



## **DEDHAM-WESTWOOD WATER DISTRICT**

Financial Statements and Required Supplementary Information  
For the Year Ended December 31, 2022

(With Independent Auditor's Report Thereon)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Dedham-Westwood Water District

### Opinions

We have audited the financial statements of the Dedham-Westwood Water District (the District) and its Other Post-employment Benefits Trust Fund (a fiduciary fund), as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Dedham-Westwood Water District as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United State of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAS), and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's

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Greenfield, Massachusetts  
Ellsworth, Maine

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ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### **Report on Summarized Comparative Information**

We have previously audited the District’s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **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 basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Merrimack, New Hampshire  
May 25, 2023

## **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, 2022.

The District provides water supply services to approximately 13,000 active customer accounts and about 43,000 residents, through metered sales in the communities of Dedham and Westwood. The District is responsible for operating and maintaining the water supply and distribution systems, providing ongoing capital improvements, ensuring adequate pressure and fire flow capacity, 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 Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, (4) the Statement of Fiduciary Net Position, (5) the Statement 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 Statement of Net Position presents information on all assets, liabilities, and deferred outflows and 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, 2022, it indicates the District's net worth as \$70,287,353 which comprises \$64,208,155 invested in capital assets and \$6,079,198 unrestricted.

The Statement of Revenues, Expenses, and Changes in 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 net position 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 2022 was \$1,605,164.

The Statement of Cash Flows reports cash and short-term investments 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 short-term investments balance reconciles to the cash and short-term investments 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 the District's operating expenditures and debt service requirements for 2022.

The Statement of Fiduciary Net Position and Changes in Fiduciary Net Position represent the net position and changes in net position of the District's 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 was \$70,287,353. Net position increased by \$1,605,164 in comparison to the prior year. The increase in net position is primarily attributable to the increase of revenues over expenses.

Operating revenues were \$11,059,852 for the District in 2022, a 8.41% increase from 2021, primarily caused by a 2.5% water rate increase and the implementation of a tiered commercial rate structure.

Operating expenses were \$9,518,935 in 2022, an increase of 4.13% from 2021, primarily caused by inflationary increases, supply chain issues, and the additional purchase of MWRA water for water treatment purposes.

The District's Statement of Cash Flows identifies the sources and uses of cash activity for the year. In 2022, District cash and short-term investments increased by \$132,365 from 2021, primarily due to the increase in revenue and less spending for capital projects than the previous year.

## Financial Analysis

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

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current and other assets	\$ 12,025	\$ 11,918
Capital assets	<u>73,904</u>	<u>74,082</u>
Total assets	85,929	86,000
<b>Deferred Outflows of Resources</b>	1,225	1,073
<b>Liabilities</b>		
Other liabilities	1,328	1,560
Long-term liabilities	<u>12,148</u>	<u>13,793</u>
Total liabilities	13,476	15,353
<b>Deferred Inflows of Resources</b>	3,391	3,038
<b>Net Position</b>		
Net investment in capital assets	64,208	63,660
Unrestricted	<u>6,079</u>	<u>5,022</u>
Total net position	<u>\$ 70,287</u>	<u>\$ 68,682</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 2022, total net position was \$70,287,353, an increase of \$1,605,164 in comparison to the prior year.

The largest portion of net position \$64,208,155, 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 \$6,079,198 may be used to meet the District's ongoing obligations to customers and creditors.



### SUMMARY OF CHANGE IN NET POSITION

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 11,060	\$ 10,202
Operating expenses	<u>(9,519)</u>	<u>(9,141)</u>
Operating Income	1,541	1,061
Nonoperating revenues (expenses), net	<u>64</u>	<u>(29)</u>
Change in Net Position	1,605	1,032
Net position - beginning of year	<u>68,682</u>	<u>67,650</u>
Net position - end of year	<u>\$ 70,287</u>	<u>\$ 68,682</u>

### Capital Assets 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 2022 amounted to \$73,904,361 (net of accumulated depreciation), a change of \$(178,006) from the prior year. In 2022, the District's capital asset additions totaled \$2,174,185. Capital asset additions in 2022 included infrastructure improvements, meter replacements, and water treatment upgrades in the plants.

