



## **DEDHAM-WESTWOOD WATER DISTRICT**

Financial Statements and Supplementary Information  
For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Dedham-Westwood Water District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Dedham-Westwood Water District (the District), an enterprise fund, and the fiduciary fund information of the as of and for the year ended December 31, 2020, 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.

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine

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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 District, an enterprise fund, and the fiduciary fund information of the Dedham-Westwood Water District, as of December 31, 2020, and the respective changes in financial position and cash flows when applicable 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 certain Pension and OPEB schedules 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.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts  
June 16, 2021

## 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, 2020.

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.

### Overview of the Financial Statements

The financial statements of the District include (1) the Statements of Net Position, (2) the Statements of Revenues, Expenses and Changes in Fund Net Position, (3) the Statements of Cash Flows, (4) the Statements of Fiduciary Net Position, (5) the Statements of Changes in Fiduciary Net Position, and (6) Notes to Financial Statements. In addition, various pension and other post-employment benefit (OPEB) schedules are included in the financial statements 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. As of December 31, 2020, it indicates the District's net worth as \$67,650,121 which comprises \$61,755,613 invested in capital assets and \$5,894,508 unrestricted.

The Statement of Revenues, Expenses, and Changes in Fund Net Position summarizes operating and non-operating revenues and expenses for the year, reveals the net income 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. The District's net income for calendar year 2020 was \$1,887,208.

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 expenditures in 2020.

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.

### **Financial Highlights**

As of the close of the current year, the District's net position is \$67,650,121. Net position increased by \$1,887,208 in comparison to the prior year. The increase in net position is primarily attributable to an increase in revenue offset by reduced spending.

Operating revenues were \$10,313,722 for the District in 2020, a 7.89% increase from 2019. Residential Sales revenues increased approximately \$860,000 from 2019 due to a 2% increase in fees and increased usage due to a hot and dry summer.

Operating expenses were \$8,753,391 in 2020, an decrease of 8.99% from 2019, primarily caused by a decrease in purchase water costs of approximately \$(428,000), repairs and maintenance of \$(275,011), and other operating costs of \$(215,354).

The District's Statement of Cash Flows identifies the sources and uses of cash activity for the year. In 2020, District cash and cash equivalents decreased by \$(1,352,117) from 2019, primarily due to capital asset construction and acquisitions.

## Financial Analysis

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

### SUMMARY OF NET POSITION

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 12,407	\$ 13,710
Capital assets	<u>72,005</u>	<u>69,753</u>
Total assets	84,412	83,463
Deferred outflows of resources	1,042	1,688
Other liabilities	2,759	2,518
Long-term liabilities	<u>14,263</u>	<u>16,614</u>
Total liabilities	17,022	19,132
Deferred inflows of resources	782	256
Net investment in capital assets	61,756	58,572
Unrestricted	<u>5,894</u>	<u>7,191</u>
Total net position	<u>\$ 67,650</u>	<u>\$ 65,763</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 2020, total net position was \$67,650,121, an increase of \$1,887,208 in comparison to the prior year.

The largest portion of net position \$61,755,613, 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 \$5,894,508 may be used to meet the District's ongoing obligations to customers and creditors.

## SUMMARY OF CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 10,314	\$ 9,560
Contributions revenue	297	1,444
Interest income	123	240
Lease revenue	<u>125</u>	<u>126</u>
Total revenue	10,859	11,370
Operating expense	8,753	9,618
Interest on long-term debt	<u>219</u>	<u>101</u>
Total expenses	<u>8,972</u>	<u>9,719</u>
Change in net income	1,887	1,651
Net position - beginning of year	<u>65,763</u>	<u>64,112</u>
Net position - end of year	<u>\$ 67,650</u>	<u>\$ 65,763</u>

### 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 2020 amounted to \$72,005,310 (net of accumulated depreciation), a change of \$2,252,607 from the prior year. In 2020, the District's capital asset additions totaled \$4,427,888, including donated capital (pipe and hydrants) totaling \$297,250. Capital asset additions in 2020 included plant improvements at the Bridge Street facilities 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 prudently address the infrastructure needs of the District in priority order. In 2020, capital expenditures (net of donated capital) totaled \$4.13 million. The District is currently planning to fund capital spending of more than \$10.3 million between 2020 and 2021. The District plans to fund the projects with operating income, cash on hand, and Commonwealth of Massachusetts low interest loans.

