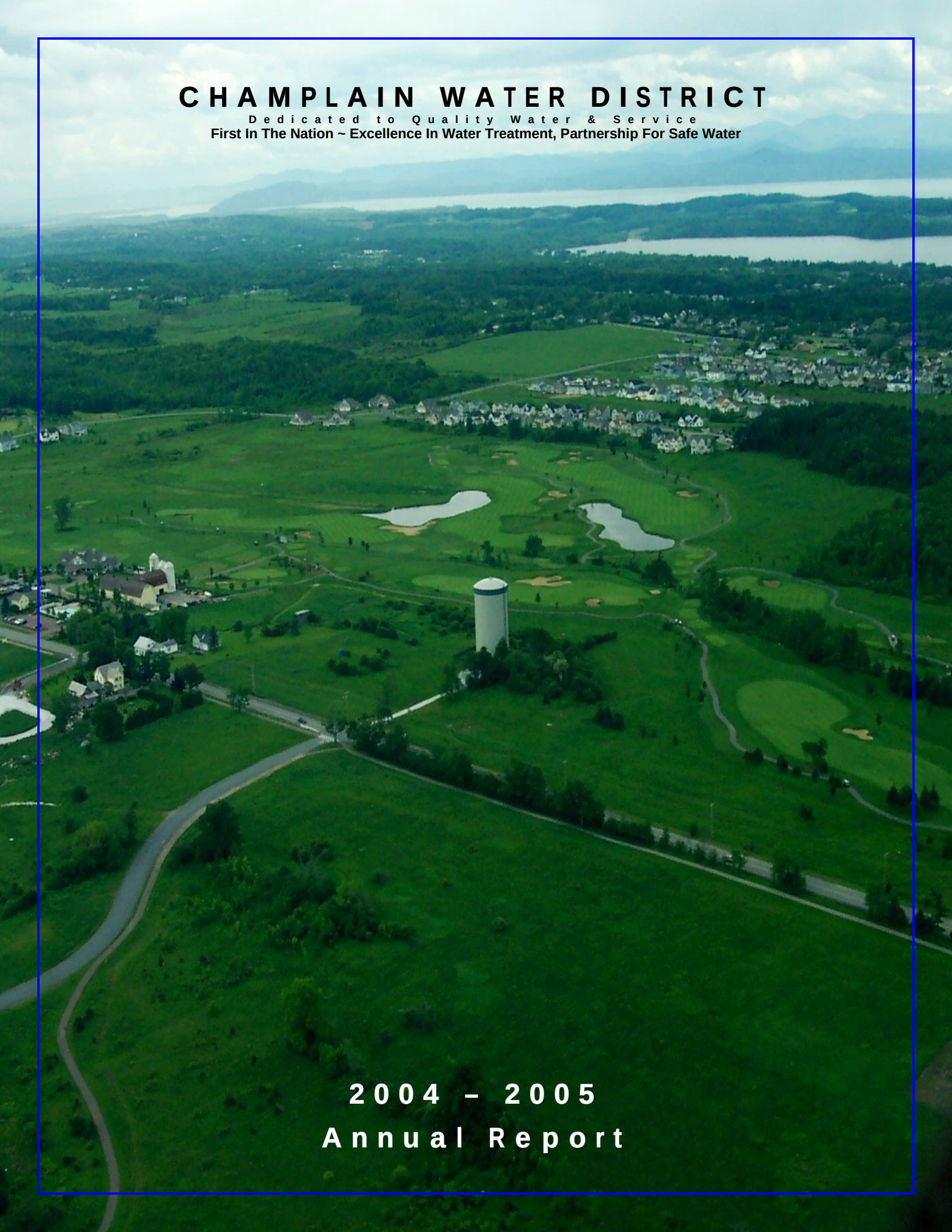
CHAMPLAIN WATER DISTRICT

Dedicated to Quality Water & Service

First In The Nation ~ Excellence In Water Treatment, Partnership For Safe Water



2004 – 2005
Annual Report

CWD STAFF & CONTACT INFORMATION

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Brandi Kissel WQMS/TTS**	Ext. 25	Josh Wolynec, TTS*	Ext. 18