#### ***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 2022, capital expenditures (net of donated capital) totaled \$2.17 million. The District is currently planning to fund capital spending of more than \$11.6 million between 2022 and 2023. The District plans to fund the projects with operating income, cash on hand, general obligation bonds (GOB), 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.

### Massachusetts Clean Water Interim Loan Note

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 loan payable to the Massachusetts Clean Water Trust. As of December 31, 2022, the District has drawn down the total loan amount of \$8,841,400. The amount of the 20-year loan outstanding as of December 31, 2022 was \$7,744,982.

As of December 31, 2022, the District had two series of general obligation bonds outstanding and a Massachusetts Clean Water Trust bond totaling \$9,109,082 (exclusive of premiums). Maturities by issue are as follows:

General Obligation through 2024	\$	600,000
General Obligation through 2031		764,100
MA Clean Water Trust bond through 2039		<u>7,744,982</u>
Total	\$	<u>9,109,082</u>

**Net Pension Liability GASB Statement 68**

Governmental Accounting Standards Board Statement No. 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 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 net pension liability of the Norfolk County Retirement System is actuarially derived and reported in the District’s financial statements. The December 31, 2022 and 2021, net pension liability was \$2,687,048 and \$3,754,046, respectively.

**Other Postemployment Benefits (OPEB) GASB Statements 74 and 75**

On May 13, 2014, the Board of Commissioners (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, 2022, the District had six OPEB-eligible retirees and twelve OPEB-eligible active employees.

Beginning in 2017, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and in 2018 implemented GASB Statement No. 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 the District’s accrual basis financial statements. As of December 31, 2022 the District had a net OPEB liability of \$204,346.

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

## **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  
Statement of Net Position  
December 31, 2022

(With Comparative Totals as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current:		
Cash and short-term investments	\$ 8,138,629	\$ 8,006,264
User fees receivable	1,370,019	1,319,683
Leases receivable	26,318	23,910
Other current assets	<u>492,810</u>	<u>509,173</u>
Total Current Assets	10,027,776	9,859,030
Noncurrent:		
Bond issue costs, net	26,489	32,058
Leases receivable, net of current portion	1,970,147	1,996,465
Net OPEB asset	-	30,384
Capital assets:		
Land and construction in progress	1,799,332	1,799,332
Other capital assets, net of accumulated depreciation	<u>72,105,029</u>	<u>72,283,035</u>
Total Noncurrent Assets	<u>75,900,997</u>	<u>76,141,274</u>
Total Assets	85,928,773	86,000,304
<b>Deferred Outflows of Resources</b>		
Related to pension	946,106	838,775
Related to OPEB	<u>278,680</u>	<u>233,930</u>
Total Deferred Outflows of Resources	1,224,786	1,072,705
<b>Liabilities</b>		
Current:		
Accounts payable	241,213	484,973
Accrued expenses	1,030,924	943,236
Other liabilities	55,667	131,383
Current portion of long-term liabilities:		
Bonds and loans payable	773,866	765,751
Compensated absences liability	<u>132,369</u>	<u>149,543</u>
Total Current Liabilities	2,234,039	2,474,886
Noncurrent:		
Bonds and loans payable, net of current portion	8,349,897	9,123,762
Net pension liability	2,687,048	3,754,046
Net OPEB liability	<u>204,346</u>	<u>-</u>
Total Noncurrent Liabilities	<u>11,241,291</u>	<u>12,877,808</u>
Total Liabilities	13,475,330	15,352,694
<b>Deferred Inflows of Resources</b>		
Related to leases	1,996,465	2,020,375
Related to pension	1,202,776	674,501
Related to OPEB	<u>191,635</u>	<u>343,250</u>
Total Deferred Inflows of Resources	<u>3,390,876</u>	<u>3,038,126</u>
<b>Net Position</b>		
Net investment in capital assets	64,208,155	63,659,895
Unrestricted	<u>6,079,198</u>	<u>5,022,294</u>
Total Net Position	<u>\$ 70,287,353</u>	<u>\$ 68,682,189</u>