The District continues to maintain its underlying debt rating (Moody's) of Aa2 for its general obligation debt.

As of December 31, 2020, the District has two series of general obligation bonds outstanding and a Massachusetts Clean Water Trust bond totaling \$9,734,806 (exclusive of premiums). Maturities by issue are as follows:

	<u>2020</u>
Series D through 2021	\$ 51,050
Series H through 2024	1,200,000
MA Clean Water Trust bond through 2039	<u>8,483,756</u>
Total	<u>\$ 9,734,806</u>

### **Other Postemployment Benefits (OPEB) GASB Statements 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. As of December 31, 2020, the District has six 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 (or asset)/expense should be recognized while the employee provides service to the District. GASB Statements 74 and 75 require the full net OPEB liability (or asset) and related expenses to be presented on District's accrual basis financial statements. As of December 31, 2020 the District had a net OPEB asset of \$25,595.

Additional information regarding OPEB costs can be found in Notes to Financial Statements, Note 7.

### **Net Pension Liability GASB Statement 68**

Governmental Accounting Standards Board Statement 68 (GASB 68) was implemented by the District in 2015 (see Note 14). 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, 2020 net pension liability is \$4,308,238.

## **Massachusetts Clean Water Interim Loan Note and Bond**

In 2017 the District was awarded an interest-free interim loan note for \$8,841,400 through the Massachusetts Clean Water Trust, to be used for upgrades to the Bridge Street Treatment Plant. In 2019, the interim loan note was replaced (bonded) with a 2% 20-year bond payable to the Massachusetts Clean Water Trust. As of December 31, 2020, the District has drawn down the total loan amount of \$8,841,400. The amount of the 20 year bond outstanding as of December 31, 2020 is \$8,483,756.

## **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**

Enterprise Fund  
Statements of Net Position  
December 31, 2020  
(With Comparative Totals as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current:		
Cash	\$ 10,814,998	\$ 12,167,115
User fees	1,149,067	1,114,103
Other current assets	388,535	243,769
Clean water loan note receivable	-	124,603
	12,352,600	13,649,590
Noncurrent:		
Bond issue costs	28,564	35,575
Net OPEB asset	25,595	25,019
Capital assets:		
Land and construction in progress	1,799,332	1,799,332
Other capital assets, net of accumulated depreciation	70,205,978	67,953,371
	72,059,469	69,813,297
Total current assets	12,352,600	13,649,590
Total noncurrent assets	72,059,469	69,813,297
Total Assets	84,412,069	83,462,887
<b>Deferred Outflows of Resources</b>		
Related to pensions	1,041,925	1,688,076
Total Deferred Outflows of Resources	1,041,925	1,688,076
<b>Liabilities</b>		
Current:		
Accounts payable	767,243	579,287
Accrued expenses	1,956,271	1,889,812
Current portion of long-term liabilities:		
Bonds payable	732,742	1,131,532
Compensated absences	181,181	173,992
Other current liabilities	36,081	49,181
	3,673,518	3,823,804
Total current liabilities	3,673,518	3,823,804
Noncurrent:		
Bonds payable, net of current portion	9,040,513	9,764,471
Net pension liability	4,308,238	5,544,059
	13,348,751	15,308,530
Total noncurrent liabilities	13,348,751	15,308,530
Total Liabilities	17,022,269	19,132,334
<b>Deferred Inflows of Resources</b>		
Related to pensions	646,508	132,338
Related to OPEB	135,096	123,378
	781,604	255,716
Total Deferred Inflows of Resources	781,604	255,716
<b>Net Position</b>		
Net investment in capital assets	61,755,613	58,572,101
Unrestricted	5,894,508	7,190,812
Total Net Position	\$ 67,650,121	\$ 65,762,913