*TTS=Treatment & Transmission Specialist
**WQMS=Water Quality Maintenance Specialist

CWD BOARD OF WATER COMMISSIONERS

Peter L. Jacob, Chair S. Burlington	862-8718	William Szymanski Alternate for S. Burlington	862-9880
Tom Bessette, Vice Chair Shelburne	985-3250	Paul Bohne, Town Manager Alternate for Shelburne	985-5119
Karen Richard, Colchester	878-8801	Jay Riedinger Alternate for Colchester	878-4337
Don Phillips, Williston	879-1019	Richard McGuire, Town Manager Alternate for Williston	878-0919
Bernie Lemieux, Essex	879-0105	Ruth Taylor Alternate for Essex	878-5615
George Jimmo, Winooski	655-3635	Gerry Myers, City Manager Alternate for Winooski	655-3908
George Nelson, Milton	893-4233	Andrew Legg, Alternate for Milton	893-6030
Bob Shand, Village of Jericho	899-4486	No Alternate for Jericho	

MANAGEMENT LETTER

The Champlain Water District remains committed to fulfilling the recommendations of its Twenty Year Master Plan reported by Dufresne & Associates in September of 2002. This past fiscal year accomplishments from the Initial Five Year Capital Investment Plan are as follows:

- CWD coordinated construction of a twin 850,000-gallon water storage tank on Water Tower Hill funded by a served water systems' Interlocal Agreement.
- Initiated construction of reliability improvements to both primary and secondary electrical supply at the water treatment plant site.
- Initiated construction to replace the water treatment plant's aged dehumidification system, and heating, ventilation and air conditioning systems.
- Completed final design to switch from free chlorine disinfection to a combined chloramine disinfection approach to further optimize public health protection.
- Began the Phase I upgrade to CWD's Supervisory Control and Data Acquisition (SCADA) system that monitors and controls the water treatment and transmission of water throughout the Chittenden County Service area.
- Completed a federally mandated delineation update to CWD's Source Protection Plan that was approved by the Vermont Agency of Natural Resources.
- Continued research on water quality in Shelburne Bay to identify the location for a future drinking water intake location with Dr. Tom Manley of Middlebury College.
- Continued study and preliminary engineering to construct an emergency pressure relief system at the CWD Water Treatment Plant site.
- The American Water Works Association's Research Foundation (AWWARF) completed a study and report to enhance mixing within the largest water storage tank operated by CWD.
- Completed recoating of the interior of one of CWD's 500,000-gallon lake water storage tank at the treatment plant site.
- Managed projects for the South Burlington Water Department to augment local storage and improve distribution pipe looping.
- Initiated a pilot program of hosting New England Water Works Association (NEWWA) training at the CWD Facility site to study the feasibility of becoming the NEWWA Vermont Training Center in the future.
- A 30' x 50' Cold Storage Building was constructed at the plant site for inventory control and storage.

We thank our employees and elected officials for their effort and support in allowing CWD to be proactively managed and operated to supply a drinking water product protective of public health. As always, we welcome groups of any size to tour our facility. Please call 864-7454 to arrange a tour, or if you have questions, or need further information on the Champlain Water District.

Respectfully Submitted,

Peter L. Jacob, Chair CWD Board of Water Commissioners

Jim Fay, CWD General Manager

CHAMPLAIN WATER DISTRICT 20-YEAR MASTER PLAN UPDATE

The Champlain Water District is three years into its 20-year Master Plan implementation schedule.

Projects identified in the Master Plan are not prioritized in an absolute, chronological order, but are to be dictated by criteria such as capacity, redundancy, or aging of infrastructure, as increases (or decreases) in demand dictate. According to the Plan, projects are divided into phases, generally as follows:

- Phase 1 – High priority to provide redundant service pump capacity equal or above present maximum day demand (15.4 MGD in 2001)
- Phase 2A – Capacity related improvements to achieve a redundant capacity of over 20 MGD by the year 2015
- Phase 2B – Non-capacity related improvements, with variable timeframes for completion.
- Phase 3 – Improvement projects to increase redundant capacity to 24-25 MGD if future demands dictate.
- Phase 4 – Low priority improvements.