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

**DEDHAM-WESTWOOD WATER DISTRICT**

Enterprise Fund

Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
User charges	\$ 10,896,896	\$ 9,906,587
Miscellaneous	<u>162,956</u>	<u>295,370</u>
Total Operating Revenues	11,059,852	10,201,957
<b>Operating Expenses</b>		
Direct labor	2,954,490	2,880,966
Depreciation	2,350,098	2,295,550
Other operating costs	1,150,494	1,308,110
Purchased water	670,539	268,414
Fuel and power	716,414	649,722
Pension expense	24,364	301,580
Health care	463,600	429,035
Repairs and maintenance	476,138	434,639
General insurance	229,748	225,903
Chemicals	197,728	161,879
Other employee benefits	110,291	24,969
Payroll tax	58,039	53,660
Transportation, heat, electric	97,712	75,900
Water conservation	16,273	24,829
Temporary help	<u>3,007</u>	<u>6,163</u>
Total Operating Expenses	<u>9,518,935</u>	<u>9,141,319</u>
Operating Income	1,540,917	1,060,638
<b>Nonoperating Revenues (Expenses)</b>		
Contribution revenue	38,250	-
Lease revenue	132,716	128,850
Interest income	84,125	47,359
Interest on long-term debt	<u>(190,844)</u>	<u>(204,779)</u>
Total Nonoperating Revenues (Expenses), Net	<u>64,247</u>	<u>(28,570)</u>
Change in Net Position	1,605,164	1,032,068
Net Position at Beginning of Year	<u>68,682,189</u>	<u>67,650,121</u>
Net Position at End of Year	<u>\$ 70,287,353</u>	<u>\$ 68,682,189</u>

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

**DEDHAM-WESTWOOD WATER DISTRICT**

Enterprise Fund  
Statement of Cash Flows

For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 11,025,879	\$ 9,910,703
Payments to vendors and employees	<u>(7,976,326)</u>	<u>(7,973,119)</u>
Net Cash Provided By Operating Activities	3,049,553	1,937,584
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets, net of disposition	(2,215,685)	(4,834,006)
Proceeds of bonds	-	849,000
Principal payments on bonds and loans	(758,258)	(716,466)
Interest on long-term debt	(198,336)	(221,055)
Contribution revenue	<u>38,250</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(3,134,029)	(4,922,527)
<b>Cash Flows From Investing Activities</b>		
Lease revenue	132,716	128,850
Interest income	<u>84,125</u>	<u>47,359</u>
Net Cash Provided By Investing Activities	<u>216,841</u>	<u>176,209</u>
Net Change in Cash and Short-term Investments	132,365	(2,808,734)
Cash and Short-term Investments, Beginning of Year	<u>8,006,264</u>	<u>10,814,998</u>
Cash and Short-term Investments, End of Year	<u>\$ 8,138,629</u>	<u>\$ 8,006,264</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
Operating income	\$ 1,540,917	\$ 1,060,638
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,350,098	2,295,550
Changes in assets, liabilities, and deferred outflows/inflows:		
User fees receivable	(50,336)	(170,616)
Leases receivable	23,910	-
Other current assets	16,363	(120,638)
Other assets	5,569	(3,494)
Accounts payable	(243,760)	(282,270)
Accrued expenses	131,281	(551,636)
Other liabilities	(75,716)	95,302
Compensated absences liability	(17,174)	(31,638)
Net pension liability and related deferrals	(646,054)	(323,049)
Net OPEB (asset) liability and related deferrals	38,365	(30,565)
Deferred inflows - related to leases	<u>(23,910)</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>\$ 3,049,553</u>	<u>\$ 1,937,584</u>

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

**DEDHAM-WESTWOOD WATER DISTRICT**

Fiduciary Fund

Statement of Fiduciary Net Position

December 31, 2022

(With Comparative Totals as of December 31, 2021)

	Other Post-Employment Benefits Trust Fund	
	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Investments		
Equity mutual funds	\$ 686,891	\$ 792,394
Fixed income mutual funds	<u>514,296</u>	<u>542,613</u>
Total Assets	1,201,187	1,335,007
<b>Net Position</b>		
Restricted for OPEB purposes	<u>\$ 1,201,187</u>	<u>\$ 1,335,007</u>

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

**DEDHAM-WESTWOOD WATER DISTRICT**

Fiduciary Fund

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	Other Post-Employment Benefits Trust Fund	
	<u>2022</u>	<u>2021</u>
<b>Additions</b>		
Contributions	\$ 21,696	\$ 15,503
Investment income (loss), net	(133,820)	145,137
Total Additions	(112,124)	160,640
<b>Deductions</b>		
Benefit payments	21,696	15,503
Total Deductions	21,696	15,503
Change in Net Position	(133,820)	145,137
<b>Net Position Restricted for OPEB Purposes</b>		
Beginning of Year	1,335,007	1,189,870
End of Year	\$ 1,201,187	\$ 1,335,007

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 Commissioners (the Board) exercise the management and control of the District. The Select Boards 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 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's 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.

