

DENNIS WATER DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

DENNIS WATER DISTRICT
Table of Contents
For the Year Ended June 30, 2020

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS - REQUIRED SUPPLEMENTARY INFORMATION	3 - 7
FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenditures - Budget and Actual	28 - 29
Pension Plan schedules:	30
Schedule of District's proportionate share of the net pension liability	31
Schedule of District's pension plan contribution	32
Schedule of Changes in the Net OPEB Liability and Related Ratio's	33 - 34
Schedule of OPEB Contributions	35
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	36 - 37



INDEPENDENT AUDITOR'S REPORT

To the Board of Water Commissioners
Dennis Water District
Dennis, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Dennis Water District, which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Dennis Water District as of June 30, 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Financial reporting principles generally accepted in the United States of America applicable to the Dennis Water District require that the management's discussion and analysis (located on pages 3 through 7), the schedule of revenues and expenditures - budgeted and actual, pension plan schedules, and schedule of funding progress for post-employment benefits other than pension (located on pages 28 through 35), 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, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2021, on our consideration of Dennis Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dennis Water District's internal control over financial reporting and compliance.

Sanders, Walsh & Eaton, CPAs, LLC

Osterville, Massachusetts
April 17, 2021

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

As Treasurer of the Dennis Water District, I offer to you, the readers of the Dennis Water District's financial statements, this narrative overview and analysis of the financial activities of the Dennis Water District for the fiscal year ended June 30, 2020.

As a public water supplier, the District managed the state-mandated emergency shut down in March 2020 very well. As an essential service, the District managed its operations by having staff work in shifts to minimize the risk of having its most highly trained and responsible management as well as employees becoming sick with the coronavirus and be unable to fulfill critical functions.

A Special District Meeting in October of 2019 authorized the Board to acquire 4.4 acres of watershed protection located in a general commercial district at a cost of \$1.25 million. The Treasurer issued a Bond Anticipation Note and it is anticipated, with interest rates being so favorably low, that the Note will be rolled over annually for ten years and a bond will not be issued.

The Annual District Meeting was rescheduled from late April to June 23, 2020, in order to hold the meeting outdoors with all the pandemic safety protocols in place. The voters passed the Operating and Maintenance Budget of \$4.736 million for FY 2021 by unanimous vote. A capital reinvestment expenditure of \$600,000 was approved for painting the exterior, spot painting the interior and making repairs to the six-million gallon water tank in South Dennis. An article authorizing the borrowing of \$700,000 for the purchase of 7.31 acres of watershed protection was also approved.

The Water Commissioners had reviewed the income generated by the three-tiered water use rate schedule and the semi-annual account charge and determined that it was insufficient to meet the projected Operating and Maintenance Budget for Fiscal year 2021. The Water Commissioners unanimously voted to increase each of the three graduated usage rates by \$0.50 per thousand gallons and the account charge by \$6. This not only raises sufficient revenues to fund the fiscal budget of approximately \$4.838 million, but will also provide approximately \$500,000 of funds from its general revenues for capital reinvestment.

FINANCIAL HIGHLIGHTS:

- The assets and deferred outflows of the District exceeded its liabilities at June 30, 2020 by \$34,533,745. Of this amount, \$37,165,760 is the District's net position invested in capital assets, net of related debt, and \$(2,632,015) is the District's unrestricted net position used to meet obligations to its customers and creditors.
- The District's total net position increased by \$415,498 which is due to revenues exceeding expenses.
- The District's debt decreased by \$555,866 during the fiscal year ended June 30, 2020 as scheduled. A new Note Payable was obtained for \$1,250,000 to obtain land.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Dennis Water District's basic financial statements. The District is a special purpose government engaged in only a business type activity. As such, its financial statements consist of only those required for enterprise funds and notes to the basic financial statements.

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued):

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 through 27.

In addition to the basic financial statements and accompanying notes, this report also presents, as required, supplementary information, schedules of revenues and expenditures - budget and actual, pension plan, and changes in the net OPEB liability, related ratios and OPEB contributions. This required supplementary information can be found on pages 28 through 35.

GOVERNMENTAL FINANCIAL ANALYSIS:

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. As of June 30, 2020 the District's total net position was \$34,533,745, an increase of \$415,498 over the prior fiscal year end.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, facilities, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its 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.

