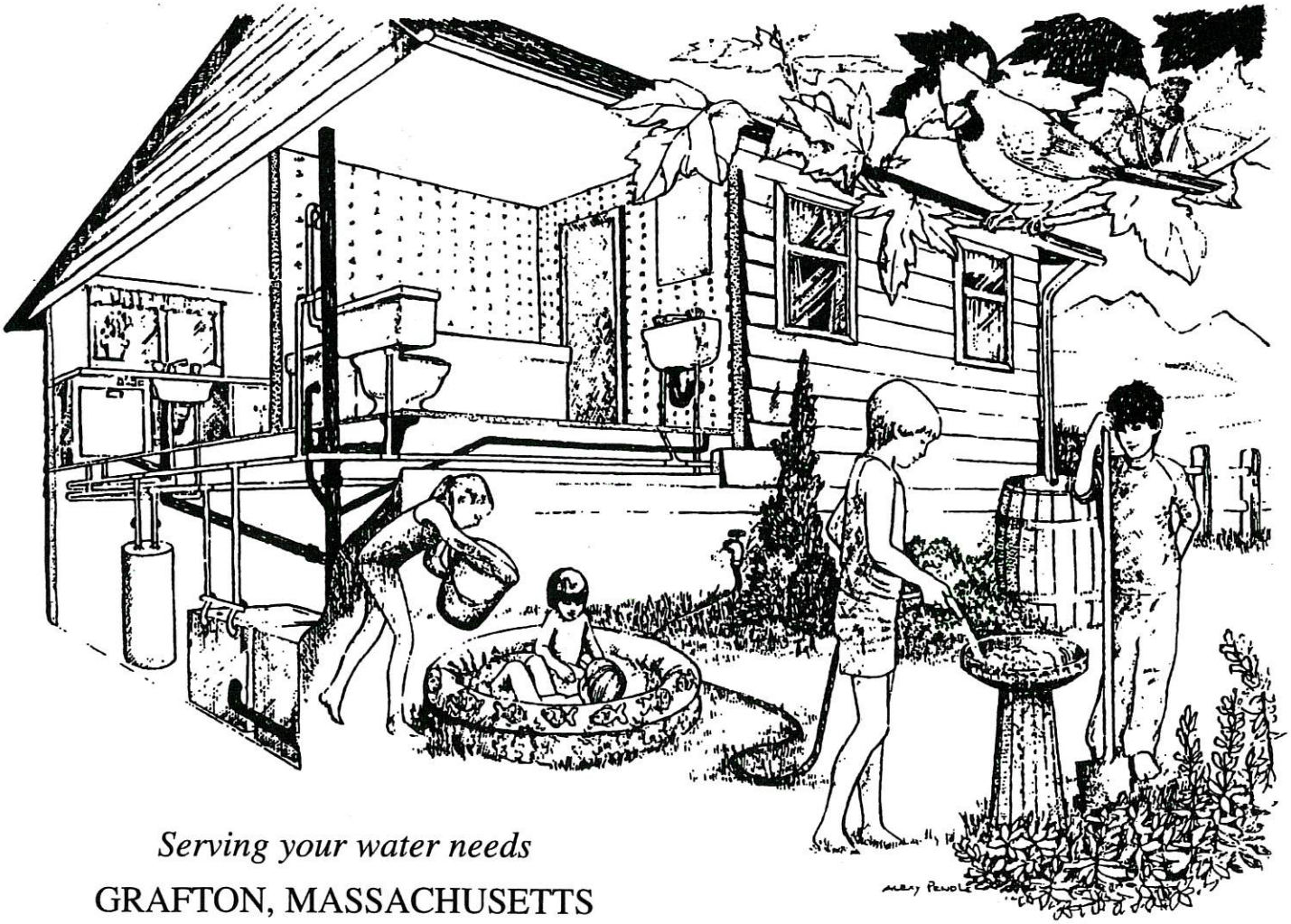
ANNUAL REPORTS

of the

OFFICERS

Grafton Water District

for 2018



Serving your water needs

GRAFTON, MASSACHUSETTS

REPORTS OF THE OFFICIALS OF THE GRAFTON WATER DISTRICT FOR THE YEAR 2018

DISTRICT ELECTED OFFICIALS

BOARD OF WATER COMMISSIONERS

Kenneth Grew ..... Term Expires 2020

Robert Frederico ..... Term Expires 2021

Michael Corda ..... Term Expires 2019

MODERATOR

Dan Concaugh ..... Term Expires 2020

CLERK

Rebecca Corda ..... Term Expires 2020

EMPLOYEES

MANAGER ..... Matthew E. Pearson

OFFICE MANAGER ..... Sharon Carroll-Tidman

OFFICE ASSISTANT ..... Pamela Rybak

UTILITY OPERATOR ..... John Hazelwood

UTILITY OPERATOR ..... Dave Erickson

UTILITY OPERATOR ..... Ron Festa

UTILITY OPERATOR ..... Andrew DeVries

YEARLY APPOINTMENTS

TREASURER ..... Wendy Graves

COUNSEL ..... Mary Bassett

COMMONWEALTH OF MASSACHUSETTS
GRAFTON WATER DISTRICT
ANNUAL MEETING MINUTES
APRIL 24, 2018

Moderator Dan Concaugh called the meeting to order at 7:30 PM.

Assistant Clerk, Sharon Carroll-Tidman read the clerks notice and posting.

Article 1. A motion was made by Ken Grew to see if the District will accept the Annual Report of the District Commissioners or take any action relative thereto. Seconded by Michael Corda. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 2. A motion was made by Commissioner Bob Frederico to see if the District will accept the Annual Report of the District Treasurer or take any action relative thereto. Seconded by Ken Grew. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 3. A motion was made by Michael Corda to see if the District will vote to appropriate from the income of the District and accept the sum of two million, one hundred and seventy four thousand, one hundred and forty dollars and no cents (2,174,140.00) as the Fiscal 2019 budget as printed in the Annual Report or take any action relative thereto. Seconded by Bob Frederico. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 4. A motion was made by Ken Grew to see if the District will vote to raise and appropriate, or transfer from available funds in the treasury the sum of two million, five hundred thousand dollars ($2,500,000.00) for the reconstruction of the Worcester Street well and pump station off Doris Drive, and costs associated therewith, such as engineering, utilities, access roads, and other appurtenances, and to purchase easements, acquire land and or place conservation restrictions in connection therewith or take any action relative thereto. Seconded by Mike Corda. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 5. A motion was made by Bob Frederico to see if the District will vote to authorize the Treasurer, with the approval of the Board of Water Commissioners, to borrow in anticipation of revenue under MGL Chapter 44, Section 4, a sum or take any action relative thereto. Seconded by Ken Grew. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Article 6. A motion was made by Mike Corda to see if the District will vote to authorize the Board of Water Commissioners to make pre-payments against existing loans or take any action relative thereto. Seconded by Ken Grew. The moderator called for discussion. There was none. The moderator called for a vote, and the article passed unanimously.