#### ***Comparative Financial Information***

The accompanying 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, 2021, from which the summarized information was derived.

#### ***Cash and Investments***

Deposits with financial institutions consist primarily of demand deposits, money markets, and savings accounts. For purposes of the statement of cash flows, the proprietary fund considers investments with original maturities of three months or less to be short-term investments. Where applicable, investments are carried at fair value.

**Leases**

*District as a Lessor*

The District recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis over its useful life. The following key assumptions are made:

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases receivable and will remeasure a lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Inventory**

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

**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.

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.

***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.

***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. 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, as well as depreciation.

***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.

***Restatement of Certain Prior Year Amounts***

Certain prior year amounts have been restated for consistency with the current year presentation. These restatements had no effect on the reported results of operations or cash flows. The adjustments have been made to the Statement of Net Position for the year ended December 31, 2021 to retroactively implement GASB Statement No. 87, *Leases*.

**3. Cash and Investments (Excluding the OPEB Trust Fund)**

Cash balances are invested to the extent available and interest earnings are recognized. Deposits with financial institutions consist primarily of savings accounts. Massachusetts General Laws (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 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 consist 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 Governmental Accounting Standards Board (GASB) 79. 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 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 December 31, 2022, none of the District’s bank balance of \$8,455,935 was exposed to custodial credit risk as uninsured and uncollateralized.\*

\*The difference between the carrying amount of \$8,138,629 and the bank balance of \$8,455,935 represents reconciling items such as deposits in transit and outstanding checks, which have not been processed by the bank as of December 31, 2022.

**4. Investments – OPEB Trust Fund**

The following is a summary of the OPEB Trust Fund’s investments as of December 31, 2022:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 686,891
Fixed income mutual funds	<u>514,296</u>
Total investments	<u>\$ 1,201,187</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 Fund will not be able to recover the value of its investment or collateral securities that are in possession of another party. The OPEB Trust Fund’s custodial credit risk policy is that it will engage only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

As of December 31, 2022, all of the OPEB Trust Fund’s investments were subject to custodial credit risk exposure because the related securities were uninsured, unregistered and held by the brokerage firm’s trust or agent, which is also the counterparty to these securities.

***Credit Risk – Investments in 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, 2022 the credit quality ratings, as rated by S&P Global Ratings, of the OPEB Trust Fund’s debt securities were as follows:

Investment Type	Amount	Rating as of Year End					
		AAA	A	BBB	BB	B	Unrated
Fixed income mutual funds	\$ 514,296	\$ 187,819	\$ 73,285	\$ 137,436	\$ 49,125	\$ 24,936	\$ 41,695

***Concentration of Credit Risk***

The OPEB Trust Fund places no limit on the amount that may be invested in any one issuer. The OPEB Trust Fund’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, 2022, all of the OPEB Trust Fund investments were 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 OPEB Trust Fund’s

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 was as follows at December 31, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ <u>514,296</u>	\$ <u>179,866</u>	\$ <u>317,638</u>	\$ <u>16,792</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. None of the OPEB Trust Fund’s investments were subject to foreign currency risk at December 31, 2022.

***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 an asset or liability 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 are accessible 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 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 had the following fair value measurements as of December 31, 2022:

<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	\$ 686,891	\$ 686,891	\$ -	\$ -
Fixed income mutual funds	<u>514,296</u>	<u>-</u>	<u>514,296</u>	<u>-</u>
Total	<u>\$ 1,201,187</u>	<u>\$ 686,891</u>	<u>\$ 514,296</u>	<u>\$ -</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 security's relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is 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 consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Customer Accounts:		
Billed	\$ 1,096,038	\$ 1,060,759
Unbilled	<u>273,981</u>	<u>258,924</u>
Total receivables	<u>\$ 1,370,019</u>	<u>\$ 1,319,683</u>

