

DEDHAM-WESTWOOD WATER DISTRICT
Financial Statements
For the Year Ended December 31, 2018
(With Independent Auditors' Report Thereon)

Dedham-Westwood Water District

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Dedham-Westwood Water District

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of the Dedham-Westwood Water District (the District) as of and for the year ended December 31, 2018, which collectively comprise the District's financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial position of the business-type activities and the aggregate remaining fund information of the Dedham-Westwood Water District, at December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Pension and OPEB schedules appearing on pages 33 to 36 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

July 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Dedham-Westwood Water District's (the "District") annual financial report, District management offers readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018.

The District provides water supply services to approximately 13,000 active customers and about 43,000 people, through metered sales in the communities of Dedham and Westwood. The District is responsible for operating and maintaining the water supply system, providing ongoing capital improvements, and for providing the highest quality water product at the lowest possible price.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the District include (1) the Comparative Statements of Net Position, (2) the Comparative Statements of Revenues, Expenses and Changes in Fund Net Position, (3) the Comparative Statements of Cash Flows, (4) the Comparative Statements of Fiduciary Net Position, (5) the Comparative Statements of Changes in Fiduciary Net Position, and (6) Notes to Financial Statements. In addition, various pension and other postemployment benefit (OPEB) schedules are included in the Financial Statement as Required Supplementary Information.

The Comparative Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. At December 31, 2018, it indicates the District's net worth as \$64,111,651 which comprises \$55,325,414 invested in capital assets and \$8,786,237 unrestricted.

The Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position summarizes operating and non-operating revenues and expenses for the year, reveals how much, if any, profit was earned for the year, and determines the net change in assets for the year. That change combined with the previous year-end net position total reconciles to the net position total at the end of the current year. As discussed in more detail below, the District's net income for December 31, 2018 was \$1,613,189.

The Statement of Cash Flows reports cash and cash equivalents activity for the year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current year. A review of the District's Statement of Cash Flows indicates that the cash receipts from operating activities adequately covered District operating expenses in 2018.

The Statements of Fiduciary Net Position and Changes in Fiduciary Net Position represent the net position and changes in net position of the District's Other Post-Employment Benefit (OPEB) irrevocable trust fund.

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

B. FINANCIAL HIGHLIGHTS

As of the close of the current year, the District's net position is \$64,111,651. Net position has increased by \$1,613,189 in comparison to the prior year. The increase in net position is attributable to continuing positive operating results.

Operating revenues were \$9,770,430 for the District in 2018, a .3% decrease from 2017. Usage in 2018 was up slightly year over year, offset by a decrease in access fees year over year.

Operating expenses were \$8,468,749 in 2018, an increase of 12% from 2017, primarily the result of increased costs for direct labor of \$149,768, pension expense of \$146,147, other operating costs of \$240,381, and depreciation of \$121,396.

The District's Statement of Cash Flows identifies the sources and uses of cash activity for the year. In 2018, District cash and cash equivalents decreased by \$252,993 from 2017, primarily due to capital asset construction and acquisitions.

In 2018 the District continued to fund an irrevocable trust fund for its Other Post-Employment Benefits (OPEB), with additional funding of \$125,000.

C. FINANCIAL ANALYSIS

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

SUMMARY OF NET POSITION

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 18,274	\$ 22,607
Capital assets	<u>63,395</u>	<u>57,772</u>
Total assets	81,669	80,379
Deferred outflows of resources	1,643	1,030
Current liabilities	11,558	10,965
Noncurrent liabilities	<u>6,943</u>	<u>7,631</u>
Total liabilities	18,501	18,596
Deferred inflows of resources	699	315
Net position:		
Net investment in capital assets	55,326	53,887
Unrestricted	<u>8,786</u>	<u>8,611</u>
Total net position	<u>\$ 64,112</u>	<u>\$ 62,498</u>

SUMMARY OF CHANGES IN NET POSITION

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 9,771	\$ 9,802
Contributions revenue	50	358
Lease revenue	124	122
Investment income	<u>215</u>	<u>118</u>
Total revenue	10,160	10,400
Operating expense	8,469	7,570
Interest on long-term debt	<u>77</u>	<u>97</u>
Total expenses	<u>8,546</u>	<u>7,667</u>
Change in net position	1,614	2,733
Net position - beginning of year	<u>62,498</u>	<u>59,765</u>
Net position - end of year	<u>\$ 64,112</u>	<u>\$ 62,498</u>

As noted earlier, net position may serve over time as a useful indicator of a governmental entity's financial position. At the close of 2018, total net position was \$64,111,651, an increase of \$1,613,189 from the prior year.