Phase 1 projects are nearly all complete, at a cost well under budget, when "associated" (extra) projects and IBM and incentive reimbursements are included. The only remaining Phase 1 project is the $25,000 pressure relief project at the water treatment plant, scheduled for completion by mid-December this year. A pumping test during a peak summer demand this year resulted in a filtration and pumping capacity of over 19 MGD.

Phase 2A capacity related improvements have been largely untouched due to the fall-off in overall sales, especially the decline in IBM demand of over 1.25 MGD. Some work was completed on the main service pump suction

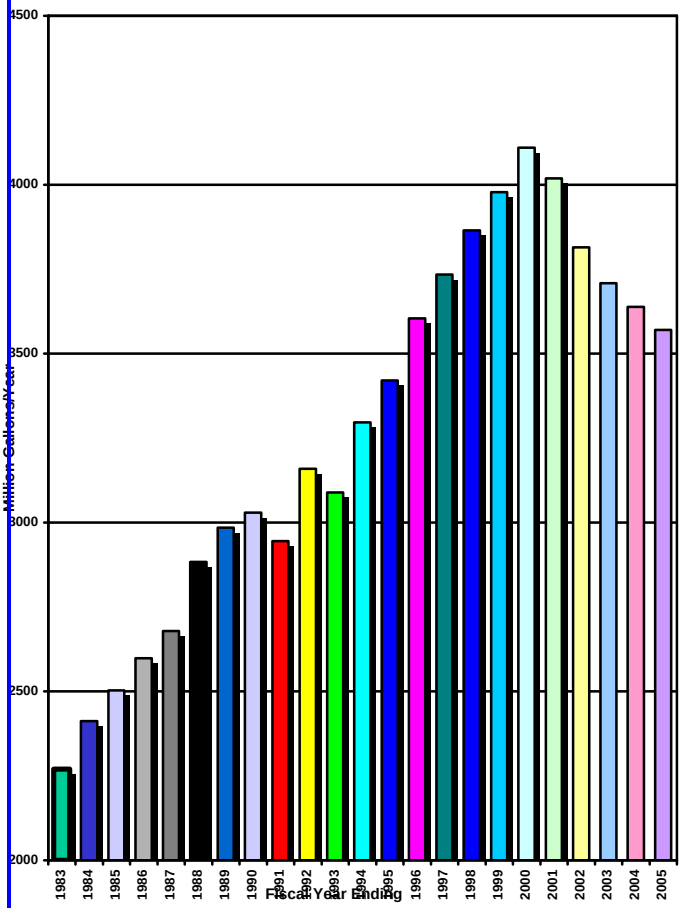
piping and pump cans while the high service pump work was ongoing, but remaining pumping systems improvements and finished water storage have been delayed, and will be re-prioritized as demand projections dictate. One major exception to this delay planning is the parallel lake intake project, which remains a high priority project for redundancy, and raw water quality reasons.

With the delay to several Phase 2A projects, we've been able to aggressively schedule and construct nearly all of the "variable timeframe, non-capacity related" projects of **Phase 2B**. The only remaining project in this group, Chloramines Conversion, is well under way, with a completion date of December 2005. The estimated final total project cost of all Phase 2B projects, inclusive of associated projects, will be approximately $385,000 under budget.