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

**6. Leases Receivable**

In fiscal year 2022, the District implemented GASB Statement No. 87, *Leases*, which changed the definition of a lease and requires a lease receivable, offset with deferred inflows, to be shown on the financial statements. A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

Leases receivable consisted of the following at December 31, 2022:

<u>Purpose</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2022</u>
T-Mobile cellular tower lease	\$ 2,020,375	2049	2.00%	\$ <u><u>1,996,465</u></u>

Future minimum lease payments under this lease consisted of the following at December 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,318	\$ 39,929	\$ 66,247
2024	28,831	39,403	68,234
2025	31,455	38,826	70,281
2026	34,192	38,197	72,389
2027	37,048	37,513	74,561
2028	40,026	36,772	76,798
2029	43,130	35,972	79,102
2030	46,366	35,109	81,475
2031	49,737	34,182	83,919
2032	53,250	33,187	86,437
2033-2037	324,220	148,452	472,672
2038-2042	436,229	111,726	547,955
2043-2047	572,363	62,868	635,231
2048-2049	<u>273,300</u>	<u>8,272</u>	<u>281,572</u>
Total	\$ <u><u>1,996,465</u></u>	\$ <u><u>700,408</u></u>	\$ <u><u>2,696,873</u></u>



**7. Other Current Assets**

Other current assets for the District consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Inventory	\$ 262,296	\$ 178,354
Prepaid expenses	116,950	117,233
Miscellaneous accounts receivable	54,517	162,101
Other	<u>59,047</u>	<u>51,485</u>
Total	<u>\$ 492,810</u>	<u>\$ 509,173</u>

**8. Capital Assets**

The following is a summary of the 2022 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	\$ 22,813	\$ 63	\$ -	\$ 22,876
Machinery, equipment, and furnishings	22,238	1,113	(122)	23,229
Infrastructure	<u>69,084</u>	<u>998</u>	<u>(4)</u>	<u>70,078</u>
Total capital assets, being depreciated	114,135	2,174	(126)	116,183
Less accumulated depreciation for:				
Buildings and improvements	(9,571)	(467)	-	(10,038)
Machinery, equipment, and furnishings	(14,363)	(909)	122	(15,150)
Infrastructure	<u>(17,918)</u>	<u>(974)</u>	<u>2</u>	<u>(18,890)</u>
Total accumulated depreciation	<u>(41,852)</u>	<u>(2,350)</u>	<u>124</u>	<u>(44,078)</u>
Total capital assets, being depreciated, net	72,283	(176)	(2)	72,105
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>
Capital assets, net	<u>\$ 74,082</u>	<u>\$ (176)</u>	<u>\$ (2)</u>	<u>\$ 73,904</u>

**9. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net assets 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 pension and OPEB, in accordance with GASB Statement 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 for the District consisted of the following as of December 31, 2022:

Accrued purchased water - MWRA	\$	798,578
Contract retainage		10,235
Accrued payroll		111,557
Accrued interest		77,098
Other		<u>33,456</u>
Total	\$	<u>1,030,924</u>

**12. Long-Term Debt**

***General Obligation Bonds and Loans***

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

<u>General Obligation Bonds:</u>	<u>Serial</u> <u>Maturities</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>12/31/22</u>
Public Offerings:			
General obligation	2024	2.00 - 2.50%	\$ 600,000
General obligation	2031	0.00%	<u>764,100</u>
Total General Obligation Bonds			1,364,100
<u>Loans - Direct Borrowings:</u>			
MA Clean Water Trust bond	2039	2.00%	<u>7,744,982</u>
Total loans - direct borrowings			<u>7,744,982</u>
Total			\$ <u>9,109,082</u>

**Future Debt Service**

The annual payments, which are made semi-annually, to retire all general obligation bonds and direct borrowings as of December 31, 2022 were as follows:

Year	Bonds - Public Offerings		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 384,900	\$ 14,250	\$ 381,473	\$ 154,900
2024	384,900	7,500	389,763	147,270
2025	84,900	-	398,234	139,475
2026	84,900	-	406,890	131,510
2027	84,900	-	415,733	123,372
2028	84,900	-	424,768	115,058
2029	84,900	-	434,000	106,562
2030	84,900	-	443,432	97,882
2031	84,900	-	453,070	89,014
2032	-	-	462,917	79,952
2033-2037	-	-	2,469,940	256,796
2038-2039	-	-	1,064,762	32,057
Total	\$ <u>1,364,100</u>	\$ <u>21,750</u>	\$ <u>7,744,982</u>	\$ <u>1,473,848</u>

