editing to delete references that are not applicable to the District or to add specifics applicable to the District).

In the old reporting model communities prepared a "General Purpose Financial Statement" as the minimum requirement under Generally Accepted Accounting Principles. These financial statements were broken down into "Fund Types and Account Groups". Within the Fund Types were Governmental Funds (general fund and capital projects funds) and Fiduciary Fund (WR Grace). The General Long Term Debt Account Group was used to report liabilities of governmental funds. A budget-to-actual statement was

presented and notes to the general purpose financial statements supported the financial statements.

The new GASB 34 financial reporting model requires new sections for Management's Discussion and Analysis and Government-Wide financial statements. Fund and budgetary financial statements are presented and supported by notes to the financial statements, which is similar to the old reporting model. Government-Wide financial statements are presented on the accrual basis of accounting. The General Long Term Debt Account Group is eliminated, but the liabilities are still calculated and are now presented as part of the Government-Wide financial statements.

The capitalization of Infrastructure Assets related to Governmental Funds was previously optional, but is now a required presentation in the Government-Wide financial statements, including the calculation of depreciation expense and accumulated depreciation. Liabilities for compensated absences are now required to be reported as liabilities in the Government-Wide financial statements. The net assets of the District, including those invested in capital assets, net of related debt, those restricted (for capital projects) and unrestricted net assets are now a required presentation in the Government-Wide financial statements.

Basis of Accounting - The governmental funds (the general fund and the capital projects fund) are maintained and presented in accordance with the Commonwealth of Massachusetts' uniform reporting system. 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".

The Government-Wide financial statements are reported on the accrual method of accounting, where revenues are reported when earned and expenses are reported when incurred, regardless of when payments are either received or made.

WATER SUPPLY DISTRICT OF ACTON
Notes to the Financial Statements
June 30, 2005

Budgets and Budgetary Accounting - The District's annual budget is a legally adopted budget that is approved at each year's District Annual Meeting. Appropriations for the Capital Projects Fund and the WR Grace Fiduciary 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, machinery and 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 50% of a retiring employee's unused sick time, up to a maximum of 85 days sick time.

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. The District maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The District has not experienced any losses in such accounts. The District believes it is not exposed to any significant credit risk on cash.

NOTE 3 - INVESTMENTS

The WR Grace Fund investments are managed pursuant to Massachusetts General Laws. The objective of the Grace Fund is to cover major capital expenses needed to improve water quality or quantity. The fund is managed by Brown Brothers Harriman with the guideline that there is low risk to principal while providing a continuing revenue stream.

The Finance Committee of the District has established investment objectives such that funds are to be invested 30-50% in equities and 50-70% in fixed income

obligations, with less than 10% of the portfolio in cash equivalents. At June 30, 2005, the funds were invested 48% in equities, 50% in fixed income obligations and 2% in cash equivalents.

The WR Grace Fund investments are carried at fair value. During the year ended June 30, 2005, the District realized a net gain of \$121,876 from the sale of investments. The net increase in the fair value of investments during the year was \$47,923. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year.

**NOTE 4 - INTERFUND RECEIVABLE
AND PAYABLE**

At June 30, 2005, \$344,326 is due to the Capital Projects Fund from the General Fund on Governmental Funds - Balance Sheet.

NOTE 5 - RETIREMENT PLANS

Substantially all employees of the District are members of the Middlesex Retirement System. The retirement system is funded by both employer and employee contributions. The District's annual contributions to the retirement system are determined on a "pay-as-you-go" basis by the State Division of Insurance and are estimates of pensions actually payable during an accounting period. In addition, employees contribute 5%, 7%, 8% or 9% of their base pay depending on when they entered the system. The District's contributions for the year ended June 30, 2005 were \$75,215.

The District has a voluntary Section 457 retirement plan. Employees may make pre-tax contributions, and the District will match contributions up to 3% of the participating employee's base salary. The maximum employee and District combined contribution is \$14,000 per year (\$18,000 for employees age 50 or older). District match contributions for the year ended June 30, 2005 were \$19,988, which are included in Salaries and Wages.

WATER SUPPLY DISTRICT OF ACTON
Notes to the Financial Statements
June 30, 2005

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District the the year ended June 30, 2005 consisted of the following:

| Description | Beginning Balance | Additions | Disposals/ Reclasses | Ending Balance |
|------------------------------------|----------------------|----------------|-------------------------|---------------------|
| Land | \$ 762,225 | \$ 15,000 | | \$ 777,225 |
| Infrastructure | 25,878,008 | 326,719 | \$ 168,581 | 26,373,308 |
| Buildings | 520,000 | | | 520,000 |
| Vehicles | 340,940 | 127,686 | (158,118) | 310,508 |
| Machinery & Equipment | 1,924,923 | 182,890 | | 2,107,813 |
| Capital Assets Under Construction | <u>168,581</u> | <u>227,900</u> | <u>(168,581)</u> | <u>227,900</u> |
| Total at Historical Cost | 29,594,677 | 880,195 | (158,118) | 30,316,754 |
| Less Accumulated Depreciation for: | | | | |
| Infrastructure | 8,982,332 | 522,631 | | 9,504,963 |
| Buildings | 190,875 | 13,000 | | 203,875 |
| Vehicles | 258,183 | 25,125 | (127,709) | 155,599 |
| Machinery & Equipment | <u>766,391</u> | <u>141,121</u> | | <u>907,512</u> |
| Total Accumulated Depreciation | <u>10,197,781</u> | <u>701,877</u> | <u>(127,709)</u> | <u>10,771,949</u> |
| Capital Assets, Net | <u>\$19,396,896</u> | | | <u>\$19,544,805</u> |