Dennis Water District's Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets	\$ 4,703,936	\$ 4,555,850
Capital assets, net of depreciation	<u>42,223,737</u>	<u>41,524,448</u>
Total Assets	<u>46,927,673</u>	<u>46,080,298</u>
Deferred net outflows of resources related to pension	<u>62,452</u>	<u>244,114</u>
Current liabilities	857,512	894,114
Long-term liabilities	<u>10,750,973</u>	<u>9,820,048</u>
Total Liabilities	<u>11,608,485</u>	<u>10,714,162</u>
Deferred inflows of resources related to OPEB	847,895	1,334,447
Net Position:		
Invested in capital assets, net of related debt	37,165,760	36,955,786
Unrestricted	<u>(2,632,015)</u>	<u>(2,837,539)</u>
Total Net Position	<u><u>\$ 34,533,745</u></u>	<u><u>\$ 34,118,247</u></u>

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

GOVERNMENTAL FINANCIAL ANALYSIS (continued):

The increase in net position invested in capital assets, net of related debt, of \$209,974 occurred because the funding of debt service and new asset acquisitions for the year exceeded depreciation expense. The increase in unrestricted net position of \$205,524 occurred primarily due to funding operations with free cash.

Dennis Water District's Change in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Operating:		
Water revenue	\$ 4,082,501	\$ 4,531,104
Non-Operating Revenues:		
Tank cellular rental income	339,632	325,065
Investment income	38,368	43,135
Solar revenue	142,727	120,263
Donation of land	-	-
Miscellaneous	27,364	37,220
Total Non-Operating Revenues	<u>548,091</u>	<u>525,683</u>
Total Revenue	4,630,592	5,056,787
Expenses:		
Wages and salaries	1,445,287	1,425,590
Payroll taxes and benefits	687,272	756,831
Other post employment benefits	(28,965)	(11,258)
Utilities	363,355	377,584
Repairs and maintenance	539,883	833,865
Professional services	70,228	86,571
Interest expense	104,028	111,632
Insurance	113,921	121,234
Office expenses	43,392	43,232
Supplies	25,626	22,481
Vehicle expense	53,051	57,755
Printing and postage	37,331	29,561
Depreciation	760,685	748,513
Total Expenses	<u>4,215,094</u>	<u>4,603,591</u>
Change in Net Position	415,498	453,196
Net Position at Beginning of Year, previously reported	34,118,247	33,822,608
Reclassification of opening unrestricted equity	-	(157,557)
Net Position at Beginning of Year, restated	<u>34,118,247</u>	<u>33,665,051</u>
Net Position at End of Year	<u>\$ 34,533,745</u>	<u>\$ 34,118,247</u>

The assets of the Dennis Water District exceeded its liabilities at the close of the most recent fiscal year. The Dennis Water District's total net income this current fiscal year was \$415,498.

Water revenue accounted for 88.2% of total revenue.

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

BUDGETARY HIGHLIGHTS:

The final budget reflects the voters' approval at the Annual District Meeting in April 2019 for operations and capital and a Special District Meeting in October of 2019 for the borrowing of \$1.25 million for a land purchase. In order to fully fund the Operating and Maintenance Budget, the District supported the transfer of just under \$50,000 as a one-time stop-gap measure to balance the budget. In anticipation of insufficient water revenue estimates based on the existing rates, the Water Commissioners increased rates effective January 1, 2020. These rates will be reflected in the August 2020 water revenue collected. In projecting the budget for Fiscal Year 2022, the Board anticipates including a line item in the operational budget as a contribution to the OPEB liability Trust Fund representing the annual "normal" costs as provided in a funding schedule according to the actuary.

CAPITAL ASSETS:

Dennis Water District's investment in capital assets as of June 30, 2020 amounted to \$36,414,878 (net of depreciation and related debt). This investment in capital assets includes land, buildings, equipment, and other capital improvements to all developments without receiving public or private grants during the fiscal periods. The net increase in the District's investment in capital assets was approximately 1.1%.

DEBT ADMINISTRATION:

Long term debt was reduced by \$555,866, from \$4,568,662 to \$4,012,796, as described in more detail in Note E of the financial statements on page 16.

The Treasurer is managing authorized debt for two acquisition projects that totaled \$1.95 million by issuing Bond Anticipation Notes to be rolled over annually after reducing the principal by 10% of the original borrowing as required by the Department of Revenue. The District was last rated by Standard and Poors at AA+ in February 2017.

There is an informal fiscal practice held by the Water Commissioners to strategically plan for major rehabilitation of the District's four water tanks by setting aside available funds over the course of several years in order not to borrow for such work. It is anticipated that the Water Commissioners will support a management recommendation to set aside \$300,000 - \$500,000 annually in anticipation of significant painting work for the 1.3-million gallon Old Bass River Rd Tank in Dennis village.