**Changes in General Long-Term Liabilities**

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Bonds and loans payable:						
General obligation bonds	\$ 1,749,000	\$ -	\$ (384,900)	\$ 1,364,100	\$ (384,900)	\$ 979,200
Direct borrowings	8,118,340	-	(373,358)	7,744,982	(381,473)	7,363,509
Bond premium	22,173	-	(7,492)	14,681	(7,493)	7,188
Subtotal	9,889,513	-	(765,750)	9,123,763	(773,866)	8,349,897
Net pension liability	3,754,046	-	(1,066,998)	2,687,048	-	2,687,048
Net OPEB (asset) liability	(30,384)	234,730	-	204,346	-	204,346
Compensated absences liability	149,543	-	(17,174)	132,369	(132,369)	-
Totals	\$ <u>13,762,718</u>	\$ <u>234,730</u>	\$ <u>(1,849,922)</u>	\$ <u>12,147,526</u>	\$ <u>(906,235)</u>	\$ <u>11,241,291</u>

**13. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of net assets by the District that is 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, in accordance with GASB Statements No. 68 and 75, will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

Deferred inflows related to leases, in accordance with GASB Statement No. 87, have been recognized in fiscal year 2022, and are offset with leases receivable.

**14. Unrestricted Net Position**

Included in the unrestricted net position of \$6,079,198 as of December 31, 2022 is a board-designated stabilization fund of \$1,800,000.

**15. Norfolk County Retirement System (GASB 68)**

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 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 System provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of 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 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 the 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 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 member’s 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, 2022 was \$624,629, which was equal to its annual required contribution.

**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, 2022, the District reported a liability of \$2,687,048 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022, the District’s proportion was 0.7291%, which was a decrease of 0.0059% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2022, the District recognized pension expense of \$24,364. 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	\$ 271,791	\$ -
Net difference between projected and actual investment earnings	-	994,215
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,897	208,561
Contributions subsequent to the measurement date	<u>670,418</u>	<u>-</u>
Total	<u>\$ 946,106</u>	<u>\$ 1,202,776</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, 2023. Contributions subsequent to the measurement date of \$670,418 are cash

contributions to the System based on the actuarial valuation and the approved funding schedules. The financial statement pension expense of \$24,364 is based on the System's GASB 68 report which differs from the actuarial valuation. One of the principal differences is that the financial statement expense has been reduced by the amortization of deferred inflows of resources (i.e., prior favorable investment returns).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as increases (decreases) in pension expense as follows:

Year Ended December 31:	
2023	\$ 214,205
2024	333,847
2025	195,006
2026	<u>184,030</u>
Total	<u>\$ 927,088</u>

**Actuarial Assumptions**

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

Valuation date	January 1, 2022
Inflation	3.00%
Salary increases	3.50%-5.50%
Cost of living increases	3.00% 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-2014, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.



### **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%	7.00%
Fixed income	20.50%	4.30%
International equity	15.50%	7.70%
Real estate	9.50%	6.90%
Hedge funds	11.50%	8.60%
Private equity	10.00%	9.40%
Real assets	<u>2.50%</u>	8.90%
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>
\$4,051,043	\$2,687,048	\$1,527,865

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan’s fiduciary net position is available in the System’s separately issued 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 GASB 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 GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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, 2022.

***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 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	6
Active employees	<u>12</u>
Total	<u>18</u>

***Investments***

The OPEB Trust Fund’s assets consist of equity and fixed income mutual funds.

***Rate of return***

For the year ended December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -8.24%. 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Wage inflation	3.00%
Salary increases	3.00%, average, including inflation
Investment rate of return	5.75%, net of OPEB plan investment expense
Discount rate	5.75%
Healthcare cost trend rates	Non-Medicare: 7.00% decreasing by 0.25% for 10 years to an ultimate level of 4.50% per year. Medicare: 5.50% decreasing by 0.25% for 4 years to an ultimate level of 4.50% per year.