The largest portion of net position \$55,325,414, reflects the District's investment in capital assets (e.g., land, treatment plants, equipment, and infrastructure), less any related debt used to acquire those assets that remains outstanding. These capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position \$8,786,237 may be used to meet the District's ongoing obligations to customers and creditors.

D. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District continues to adequately prepare for and respond to infrastructure funding needs throughout the water system. Total investment in capital assets at year-end 2018 amounted to \$63,394,622 (net of accumulated depreciation), a change of \$5,623,071 from the prior year. In 2018, the District's capital asset additions totaled \$7,527,894, including donated capital (pipe and hydrants) totaling \$50,082. Capital asset additions in 2018 included plant improvements at the White Lodge and Bridge Street facilities, well redevelopments, and ongoing pipeline projects throughout the System.

Debt Plan

The District's long-term debt obligations are a reflection of long-term capital budgets designed to aggressively address the infrastructure needs of the District in priority order. In 2018, capital expenditures (net of donated capital) totaled \$7.48 million. The District is currently planning to fund major plant improvements at its Bridge Street facility with SRF loans from the Commonwealth of Massachusetts. The District forecasts capital spending of more than \$15 million between 2019 and 2020.

The District has substantially reduced its principal debt service levels in the last twelve years, from \$15.1 million in 2005 to \$2.9 million at the end of 2018. The District continues to maintain its underlying debt rating (Moody's) of Aa2 for its general obligation debt.

As of December 31, 2018, the District has four series of general obligation bonds outstanding totaling \$2,938,150. Maturities by issue are as follows:

Series D through 2021	\$ 153,150
Series G through 2020	795,000
Series H through 2024	1,800,000
Series I through 2019	<u>190,000</u>
Total	<u>\$ 2,938,150</u>

E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) GASB STATEMENTS 45, 74, AND 75

On May 13, 2014, the Board established an Irrevocable OPEB Trust. In opting to serve as trustees ex officio, the Board has authorized Rockland Trust. to serve as financial advisors to the Board in managing the OPEB irrevocable trust account. During 2018, the District continued to fund the irrevocable trust account with an additional funding of \$125,000. As of December 31, 2018, the District has just two OPEB-eligible retirees.

Beginning in 2017, the District implemented the Governmental Accounting Standards Board (GASB) Statement 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and in 2018 implemented GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 74 applies when a trust fund has been established to fund future OPEB costs, and GASB 75 applies whenever OPEB benefits are offered. GASB has taken the position that OPEB is a form of compensation and the liability/expense should be recognized while the employee provides service to the District. GASB Statements 74 and 75 replace Statement 45, and require the full net OPEB liability and related expenses to be presented on District's accrual basis financial statements. Previously, the liability was recorded incrementally, generally increasing based on the degree to which the District funded the annual required contribution.

Additional information regarding OPEB costs can be found in Notes to Financial Statements, Note 16.

F. NET PENSION LIABILITY GASB STATEMENT 68

Governmental Accounting Standards Board Statement 68 (GASB 68) was implemented by the District in 2015 (see Note 15). GASB 68 relates to the accounting and financial reporting for pensions, an amendment of GASB Statement No. 27 with respect to the employee's retirement funds. The District joined the Norfolk County Retirement System in July 2006. The accounting and disclosure for the District's proportionate share of the Norfolk County Retirement System is actuarially derived and reported in the District's financial statements. The December 31, 2018 net pension liability is \$4,699,984.

G. MASSACHUSETTS CLEAN WATER INTERIM LOAN NOTE

In 2017 the District was awarded an interest-free Massachusetts Clean Water Interim Loan Note for \$8,841,400, to be used for upgrades to the Bridge Street Treatment Plant. As of December 31, 2018, the District has drawn down \$5,131,058, leaving a Clean Water Loan Note receivable balance of \$3,710,342 to be drawn down as expenses are incurred.