ECONOMIC FACTORS:

Due to so many unknowns given the pandemic and its limitations on occupancy of business and possibly transient accommodations, it is difficult to know how the tourism based economy of Dennis and Cape Cod as a region will fair over the summer months. Early indications are that seasonal property owners are opting to occupy of their Dennis property exclusively for themselves and extended families instead of as weekly or monthly rentals.

DENNIS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

ECONOMIC FACTORS (continued):

As was mentioned in the opening remarks of this Management Discussion and Analysis, the District experienced a projected budgetary structural deficit for FY 2020. This was resolved with a one-time transfer of funds from the undesignated fund balance. There is a significant budgetary deficit anticipated for FY 2021 resulting from annual increases to the operational budget, borrowing for capital investments in land, and water tank maintenance.

The Water Commissioners set a new water rate schedule in and account charge in January 2020 that projects sufficient revenues to meet the operational budget and some of its routine capital re-investment over the next three to five years. The Water Commissioners' projected budget cycles have historically avoided the levying of a real estate tax on property owners within the District and anticipate that it will remain so for the foreseeable future.

REQUEST FOR INFORMATION

This financial report is intended to provide a general overview of the Dennis Water District for those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Treasurer, Dennis Water District, PO Box 2000, Dennis, MA 02638 or via email at smcmahon@denniswater.org.

Sheryl McMahon, Treasurer/Clerk
Dennis Water District

DENNIS WATER DISTRICT**Statement of Net Position**

June 30, 2020

ASSETS**Current Assets:**

Cash and cash equivalents - unrestricted	\$ 2,997,465
Cash - restricted	203,818
Accounts receivable (net where applicable of allowance for doubtful accounts of \$0)	<u>1,502,653</u>
Total Current Assets	<u>4,703,936</u>

Capital Assets:

Land and restrictions	14,162,139
Buildings and improvements	265,911
Equipment and vehicles	2,677,160
General infrastructure	<u>42,487,335</u>
Total Capital Assets	59,592,545
Accumulated depreciation	<u>(17,368,808)</u>
Net Capital Assets	<u>42,223,737</u>

Total Assets	<u>46,927,673</u>
--------------	-------------------

Deferred Outflows of Resources:

Deferred outflows related to pension	62,452
--------------------------------------	--------

LIABILITIES, DEFERRED INFLOWS AND NET POSITION**Current Liabilities:**

Accounts payable	9,351
Accrued expenses	98,472
Current portion of net other post-employment benefit obligations (OPEB)	68,823
Current portion of long-term bonds and notes payable	<u>680,866</u>
Total Current Liabilities	<u>857,512</u>

Non-Current Liabilities:

Accrued compensated absences	121,493
Net sick leave buy-back	68,119
Net pension liability	3,358,522
Net other post-employment benefit obligations (OPEB)	2,620,910
Long-term bonds and notes payable	<u>4,581,929</u>
Total Non-Current Liabilities	<u>10,750,973</u>

Total Liabilities	<u>11,608,485</u>
-------------------	-------------------

Deferred inflows of resources:

Deferred inflows from other post-employment benefits (OPEB)	847,895
Total Deferred inflows of resources	<u>847,895</u>

Net Position:

Invested in capital assets, net of related debt	37,165,760
Unrestricted	<u>(2,632,015)</u>
Total Net Position	<u>\$ 34,533,745</u>

The accompanying notes are an integral part of these financial statements

DENNIS WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Operating Revenues:	
Water revenue	\$ 4,082,501
Total Operating Revenues	<u>4,082,501</u>
Operating Expenses:	
Wages and salaries	1,445,287
Payroll taxes and benefits	687,272
Other post-employment benefits	(28,965)
Water system repairs and maintenance	539,883
Utilities	363,355
Supplies	25,626
Contractual services	70,228
Insurance	113,921
Vehicle expense	53,051
Printing and postage	37,331
Office and administrative expense	43,392
Depreciation	760,685
Total Operating Expenses	<u>4,111,066</u>
Net Income (Loss) from Operations	(28,565)
Non-Operating Revenues (Expenses):	
Interest expense	(104,028)
Investment income	38,368
Solar revenue	142,727
Tank cellular rental income	339,632
Miscellaneous income	27,364
Net Non-Operating Revenues (Expenses)	<u>444,063</u>
Change in Net Position	415,498
Net Position:	
Beginning of Year	34,275,804
Reclassification of opening Net Position	(157,557)
Beginning of Year, restated	<u>34,118,247</u>
End of Year	<u>\$ 34,533,745</u>