Pre-Retirement mortality rates were based on the RP-2014 Employee Mortality Table projected generationally with Scale MP-2019. Postretirement 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, 2022 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	32.30%	9.32%
Domestic equity-Small/Mid Cap	4.80%	9.86%
International equity- developed market	4.50%	8.93%
International equity- emerging market	2.30%	10.76%
Domestic- Fixed Income	34.00%	3.37%
High Yield Fixed Income	3.40%	6.32%
International Fixed Income	4.20%	3.66%
Alternatives	8.90%	5.27%
Real estate	4.60%	9.94%
Cash	<u>1.00%</u>	2.23%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the net OPEB asset was 5.75%. 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, 2022, were as follows:

Total OPEB liability	\$ 1,405,533
Plan fiduciary net position	<u>(1,201,187)</u>
Net OPEB liability	\$ <u>204,346</u>
Plan fiduciary net position as a percentage of the total OPEB liability	85.46%

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 Liability**

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	\$ 1,304,623	\$ 1,335,007	\$ (30,384)
Changes for the year:			
Service cost	45,584	-	45,584
Interest	77,022	-	77,022
Contributions - employer	-	21,696	(21,696)
Net investment income (loss)	-	(133,820)	133,820
Benefit payments	<u>(21,696)</u>	<u>(21,696)</u>	<u>-</u>
Net Changes	<u>100,910</u>	<u>(133,820)</u>	<u>234,730</u>
Balances, end of year	\$ <u>1,405,533</u>	\$ <u>1,201,187</u>	\$ <u>204,346</u>

**Sensitivity of the Net OPEB Liability 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 was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Current Discount Rate	
1% Decrease (4.75%)	(5.75%)	1% Increase (6.75%)
\$ 426,392	\$ 204,346	\$ 23,459

***Sensitivity of the Net OPEB Liability 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 was 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>	Current Healthcare Cost Trend <u>Rates</u>	<u>1% Increase</u>
\$ (21,546)	\$ 204,346	\$ 489,452

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended December 31, 2022, the District recognized an OPEB expense of \$60,061. As of December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 153,646
Change in assumptions	187,144	37,989
Net difference between projected and actual earnings on OPEB Trust Fund investments	<u>91,536</u>	<u>-</u>
Total	<u>\$ 278,680</u>	<u>\$ 191,635</u>

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

<u>Year Ended December 31:</u>	
2023	\$ (3,432)
2024	14,531
2025	21,892
2026	<u>54,054</u>
Total	<u>\$ 87,045</u>

**17. Reclassification**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations or cash flows. The adjustments have been made to the Statement of Net Position for the year ended December 31, 2021 to retroactively implement GASB Statement No. 87, *Leases*.

**18. Commitments and Contingencies**

***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.

**19. Subsequent Events**

Management has evaluated events through May 25, 2023, which is the date the financial statements were available to be issued.

**20. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (P3a and APAs), and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), effective for the District beginning with its fiscal year ending December 31, 2023. These statements establish new reporting and disclosure requirements for P3s, APAs, and SBITAs. Management is currently evaluating the impact of implementing these pronouncements.

**DEDHAM-WESTWOOD WATER DISTRICT**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
(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, 2022	December 31, 2021	0.7291%	\$2,687,048	\$2,460,132	109.22%	79.4%
December 31, 2021	December 31, 2020	0.7350%	\$3,754,046	\$2,448,101	153.35%	70.2%
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 notes to the District's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.



**DEDHAM-WESTWOOD WATER DISTRICT**

Required Supplementary Information  
Schedule of Pension Contributions  
(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>	Contractually Required <u>Contribution</u>			
December 31, 2022	December 31, 2021	\$ 624,629	\$ 624,629	\$ -	\$ 2,460,132	25.39%	
December 31, 2021	December 31, 2020	\$ 588,665	\$ 588,665	\$ -	\$ 2,448,101	24.05%	
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%	

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See Independent Auditor's Report.