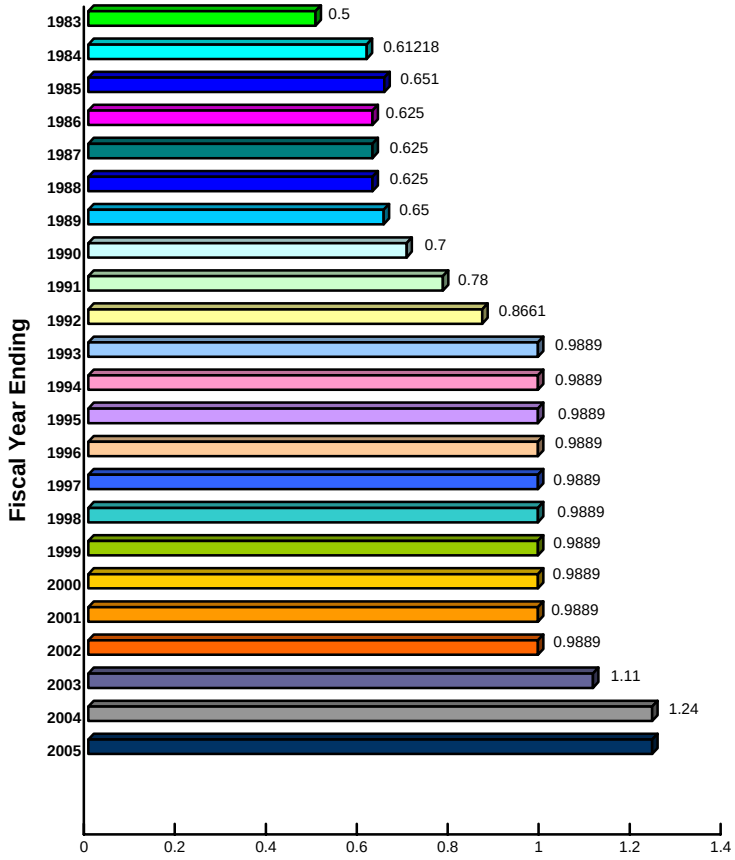
Phase 3 "redundant capacity" projects are also largely in a delay status due to the decline in demand, but the High Service #3 transmission main loop on River Cove Road remains in a high priority status to increase reliability, improve looping, and provide redundancy in our high service transmission system.

Phase 4 projects have been identified as low priority, but will be reassessed and reprioritized along with remaining Phase 3 and Phase 2A projects. If demand continues to flatline, and capacity improvements become less urgent, other projects may be moved to the forefront for reasons of water quality, improved looping, system balancing, efficiency, reliability and redundancy.

Raw Water Discharge Piping



Wholesale Water Rates
1983 - 2005



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KEVIN J. MARCHAND, CPA
SHERRY M. PREHODA, CPA
BARNEY K. MCLEAN, CPA
RANDALL L. SARGENT, CPA

September 28, 2005

To the Board of Water Commissioners
Champlain Water District
South Burlington, Vermont

We have audited the combined financial statements of Champlain Water District as of and for the year ended June 30, 2005 and have issued our report thereon dated September 28, 2005.

The accompanying summary financial information is not a presentation in conformity with generally accepted accounting principles as management has elected to omit the notes to the financial statements.

The complete financial statements and our report thereon are available for public inspection at the District offices.

JMM & Associates

JMM & Associates

COMBINED BALANCE SHEET
JUNE 30, 2005

ASSETS

CURRENT ASSETS	
Cash – operating	$354,745
Cash – reserves	1,761,088
Accounts receivable – water	412,476
Accounts receivable – other	141,100
Inventories	86,842
Prepaid expenses	8,888
TOTAL CURRENT ASSETS	2,765,139
PROPERTY AND EQUIPMENT	
Land and rights-of-way	264,368
Buildings and improvements	18,214,890
Water transmission and mains	13,082,654
Machinery and equipment	4,972,812
Retail service connections	76,455
New construction in progress	1,520,246
	38,131,425
Accumulated depreciation	(14,484,411)
TOTAL PROPERTY AND EQUIPMENT	23,647,014
TOTAL ASSETS	$26,412,153

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current portion of long-term debt	$625,000
Short-term note payable	1,839,827
Accounts payable	497,027
Accrued vacation and sick pay	104,734
Other payroll accruals	13,451
Accrued interest payable	56,573
TOTAL CURRENT LIABILITIES	3,136,612
LONG-TERM LIABILITIES	
Notes and bonds payable, net of current portion	6,065,000
TOTAL LONG-TERM LIABILITIES	6,065,000
TOTAL LIABILITIES	9,201,612
NET ASSETS	
Unrestricted	2,093,354
Invested in capital assets, net of related debt	15,117,187
TOTAL NET ASSETS	17,210,541
TOTAL LIABILITIES AND NET ASSETS	$26,412,153