The accompanying notes are an integral part of these financial statements

DENNIS WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows from Operating Activities:	
Cash received from customers	\$ 4,031,830
Cash payments to suppliers of goods and services	(2,163,632)
Cash payments to employees for services	(1,449,006)
Net Cash Provided by Operating Activities	<u>419,192</u>
Cash Flows from Non-Capital and Related Financing Activities:	
Rental income	339,632
Miscellaneous	27,364
Solar Revenue	142,727
Net Cash Provided by Non-Capital and Related Financing Activities	<u>509,723</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(1,459,974)
Liquidation of investments	193,688
Proceeds from borrowings	1,250,000
Repayments of long term borrowings	(555,866)
Interest Expense	(104,028)
Net Cash Used by Capital and Related Financing Activities	<u>(676,180)</u>
Cash Flows From Investing Activities:	
Investment income	38,368
Net Cash Provided by Investing Activities	<u>38,368</u>
Net Increase in Cash and Cash Investments	291,103
Cash and Cash Equivalents, Beginning of Year	<u>2,910,180</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,201,283</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Income (loss) from operations	\$ (28,565)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	760,685
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(50,671)
Increase (decrease) in accounts payable	(371)
Increase (decrease) in accrued expenses and liabilities	(627,397)
Increase (decrease) in net other post-employment benefits	248,489
Increase (decrease) in net pension liability	117,022
Net Cash Provided by Operating Activities	<u>\$ 419,192</u>
Non-Cash Investing and Financing Activities:	
Unrealized gains (losses)	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Introduction

The financial statements of Dennis Water District (the District) are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The accounting and reporting framework and the more significant accounting principles and practices of the District are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended June 30, 2020.

Reporting Entity

The District was incorporated in 1945 as a political subdivision of the Commonwealth of Massachusetts by a special act of the Massachusetts General Court and is governed by an elected Board of Water Commissioners; it is a special purpose government engaged in only a business type activity. The commissioners are elected to staggered three-year terms and the day-to-day operations of the District are managed by a Superintendent and Clerk/Treasurer appointed by the Commissioners. The District provides water service to approximately 13,900 residential and business accounts in the Town of Dennis.

Basis of Accounting and Financial Statement Presentation

The District is a special purpose government engaged only in a business type activity. As such, its financial statements consist of only those required for enterprise funds and notes to the financial statements. The financial statements are prepared on the accrual basis of accounting. Under this method of accounting, expenses are recorded as incurred and revenue is recorded when earned.

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

Cash and Investments

Marketable securities that are purchased with a maturity of ninety days or less are considered to be cash equivalents and are included in the statement of cash flows. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Reclassification

Reclassification of general infrastructure capital assets of \$157,557 made to opening net fund position to correct costs that should have been expensed and not capitalized.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Deposits and Investments

For purposes of the Statement of Cash Flows, the District considers all demand deposits, savings deposits, and short-term investments, including amounts with the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio to be cash and cash equivalents. State statutes place certain limitations on the nature of deposits and investments available to the District. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in (1) securities issued by, or unconditionally guaranteed by, the U.S. government or its agencies that have a maturity of less than one year from the date of purchase, (2) repurchase agreements guaranteed by such securities with maturity dates of no more than ninety days from the date of purchase, and, (3) units in the Massachusetts Municipal Depository Trust.

Stabilization Fund

The commissioners of the District have set aside funds, based on District voters' authorization, to a stabilization fund which can be appropriated for any legal purpose including improving the water system infrastructure. Marketable securities in the stabilization fund that are owned in a specific account and purchased with a maturity of ninety days or less are considered to be cash equivalents. All investments in the stabilization fund are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Compensated Absences

Compensated absences are accrued and amounted to \$121,493 for the year ended June 30, 2020.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Capital Assets

Property, plant and equipment owned by the District are recorded at cost or, if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Where applicable, interest has been capitalized during the construction period on property, plant and equipment.

Assets are capitalized if they have an original cost of \$10,000 or more and a useful life of five years or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	40 Years
Equipment and vehicles	5 - 10 Years
General infrastructure	15 - 100 Years

Depreciation expense for the year ended June 30, 2020 totaled \$760,685.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Budgetary Information

Pursuant to Massachusetts General Laws, the District adopts a budget for its activities which is approved by the voters at the annual meeting. The Treasurer's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system. The budgetary comparison schedules presented in the accompanying supplementary information presents comparisons of the budget with actual results.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) at that time.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time.

Net Pension Liability

The District is a member of a cost-sharing multiple-employer defined benefit plan for eligible employees (See Note F for a full description of the plan). For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's Barnstable County Retirement Association (BCRA) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by BCRA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Net Position

Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Net Investment in Capital Assets: Net investment in capital assets represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Unrestricted Net Position: Unrestricted net position represents resources available for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purposes.