**DEDHAM-WESTWOOD WATER DISTRICT**

Required Supplementary Information  
Schedule of Changes in the Net OPEB (Asset) Liability  
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 45,584	\$ 42,917	\$ 51,786	\$ 52,902	\$ 58,897	\$ 65,584
Interest	77,022	71,973	66,381	72,817	66,769	60,944
Changes of benefit terms	-	(30,660)	-	-	-	-
Differences between expected and actual experience	-	(209,093)	-	(33,253)	-	-
Changes in assumptions	-	280,714	-	(88,642)	-	-
Benefit payments, including refunds of member contributions	<u>(21,696)</u>	<u>(15,503)</u>	<u>(16,669)</u>	<u>(16,809)</u>	<u>(35,870)</u>	<u>(24,767)</u>
Net Change in Total OPEB Liability	100,910	140,348	101,498	(12,985)	89,796	101,761
Total OPEB Liability - Beginning	<u>1,304,623</u>	<u>1,164,275</u>	<u>1,062,777</u>	<u>1,075,762</u>	<u>985,966</u>	<u>884,205</u>
Total OPEB Liability - Ending (a)	<u>\$ 1,405,533</u>	<u>\$ 1,304,623</u>	<u>\$ 1,164,275</u>	<u>\$ 1,062,777</u>	<u>\$ 1,075,762</u>	<u>\$ 985,966</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 21,696	\$ 15,503	\$ 16,669	\$ 81,809	\$ 160,870	\$ 149,767
Net investment income (loss)	(133,820)	145,137	102,074	146,756	(37,028)	54,348
Benefit payments, including refunds of member contributions	<u>(21,696)</u>	<u>(15,503)</u>	<u>(16,669)</u>	<u>(16,809)</u>	<u>(35,870)</u>	<u>(24,767)</u>
Net Change in Plan Fiduciary Net Position	(133,820)	145,137	102,074	211,756	87,972	179,348
Plan Fiduciary Net Position - Beginning	<u>1,335,007</u>	<u>1,189,870</u>	<u>1,087,796</u>	<u>876,040</u>	<u>788,068</u>	<u>608,720</u>
Plan Fiduciary Net Position - Ending (b)	<u>1,201,187</u>	<u>1,335,007</u>	<u>1,189,870</u>	<u>1,087,796</u>	<u>\$ 876,040</u>	<u>\$ 788,068</u>
Net OPEB (Asset) Liability - Ending (a-b)	<u>\$ 204,346</u>	<u>\$ (30,384)</u>	<u>\$ (25,595)</u>	<u>\$ (25,019)</u>	<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 Auditor's Report.

**DEDHAM-WESTWOOD WATER DISTRICT**

Required Supplementary Information  
Schedules of Net OPEB (Asset) Liability, Contributions, and Investment Returns  
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Net OPEB (Asset) Liability</b>						
Total OPEB liability	\$ 1,405,533	\$ 1,304,623	\$ 1,164,275	\$ 1,062,777	\$ 1,075,762	\$ 985,966
Plan fiduciary net position	<u>(1,201,187)</u>	<u>(1,335,007)</u>	<u>(1,189,870)</u>	<u>(1,087,796)</u>	<u>(876,040)</u>	<u>(788,068)</u>
Net OPEB (Asset) Liability	<u>\$ 204,346</u>	<u>\$ (30,384)</u>	<u>\$ (25,595)</u>	<u>\$ (25,019)</u>	<u>\$ 199,722</u>	<u>\$ 197,898</u>
 Plan fiduciary net position as a percentage of the total OPEB (asset)/liability	 85.46%	 102.33%	 102.20%	 102.35%	 81.43%	 79.93%
 <b>Schedule of Contributions</b>						
Actuarially determined contribution	\$ 57,741	\$ 56,097	\$ 47,851	\$ 103,968	\$ 132,595	\$ 142,358
Contributions in relation to the actuarially determined contribution	<u>(21,696)</u>	<u>(15,503)</u>	<u>(16,669)</u>	<u>(81,809)</u>	<u>(160,870)</u>	<u>(149,767)</u>
Contribution Deficiency (Excess)	<u>\$ 36,045</u>	<u>\$ 40,594</u>	<u>\$ 31,182</u>	<u>\$ 22,159</u>	<u>\$ (28,275)</u>	<u>\$ (7,409)</u>
 <b>Schedule of Investment Returns</b>						
Annual money weighted rate of return, net of investment expense	-8.24%	12.36%	9.52%	17.77%	-5.27%	Unavailable

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

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