REQUESTS FOR INFORMATION

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

Dedham-Westwood Water District
50 Elm Street
Dedham, MA 02027-9137

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

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current:		
Cash	\$ 13,197,611	\$ 13,450,604
User fees, net of allowance for uncollectibles	1,049,650	1,034,461
Clean water loan note receivable	3,710,342	7,834,390
Other current assets	<u>284,948</u>	<u>245,031</u>
Total current assets	18,242,551	22,564,486
Noncurrent:		
Bond issue costs	31,418	42,799
Capital assets:		
Land	1,799,332	1,799,332
Other capital assets, net of accumulated depreciation	<u>61,595,290</u>	<u>55,972,219</u>
Total noncurrent assets	63,426,040	57,814,350
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	1,572,337	1,029,849
Related to OPEB	<u>70,602</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	83,311,530	81,408,685
LIABILITIES		
Current:		
Accounts payable	924,999	571,827
Accrued expenses	763,505	516,639
Clean water loan note payable	8,841,400	8,841,400
Current portion of long-term liabilities:		
Bonds payable	969,190	974,190
Compensated absences	58,247	46,082
Other current liabilities	<u>1,200</u>	<u>14,335</u>
Total current liabilities	11,558,541	10,964,473
Long-term:		
Bonds payable, net of current portion	2,043,041	3,011,931
Net pension liability	4,699,984	4,530,112
Net OPEB liability	<u>199,722</u>	<u>89,044</u>
Total long-term liabilities	6,942,747	7,631,087
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	<u>698,591</u>	<u>314,663</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	19,199,879	18,910,223
NET POSITION		
Net investment in capital assets	55,325,414	53,887,351
Unrestricted	<u>8,786,237</u>	<u>8,611,111</u>
TOTAL NET POSITION	\$ <u>64,111,651</u>	\$ <u>62,498,462</u>

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

DEDHAM-WESTWOOD WATER DISTRICT

BUSINESS-TYPE PROPRIETARY FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
User charges	\$ 9,382,668	\$ 9,332,492
Miscellaneous	<u>387,762</u>	<u>469,921</u>
Total Operating Revenues	9,770,430	9,802,413
Operating Expenses:		
Direct labor	2,662,779	2,513,011
Depreciation	1,898,612	1,777,216
Other operating costs	1,108,956	868,575
Pension expense	607,115	460,968
Fuel and power	593,223	551,542
Repairs and maintenance	450,720	392,482
Health care	421,024	412,638
Other employee benefits	230,748	160,854
General insurance	167,213	138,717
Chemicals	142,373	107,443
Transportation, heat, electric	77,151	71,861
Payroll tax	52,545	49,964
Temporary help	34,765	44,480
Water conservation	<u>21,525</u>	<u>19,864</u>
Total Operating Expenses	<u>8,468,749</u>	<u>7,569,615</u>
Operating Income	1,301,681	2,232,798
Other Income and Expenses:		
Interest income	214,898	118,029
Lease revenue	123,708	121,938
Contributions revenue	50,082	358,535
Interest expense	<u>(77,180)</u>	<u>(97,350)</u>
Total Other Income and Expenses	<u>311,508</u>	<u>501,152</u>
Net Income	1,613,189	2,733,950
Net Position at Beginning of Year	<u>62,498,462</u>	<u>59,764,512</u>
Net Position at End of Year	<u>\$ 64,111,651</u>	<u>\$ 62,498,462</u>