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

## DEDHAM-WESTWOOD WATER DISTRICT

### Enterprise Fund

#### Statements of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
User charges	\$ 10,026,941	\$ 9,320,112
Miscellaneous	<u>286,781</u>	<u>239,532</u>
Total Operating Revenues	10,313,722	9,559,644
<b>Operating Expenses</b>		
Direct labor	2,739,364	2,682,847
Depreciation	2,162,812	2,009,089
Other operating costs	878,353	1,093,707
Purchased water	609,524	1,037,799
Fuel and power	574,479	503,188
Pension expense	513,165	711,673
Health care	418,893	421,944
Repairs and maintenance	313,881	588,892
General insurance	203,388	190,382
Chemicals	151,974	92,658
Other employee benefits	60,222	90,962
Payroll tax	48,735	52,586
Transportation, heat, electric	37,729	61,822
Water conservation	26,387	30,533
Temporary help	<u>14,485</u>	<u>49,748</u>
Total Operating Expenses	<u>8,753,391</u>	<u>9,617,830</u>
Operating Income (Loss)	1,560,331	(58,186)
<b>Nonoperating Revenues (Expenses)</b>		
Contributions revenue	297,250	1,443,945
Lease revenue	125,097	126,590
Interest income	123,846	239,894
Interest on long-term debt	<u>(219,316)</u>	<u>(100,981)</u>
Total Nonoperating Revenues (Expenses), Net	<u>326,877</u>	<u>1,709,448</u>
Net Income	1,887,208	1,651,262
Net Position at Beginning of Year	<u>65,762,913</u>	<u>64,111,651</u>
Net Position at End of Year	<u>\$ 67,650,121</u>	<u>\$ 65,762,913</u>

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

**DEDHAM-WESTWOOD WATER DISTRICT**

Enterprise Fund

Statements of Cash Flows

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 10,120,892	\$ 9,584,351
Payments to vendors and employees	<u>(6,405,376)</u>	<u>(6,601,814)</u>
Net Cash Provided By Operating Activities	3,715,516	2,982,537
<b>Cash Flows From Capital and Related Financing Activities</b>		
Contribution revenue	297,250	1,443,945
Clean water loan note proceeds	124,603	3,585,739
Acquisition and construction of capital assets, net of disposition	(4,427,888)	(8,367,170)
Principal payments on bonds	(1,103,694)	(941,050)
Interest on long-term debt	(219,316)	(100,981)
Other	<u>12,469</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(5,316,576)	(4,379,517)
<b>Cash Flows From Investing Activities</b>		
Lease revenue	125,097	126,590
Investment income	<u>123,846</u>	<u>239,894</u>
Net Cash Provided By Investing Activities	<u>248,943</u>	<u>366,484</u>
Net Change in Cash and Cash Equivalents	(1,352,117)	(1,030,496)
Cash and Cash Equivalents, Beginning of Year	<u>12,167,115</u>	<u>13,197,611</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,814,998</u>	<u>\$ 12,167,115</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
Operating income (loss)	\$ 1,560,331	\$ (58,186)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,162,812	2,009,089
Amortization	(12,043)	(20,735)
Changes in assets and liabilities:		
User fees	(34,964)	(64,453)
Other current assets	(144,766)	41,179
Net OPEB asset	(576)	(224,741)
Deferred outflows - related to pensions	646,151	(115,739)
Deferred outflows - related to OPEB	-	70,602
Accounts payable	187,956	(345,712)
Accrued expenses	66,459	1,126,307
Other current liabilities	(13,100)	47,981
Compensated absences	7,189	115,745
Net pension liability	(1,235,821)	844,075
Deferred inflows - related to pensions	514,170	(566,253)
Deferred inflows - related to OPEB	<u>11,718</u>	<u>123,378</u>
Net Cash Provided By Operating Activities	<u>\$ 3,715,516</u>	<u>\$ 2,982,537</u>

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

**DEDHAM-WESTWOOD WATER DISTRICT**

Fiduciary Fund – Other Post-Employment Benefits Trust

Statements of Fiduciary Net Position

December 31, 2020

(With Comparative Totals as of December 31, 2019)