Ken Grew made a motion to adjourn the meeting. Seconded by Mike Corda. The moderator called for a vote, and the motion passed unanimously. The meeting adjourned at 7:36.

Respectfully Submitted,

Sharon Carroll Tidman

Assistant Clerk, Sharon Carroll-Tidman

Grafton Water District
Annual Budget

	2017-2018 Budget	2018-2019 Proposal	Change
Maintenance & Operation			
Salaries	$ 479,322	$ 547,140	14.1%
Benefits	281,500	$ 287,700	2.2%
Maintenance	240,650	$ 247,500	2.8%
Utilities	110,500	$ 112,500	1.8%
Chemicals	52,000	$ 54,000	3.8%
Engineering Services	30,000	$ 30,000	0.0%
Miscellaneous	2,000	$ 2,500	25.0%
Sub Total	$ 1,195,972	$ 1,281,340	7.1%
Administrative Expenses			
Office & Supplies	$ 42,500	$ 49,500	16.5%
Insurance	15,500	$ 20,000	29.0%
Accounting	8,000	$ 8,000	0.0%
Legal	6,000	$ 6,000	0.0%
Officers Fee	3,500	$ 3,500	0.0%
Moderator's Fee	300	$ 300	0.0%
Treasurer's Fee	10,000	$ 10,500	5.0%
Sub-Total	$ 85,800	$ 97,800	14.0%
Debt Service	$ 471,000	$ 395,000	-16%
Capital			
Gen. System Improvements	$ 325,000	$ 325,000	0.0%
Vehicle	$ 50,000	$ 50,000	0.0%
Meters	5,000	25,000	400.0%
Sub-Total	$ 380,000	$ 400,000	5.3%
Total Expenditures	$ 2,132,772	$ 2,174,140	1.9%
Total Revenue(Anticipated)	$ 2,200,000	$ 2,500,000	13.6%

COMMISSIONERS
Robert Frederico
Michael Corda
Kenneth Grew

GWD
GRAFTON WATER DISTRICT
Serving Your Water Needs
44 Millbury Street
Grafton, MA 01519
(508) 839-2302 - Fax: (508) 839-2367

MANAGER
Matthew E. Pearson

TREASURER
Wendy Graves

e-mail: graftonwaterdistrict@verizon.net

website: graftonwaterdistrict.org

April 24, 2018

To Whom it May Concern:

On April 24, 2018 the Grafton Water District held its annual election for commissioner.

The results are as follows:

There was a total of 4 ballots cast with all voting for Robert Frederico.

Respectfully submitted,

Sharon Carroll-Tidman
Assistant Clerk
Grafton Water District

Grafton Water District

Special Meeting

August 9, 2018

Due to the absence of the elected Moderator, a motion was made by Commissioner Michael Corda to appoint Town Manager Tim McInerney as temporary Moderator. Seconded by Sharon Carroll-Tidman. Voted unanimously in favor.

Tim McInerney called the meeting to order at 4:31 PM.

Michael Corda made a motion to see if the District would vote to transfer from available funds in the treasury Three Hundred Fifty Thousand and 00/100 Dollars for the construction and installation of a water main and appurtenances on Hitchings Road and Logan Path including engineering, construction, inspection or related work required to complete the installation and or replacement of watermains and services. Seconded by Sharon Carroll-Tidman. The moderator called for discussion. There was none. The moderator called for a vote and the article passed unanimously.

A motion was made by Commissioner Michael Corda and seconded by Sharon Carroll-Tidman to adjourn the meeting. The meeting was adjourned at 4:35 PM.

Respectfully Submitted,

Rebecca A. Corda

Clerk

Grafton Water District

Board of Water Commissioners
2018 Annual Report

The Board elected Ken Grew as Chairman of the Board. Appointed were Wendy Graves as Treasurer and Mary Bassett as District Counsel.

During the past year the Commissioners worked on many projects as well as the general management over the operations of the District.

1. The Board acquired the services of Scanlon & Associates to perform a financial audit of the District finances and procedures. This audit is completed annually consistent with sound financial practice and in conformance with State and Federal reporting requirements.
2. The Board finalized the construction of the Trinity Ave well and pump station, which is a great addition to our water pumping capabilities and the ability of the District to supply water for the future growth of the Town.
3. The Board has funded an additional $50,000 into the "Other Post Employee Benefits" trust fund.
4. The Manager and the Commissioners developed a "Commissioners Handbook". This book has all the necessary documentation that an existing or new Commissioner may need to perform their duties.
5. The Board and the Treasurer finalized payment on a $1,159,000 USDA Loan. This payment was made from unrestricted funds.
6. The Board has started engineering design and approval to rehabilitate the existing Worcester Street well and pump house. This project is anticipated to cost roughly $2,500,000 and will be completed over the next few years.
7. The Board worked with the Manager and Treasurer to produce a budget that was approved by the voters at the Annual Meeting in April.
8. The Board through its District Manager approved the hiring of a new operator. This position was established as a result of the District's aging workforce and the anticipated retirement of several employees.
9. The Board wishes to thank the staff of the Water District for operating the water system and maintaining it in great condition and continuing to provide safe dependable water to our customers.

Board of Water Commissioners

Ken Grew, Chairman
Robert Frederico, Commissioner
Michael Corda, Commissioner

MANAGERS REPORT
2018

The Grafton Water District now has 4370 service connections. These include residential, commercial and industrial. This figure doesn't include fire services

The District pumped a total of 483,818,000 gallons of water during the year 2018. A difference between years usually correlates to the type of weather we have during the summer and fall months, system leaks and water main breaks. During a dry year the amount of water pumped is usually up during a wet year it is usually down.

The following items address some of the projects that were worked on during the 2018 calendar year.

1. The District submitted its Consumer Confidence Report to the District customers. The report is now available on line at www.graftonwaterdistrict.org. This report highlights the District and its water quality status. The District is pleased to report that the water in which the District supplies you meets or exceeds all of the required testing parameters required by State and Federal government.

2. The Trinity Avenue well and pumping station project has been completed. The contractor took a lot longer than expected to complete the job. This was a result of their poor planning and construction administration. The new well will be on line in early 2019. DEP has performed a site visit and a final approval letter is forth coming.