Restricted Net Position: Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

NOTE B - ACCOUNTS RECEIVABLE:

The District provides water and water related services to the residents and businesses of the Town of Dennis. The billings for water consumption are issued on a semi-annual basis in February and August. Each billing period covers a consumption period of six (6) months, e.g., consumption for July through December is billed in February. Amounts deemed uncollectible are referred to the Town of Dennis Assessor's Office for water lien attachment on the property tax bills. Unpaid water liens are transferred to the Town Treasurer by the Tax Collector and are recorded as tax title. No allowance for uncollectible accounts is booked due to immaterial amounts. A summary of accounts receivable at June 30, 2020 is as follows:

Accounts receivable	\$ 1,502,653
Less allowance for uncollectible accounts	-
	<u>\$ 1,502,653</u>

NOTE C - DEPOSITS AND INVESTMENTS:

Permitted Investments

State statutes authorize the investment in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the state treasurer's investment pool known as the Massachusetts Municipal Depository Trust (MMDT). The treasurer may also invest in securities, other than mortgages or collateral loans, which are legal for the investment of savings banks under the laws of the Commonwealth of Massachusetts.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE C - DEPOSITS AND INVESTMENTS (continued):

The MMDT, which was established by the Treasurer of the Commonwealth who serves as trustee, meets the criteria of an external investment pool. The fair value of the District's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by MMDT for the entire portfolio (in relation to the amortized cost of that portfolio). The MMDT Investment Board has established policies, goals and objectives to make certain that safety, liquidity, and yield are not jeopardized.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District has a policy for custodial risk. Of the total bank balances of \$3,200,782 as of June 30, 2020, \$1,236,130 was insured by the Federal Deposit Insurance Corporation (FDIC), \$1,272,885 was insured by either the Depositors Insurance Fund (DIF) or the Shared Insurance Fund (SIF), \$691,767 was uninsured, and \$0 was collateralized. The DIF is a private, industry-sponsored fund that insures all deposits above FDIC limits at Massachusetts-chartered savings banks. The SIF is a private fund owned by the member co-operative banks which insures all deposits above FDIC limits at member co-operative banks in Massachusetts.

Investments Summary

The District's investments as of June 30, 2020, solely in the Massachusetts Municipal Depository Trust (MMDT) Short-Term Bond Portfolio, are presented below by investment type and with debt securities presented by maturity:

Investment Type	Fair Value Measurements Using			
	6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
MMDT Short Term Bond Portfolio:				
U.S. Treasury notes	\$ -	-	\$ -	-
Corporate bonds	-	-	-	\$ -
Mortgage-backed securities	-	-	-	-
Other (under 2% each)	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 are valued using discounted cash flow techniques.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE C - DEPOSITS AND INVESTMENTS (continued):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
MMDT Short Term Bond Portfolio:					
U.S. Treasury notes	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-
Other (under 2% each)	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income for the year ended June 30, 2020, was as follows:

	Operating Fund	Stabilization Fund	Total
Interest and dividend income	\$ 37,073	\$ 1,295	\$ 38,368
Net realized gains (losses)	-	-	-
Net unrealized gains (losses)	-	-	-
	<u>\$ 37,073</u>	<u>\$ 1,295</u>	<u>\$ 38,368</u>

Investments in Debt Securities - Interest Rate Risk

Interest rate risk for debt securities is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a policy for interest rate risk of debt securities since state law limits the District's investments to U.S. backed securities that mature no more than one year from the initial investment

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of a party holding the investments, the District will be unable to recover the value of its investments or collateral securities that are in the possession of the outside party. The District's policy for custodial credit risk of investments intends that all investments are insured and/or registered in the name of the District. As of June 30, 2020, none of the District's investments were exposed to custodial credit risk.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE C - DEPOSITS AND INVESTMENTS (continued):

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The District does not have a policy for credit risk of debt securities since state law limits the District's investments to U.S. backed securities or AAA rated money market mutual funds. Investments in Cash and Certificates of Deposit are insured by FDIC. The credit quality ratings of the District's investments in debt securities are as follows:

Quality Ratings*	Corporate Bonds	Money Market CD's/Cash	MMDT** Bond Fund	Total
AAA	\$ -	\$ -	\$ -	\$ -
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	-	-
A+	-	-	-	-
A	-	-	-	-
A-	-	-	-	-
BBB+	-	-	-	-
BBB	-	-	-	-
BBB-	-	-	-	-
Unrated	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Per the rating scale of Standard & Poor's (a national credit rating organization)