	Other Post-Employment Benefits Trust Fund	
	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Investments		
Equity mutual funds	\$ 691,019	\$ 575,104
Fixed income mutual funds	<u>498,851</u>	<u>447,692</u>
Total investments	1,189,870	1,022,796
Accounts receivable	<u>-</u>	<u>65,000</u>
Total assets	<u>1,189,870</u>	<u>1,087,796</u>
<b>Net Position</b>		
Restricted for OPEB purposes	\$ <u>1,189,870</u>	\$ <u>1,087,796</u>

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

**DEDHAM-WESTWOOD WATER DISTRICT**

Fiduciary Funds

Statements of Changes in Fiduciary Net Position

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Other Post-Employment Benefits Trust Fund	
	<u>2020</u>	<u>2019</u>
<b>Additions</b>		
Contributions	\$ 16,669	\$ 81,809
Investment income	<u>102,074</u>	<u>146,756</u>
Total Additions	118,743	228,565
<b>Deductions</b>		
Benefit payments	<u>16,669</u>	<u>16,809</u>
Total Deductions	<u>16,669</u>	<u>16,809</u>
Net Increase	102,074	211,756
<b>Net Position Restricted for OPEB Purposes</b>		
Beginning of Year	<u>1,087,796</u>	<u>876,040</u>
End of Year	<u>\$ 1,189,870</u>	<u>\$ 1,087,796</u>

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:

#### ***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, 2019.

#### ***Operating Revenues and Expenses***

Operating revenue consists of billings for metered water supplied to residential, commercial, and industrial entities; water system access fees; 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, 2020. The District maintains an ongoing capacity to collect on its customer receivables via the strength of its non-payment lien and 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.

***Inventories***

Inventories are valued at cost using the weighted average cost method and are included in Other Current Assets (Note 6).

***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.

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, equipment, and furnishings	5 - 25 years
Infrastructure	5 - 75 years

***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.

***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.

***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.

***Unrestricted Net Position***

Included in the unrestricted net position of \$5,894,508 as of December 31, 2020 is a board-designated stabilization fund of \$1,800,000.

***Cash and Investments***

Cash balances are invested to the extent available and interest earnings are recognized. Deposits with financial institutions consist primarily of savings accounts.

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.

### **3. Deposits and Investments**

#### ***District (Excluding the OPEB Trust Funds)***

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the District. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, *Certain External Investment Pools and Pool Participants*, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

#### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The District does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, none of the District's bank balance of \$ 10,378,432\* was exposed to custodial credit risk as uninsured and uncollateralized.

\*The difference between the carrying amount of \$10,814,998 and the bank balance of \$10,378,432 represents reconciling items such as deposits in transit and outstanding checks, which have not been processed by the bank as of December 31, 2020.

**4. Investments – OPEB Trust Fund**

The following is a summary of the OPEB Trust Fund’s investments as of December 31, 2020:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 691,019
Fixed income mutual funds	<u>498,851</u>
Total investments	<u>\$ 1,189,870</u>

***Custodial Credit Risk – Investments***

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, the OPEB Trust will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Trust’s custodial credit risk policy is that the Business Manager will engage only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

As of December 31, 2020, all of the OPEB Trust Fund investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the District’s brokerage firm’s Trust or Agent, which is also the counterparty to these securities.

***Credit Risk – Investments of Debt Securities***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The OPEB Trust Fund’s investment policies related to credit risk are that the Investment Manager will purchase investment grade securities with a high concentration in securities rated A or better at time of purchase. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

As of December 31, 2020 the credit quality ratings, as rated by S&P Global Ratings, of the OPEB Trust’s debt securities are as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>						
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Unrated</u>
Fixed income mutual funds	\$ <u>499</u>	\$ <u>184</u>	\$ -	\$ <u>67</u>	\$ <u>135</u>	\$ <u>48</u>	\$ <u>24</u>	\$ <u>41</u>
Total	\$ <u>499</u>	\$ <u>184</u>	\$ -	\$ <u>67</u>	\$ <u>135</u>	\$ <u>48</u>	\$ <u>24</u>	\$ <u>41</u>

**Concentration of Credit Risk**

The OPEB Trust Fund places no limit on the amount the OPEB Trust Fund may invest in any one issuer. The Trust’s Concentration of Credit Risk policy is that the Investment Manager will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the concentration of credit disclosure.