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

DEDHAM-WESTWOOD WATER DISTRICT

BUSINESS-TYPE PROPRIETARY FUND
COMPARATIVE STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 9,702,189	\$ 10,215,248
Payments to vendors and employees	<u>(5,906,546)</u>	<u>(5,869,556)</u>
Net Cash Provided By Operating Activities	3,795,643	4,345,692
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Contribution revenue	50,082	358,535
Clean water loan note proceeds	4,124,048	1,007,010
Acquisition and construction of capital assets, net of disposition	(7,510,793)	(4,635,384)
Principal payments on bonds payable	(946,050)	(956,050)
Amortization of debt related costs	(16,459)	(16,772)
Interest expense	(77,180)	(97,350)
Other	<u>(10,890)</u>	<u>(17,015)</u>
Net Cash Used For Capital and Related Financing Activities	(4,387,242)	(4,357,026)
<u>Cash Flows From Investing Activities:</u>		
Lease revenue	123,708	121,938
Investment income	<u>214,898</u>	<u>118,029</u>
Net Cash Provided by Investing Activities	<u>338,606</u>	<u>239,967</u>
Net Change in Cash and Cash Equivalents	(252,993)	228,633
Cash and Cash Equivalents, Beginning of Year	<u>13,450,604</u>	<u>13,221,971</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,197,611</u>	<u>\$ 13,450,604</u>
<u>Reconciliation of Operating Income to Net Cash:</u>		
Operating income	\$ 1,301,681	\$ 2,232,798
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	1,898,612	1,777,216
Changes in assets and liabilities:		
User fees	(15,189)	314,382
Other assets	(39,917)	85,851
Deferred outflows - related to pensions	(542,488)	183,693
Deferred outflows - related to OPEB	(70,602)	-
Accounts payable	353,172	15,026
Accrued expenses	246,866	24,031
Other liabilities	(13,135)	12,602
Compensated absences	12,165	(716)
Net pension liability	169,872	(184,111)
Net OPEB liability	110,678	(32,443)
Deferred inflows related to pensions	<u>383,928</u>	<u>(82,637)</u>
Net Cash Provided By Operating Activities	<u>\$ 3,795,643</u>	<u>\$ 4,345,692</u>

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

DEDHAM-WESTWOOD WATER DISTRICT

FIDUCIARY FUNDS

COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION

DECEMBER 31, 2018 AND 2017

	Other Post-Employment Benefits Trust Fund	
	<u>2018</u>	<u>2017</u>
ASSETS		
Investments		
Bond mutual funds	\$ 333,050	\$ 284,340
Equity mutual funds	417,990	378,728
Accounts receivable	<u>125,000</u>	<u>125,000</u>
	<u>\$ 876,040</u>	<u>\$ 788,068</u>
NET POSITION		
Total net position held in trust	<u>\$ 876,040</u>	<u>\$ 788,068</u>

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

DEDHAM-WESTWOOD WATER DISTRICT

FIDUCIARY FUNDS

COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Other Post-Employment Benefits Trust Fund	
	2018	2017
Additions:		
Contributions	\$ 160,870	\$ 149,767
Investment income (loss)	(37,028)	54,348
Total additions	123,842	204,115
Deductions:		
Benefit payments	35,870	24,767
Total deductions	35,870	24,767
Net increase	87,972	179,348
Net position:		
Beginning of year	788,068	608,720
End of year	\$ 876,040	\$ 788,068

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

DEDHAM-WESTWOOD WATER DISTRICT

Notes to Financial Statements

1. Reporting Entity

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

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2017.

B. Operating Revenue and Expense

Operating revenue consists of billings for metered water supplied to residential, commercial, and industrial entities; water system access fees; sales to public authorities; water property; and other water related services. The District bills users of the system on a cycle basis and unbilled revenue is accrued for as of December 31, 2018. The District maintains an ongoing capacity to collect on its customer receivables via the strength of its non-payment shutoff policy.

Therefore, District customer accounts deemed uncollectible are typically negligible on an annual basis. All other revenue is considered nonoperating.

Operating expenses include costs to provide water services.

C. Inventories

Inventories are valued at cost using the weighted average cost method and are included in Other Current Assets (Note 7).

D. Capital Assets

Capital assets are stated at historical cost and donated assets are recorded at fair value at the date of donation. Depreciation expense is calculated on the straight-line method over the estimated useful lives of the assets. Major betterments or renewals are capitalized and depreciated over their estimated useful lives. The District capitalizes interest costs as part of constructing transmission and distribution facilities; however, the District did not have any material construction in progress or capitalized interest costs in 2018.

Estimated useful lives used in computing depreciation are as follows:

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

E. Compensated Absences

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

F. Net Position

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

G. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows/inflows and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Unrestricted Net Position

Included in the unrestricted net position of \$8,786,237 at December 31, 2018 is a board-designated stabilization fund of \$1,800,000.