** Massachusetts Municipal Depository Trust

NOTE D - CAPITAL ASSETS:

The net investment in capital assets, prior to related debt, as of June 30, 2020, consists of the following:

	June 30, 2019	Additions	Removals	June 30, 2020
Land and restrictions	\$ 12,912,139	\$ 1,250,000	\$ -	\$ 14,162,139
Buildings and improvements	265,911	-	-	265,911
Equipment and vehicles	2,633,461	43,699	-	2,677,160
General infrastructure	42,321,060	166,275	-	42,487,335
	<u>58,132,571</u>	<u>1,459,974</u>	<u>-</u>	<u>59,592,545</u>
Less accumulated depreciation:				
Buildings and improvements	(186,211)	(6,648)	-	(192,859)
Equipment and vehicles	(2,130,176)	(141,197)	-	(2,271,373)
General infrastructure	(14,291,736)	(612,840)	-	(14,904,576)
	<u>(16,608,123)</u>	<u>(760,685)</u>	<u>-</u>	<u>(17,368,808)</u>
Net Investment in Capital Assets	<u>\$ 41,524,448</u>	<u>\$ 699,289</u>	<u>\$ -</u>	<u>\$ 42,223,737</u>

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE D - CAPITAL ASSETS (continued):

The District owns approximately 1,000 acres of undeveloped land in Dennis, Massachusetts. The land is recorded as a component of fund equity at its historical cost, or market value if donated, and is available for water supply development, distribution, and protection, subject to appropriation, at the water commissioners' discretion.

NOTE E - LONG-TERM DEBT:

The District completed the construction of two water treatment facilities at a capitalized cost of \$8,097,950 which became operational in October 2009. The project was financed in part by the \$8,600,000 loan from the Massachusetts Clean Water Trust.

	<u>June 30, 2019</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>June 30, 2020</u>
Massachusetts Clean Water Trust Drinking Water Project loan for \$7,895,591, maturing July 15, 2028, backed by full faith and credit of the District, with interest at 2% annually.	\$ 3,908,662	\$ -	\$ (390,866)	\$ 3,517,796

General Obligation bonds maturing in years through 2022 with true interest cost of 4.19%; Principal payable annually on July 15 and interest payable semi-annually on July 15th and January 15th; Bonds maturing after July 15, 2018 subject to redemption prior to maturity at the option of the District.

660,000	-	(165,000)	495,000
<u>\$ 4,568,662</u>	<u>\$ -</u>	<u>\$ (555,866)</u>	<u>\$ 4,012,796</u>

Future annual payments due are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest/Fees</u>	<u>Total</u>
2021	\$ 555,866	\$ 88,756	\$ 644,622
2022	555,866	73,422	629,288
2023- 2027	2,119,331	192,546	2,311,877
2028 - 2029	781,733	16,807	798,540
	<u>\$ 4,012,796</u>	<u>\$ 371,531</u>	<u>\$ 4,384,327</u>

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE F -TERM NOTE PAYABLE:

The District in the year ended June 30, 2020 purchased 4.1 acres of land at a cost of \$1,250,000 which was financed on December 30, 2019 with a \$1,250,000 loan from the Commonwealth of Massachusetts Department of Revenue. The note requires a 10% of the outstanding principal be paid plus 2% interest on the outstanding balance on its renewal date of December 20th each year.

NOTE G - PENSION PLAN:

Plan Description

The District is a member of the Barnstable County Retirement Association (BCRA), a cost-sharing, multi-employer defined benefit pension plan covering eligible employees of the fifty-nine (59) member units, which reports on a calendar year basis. The BCRA is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the plan to the Board. The audited financial report of BCRA may be obtained by visiting <http://www.barnstablecounty.org/retirement-association/>.

Benefits Provided

The BCRA plan provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Retirement benefits are provided up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become 100% vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement benefit or are under the age of 55 are entitled to request a refund of their accumulated total contributions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the Association. There were no changes of benefit terms that affected the total pension liability as of the Association's reporting year ended December 31, 2019.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the plan at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to contribute to the BCRA plan a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2019 of \$271,534, or 21.8% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE G - PENSION PLAN (continued):

Pension Liabilities

At June 30, 2020, the District reported a liability of \$2,689,733 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 District's liability was determined by an actuarial valuation as of January 1, 2020. The District's proportionate share 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 members, actuarially determined. At December 31, 2019, the District's proportionate share was 7.93%.