As of December 31, 2020, all of the OPEB Trust Funds investments are excluded from the concentration of credit disclosure.

**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. The Interest Rate Risk policy is that the Investment Manager will manage interest rate risk by managing duration in the account.

Information about the sensitivity of the fair values of the OPEB Trust Fund’s investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> (in Years)		
		<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ <u>499</u>	\$ <u>171</u>	\$ <u>311</u>	<u>17</u>
Total	\$ <u><u>499</u></u>	\$ <u><u>171</u></u>	\$ <u><u>311</u></u>	\$ <u><u>17</u></u>

**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 OPEB Trust Fund does not have formal investment policies related to foreign currency risk.

**Fair Value**

The OPEB Trust Fund 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 and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The OPEB Plan’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The OPEB Trust Fund has the following fair value measurements as of December 31, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Equity mutual funds	\$ 691	\$ 691	\$ -	\$ -
Fixed income mutual funds	<u>499</u>	-	499	-
Total	<u>\$ 1,190</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that

was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

**5. User Fees Receivable**

User fees receivable consist of the following as of December 31, 2020 (with comparative totals as of December 31, 2019):

	<u>2020</u>	<u>2019</u>
Customer Accounts:		
Billed	\$ 956,982	\$ 880,702
Unbilled	<u>192,085</u>	<u>233,401</u>
Total receivables	<u>\$ 1,149,067</u>	<u>\$ 1,114,103</u>

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

**6. Other Current Assets**

Other current assets for the District consist of the following as of December 31, 2020 (with comparative totals as of December 31, 2019):

	<u>2020</u>	<u>2019</u>
Inventory	\$ 166,210	\$ 113,756
Prepaid expenses	111,638	82,678
Miscellaneous accounts receivable	110,687	47,135
Other	<u>-</u>	<u>200</u>
Total	<u>\$ 388,535</u>	<u>\$ 243,769</u>

**7. 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 a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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 assets, 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, 2020.

**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.

*Funding Policy*

The District’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are determined through annual budget authorizations.

*Plan Membership*

As of December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	6
Active employees	<u>14</u>
Total	<u><u>20</u></u>

**Investments**

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

*Rate of return.* For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### ***Actuarial Assumptions***

The net OPEB asset was determined by an actuarial valuation as of December 31, 2018, 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	6.0%, net of OPEB plan investment expense
Discount rate	6.0%
Healthcare cost trend rates	Non-Medicare: 7.0% decreasing by 0.25% for 10 years to an ultimate level of 4.5% per year. Medicare: 6.0% for 6 years, then decreasing by 0.25% to an ultimate level of 4.5% per year.

Pre-Retirement mortality rates were based on the RP-2014 Employee Mortality Table projected generationally with Scale MP-2019. Post-Retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019.

### ***Target Allocations***

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, 2020 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	33.00%	8.50%
Domestic equity-Small/Mid Cap	5.00%	9.28%
International equity- developed market	5.00%	6.97%
International equity- emerging market	3.00%	8.75%
Core fixed income	33.00%	3.65%
High yield fixed income	7.00%	6.14%
International Fixed Income	4.00%	4.82%
Alternatives	5.00%	6.23%
Real estate	4.00%	8.38%
Cash	1.00%	1.00%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the net OPEB asset was 6.0%. 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.