NOTE 7 - SHORT TERM DEBT

Short Term Debt consisted of the following general obligation bonds at June 30, 2005:

| Description | Original Amount | Interest Rate | Date of Issue | Date of Maturity | Balance 6/30/05 |
|-----------------|--------------------|------------------|------------------|---------------------|--------------------|
| Water Mains '03 | \$455,000 | 1.94% | 08/26/04 | 08/25/05 | \$335,000 |
| Water Mains '04 | 650,000 | 2.49% | 12/30/04 | 12/30/05 | <u>650,000</u> |
| Total | | | | | <u>\$985,000</u> |

The water mains have been financed with short term borrowings. The current debts mature in August and December 2005. The District intends to pay down \$120,000 on both of the obligations when they are refinanced at their due dates, for a total debt payoff of \$240,000.

Interest expense of \$21,080 reported in the Statement of Activities reflects the accrual basis calculation of interest actually incurred during the year ended June 30, 2005, regardless of when the actual payments of interest were made by the District.

The amount needed to pay debt requirements during the year ending June 30, 2006 is \$1,007,684. This is comprised of \$985,000 principal and \$22,684 interest. During the year ended June 30, 2005, "Bonds, Interest and Fees" in the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances consisted of principal payments of \$120,000 on the Water Mains '03, principal payments of \$130,000 on the Conant Well II, and interest expense paid of \$13,397 for a total of \$263,397.

WATER SUPPLY DISTRICT OF ACTON
Notes to the Financial Statements
June 30, 2005

NOTE 8 - COMMITMENTS

The District has entered into certain contracts for water main installations, for development of well control systems, for upgrading water services and meters to existing homes, for improvements to existing water lines, and for improvements to water quality.

Voters at the 2002 Annual Meeting authorized the District to issue \$1,500,000 in new bonded indebtedness for the purpose of constructing water mains. During the year ended June 30, 2003, the

District issued \$650,000 of bonds, of which \$335,000 remains outstanding. During the year ended June 30, 2005, the District issued another \$650,000 of bonds from the original authorization of \$1,500,000, all of which remains outstanding. The District has \$200,000 remaining in authorized but unissued bonds.

The District has joined in a contingent fee class action lawsuit with other municipalities and organizations to challenge major gas and oil companies for allegedly polluting water supplies with the chemical MTBE.

CONCLUDED

WATER SUPPLY DISTRICT OF ACTON
Supplemental Schedule of Governmental Fund Balance - Capital Projects Activity
For the Year Ended June 30, 2005

| | <i>BALANCE</i> <i>06/30/04</i> | <i>GENERAL</i> <i>FUND</i> | <i>BOND</i> <i>ISSUANCE</i> | <i>PAYMENTS</i> <i>MADE</i> | <i>PAYMENTS</i> <i>RECEIVED</i> | <i>BALANCE</i> <i>06/30/05</i> |
|-------------------------------|-----------------------------------|-------------------------------|--------------------------------|--------------------------------|------------------------------------|-----------------------------------|
| | | <i>TRANSFERS</i> | | | | |
| 4WD Pickup 05 | \$0 | \$30,000 | | \$26,160 | | \$3,840 |
| Assabet I Well Replacement 04 | 150,274 | | | | | 150,274 |
| Dump Truck with Plow 04 | 50,000 | | | 41,973 | \$7,947 | 15,974 |
| Great Hill Tank 03, 04 | 217,055 | | | 216,459 | | 596 |
| Ken/Mar Treatment Study 02 | 937 | | | 937 | | 0 |
| Lawsbrook Land 04 | 15,000 | | | 15,000 | | 0 |
| Leak Detection Survey 03 | 5,203 | (5,203) | | | | 0 |
| Radio Read Meters 04 | 92,081 | | | 92,081 | | 0 |
| Radio Read Meters 05 | 0 | 150,000 | | 90,809 | | 59,191 |
| Truck 05 | 0 | 25,000 | | 20,168 | | 4,832 |
| Van 04 | 5,056 | (5,056) | | | | 0 |
| Vehicle 05 | 0 | 25,000 | | 24,100 | | 900 |
| Water Main Emergency 02 | 24,192 | | | 24,192 | | 0 |
| Water Main Emergency 04 | 10,000 | | | 1,493 | | 8,507 |
| Water Main Emergency 05 | 0 | 20,000 | | | | 20,000 |
| Water Main Replacement 03 | 18,017 | | | 12,218 | | 5,799 |
| Water Main Replacement 05 | 0 | 10,000 | | | | 10,000 |
| Water Mains Bonded 05 | 0 | | \$650,000 | 227,900 | 6,576 | 428,676 |
| Well Clean and Rehab 02 | 5,833 | | | 5,833 | | 0 |
| Well Clean and Rehab 03 | 50,000 | | | 50,000 | | 0 |
| Well Clean and Rehab 04 | 50,000 | | | 15,587 | | 34,413 |
| Well Clean and Rehab 05 | 0 | 30,000 | | | | 30,000 |
| | \$693,648 | \$279,741 | \$650,000 | \$864,910 | \$14,523 | \$773,002 |