I. Investments

Investments are reported at fair value.

The District categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). 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. All of the District's investments are classified as Level 1.

3. Cash

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the District's deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." As of December 31, 2018, \$417,503 of the District's bank balance of \$13,265,618 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the District's name.

All of the District's uninsured and uncollateralized amount are on deposit with the Massachusetts Municipal Depository Trust, which helps to mitigate the risk.

The difference between the carrying amount and the bank balance represents reconciling items such as deposits in transit and outstanding checks, which have not been processed by the bank at December 31, 2018.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the District's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the District:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
			<u>Aaa</u>	<u>A2</u>	<u>Baa2-B2</u>	<u>Not Rated</u>
Debt related securities:						
Bond mutual funds	\$ 333	\$ -	\$ 136	\$ 78	\$ 105	\$ 14
Equities securities:						
Equity mutual funds	<u>418</u>	<u>418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 751</u>	<u>\$ 418</u>	<u>\$ 136</u>	<u>\$ 78</u>	<u>\$ 105</u>	<u>\$ 14</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The District's investments are subject to custodial credit risk exposure, however, the District will engage only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

C. Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer, however, it does not have any investment in one issuer (other than mutual funds) that is greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>1-5</u>	<u>6-10</u>
Debt Related Securities:			
Bond mutual funds	<u>\$ 333</u>	<u>\$ 126</u>	<u>\$ 207</u>
Total	<u>\$ 333</u>	<u>\$ 126</u>	<u>\$ 207</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The District does not have investments subject to foreign currency risk.

5. User Fees Receivable

Accounts receivable consists of the following:

	<u>2018</u>	<u>2017</u>
Customer Accounts:		
Billed	\$ 845,308	\$ 795,490
Unbilled	<u>204,342</u>	<u>238,971</u>
Total receivables	<u>\$ 1,049,650</u>	<u>\$ 1,034,461</u>

Management evaluates the collectability of receivables and has determined an allowance is not required.

6. Clean Water Loan Note Receivable

This balance represents the remaining amount to be drawn down on the Massachusetts Clean Water Interim Loan Note (see Note 12).

7. Other Current Assets

Other current assets consist of the following:

	<u>2018</u>	<u>2017</u>
Prepaid expenses	\$ 141,361	\$ 84,541
Inventory	110,552	105,754
Miscellaneous accounts receivable	32,835	54,536
Other	<u>200</u>	<u>200</u>
Total other current assets	<u>\$ 284,948</u>	<u>\$ 245,031</u>

8. Capital Assets

The following is a summary of the 2018 activity in capital assets (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,530	\$ 74	\$ -	\$ 22,604
Machinery, equipment, and furnishings	15,818	1,071	(6)	16,883
Infrastructure	<u>51,412</u>	<u>6,383</u>	<u>(11)</u>	<u>57,784</u>
Total capital assets, being depreciated	89,760	7,528	(17)	97,271
Less accumulated depreciation for:				
Buildings and improvements	(7,724)	(461)	-	(8,185)
Machinery, equipment, and furnishings	(11,600)	(624)	6	(12,218)
Infrastructure	<u>(14,463)</u>	<u>(814)</u>	<u>5</u>	<u>(15,272)</u>
Total accumulated depreciation	<u>(33,787)</u>	<u>(1,899)</u>	<u>11</u>	<u>(35,675)</u>
Total capital assets, being depreciated, net	55,973	5,629	(6)	61,596
Capital assets, not being depreciated:				
Land	<u>1,799</u>	<u>-</u>	<u>-</u>	<u>1,799</u>
Total capital assets, not being depreciated	<u>1,799</u>	<u>-</u>	<u>-</u>	<u>1,799</u>
Governmental activities capital assets, net	<u>\$ 57,772</u>	<u>\$ 5,629</u>	<u>\$ (6)</u>	<u>\$ 63,395</u>

Included in the current year additions is \$50,082 of donated assets including water mains and hydrants for various capital projects.

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Accounts Payable

Accounts payable represents amounts due to vendors for goods and services provided as of year-end, which were paid in the subsequent year.