**Net OPEB Asset**

The components of the net OPEB asset, measured as of December 31, 2020, were as follows:

Total OPEB liability	\$ 1,164,275
Plan fiduciary net position	<u>1,189,870</u>
Net OPEB (asset) liability	<u>\$ (25,595)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

**Changes in the Net OPEB Asset**

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances, beginning of year	\$ 1,062,777	\$ 1,087,796	\$ (25,019)
Changes for the year:			
Service cost	51,786	-	51,786
Interest	66,381	-	66,381
Contributions - employer	-	16,669	(16,669)
Net investment income	-	102,074	(102,074)
Benefit payments	<u>(16,669)</u>	<u>(16,669)</u>	<u>-</u>
Net Changes	<u>101,498</u>	<u>102,074</u>	<u>(576)</u>
Balances, end of year	<u>\$ 1,164,275</u>	<u>\$ 1,189,870</u>	<u>\$ (25,595)</u>

**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate**

The following presents the net OPEB (asset) liability, as well as what the net OPEB (asset) 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:

1% Decrease <u>(5.0%)</u>	Current Discount Rate <u>(6.0%)</u>	1% Increase <u>(7.0%)</u>
\$ 149,629	\$ (25,595)	\$ (169,408)

**Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB (asset) liability, as well as what the net OPEB (asset) 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:

1% <u>Decrease</u>	Current Healthcare Cost Trend Rates <u>Rates</u>	1% <u>Increase</u>
\$ (200,995)	\$ (25,595)	\$ 194,151

**OPEB Expense and Deferred (Inflows) of Resources Related to OPEB**

For the year ended December 31, 2020, the District recognized an OPEB expense of \$11,142. As of December 31, 2020, the District reported deferred (inflows) of resources related to OPEB from the following sources:

	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ (23,750)
Change in assumptions	(63,315)
Net difference between projected and actual earnings on OPEB Trust investments	<u>(48,031)</u>
Total	\$ <u><u>(135,096)</u></u>

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

<u>Year Ended June 30:</u>	
2021	\$ (25,087)
2022	(25,085)
2023	(42,737)
2024	(24,774)
2025	<u>(17,413)</u>
Total	\$ <u><u>(135,096)</u></u>

## 8. Capital Assets

The following is a summary of the 2020 activity in capital assets (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,602	\$ 86	\$ -	\$ 22,688
Machinery, equipment, and furnishings	17,612	3,954	(38)	21,528
Infrastructure	<u>62,096</u>	<u>3,554</u>	<u>(36)</u>	<u>65,614</u>
Total capital assets, being depreciated	102,310	7,594	(74)	109,830
Less accumulated depreciation for:				
Buildings and improvements	(8,646)	(460)	-	(9,106)
Machinery, equipment, and furnishings	(12,829)	(763)	38	(13,554)
Infrastructure	<u>(16,048)</u>	<u>(940)</u>	<u>24</u>	<u>(16,964)</u>
Total accumulated depreciation	<u>(37,523)</u>	<u>(2,163)</u>	<u>62</u>	<u>(39,624)</u>
Total capital assets, being depreciated, net	64,787	5,431	(12)	70,206
Capital assets, not being depreciated:				
Land	1,799	-	-	1,799
Construction in progress	<u>3,167</u>	-	<u>(3,167)</u>	-
Total capital assets, not being depreciated	<u>4,966</u>	-	<u>(3,167)</u>	<u>1,799</u>
Governmental activities capital assets, net	\$ <u><u>69,753</u></u>	\$ <u><u>5,431</u></u>	\$ <u><u>(3,179)</u></u>	\$ <u><u>72,005</u></u>

Included in the current year additions is \$297,250 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, in accordance with GASB Statement No. 68, is more fully discussed in the corresponding pension note.

**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 for the District consist of the following as of December 31, 2020 (with comparative totals as of December 31, 2019):

	<u>2020</u>	<u>2019</u>
Accrued purchased water - MWRA	\$ 1,126,619	\$ 1,126,949
Contract retainage	515,227	440,667
Other	144,195	193,905
Accrued payroll	85,311	122,555
Accrued interest	<u>84,919</u>	<u>5,736</u>
Total	<u>\$ 1,956,271</u>	<u>\$ 1,889,812</u>

**12. Bonds Payable**

***General Obligation Bonds***

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds (exclusive of premium) currently outstanding are as follows:

<u>General Obligation Bonds:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>12/31/20</u>
Public Offerings:			
General obligation series D	2021	0.00%	\$ 51,050
General obligation series H	2024	2.00 - 2.50%	<u>1,200,000</u>
Total General Obligation Bonds			1,251,050
<u>Loans - Direct Borrowings:</u>			
MA Clean Water Trust bond	2039	2.00%	<u>8,483,756</u>
Total loans - direct borrowings			<u>8,483,756</u>
Total governmental activities			<u>\$ 9,734,806</u>

### **Future Debt Service**

The annual payments, which are made semi-annually, to retire all general obligation long-term debt outstanding as of December 31, 2020 are as follows:

#### Business-Type Activities

<u>Year</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 351,050	\$ 26,250	\$ 365,416	\$ 169,675
2022	300,000	20,250	373,358	162,367
2023	300,000	14,250	381,473	154,900
2024	300,000	7,500	389,763	147,270
2025	-	-	398,234	139,475
2026-2030	-	-	2,124,823	574,385
2031-2035	-	-	2,365,981	352,464
2036-2039	-	-	2,084,708	105,356
<b>Total</b>	<b>\$ 1,251,050</b>	<b>\$ 68,250</b>	<b>\$ 8,483,756</b>	<b>\$ 1,805,892</b>

### **Changes in General Long-Term Liabilities**

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
<b>Business-Type Activities</b>						
Bonds Payable:						
Public Offerings	\$ 1,997,100	\$ -	\$ (746,050)	\$ 1,251,050	\$ (351,050)	\$ 900,000
Loans Payable (Direct borrowings)	8,841,400	-	(357,644)	8,483,756	(365,416)	8,118,340
Bond premium	57,503	-	(19,054)	38,449	(16,276)	22,173
Subtotal	10,896,003	-	(1,122,748)	9,773,255	(732,742)	9,040,513
Net pension liability	5,544,059	-	(1,235,821)	4,308,238	-	4,308,238
Other:						
Compensated absence	173,992	7,189	-	181,181	(181,181)	-
<b>Totals</b>	<b>\$ 16,614,054</b>	<b>\$ 7,189</b>	<b>\$ (2,358,569)</b>	<b>\$ 14,262,674</b>	<b>\$ (913,923)</b>	<b>\$ 13,348,751</b>

### **13. 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.

## 14. 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.

### *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 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 on or 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.

### *Participant Retirement Benefits*

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.

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 5-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.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

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.

#### *Methods of Payment*

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.

- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### *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%.

#### *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, 2020 was \$588,665.

#### ***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 the System’s fiduciary net position have been determined on the same basis as they are reported by the 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.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions***

As of December 31, 2020, the District reported a liability of \$4,308,238 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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. As of December 31, 2020, the District's proportion was 0.7338%, which was a decrease of 0.1179% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, the District recognized pension expense of \$513,165. In addition, the District reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 369,136	\$ (121,341)
Changes of assumptions	79,022	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,102	(525,167)
Contributions subsequent to the measurement date	<u>588,665</u>	<u>-</u>
Total	<u>\$ 1,041,925</u>	<u>\$ (646,508)</u>

The amount reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ending December 31, 2021.

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:	
2021	\$ 31,670
2022	(64,583)
2023	(19,556)
2024	<u>(140,779)</u>
Total	<u>\$ (193,248)</u>

### **Actuarial Assumptions**

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

Inflation	3%
Salary increases	3.5%-5.5%
Cost of living increases	3% of the first \$18,000
Investment rate of return	7.75%

It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward 5 years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward 3 years for males, and 6 years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward 6 years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward 2 years. Generational adjusting is based on Scale MP-2016.

### **Target Allocations**

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	30.50%	6.60%
Fixed income	20.50%	3.80%
International equity	15.50%	8.00%
Real estate	9.50%	8.20%
Hedge funds	11.50%	7.20%
Private equity	10.00%	9.10%
Real assets	2.50%	9.90%
Total	<u>100.00%</u>	

**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.

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

The following table 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 one percentage-point lower or one percentage-point higher than the current rate:

	Current Discount Rate	
1% Decrease	1% Increase	
<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
\$ 5,595,558	\$ 4,308,238	\$ 3,214,404

**Pension Plan Fiduciary Net Position**

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

**15. 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 (\$60,624), Verizon (\$33,903), and AT&T (\$30,570), 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.