3. The District completed the replacement of water mains on Hitchings Road and Logan Path. This included the replacement of 1020 feet of old 2 inch pipe replaced with 550 feet of 6 inch and 570 feet of 8 inch ductile iron pipe. This was done at a cost of $305,000. Also, a new water main was installed on Kaye Circle and Hilltop Street to connect dead ends. This involved the installation of 1210 feet of 8-inch ductile iron water main at a cost of $251,000.

4. Private developers installed 2020 feet of 8-inch ductile iron water main on Clearview Street at a cost of $242,000.00 dollars. Approximately $120.00 dollars per foot installed.

5. Regular maintenance of the District facilities was done throughout the year.

6. Employees of the District continue to take courses that keep them abreast of changes in the industry. Each employee is mandated by the State to attend a certain number of training class hours. This participation is required to keep their licenses valid and to be able to continue employment at the District. All of the District water operators carry the required State licenses. Newly adopted this year by the State Legislation was the requirement that municipalities meet the requirements of OSHA. The District has always been proactive in assuring that its employees are trained and operate in a safe manner. Our Workmen's

Compensation rates and our on the job injuries are very low. The District staff will be participating in new and additional training to meet any new requirements of this new law.

7. Hydrants in the system were flushed and checked for proper operation. Also, hydrants were greased, painted and maintained as needed throughout the year.

8. All water testing sampled throughout the year has met the requirements of the Environmental Protection agency and the Massachusetts Department of Environmental. Our Consumer Confidence Report highlights the testing.

9. The Board of Water Commissioners continue to support local community activities by supplying water or other services during special events. The District supported the Grafton Gazebo Road Race, Grafton Common lawn watering, water saving devices at the Town Hall and Household Hazardous Waste Day.

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

Matthew E. Pearson
Manager

2018 WATER PRODUCTION (GALLONS)

	2017	2018
Total Used	507,655,000	483,818,000
Largest Day	2,138,000	2,064,000
Average Day	1,390,000	1,325,000

MAIN EXTENSIONS

Hitchings Road	8"	570'
Kaye Circle	6"	810'
Logan Path	6"	550'
Hilltop Street	6"	400'
Clearview Street	8"	2020'

WATER MAIN REPAIRS

Worcester Street	8"

WATER SERVICE REPAIRS

Bernard Road	¾"	Countryside	¾"
Bluebird Drive	2"	Milford Road	2"

SYSTEM MAINTENANCE

New Meters –
Replacement Meters –

New Hydrants - 5
Total Services - 4

YEAR 2014 - 2018 COMPARISON

Year	# of Services	Gallons Pumped	Employees	Payroll
2018	4370	483,818,000	5.5	$429,630.00
2017	4313	507,655,000	5.5	$446,000.00
2016	4269*	452,210,000	5.5	$435,626.00
2015	4417	514,316,000	5.5	$412,890.00
2014	4345	509,154,000	5	$413,965.00

Year	Income	Expenses	Debt Payments	Debt Balance
2018	$2,655,694.00	$1,982,096.00	$453,725.00	$2,950,677.00
2017	$2,845,048.00	$2,526,924.00	$470,949.00	$4,529,430.00
2016	$2,738,437.00	$2,096,950.00	$471,149.00	$4,648,265.00
2015	$2,848,456.00	$2,051,967.00	$475,549.00	$4,916,621.00
2014	$2,181,302.00	$2,050,324.00	$474,749.00	$5,178,303.00

Year	Extra Payments	Connection Improvements	Capital Improvements	Contributed Capital
2018	$1,159,000.00	$146,500.00	$1,739,501.00	$220,800.00
2017	0	$245,500.00	$616,076.00	$126,000.00
2016	0	$126,000.00	$429,952.00	0
2015	0	$203,500.00	$435,025.00	0
2014	0	$203,000.00	$787,016.00	$238,900.00

* fire services removed from total services

GRAFTON WATER DISTRICT
TREASURER'S REPORT
YEAR ENDING JUNE 30, 2018

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

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

The balance of this report consists of:

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

Respectfully submitted,

Wendy L. Graves

Wendy Graves
Treasurer

Vendors
Payments >= $4,000
7/1/2017 to 6/30/2018

Vendor		Amount	Vendor		Amount
A/D Instrument	$	15,558.49	LockeLordLLP	$	10,600.00
Altus Dental	$	4,093.10	MHQ	$	28,600.85
Aztec	$	15,871.78	Michael Rybak	$	9,795.00
Bank of America	$	9,253.54	Microbac	$	11,305.00
Bau Hopkins	$	19,192.00	MIIA-PropertyCasual	$	22,845.00
Borges Construction	$	156,000.00	National Grid	$	32,296.12
BUA Hopkins	$	4,112.42	Peter Adams	$	4,570.00
CDR Maguire	$	14,931.00	PUTNAM PIPE	$	8,233.34
Denis L. Maher Co.	$	26,403.50	R H White	$	56,754.88
DEP	$	4,339.65	R. M. Adams	$	5,070.00
EARTHWORKS	$	43,774.50	S&PGlobalRatings	$	11,500.00
EIS	$	9,198.00	SAVERS BANK	$	29,250.00
Everett J. Prescott Inc.	$	4,594.05	Scanlon & Associates	$	6,750.00
F.W. Webb Company	$	45,471.64	Stiles Company	$	18,624.99
FALLON	$	86,220.12	SunLife	$	10,272.36
Flowrite	$	17,257.35	Tata & Howard, Inc,	$	49,092.80
Girouard Fence Co.	$	5,700.00	TerraForm Power LLC	$	136,611.05
Grafton Police Department	$	4,500.00	Tighe&Bond	$	4,200.00
Gulf	$	9,080.67	U.S. Postal Service	$	8,869.00
HUHTALA OIL & PROPANE	$	12,863.51	UFASI	$	15,125.00
Hydra Tech, Inc	$	13,605.00	UNIVAR	$	19,472.99
J.P. Morgan Chase Bank	$	3,270,985.14	USBankNA	$	359,293.34
Jones Chemicals, Inc.	$	15,599.62	USDA Rural Development	$	1,217,071.79
Kearsarge Energy	$	54,018.13	Wendy Graves	$	9,600.00
Koopman	$	6,476.13	Weston & Sampson CMR, Inc.	$	1,225,235.07

MARY E. BASSETT
Attorney at Law

of counsel to:
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30 Monument Square
Concord, MA 01742

Telephone: 978-369-2252
Fax: 978-369-6989
Email: Mary@marybassettlaw.com

February 13, 2019

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

RE: Legal Services

Dear Members of the Board:

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

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

Sincerely yours,

Mary E. Bassett

Mary E. Bassett, Esq.