Pension Expense

For the year ended June 30, 2020, the District recognized pension expense of -\$77,065. At June 30, 2020, the District reported net deferred outflows of resources related to pensions of \$11,903 from the net difference between projected and actual investment earnings on pension plan investments. Since the plan performs an actuarial valuation biennially, there are no reported differences between expected and actual experience.

Net Deferred Inflows and Outflows of Resources

Net deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Net deferred inflows of resources represent an acquisition of net position that is applicable to a future period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Net deferred outflows and inflows of resources include amounts for net differences between projected and actual earnings on pension plan

The net deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30:

2021	\$ 29,845
2022	36,067
2023	118,378
2024	118,378
2025	(240,216)
	<u>\$ 62,452</u>

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE G - PENSION PLAN (continued):

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	Actuarially determined contribution for 2019 is determined with the January 1, 2017 actuarial valuation.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Appropriation increasing 5.28% per year through fiscal 2035 and 3.34% in fiscal 2036
Remaining amortization period	As of July 1, 2016, 6 years for 2010 Early Retirement Incentive and 20 years for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability and remaining unfunded liability.
Asset valuation method	Sum of actuarial at beginning of the year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that the final actuarial value is within 20% of market value.
Inflation rate	3.25% (previously 3.5%)
Projected salary increases	Varies by length of service with ultimate rates of 4.0% for Group 1, 6.0% for Group 2 and 4.5% for Group 4.
Cost of living adjustments	3.0% of the first \$16,000, increasing to \$17,000 as of July 1, 2017 and to \$18,000 as of July 1, 2018
Rates of retirement	Varies based upon age for general employees.
Rates of disability	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected).
Mortality Rates:	
Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 (previously, RP-2000 Employee Mortality Table projected generationally with a Scale from 2010).
Healthy Retiree	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 (previously, RP-2000 Employee Mortality Table projected generationally with a Scale from 2010).
Disabled Retiree	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 (previously, RP-2000 Employee Mortality Table projected generationally with a Scale from 2010).
Investment rate of return/Discount rate	7.0% (previously 7.375%).

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE G - PENSION PLAN (continued):

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board and pursuant to the Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation)are developed for each major 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 pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Long-term Expected Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	21.0%	6.15%
International developed markets equity	13.0%	6.78%
International emerging markets equity	5.0%	8.55%
Core fixed income	15.0%	1.11%
High-yield fixed income	8.0%	3.51%
Real Estate	10.0%	4.33%
Commodities	4.0%	4.13%
Hedge Fund, GTAA, Risk Party	11.0%	3.19%
Private Equity	13.0%	9.99%

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 7.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE G - PENSION PLAN (continued):

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 6.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Decrease (8.0%)
The District's proportionate share of the net pension	\$ 2,838,512	\$ 2,478,360	\$ 2,175,719

NOTE G - POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB):

Plan Description

The District provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a multi-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of June 30, 2020, the latest actuarial valuation, is as follows:

Active employees	16
Retired employees, beneficiaries and dependents	16
Total	<u>32</u>

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District. The required health and dental insurance (including Medicare Part B) contribution rates of Plan members and the District are 25% and 75%, respectively. The Plan members and the District contribute 25% and 75%, respectively, towards a \$5,000 term life insurance premium. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are included in the premium rate structure which are shared on a 75%/25% basis between the District and the employees/retirees.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish a post-employment benefit trust fund and to enable the District to dedicate resources necessary to begin pre-funding its OPEB liabilities. The declaration of trust was signed on July 26, 2018. The District has made the following appropriations to fund its OPEB liability: April 2017 - \$67,000; April 2018 - \$74,223; and April 2019 - \$68,823. The trust cash account was established in July 2018 and for the year ended June 30, 2020, the District actually pre-funded \$213,373, including interest earned, of future other post-employment benefit (OPEB) liabilities. The cash balance in the OPEB Trust account as of June 30, 2020 was \$213,373 including interest earned.

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE H - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued):

Net OPEB Liability

The District's Net OPEB liability of \$2,689,733 was measured as of June 30, 2018 and was determined based upon results of the actuarial valuation as of June 30, 2018. The plan has an asset value of \$213,373 resulting in an unfunded accrued liability (UAL) of \$2,476,360 and a 0% funded ratio.