11. Accrued Expenses

Accrued expenses consist of the following:

	<u>2018</u>	<u>2017</u>
Contract retainage	\$ 325,937	\$ 51,208
Accrued purchased water - MWRA	257,225	298,183
Accrued payroll	136,625	103,396
Accrued interest	9,113	12,345
Accrued unbilled items	-	16,305
Other	<u>34,605</u>	<u>35,202</u>
Total accrued expenses	<u>\$ 763,505</u>	<u>\$ 516,639</u>

12. Clean Water Loan Note Payable

In 2017 the District was awarded an interest-free Massachusetts Clean Water Interim Loan Note for \$8,841,400, to be used for upgrades to the Bridge Street Treatment Plant. As of December 31, 2018, the District has drawn down \$5,131,058, leaving a Clean Water Loan Note receivable balance of \$3,710,342 to be drawn down as expenses are incurred.

<u>Purpose</u>	<u>Date of Issue</u>	<u>Balance at 12/31/18</u>
Clean Water Loan Note Payable	07/01/17	\$ <u>8,841,400</u>
Total		<u>\$ 8,841,400</u>

The following summarizes activity in notes payable during fiscal year 2018:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Clean Water Loan Note Payable	\$ <u>8,841,400</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,841,400</u>
Total	<u>\$ 8,841,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,841,400</u>

13. Bonds Payable

A. General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have

been issued for business-type activities. General obligation bonds currently outstanding are as follows:

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/18</u>
General obligation series D	2021	0.00%	\$ 153,150
General obligation series G	2020	2.00 - 3.25%	795,000
General obligation series H	2024	2.00 - 2.50%	1,800,000
General obligation series I	2019	2.00 - 3.00%	<u>190,000</u>
Total Business-Type Activities			<u>\$ 2,938,150</u>

B. Future Debt Service

The annual payments, which are made semi-annually, to retire all general obligation long-term debt outstanding as of December 31, 2018 are as follows:

Business-Type Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 941,050	\$ 61,588	\$ 1,002,638
2020	746,050	45,088	791,138
2021	351,050	26,250	377,300
2022	300,000	20,250	320,250
2023	300,000	14,250	314,250
2024	<u>300,000</u>	<u>7,500</u>	<u>307,500</u>
Total	<u>\$ 2,938,150</u>	<u>\$ 174,926</u>	<u>\$ 3,113,076</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	<u>Total Balance 1/1/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 12/31/18</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 12/31/18</u>
<u>Business-Type Activities</u>						
General obligation bonds	\$ 3,884,200	\$ -	\$ (946,050)	\$ 2,938,150	\$ (941,050)	\$ 1,997,100
Bond premium	101,921	-	(27,840)	74,081	(28,140)	45,941
Subtotal	3,986,121	-	(973,890)	3,012,231	(969,190)	2,043,041
Net pension liability	4,530,112	169,872	-	4,699,984	-	4,699,984
Net OPEB liability	197,898	1,824	-	199,722	-	199,722
Other:						
Compensated absence	46,082	58,247	(46,082)	58,247	(58,247)	-
Subtotal - other	46,082	58,247	(46,082)	58,247	(58,247)	-
Totals	<u>\$ 8,760,213</u>	<u>\$ 229,943</u>	<u>\$ (1,019,972)</u>	<u>\$ 7,970,184</u>	<u>\$ (1,027,437)</u>	<u>\$ 6,942,747</u>

D. Refundings

On August 18, 2010, the District sold \$4,090,000 general obligation bonds. \$1,040,000 of this issue was to current refund the outstanding balance of the \$2,545,000 General Obligation Bonds of the District originally dated October 15, 2000 and maturing October 15, 2011 through 2020. The refunding bonds were dated September 1, 2010 and will mature on September 1, 2020. The balance outstanding as of December 31, 2018 was \$185,000.

On December 4, 2014, the District sold \$985,000 General Obligation Refunding Bonds, Series B. This issue was to current refund the outstanding balance of the \$3,000,000 General Obligation Bonds of the District originally dated June 15, 2004 and maturing June 15, 2015 through 2019. The refunding bonds were dated December 15, 2014 and will mature on June 15, 2019. The balance outstanding as of December 31, 2018 was \$190,000.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes.