GRAFTON, MASSACHUSETTS WATER DISTRICT

Report on the Examination of Basic Financial Statements

Fiscal Year Ended June 30, 2018

GRAFTON, MASSACHUSETTS WATER DISTRICT
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2018

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Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield, MA 01373
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Independent Auditor's Report

To the Commissioners
Grafton Water District
Grafton, Massachusetts

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Grafton Water District in Grafton, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Grafton, Massachusetts Water District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 from 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Grafton Water District, Massachusetts, as of June 30, 2018, and the respective changes in financial position and, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grafton, Massachusetts Water District's basic financial statements. The Supplementary Schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplementary Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scanlon & Associates LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

November 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Grafton, Massachusetts Water District (the Water District), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. The District's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Water District's assets exceeded its liabilities by $18,312,352 (net position) at the close of the 2018 fiscal year. This compares to the previous year when assets exceeded its liabilities by $17,363,759 or an increase of $948,593 (5%).

- As required by Government Accounting Standards Board (GASB) Statement No. 75, in fiscal year 2018, the District recognized a decrease to Other Post Employment Benefits (OPEB) obligation payable of $218,992 on the statement of net position from the previous year.

- Total liabilities of the Water District decreased during the year by $2,225,185 to $3,135,075. This net change resulted mainly from net decreases in accounts payable of $365,489, in the OPEB obligation payable of $127,784 and in long-term bonds payable of $1,669,961 (mainly due to the early payoff of the U.S. Department of Agriculture loan of $1,159,961) from the previous year.

- At June 30, 2018, the Water District's total current assets in the amount of $2,494,301 exceeded its total current liabilities of $439,398 by $2,054,903. The relative value of the difference in those two amounts provides a good indication of the Water District's financial strength over the short-term.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Water District's basic financial statements. The Water District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. In layman's terms, this presentation means that financial information is reported using accounting methods similar to those followed by private sector companies. The statements offer both short-term and long-term financial information about the activities of the Water District.

Required Financial Statements for Business-Type Activities

In reporting on the operations of its enterprise funds, the Water District's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows, a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The financial statements also include notes that are considered essential to a full understanding of the data that is being presented on the face of the statements. The primary purpose of the notes is to provide additional discussion, enhanced disclosures and tabular presentation of data to further explain information in the financial statements and to provide more detailed data.

The information contained in the Statement of Net Position represents all of the Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Water District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Water District's operations over the past year and can be used to determine whether the Water District has successfully recovered all of its costs through user fees and other charges. It provides the user with basic financial information about the profitability and credit worthiness of the Water District.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Water District's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. The purpose of this statement is to tell the user where the Water District's cash came from, what the cash was used for, and by how much the cash balance changed over the course of the fiscal year.

In addition to the financial statements and accompanying notes, this report also presents as required supplementary information, a schedule of revenues and expenditures – budget and actual.

Financial Highlights

Statement of Net Position Highlights

	Business-Type Activities		
	2018	**2017**	**Change**
Assets:			
Current assets	$ 2,494,301	$ 4,270,214	$ (1,775,913)
Capital assets	18,953,126	17,967,140	985,986
Total assets	**21,447,427**	**22,237,354**	**(789,927)**
Liabilities:			
Current liabilities (excluding debt)	184,398	611,838	(427,440)
Current debt	255,000	289,570	(34,570)
Noncurrent liabilities (excluding debt)	250,677	159,469	91,208
Noncurrent debt	2,445,000	4,080,391	(1,635,391)
Total liabilities	**3,135,075**	**5,141,268**	**(2,006,193)**
Net Position:			
Net investment in capital assets	16,253,126	13,597,179	2,655,947
Unrestricted	2,059,226	3,498,907	(1,439,681)
Total net position	**$ 18,312,352**	**$ 17,096,086**	**$ 1,216,266**

Statement of Revenues, Expenses and Changes in Net Position Highlights

	2018	2017	Change
Operating Revenues:			
Charges for services - Rates	$ 2,463,433	$ 2,568,073	$ (104,640)
Service and entrance fees	146,500	245,500	(99,000)
Miscellaneous fees	45,761	31,475	14,286
Total revenues	**2,655,694**	**2,845,048**	**(189,354)**
Expenses:			
Salaries and wages	429,630	490,373	(60,743)
Employee benefits	167,241	224,177	(56,936)
Professional fees	24,887	53,180	(28,293)
Office expenses	45,351	33,373	11,978
Maintenance and operating	435,472	366,035	69,437
Depreciation	879,515	873,121	6,394
Total expenses	**1,982,096**	**2,040,259**	**(58,163)**
Non-operating revenues (expenses):			
Interest Income	33,154	24,528	8,626
Contributed Capital	126,000	-	126,000
Bond Premium	284,783	-	284,783
Interest Expense	(168,942)	(190,704)	21,762
Total non-operating revenues (expenses)	274,995	(166,176)	441,171
Change in net position	**948,593**	**638,613**	**309,980**
Net position - beginning of year	**17,363,759**	**16,725,146**	**638,613**
Net position - end of year	**$ 18,312,352**	**$ 17,363,759**	**$ 948,593**

The Water District's net position (i.e., the difference between assets and liabilities) is one way to measure financial health or financial position. Over time, increases or decreases in the Water District's net assets are a general indicator of whether its financial health is improving or deteriorating. In addition to the relative change in net assets, readers will also have to take into consideration the impact on operations of other non-financial factors and external influences. These would include, but are not limited to, economic conditions, population growth, unusual rainfall patterns, changes in governmental legislation, restrictions on outdoor water use, the issuance of new regulations and the utilization of new technologies.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by $18,312,352 at the close of fiscal year 2018.

Net position of $16,253,126 (89%) reflects its investment in capital assets (e.g., infrastructure); less any related debt used to acquire those assets that are still outstanding. The Water District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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.

The remaining balance is *unrestricted net position* of $2,059,226 (11%) and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Water District is able to report positive balances in all categories of net position for its business-type activities.

The *Water Fund* is the financing and operations of the District's water system. The water fund shows an increase in net position of $948,593 (5%) during the current fiscal year. This change was mainly due to operating revenues exceeding current operating costs by $673,598, interest income of $33,154, contributed capital of $126,000, a bond premium of $284,783, and interest expense of $168,942. Operating revenues decreased by $189,354 (7%) while operating expenses also decreased by $58,163 (3%) from the prior year.