**16. Commitments and Contingencies**

**COVID-19**

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the

outbreak, impact on individuals served by the District, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

***Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the District is involved. The District's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

**17. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the District beginning with its fiscal year ending December 31, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**DEDHAM-WESTWOOD WATER DISTRICT**

Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability (GASB 68)  
 (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, 2020	December 31, 2019	0.7338%	\$4,308,238	\$ 2,365,315	182.14%	64.6%
December 31, 2019	December 31, 2018	0.8517%	\$5,544,059	\$ 2,281,564	242.99%	58.3%
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%

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

See Independent Auditors' Report.

**DEDHAM-WESTWOOD WATER DISTRICT**

Required Supplementary Information  
Schedule of Pension Contributions (GASB 68)  
(Unaudited)

**Norfolk County Retirement System**

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the			Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contributions as a Percentage of <u>Covered Payroll</u>
		Contractually Required <u>Contribution</u>	Contractually Required <u>Contribution</u>				
December 31, 2020	December 31, 2019	\$ 549,590	\$ (549,590)	\$ -	\$ 2,365,315	23.24%	
December 31, 2019	December 31, 2018	\$ 595,803	\$ (595,803)	\$ -	\$ 2,281,564	26.11%	
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%	

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

See Independent Auditors' Report.

**DEDHAM-WESTWOOD WATER DISTRICT**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in the Net OPEB (Asset) Liability (GASB 74 and 75)  
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 51,786	\$ 52,902	\$ 58,897
Interest on unfunded liability - time value of \$	66,381	72,817	66,769
Differences between expected and actual experience	-	(33,253)	-
Changes of assumptions	-	(88,642)	-
Benefit payments, including refunds of member contributions	<u>(16,669)</u>	<u>(16,809)</u>	<u>(35,870)</u>
Net Change in Total OPEB Liability	101,498	(12,985)	89,796
Total OPEB Liability - Beginning	<u>1,062,777</u>	<u>1,075,762</u>	<u>985,966</u>
Total OPEB Liability - Ending (a)	1,164,275	1,062,777	1,075,762
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	16,669	81,809	160,870
Net investment income	102,074	146,756	(37,028)
Benefit payments, including refunds of member contributions	<u>(16,669)</u>	<u>(16,809)</u>	<u>(35,870)</u>
Net Change in Plan Fiduciary Net Position	102,074	211,756	87,972
Plan Fiduciary Net Position - Beginning	<u>1,087,796</u>	<u>876,040</u>	<u>788,068</u>
Plan Fiduciary Net Position - Ending (b)	<u>1,189,870</u>	<u>1,087,796</u>	<u>876,040</u>
Net OPEB (Asset) Liability - Ending (a-b)	<u>\$ (25,595)</u>	<u>\$ (25,019)</u>	<u>\$ 199,722</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**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)

Schedules of Net OPEB (Asset) Liability, Contributions, and Investment Returns (GASB 74 and 75)  
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Net OPEB (Asset) Liability</b>			
Total OPEB liability	\$ 1,164,275	\$ 1,062,777	\$ 1,075,762
Plan fiduciary net position	<u>(1,189,870)</u>	<u>(1,087,796)</u>	<u>(876,040)</u>
Net OPEB (Asset) Liability	<u>\$ (25,595)</u>	<u>\$ (25,019)</u>	<u>\$ 199,722</u>
 Plan fiduciary net position as a percentage of the total OPEB asset/liability	 102.20%	 102.35%	 81.43%

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Contributions</b>			
Actuarially determined contribution	\$ 47,851	\$ 103,968	\$ 132,595
Contributions in relation to the actuarially determined contribution	<u>(16,669)</u>	<u>(81,809)</u>	<u>(160,870)</u>
Contribution Deficiency (Excess)	<u>\$ 31,182</u>	<u>\$ 22,159</u>	<u>\$ (28,275)</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Investment Returns</b>			
Annual money weighted rate of return, net of investment expense	9.52%	17.77%	-5.27%

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

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See Independent Auditors' Report.