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

OPERATING REVENUE	
Water revenue	$4,461,158
Management contracts	353,182
Water supply fees	104,659
Connection fees	400
Other services	73,068
Equipment rental	63,525
Miscellaneous	63,674
TOTAL OPERATING REVENUE	5,119,666
OPERATING EXPENSES	
General & administrative	152,801
Operating	3,052,582
Maintenance	177,433
Water supply fees	104,659
Depreciation	1,234,044
TOTAL OPERATING EXPENSES	4,721,519
INCOME FROM OPERATIONS	398,147
NON-OPERATING REVENUES (EXPENSES)	
Interest income	8,653
Interest expense	(346,977)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(338,324)
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	59,823
CHANGE IN NET ASSETS	59,823
BEGINNING NET ASSETS	17,150,718
ENDING NET ASSETS	$17,210,541

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from water	$4,432,254
Cash received from fees and services	544,297
Cash received from other sources	328,816
Cash received from interest income	8,653
Cash paid for interest expense	(326,139)
Cash paid to suppliers for goods and services	(1,374,824)
Cash paid for salaries and benefits	(1,870,172)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,742,885
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,634,551)
NET CASH USED BY INVESTING ACTIVITIES	(1,634,551)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Proceeds provided from issuance of long-term debt	410,000
Proceeds provided from issuance of short-term notes	1,795,000
Principal payments on long-term debt	(630,000)
Principal payments on short-term notes	(567,250)
NET CASH USED BY FINANCING ACTIVITIES	1,007,850
INCREASE IN CASH	1,116,184
BEGINNING CASH	999,649
ENDING CASH	$2,115,833
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$59,823
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,234,044
(Increase) decrease in:	
Accounts receivable – water	(28,904)
Accounts receivable – other	214,605
Inventories	(5,924)
Prepaid expenses	(12,527)
Increase (decrease) in:	
Accounts payable	257,206
Accrued vacation and sick pay	(2,204)
Other payroll accruals	(19,126)
Accrued interest payable	20,838
Total Adjustments	1,683,062
NET CASH PROVIDED BY OPERATING ACTIVITIES	$1,742,885

RETAIL DEPARTMENT UPDATE FOR THE CITY OF SOUTH BURLINGTON

In 1977 the Champlain Water District (CWD) began a management contract agreement with the City of South Burlington whereby the CWD would be responsible for the complete management and operation of the South Burlington water system; an arrangement that has continued to date. Emphasis in 2004-2005 has been on the construction of additional water storage and distribution pipelines, and maintaining the water distribution infrastructure that ensures delivery of the highest quality water produced by the CWD.

We continue to take a proactive approach to preventative maintenance on the water distribution system. The SBWD is proud of its tradition of providing quality service in the most effective and efficient manner. Some of the work performed this past year includes:

- Annual maintenance of over 1,100 main line gate valves.
- The maintenance of over 900 fire hydrants including lubricating and flushing.
- Repair of several water main breaks occurring as a result of aging infrastructure.
- Design and inspection of the water main replacement associated with the Kennedy Drive project.
- Map and tie page updates.
- Plan review and inspections of new development water mains and services
- Hydrant flow testing in various areas of the City.
- The installation of new water meters, replacement of older meters, and quarterly reading of the 5,300 meters within the system.
- Updates by the Water Department to the City of South Burlington Emergency Response Plan.

Considerable time was devoted to the engineering and construction inspection of the new water system improvements approved by City voters, including raising the Dorset Street water tank, new large water main installation, and the addition of a twin tank at the Allen Road tank site. Construction was completed in the fall of 2005.

In the coming year we plan to survey more commercial properties for potential cross connections with the City water distribution system that could require backflow devices, to ensure that the citizens of the City continue to obtain safe, high quality water for their many uses. We also continue to maintain and repair our aging water system infrastructure components through our routine maintenance and new repair program.

A new hydrant being installed in South Burlington by the CWD Retail Department

Department Goals

- Perform system wide unidirectional flushing program as CWD coverts to their new chloramine water treatment system, to maintain water quality through the water system to meet federal mandates.
- Update gate valve and curb stop ties within the City.
- Perform ongoing leak detection surveys on the entire distribution system.
- Continue conducting cross connection control surveys and backflow device installation and inspections.
- Work to develop a water system infrastructure renewal plan for replacing aging water lines within the City.
- Continue employee training and development of staff so that they may be able to better address future water related issues.
- Work to complete the SBWD O&M manual for the City's water distribution system and update the current water line installation specifications.