Capital Asset and Debt Administration

Capital Assets. The Water District's investment in capital assets as of June 30, 2018 amounts to $18,953,126.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year included the following:

- Vehicle purchase for $28,602.
- Infrastructure improvements for $1,836,899.

Debt Administration. The Water District's outstanding governmental debt as of June 30, 2018, totaled $2,7 million for various water projects.

Please refer to note 2C and 2D for further discussion of the capital and debt activity.

Next Year's Annual District Meeting

The Water District operates under the "Open Meeting" concept where each registered voter has an equal vote in the adopting of Water District's budgets and appropriations. The financial statements for June 30, 2018 do not reflect the fiscal year 2019 Water District meeting. The annual Water District meeting on April 27, 2018 authorized a fiscal year 2019 operating budget as follows:

From Water receipts	$	2,174,140
Water retained earnings (Free Cash)		2,500,000
From Water receipts		4,674,140

Requests for Information

The financial report is designed to provide a general overview of the Water District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Grafton Water District, 44 Millbury Street, Grafton, Massachusetts.

BASIC FINANCIAL STATEMENTS

GRAFTON, MASSACHUSETTS WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Business-Type Activity Enterprise Fund	
		Water Fund
ASSETS		
CURRENT:		
Cash and Cash Equivalents	$	601,585
Investments		1,240,202
Receivables, net of allowance for uncollectibles:		
User Charges		599,773
Betterment Receivable		32,844
Due from Other Governments		19,897
Total current assets		2,494,301
NONCURRENT:		
Capital Assets, net of accumulated depreciation		
Nondepreciable		2,967,948
Depreciable		15,985,178
Total noncurrent assets		18,953,126
Total Assets		21,447,427
LIABILITIES		
CURRENT:		
Accounts Payable		175,546
Accrued Interest		8,852
Bonds Payable		255,000
Total current liabilities		439,398
NONCURRENT:		
Other Post Employment Benefits Payable		250,677
Bonds Payable		2,445,000
Total noncurrent liabilities		2,695,677
Total Liabilities		3,135,075
NET POSITION		
Net Investment in Capital Assets		16,253,126
Unrestricted		2,059,226
Total Net Position	$	18,312,352

The Notes to the Financial Statements are an integral part of this Statement.

GRAFTON, MASSACHUSETTS WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activity Enterprise Fund	
		Water Fund
Operating Revenues:		
Charges for Services - Rates	$	2,463,433
Service and Entrance Fees		146,500
Miscellaneous Fees		45,761
Total Operating Revenues		2,655,694
Operating Expenses:		
Salaries & Wages		429,630
Employee Benefits		167,241
Professional Fees		24,887
Office Expenses		45,351
Maintenance and Operating		435,472
Depreciation		879,515
Total Operating Expenses		1,982,096
Operating Income (Loss)		673,598
Non-Operating Revenues (Expenses):		
Interest Income		33,154
Contributed Capital		126,000
Bond Premium		284,783
Interest Expense		(168,942)
Total Non-Operating Revenues (Expenses)		274,995
Change in Net Position		948,593
Net Position at Beginning of Year (As Restated)		17,363,759
Net Position at End of Year	$	18,312,352

The Notes to the Financial Statements are an integral part of this Statement.

GRAFTON, MASSACHUSETTS WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activity Enterprise Fund	
		Water Fund
Cash Flows From Operating Activities:		
Receipts from Customers and Users	$	2,680,420
Payments to Vendors		(703,006)
Payments to Employees		(468,134)
Net Cash Provided by (Used for) Operating Activities		1,509,280
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets		(1,739,501)
Principal Payments on Bonds and Notes		(1,669,961)
Bond Premium		284,783
Interest Expense		(168,942)
Net Cash Provided by (Used for) Capital and Related Financing Activities		(3,293,621)
Cash Flows from Investing Activities:		
Investment Income		33,154
Sale of Investments		291,408
Net Cash Provided by (Used for) Investing Activities		324,562
Net Increase (Decrease) in Cash and Cash Equivalents		(1,459,779)
Cash and Cash Equivalents at Beginning of Year		2,061,364
Cash and Cash Equivalents at End of Year	$	601,585

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

Operating Income (Loss)	$	673,598
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		879,515
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable		121,176
Increase (Decrease) in Accrued Payroll		(38,504)
Increase (Decrease) in Accrued Interest		(23,447)
Increase (Decrease) in Other Post Employment Benefits Payable		(127,784)
Decrease (Increase) in Due from Other Governments		14,253
Decrease (Increase) in Betterment Receivable		4,003
Decrease (Increase) in User Charges Receivable		6,470
Total Adjustments		835,682
Net Cash Provided by (Used for) Operating Activities	$	1,509,280

The Notes to the Financial Statements are an integral part of this Statement.

GRAFTON, MASSACHUSETTS WATER DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Other Post Employment Benefits Trust Fund
ASSETS	
Investments	$ 185,360
Total Assets	185,360
NET POSITION	
Held in Trust for Other Purposes	$ 185,360

The Notes to the Financial Statements are an integral part of this Statement.

GRAFTON, MASSACHUSETTS WATER DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Other Post Employment Benefits Trust Fund
Additions:	
Contributions:	
Employer	$ 100,000
Investment Income	7,043
Total Additions	107,043
Deductions:	
Employee Benefits	-
Total Deductions	-
Change in Net Position	107,043
Net Position at Beginning of Year	78,317
Net Position at End of Year	$ 185,360

The Notes to the Financial Statements are an integral part of this Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Grafton, Massachusetts Water District (the Water District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Water District accounting policies are described herein.

A. Reporting Entity

The Water District was created pursuant to Chapter 135 of the Acts of 1984 and amended by Chapter 427 of the Acts of 1987 as a public entity, politic and corporate, for the purpose of acquiring, consolidating, improving, and operating the existing water systems serving the Town of Grafton. The Water District is governed by an elected three-member Board of Water Commissioners. The Water District is a separate governmental unit granted independent authority by the Commonwealth of Massachusetts to allow the Water District's Board to set rates, fees, and charges.

For financial reporting purposes, the Water District has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Water District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Water District are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2018, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units. The Water District is considered to be a special-purpose government.

B. Basis of Presentation

The business-type activities are financed in whole or in part by fees charged to external parties. The activities of the Water District are considered to be business-type and fiduciary activities.

Fund Financial Statements. The Government-wide Financial Statements provide information about the Water District's funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions. The Water District has one fund category – proprietary funds.

Enterprise Fund

The Enterprise Fund is used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water District operates as a singular enterprise fund.