Results of March 16, 2005 Annual Meeting

The Annual Meeting of the Water Supply District of Acton was held on March 16th 2005 at the Acton Water District, 693 Massachusetts Avenue, Acton MA. Enclosed are the Articles and Abstracts of the actions taken at this meeting.

Article 1. To fix salaries of the elected officials.

PASSED UNANIMOUSLY

Article 2. To act on the reports of the Commissioners, the Treasurer and other officers and committees of the District.

PASSED UNANIMOUSLY

Article 3. To see if the District will vote to authorize the Treasurer, with the approval of the Commissioners, to borrow in anticipation of the revenue of the fiscal year beginning July 1, 2005, in accordance with the provisions of General Laws, Chapter 44, Section 4, and to renew any note or notes as may be given for a period of less than one year, in accordance with the provisions of the General Laws, Chapter 44, Section 17, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Article 4. To see what sums of money the District will vote to raise and appropriate to defray the usual expenses of the District.

PASSED UNANIMOUSLY

Article 5. To see if the District will vote to transfer from Surplus Revenue the sum of \$150,000 for the purpose of purchasing new radio read meters to continue the existing program of replacing or installing new radio read meters on all District service lines, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Article 6. To see if the District will vote to transfer from Surplus Revenue the sum of \$30,000 to clean and rehabilitate existing wells throughout the District, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Article 7. To see if the District will vote to transfer from Surplus Revenue the sum of \$20,000 for the purpose of repairing emergency water main breaks, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Article 8. To see if the District will vote to transfer from Surplus Revenue the sum of \$10,000 for the purpose of replacing old water mains, renewing old water services, replacing old fire hydrants, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Article 9. To see if the District will vote to transfer from Surplus Revenue the sum of \$25,000 to purchase a new automobile and authorize the Commissioners to trade or sell the District's 2001 Ford Explorer, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Article 10. To see if the District will vote to transfer from Surplus Revenue the sum of \$30,000 to purchase a new four-wheel drive, one-half ton pick-up truck with plow and authorize the Commissioners to trade or sell the District's 1994 Ford pick-up truck, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Article 11. To see if the District will vote to transfer from Surplus Revenue the sum of \$25,000 to purchase a new automobile and authorize the Commissioners to trade or sell either the District's 1996 Ford Escort or 1997 Chevrolet Blazer, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Article 12. To see if the District will vote to authorize the Treasurer, with the approval of the Commissioners to transfer to Surplus Revenue the following unexpended balances remaining after the completion of projects authorized by vote of the District:

- A. Unexpended balance in the sum of \$5,056.45 Article 6, of the Annual Meeting of March 17, 2004, for purchase of a van.
- B. Unexpended balance in the sum of \$5,202.64 Article 13, of the Annual Meeting of March 17, 2004, for conduct of a leak detection survey.

Article 13. To see if the District will vote to transfer from Receipt Reserve for Appropriation Account (W.R. Grace settlement) the sum of \$50,000 for the maintenance and repair of the various treatment facilities including, but not limited to, media replacement in the filtration tanks, aeration tower repair, and replacement of packing material, or to take any other action relative thereto.

PASSED UNANIMOUSLY

Articles 5 through 12 call for transfers from Surplus Revenue. Also enclosed is an annual report for the District.

In addition, the results for the Annual Election of the District were conducted on March 29, 2005 and the newly elected officials were as follows:

| | | |
|---------------------------|-----------------------|------------|
| Clerk, 3-year term | Charles E. Orcutt III | 5136 votes |
| Commissioner, 3-year term | Stephen C. Stuntz | 4970 votes |

Sincerely,



Chip Orcutt
Clerk
Water Supply District of Acton

OUTDOOR WATER USE RESTRICTIONS EFFECTIVE MAY 1 – OCTOBER 1

- Those of you with even numbered addresses may water outdoors on Tuesdays, Thursdays and Saturdays.
- Those of you with odd numbered addresses may water outdoors on Wednesdays, Fridays and Sundays.
- No lawn watering may occur between 7:00 AM and 7:00 PM. (Watering mid-day wastes water to evaporation.)
- No outdoor usage will be allowed on Mondays.

The Monday restriction will give our storage tanks a chance to recover after the weekend. Maintenance of adequate levels is critical to serving both our domestic needs, as well as providing fire protection, if needed.