15. Retirement System

The District follows the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the District are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 480 Neponset Street, Building #15, Canton, Massachusetts 02021.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year

average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left District employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years' creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The District's contribution to the System for the year ended December 31, 2018 was \$544,023.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the District reported a liability of \$4,699,984 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability is equal to the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 68. The net pension liability equals the total pension liability less the Norfolk County Retirement System's plan net position at December 31,

2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the District's proportion was .8499%.

For the year ended December 31, 2018, the District recognized pension expense of \$607,115. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 448,051	\$ -
Changes of assumptions	235,658	189,555
Net difference between projected and actual investment earnings	292,008	437,185
Changes in proportion and differences between employer contributions and proportionate share of contributions	817	71,851
Contributions subsequent to the measurement date	<u>595,803</u>	<u>-</u>
Total	<u>\$ 1,572,337</u>	<u>\$ 698,591</u>

The \$595,803 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$ 149,414
2019	120,588
2020	60,960
2021	<u>(53,019)</u>
Total	<u>\$ 277,943</u>

D. Actuarial Assumptions:

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4%
Salary increases	3.5%-5.5%
Cost of living increases	3% of the first \$17,000
Investment rate of return	7.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality, adjusted with scale MP-2014.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	32.00%	8.80%
Fixed income	19.00%	3.60%
International equity	17.50%	8.80%
Real estate	9.00%	7.40%
Hedge funds	9.00%	7.40%
Private equity	8.50%	13.30%
Real assets	<u>5.00%</u>	10.40%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated

using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 6,082,244	\$ 4,699,984	\$ 3,525,745

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

16. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In May 2014, the District established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of December 31, 2018.

A. General Information about the OPEB Plan

Plan Description

The District provides post-employment healthcare benefits for retired employees through the District’s plan. The District provides health insurance coverage through Tufts Medicare Preferred Supplement PDP Plan and Tufts Medicare Preferred HMD plans. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>16</u>
Total	<u><u>18</u></u>

B. Investments

The OPEB trust fund assets consist of bond and equity mutual funds.

Rate of return. For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was (5.27)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	3.0%, average, including inflation
Investment rate of return	6.5%, net of OPEB plan investment expense
Discount rate	6.5%
Healthcare cost trend rates	Non-Medicare: 15.6% for 1 year, then 7.0% decreasing by 0.5% for 4 years to an ultimate level of 5.0% per year. Medicare: 6.0% for 1 year, then decreasing by 0.5% from 2 years to an ultimate level of 5.0% per year. Dental: 5.0%

Pre-Retirement mortality rates were based on the RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009. Healthy retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009. Disabled retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity- Large Cap	32.00%	9.70%
Domestic Equity- Sm/Mid Cap	3.00%	11.24%
International Equity- Developed Market	6.00%	7.99%
International Equity- Emerging Market	3.00%	10.44%
Domestic- Fixed Income	38.00%	3.47%
International Fixed Income	6.00%	5.25%
Alternatives	7.00%	5.90%
Real estate	4.00%	10.01%
Cash	<u>1.00%</u>	2.00%
Total	<u><u>100.00%</u></u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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.

E. Net OPEB Liability

The components of the net OPEB liability, measured as of December 31, 2018, were as follows:

Total OPEB liability	\$ 1,075,762
Plan fiduciary net position	<u>876,040</u>
Net OPEB liability	<u><u>\$ 199,722</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	81.43%
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F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 985,966	\$ 788,068	\$ 197,898
Changes for the year:			
Service cost	58,897	-	58,897
Interest	66,769	-	66,769
Contributions - employer	-	160,870	(160,870)
Net investment income	-	(37,028)	37,028
Benefit payments	<u>(35,870)</u>	<u>(35,870)</u>	<u>-</u>
Net Changes	<u>89,796</u>	<u>87,972</u>	<u>1,824</u>
Balances, end of year	<u>\$ 1,075,762</u>	<u>\$ 876,040</u>	<u>\$ 199,722</u>

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 356,536	\$ 199,722	\$ 70,865

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 35,179	\$ 199,722	\$ 409,628

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the District recognized an OPEB expense of \$165,076. At December 31, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>
Net difference between projected and actual earnings on OPEB Trust investments	\$ <u>70,602</u>
Total	\$ <u><u>70,602</u></u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ 17,650
2020	17,650
2021	17,650
2022	<u>17,652</u>
Total	\$ <u><u>70,602</u></u>

17. Lease Revenue

The District has entered into operating leases with certain cellular telecommunication companies whereby these companies use District property for cellular towers. The District currently has three active cellular leases with Sprint (\$62,936), Verizon (\$31,957), and Cingular (\$28,815), each with annual escalators of 3%. Although the lease agreements are cancellable by either party, the District anticipates these revenues to continue in the future.