C. Measurement Focus and Basis of Accounting

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

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally resulted from providing water and related services to residents and business entities. The principal operating revenues consist of charges for water usage, repair services and entrance fees. Operating expenses include payroll and benefits, power, chemicals, repairs and maintenance, and other operating expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the Water District reports the following fund type:

Fiduciary Fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the District programs.

The *Other Post Employment Benefit Trust Fund (OPEB)* accounts for the activities of the District's OPEB plan, which accumulates resources for retiree medical and life insurance benefits.

D. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

E. Investments

The Water District maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

User Charges

User charges consist of water that is levied based on individual meter readings and usage and are subject to penalties and interest and sales if they are not paid by the respective due date. User charges also include sales and connections.

Receivables are reviewed periodically to establish or update the provision for uncollectible amounts. These provisions are estimated based on an analysis of the age of the various accounts. The District records as revenue the amount of earned but unbilled betterments.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. water mains), are reported in the applicable government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of $5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and related improvements	10-25
Machinery, equipment and other	3-7
Infrastructure	30

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Long-term Debt

Long-term debt is reported as liabilities in the government-wide statement of net position.

I. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with Massachusetts General Law, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums for retirees and spouses and surviving spouses in the general fund in the fiscal year paid.

J. Net Position

In the financial statements, the difference between the Water District's total assets and total liabilities represents net position. Net position in the proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments imposed by law through State statute. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

K. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. DETAILED NOTES

A. Cash and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2018 were $794,229. Of these, $201,809 are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

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

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT's fair value is measured at amortized cost.

As of June 30, 2018, the Water District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
Debt Securities:		
Fixed income mutual funds	$ 67,254	$ 67,254
Money market mutual fund	497	497
	67,751	$ 67,751
Other Investments:		
Equity mutual funds	117,609	
MMDT	1,240,202	
	$ 1,425,562	

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Water District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Water District's $1,425,562 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Water District's name. The Water District has no policy on custodial credit risk.

Interest Rate Risk

The Water District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Water District's exposure to credit risk as of June 30, 2018 is as follows:

Related Debt Instruments Moody's Quality Ratings	Fair Value
Fixed Income Mutual Funds:	
Not rated	$ 67,254
Money Market Mutual Funds:	
Not rated	497
	$ 67,751

Concentration of Credit Risk

The Water District places no limit on the amount the Water District may invest in one issuer. The Water District does not have more than 5 percent of the Water District's investments in one issuer.

Fair Value of Investments

The Water District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Water District has the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurement		
Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity mutual funds	$ 117,609	$ 117,609	$ -	$ -
Fixed income mutual fund	67,254	67,254	-	-
Money market mutual fund	497	497	-	-
	185,360	$ 185,360	$ -	$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	1,240,202			
Total Investments	$ 1,425,562			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

B. Receivables

At June 30, 2018, receivables including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
User charges	$ 599,773	$ -	$ 599,773
Betterment receivable	32,844	-	32,844
Due from other governments	19,897	-	19,897
	$ 652,514	$ -	$ 652,514

The composition of amounts due from other governments as of June 30, 2018 for business-type funds is a solar panel reimbursement from National Grid and Capital Dynamics; which passes through the Town of Grafton in the amount of $19,897.

C. Capital Assets

Capital asset activity for the year ended June 30, 2018, is as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 986,098	$ -	$ -	$ 986,098
Construction in progress	608,508	1,373,342	-	1,981,850
Total capital assets not being depreciated	1,594,606	1,373,342	-	2,967,948
Capital assets being depreciated:				
Buildings and renovations	278,077	-	-	278,077
Machinery, equipment and other	190,675	28,602	-	219,277
Infrastructure	29,709,508	463,557	-	30,173,065
Total capital assets being depreciated	30,178,260	492,159	-	30,670,419
Less accumulated depreciation for:				
Buildings and renovations	250,268	11,124	-	261,392
Machinery, equipment and other	171,219	19,262	-	190,481
Infrastructure	13,384,239	849,129	-	14,233,368
Total accumulated depreciation	13,805,726	879,515	-	14,685,241
Total capital assets being depreciated, net	16,372,534	(387,356)	-	15,985,178
Total business-type activities capital assets, net	$ 17,967,140	$ 985,986	$ -	$ 18,953,126

Depreciation expense as charged to the Water District and recorded on the Statement of Activities resulting from water operations is $879,515.

D. Long Term Debt

General Obligation Bonds

The Water District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the business-type activities.

General obligation bonds currently outstanding of the business-type activities are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2018
Outside Debt:					
General Obligation Bond	4.1%	10/17/2017	6/1/2027	$ 2,985,000	$ 2,700,000

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2018, are as follows:

Year	Principal	Interest	Total
2019	$ 255,000	$ 108,000	$ 363,000
2020	265,000	97,800	362,800
2021	275,000	87,200	362,200
2022	290,000	76,200	366,200
2023	300,000	64,600	364,600
2024-2027	1,315,000	134,200	1,449,200
	$ 2,700,000	$ 568,000	$ 3,268,000

A summary of the changes in long term liabilities during the year is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
Business-type activities:					
Bonds Payable:					
General obligation bonds	$ 3,210,000	$ 2,985,000	$ 3,495,000	$ 2,700,000	$ 255,000
USDA Rural development bonds	1,159,961	-	1,159,961	-	-
OPEB liability obligation	378,461	-	127,784	250,677	-
Governmental activity Long-term liabilities	$ 4,748,422	$ 2,985,000	$ 4,782,745	$ 2,950,677	$ 255,000

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a District must authorize debt at a District meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or District meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2018 and are not reflected in the Water District's financial statements are as follows:

Date District Meeting Authorized	Purpose	Amount
4/30/2013	Perform pumping testing on land off Trinity Drive	$ 150,000
4/30/2013	Purchase of Doris Drive land	150,000
4/29/2014	Construct Trinity Avenue pumping station	1,500,000
		$ 1,800,000

3. OTHER INFORMATION

A. Risk Management

The Water 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. The Water District has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the District at June 30, 2018.

The District has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, District management believes such disallowances, if any, will not be material.

C. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

D. Other Post Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Water District recognizes the cost of post employment benefits in the year when the employee services are received and provides information useful in assessing potential demands on the Water District's future cash flows.

Plan Description

The Water District offers continued medical coverage through the Water District's medical plan carrier, a single-employer defined benefit, to employees who retire from the Water District at age 55 or older with a minimum of 10 years of service. The Water District provides 50 percent (plus an additional 10 percent for each additional year of service at retirement in excess of 10 years – not to exceed 100 percent) of the cost for medical coverage. This plan is authorized and may be amended by the Board of Directors. This plan is included in the Water District financial statements, thus separate financial statements are not issued. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law Chapter 32. As of the actuarial valuation date there are approximately 5 active employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Water District are established and may be amended through Water District policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2018 fiscal year, the Water District provided actual contributions of $100,000 towards the annual OPEB cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses and reinsurance payments, and net of retiree contributions.

Investment Policy

The District's policy in regard to the allocation of invested assets is established and may be amended by the Board of Water Commissioners by majority vote of its members. The Water District did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2018, the trust balance is $185,360.

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Plan Membership:

Current active members	5
Current retirees, beneficiaries and dependents	3
Total	8

Net OPEB Liability

The components of the net OPEB liability are as follows:

	6/30/2018
Total OPEB liability	$ 436,037
Less: Plan fiduciary net position	(185,360)
District's Net OPEB liability	$ 250,677
Plan fiduciary net position as a percentage of the total OPEB liability	42.5%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified;

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Actuarial Cost Method
Discount rate	4.0% annually

Participant salary increases	2.0% annually
Healthcare cost trend rates	to an Ultimate trend rate of 5.5% annually in the second year
Mortality rates	Life expectancy by gender comes from the *Life Expectancy Table* from the National Center for Health Statistics updated in 2015.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's net OPEB liability as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current rate:

	1% Decrease (3.0%)	Current Discount Rate (4.0%)	1% Increase (5.0%)
District's net OPEB liability	$ 303,951	$ 250,677	$ 202,440

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the District's net OPEB liability as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (amounts are in thousands):

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
District's net OPEB liability	$ 196,818	$ 250,677	$ 313,651

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

E. Implementation of New GASB Pronouncements

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements,* for implementation in fiscal year 2018.

The GASB issued Statement No. 85, *Omnibus 2017,* for implementation in fiscal year 2018.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues,* for implementation in fiscal year 2018.

F. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* for implementation in fiscal year 2019.

The GASB issued Statement No. 87, *Leases,* for implementation in fiscal year 2021.

4. RESTATEMENT

The net position as of June 30, 2017 has been restated. As required by GASB Statement No. 75, the beginning business-type net position decreased $218,992 to reflect the change in the other post employment (OPEB) liability. Also, the beginning business-type net position increased $486,665 to reflect additional operating expenses in the Trinity Avenue station improvements during 2017. Accordingly, the previously reported net position of $17,096,086 for business-type activities has been revised to $17,363,759.

REQUIRED SUPPLEMENTARY INFORMATION

GRAFTON, MASSACHUSETTS WATER DISTRICT
Schedule of Revenues and Expenditures - Budgetary Basis (Non-GAAP) - Budget and Actual - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services - Water	$ 2,200,000	$ 2,200,000	$ 2,463,433	$ 263,433
Service and Entrance Fees	40,000	40,000	146,500	106,500
Miscellaneous Fees	-	-	45,761	45,761
Investment Income	5,000	5,000	33,154	28,154
Total Revenues	2,245,000	2,245,000	2,688,848	443,848
Expenditures:				
Current:				
Salaries and wages	483,122	483,122	429,630	53,492
Operations and maintenance	420,450	420,450	435,472	(15,022)
Professional fees	55,500	55,500	24,887	30,613
Office expenses	43,500	43,500	45,351	(1,851)
Employee and Pension Benefits	279,200	279,200	295,025	(15,825)
Capital Outlay	380,000	2,404,997	1,739,501	665,496
Debt Service	471,000	1,831,391	1,862,350	(30,959)
Total Expenditures	2,132,772	5,518,160	4,832,216	685,944
Excess of Revenues Over (Under) Expenditures	112,228	(3,273,160)	(2,143,368)	1,129,792
Other Financing Sources (Uses):				
Bond Premium	-	225,000	284,783	59,783
Total Other Financing Sources (Uses)	-	225,000	284,783	59,783
Net Change in Budgetary Fund Balance	112,228	(3,048,160)	$ (1,858,585)	$ 1,189,575
Other Budgetary Items:				
Budgeted Surplus	(112,228)	(112,228)		
Use of Fund Balance - Capital	-	2,024,997		
Use of Fund Balance - Debt	-	1,135,391		
Total Other Budgetary Items	(112,228)	3,048,160		
NET BUDGET	$ -	$ -		

See Notes to the Required Supplementary Information.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to the Massachusetts General Laws, the Water District adopts an annual budget for all of its Business-type Activities.

All portions of the annual budget are prepared under the direction of the Superintendent and Treasurer. The budget must be approved by the Water District's residents at the annual meeting.

The Statement of Revenues and Expenditures – Budgetary Basis (Non-GAAP) – Budget and Actual presented for the General Fund is displayed on the budgetary basis to provide a meaningful comparison of actual results with the budget.

	Operating and Non-Operating Revenues	Operating and Non-Operating Expenditures
Statement of Revenues, Expenditures and Changes in Net Position	$ 3,099,631	$ 2,151,038
Adjustments:		
Eliminate depreciation	-	(879,515)
Capital assets acquired through budgeted appropriations	-	1,739,501
Change in other post-employment benefit liability	-	127,784
Eliminate contributed capital	(126,000)	-
Eliminate bond premium	(284,783)	-
Principal payment of long-term debt	-	1,669,961
Change in accrued interest on long-term debt	-	23,447
Budgetary Basis	$ 2,688,848	$ 4,832,216

GRAFTON, MASSACHUSETTS WATER DISTRICT
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2018

Schedule of Changes in the Net OPEB Liability:

		6/30/2018
Total OPEB liability		
Service cost	$	20,681
Interest on net OPEB liability		18,271
Difference between expected and actual experience		(59,693)
Employer contributions to Trust		-
Net change in total OPEB liability		(20,741)
Total OPEB liability-beginning		456,778
Total OPEB liability-ending (a)	$	436,037
Plan fiduciary net position		
Net investment income	$	7,043
Employer contributions to Trust		100,000
Net change in plan fiduciary net position		107,043
Total fiduciary net position-beginning		78,317
Total fiduciary net position-ending (b)	$	185,360
District's net OPEB liability (a-b)	$	250,677

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

GRAFTON, MASSACHUSETTS WATER DISTRICT
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2017

Schedule of Net OPEB Liability:

	6/30/2018
Total OPEB liability	$ 436,037
Less: Plan fiduciary net position	(185,360)
District's Net OPEB liability	$ 250,677
Plan fiduciary net position as a percentage of the total OPEB liability	42.5%
District's share of covered employee payroll	$ 462,078
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	54.2%