18. Parking Rental Agreement

In July 2014, the District entered into an agreement with the trustees of Helen Hultman Living Trust of Norwood, Massachusetts, to rent space for the purpose of storing clean fill and gravel, and to park and store vehicles or equipment, permitted by applicable laws and regulations. Monthly rental expense in 2016 to the District was \$1,150 per month. The agreement is cancellable by either party with one month of notice. In April 2016, a new rental agreement was negotiated with the same trustees for another parcel of land (smaller lot size) at the new District cost of \$850 per month, effective May 1, 2016.

19. Subsequent Events

Events and transactions from January 1, 2019 through July 17, 2019, the date the financial statements were issued, have been evaluated by management for disclosure. Management has determined that there were no material events that would require disclosure in the District's financial statements through this date.

DEDHAM-WESTWOOD WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

DECEMBER 31, 2018
(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2018	December 31, 2017	0.8499%	\$4,699,984	\$ 2,204,410	213.21%	63.5%
December 31, 2017	December 31, 2016	0.8678%	\$4,530,112	\$ 2,419,805	187.21%	61.6%
December 31, 2016	December 31, 2015	0.8678%	\$4,714,223	\$ 2,363,328	199.47%	58.6%
December 31, 2015	December 31, 2014	0.8631%	\$4,476,445	\$ 2,129,557	210.21%	60.1%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**DEDHAM-WESTWOOD WATER DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**DECEMBER 31, 2018
(Unaudited)**

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2018	December 31, 2017	\$ 544,023	\$ (544,023)	\$ -	\$ 2,204,410	24.68%
December 31, 2017	December 31, 2016	\$ 484,009	\$ (484,009)	\$ -	\$ 2,419,805	20.00%
December 31, 2016	December 31, 2015	\$ 438,887	\$ (438,887)	\$ -	\$ 2,363,328	18.57%
December 31, 2015	December 31, 2014	\$ 407,481	\$ (407,481)	\$ -	\$ 2,129,557	19.13%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**DEDHAM-WESTWOOD WATER DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)

(Unaudited)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 58,897	\$ 65,584
Interest on unfunded liability - time value of \$	66,769	60,944
Benefit payments, including refunds of member contributions	<u>(35,870)</u>	<u>(24,767)</u>
Net change in total OPEB liability	89,796	101,761
Total OPEB liability - beginning	<u>985,966</u>	<u>884,205</u>
Total OPEB liability - ending (a)	1,075,762	985,966
 Plan fiduciary net position		
Contributions - employer	160,870	149,767
Net investment income	(37,028)	54,348
Benefit payments, including refunds of member contributions	<u>(35,870)</u>	<u>(24,767)</u>
Net change in plan fiduciary net position	87,972	179,348
Plan fiduciary net position - beginning	<u>788,068</u>	<u>608,720</u>
Plan fiduciary net position - ending (b)	<u>876,040</u>	<u>788,068</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 199,722</u>	<u>\$ 197,898</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the District's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**DEDHAM-WESTWOOD WATER DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 1,075,762	\$ 985,966
Plan fiduciary net position	<u>876,040</u>	<u>788,068</u>
Net OPEB liability (asset)	<u>\$ 199,722</u>	<u>\$ 197,898</u>
Plan fiduciary net position as a percentage of the total OPEB liability	81.43%	79.93%

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 132,595	\$ 142,358
Contributions in relation to the actuarially determined contribution	<u>160,870</u>	<u>149,767</u>
Contribution deficiency (excess)	<u>\$ (28,275)</u>	<u>\$ (7,409)</u>

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	(5.27)%	5.34%

*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to District's financial statements for summary of significant actuarial methods and assumptions.

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