Schedule of Contributions:

	6/30/2018
Actuarially determined contribution	$ -
Less: Contributions in relation to the actuarially determined contribution	(100,000)
Contribution deficiency (excess)	$ (100,000)
District's share of covered employee payroll	$ 462,078
Contributions percentage of covered-employee payroll	21.6%
Annual money-weighted rate of return net of investment expense	N/A

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

GRAFTON, MASSACHUSETTS WATER DISTRICT
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2018

Schedule of Funding Progress:

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)
6/30/2018	$ 185,360	$ 436,037	$ 250,677	42.5%	$ 462,078	54.2%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULE

GRAFTON, MASSACHUSETTS WATER DISTRICT
SCHEDULE OF ACCOUNTS RECEIVABLE
JULY 1, 2017 TO JUNE 30, 2018

	Accounts Receivable July 1, 2017	Amounts Billed	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Accounts Receivable June 30, 2018	Accounts Receivable Per Detail June 30, 2018
Water Rates	$ 606,243	$ 2,468,004	$ -	$ 2,474,474	$ 599,773	$ 599,773
Betterments:						
North Street	$ 6,968	$ -	$ -	$ 196	$ 6,772	$ 6,772
Stonebrook	19,545	-	-	-	19,545	19,545
Cold Spring	10,334	-	-	3,807	6,527	6,527
	$ 36,847	$ -	$ -	$ 4,003	$ 32,844	$ 32,844

COMMONWEALTH OF MASSACHUSETTS
GRAFTON WATER DISTRICT
WARRANT

Worcester, ss:

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

Greetings:

In the name of the Commonwealth of Massachusetts, you are directed to notify and warn the voters of the territory included within the boundaries of that Grafton Water District in the Town of Grafton, as established by Chapter 135 of the Acts of 1984 and amended by Chapter 427 of the Acts of 1987, to meet at the office of the Grafton Water District, 44 Millbury Street, Grafton, MA on Tuesday the 30th day of April 2019, at five thirty o'clock, p.m., to act on the following articles hereinafter mentioned.

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

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

Article 3. To see if the District will vote to appropriate from the income of the District and accept the sum of two million, one hundred and two thousand, seven hundred and fifty dollars and no cents ($2,102,750.00) as the Fiscal 2020 budget as printed in the Annual Report or take any action relative thereto.

Article 4. To see if the District will vote to appropriate from the income of the District thirty five thousand dollars ($35,000) to purchase computer software and hardware upgrades for the District's meter reading and billing system or take any action relative thereto.

Article 5. To see if the District will vote to appropriate from the income of the District fifteen thousand dollars ($15,000) to hire an outside vender to perform a leak detection survey of the entire water distribution system or take any action relative thereto.

Article 6. To see if the District will vote to amend the District By-laws section 2.1 "Date of District Meeting" in its entirety and replace with; "The Annual Meeting for the election of officers, voted by ballot, and the determination of all other matters to be referred to the voters shall be held on the last Tuesday of the month of April of each year. The time and place of holding such election and meeting shall be stated in the warrant and posted as required by the District by-laws. Any business not completed on the day of

the Annual Meeting shall be adjourned to the following Tuesday and Thursday as necessary." or until final adjournment or take any action relative thereto.

Article 7. To see if the District will vote to amend the District By-laws section 2.15 "Last Day for Filing Petitions" in its entirety and replace with; "The last day for filing petitions with the Commissioners for the insertion of Articles in the Warrant for the Annual District meeting is forty-five or more days prior to the date fixed by the Districts bylaws for the District meeting to convene. Such petition must be signed by 10 or more registered voters in the District and received by the District office prior to 4:00 P.M. on the date petitions are due." or take any action relative thereto.

Article 8. To see if the District will add a Section 2.17 "Petitions to call a Special District meeting submitted by voters". "The Commissioners shall call a Special District Meeting upon request in writing of one hundred registered voters or of twenty percent of the total number of registered voters of the District, whichever number is the lesser; such meeting is to be held no later than thirty days after receipt of such request, and shall insert in the warrant therefor all subjects the insertion of which shall be requested by said petition." or take any action relative thereto.

Article 9. To see if the District will vote to authorize the Treasurer, with the approval of the Board of Water Commissioners, to borrow in anticipation of revenue under MGL. Chapter 44, Section 4, a sum or take any action relative thereto.

Article 10. To see if the District will vote to authorize the Board of Water Commissioners to make pre-payments against existing loans or take any action relative thereto.

And you are directed to serve the warrant by posting attested copies thereof in two or more public places in the territory of the Grafton Water District at least fourteen days before the time of said meeting.
Hereof fail not, and making due return of this warrant, with your doings thereon, to the Commissioners of the Grafton Water District before the opening of said meeting.
Given under our hands this 1st day of April in the year two thousand and nineteen.

Kenneth Grew, Chairman

Robert Frederico, Commissioner

Michael Corda, Commissioner

Grafton Water District
Annual Budget

	2018-2019 Budget	2019-2020 Proposal	Change
Maintenance & Operation			
Salaries	$ 547,140	$ 564,100	3.1%
Benefits	287,700	$ 287,200	-0.2%
Maintenance	247,500	$ 243,500	-1.6%
Utilities	112,500	$ 112,500	0.0%
Chemicals	54,000	$ 50,500	-6.5%
Engineering Services	30,000	$ 30,000	0.0%
Miscellaneous	2,500	$ 2,750	10.0%
Sub Total	$ 1,281,340	$ 1,290,550	0.7%
Administrative Expenses			
Office & Supplies	$ 49,500	$ 50,000	1.0%
Insurance	20,000	$ 20,000	0.0%
Accounting	8,000	$ 8,000	0.0%
Legal	6,000	$ 6,000	0.0%
Officers Fee	3,500	$ 3,500	0.0%
Moderator's Fee	300	$ 300	0.0%
Treasurer's Fee	10,500	$ 10,500	0.0%
Sub-Total	$ 97,800	$ 98,300	0.5%
Debt Service	$ 395,000	$ 313,900	-25.84%
Capital			
Gen. System Improvements	$ 325,000	$ 325,000	0.0%
Vehicle	$ 50,000	$ 50,000	0.0%
Meters	25,000	25,000	0.0%
Sub-Total	$ 400,000	$ 400,000	0.0%
Total Expenditures	$ 2,174,140	$ 2,102,750	-3.3%
Total Revenue(Anticipated)	$ 2,500,000	$ 2,600,000	4.0%