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was measured by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2019
Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	3.25%
Investment rate of return	7.00%
Medical Trend	<ul style="list-style-type: none"> . CCMHG <ul style="list-style-type: none"> - Non-Medicare: 0% for 1 year, then 7% decreasing by .025% each year to an ultimate level of 4.5% per year. - Over 65: 1.9% for 1 year, then 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year. . GIC <ul style="list-style-type: none"> - Under 65: 6.8% for 1 year, then 8.0% decreasing by 0.5% for 5 years, then by .25% for 2 years to an ultimate level of 5.0% per year. - Over 65: 1.6% for 1 year, then 8.0% decreasing by 0.5% for 5 years, then by .25% for 2 years to an ultimate level of 5.0% per year. . Dental: 0.0% for 1 year, then 3.0% per year . Part B: 4.5% <ul style="list-style-type: none"> . Contributions: Retiree contributions are expected to increase with respective trend shown above.
Salary Increases:	<ul style="list-style-type: none"> Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6% decreasing over 11 years to an ultimate level of 4.0%. Service-related increases for Group 4 employees: 7% decreasing over 8 years to an ultimate level of 4.5% Service-related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.00%

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE H - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued):

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: (1) the actuarial present value of benefit payments projected to be funded by plan assets using a long term rate of return; and, (2) the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/AA or higher.

Changes in the NET OPEB Liability

The following table shows the changes in the net OPEB liability for the fiscal year ended June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Plan Net Position	Net OPEB Liability
Balance at July 1, 2019	\$ 2,654,744	\$ 213,500	\$ 2,441,244
Changes for the year:			
Service Cost	46,028	-	46,028
Interest	185,372	(127)	185,499
Differences between expected and actual experience	-	-	-
Changes of assumptions	(91,214)	-	(91,214)
Contributions - employer	-	105,197	(105,197)
Net investment income	-	-	-
Benefit payments	(105,197)	(105,197)	-
Administrative expenses	-	-	-
Net changes	34,989	(127)	35,116
Balance at June 30, 2020	<u>\$ 2,689,733</u>	<u>\$ 213,373</u>	<u>\$ 2,476,360</u>

Changes in Assumptions: None

Changes in Plan Provisions: None

Sensitivity of the net OPEB liability to changes in the discount rate

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

	1% Lower	Current Rate	1% Higher
Net OPEB liability as of June 30, 2020	<u>\$ 2,838,512</u>	<u>\$ 2,476,360</u>	<u>\$ 2,175,719</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower and one percentage point higher than the current rate.

	1% Lower	Current Cost	1% Higher
Net OPEB liability as of June 30, 2020	<u>\$ 2,118,188</u>	<u>\$ 2,476,360</u>	<u>\$ 2,920,805</u>

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE H - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued):

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

OPEB expenses for the year ended June 30, 2020:

Service cost	\$ 46,028
Interest	185,372
Contributions-employee	-
Projected earnings on OPEB trust investments	-
Administrative expenses	-
Recognized portion of current-period difference between expected and actual experience	(12,188)
Recognized portion of current-period difference between projected and actual earnings on OPEB plan investments	(14,945)
Recognized portion of current year period assumption change	-
Recognized portion of current year period plan change	-
Recognition of deferred outflows of resources	(281,332)
Recognition of deferred inflows of resources	-
Total OPEB expenses for fiscal year ended June 30, 2020	<u>\$ (77,065)</u>

Deferred outflows/inflows of resources related to OPEBs:

	Deferred outflows	Deferred inflows
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	847,895
Changes of benefit terms	-	-
Net difference between projected and actual earnings on OPEB Trust investments	-	-
Total	<u>\$ -</u>	<u>\$ 847,895</u>

Projected recognition of deferred outflows/(inflows):

Year Ended June 30,	Recognition
2021	\$ (293,520)
2022	(293,520)
2023	(221,562)
2024	(12,188)
2025	(15,202)
Thereafter	(11,903)

DENNIS WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - IMPLEMENTATION OF NEW GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS:

During the fiscal year ended June 30, 2020, the District implemented the following GASB accounting standards:

The GASB issued Statement #83, Certain asset retirement obligations that have been identified during implementation and application of certain GASB Statements. This statement did not have a significant impact to the District's financial statements.

The GASB issued Statement #88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement did not have a significant impact to the District's financial statements.

The following GASB pronouncements have been delayed due to the COVID-19 pandemic and the District is currently evaluating its accounting practices to determine the potential impact on the financial statements for:

The GASB issued Statement #84, Fiduciary Activities, which is required to be implemented for the District's fiscal year ending June 30, 2020.

The GASB issued Statement #87, Leases, which is required to be implemented for the District's fiscal year ending June 30, 2021.

The GASB issued Statement #89, Accounting for Interest Cost Incurred before the End of a Construction Period, which is required to be implemented for the District's fiscal year ending June 30, 2021.

The GASB issued Statement #90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61, which is required to be implemented for the District's fiscal year ending June 30, 2020.

The GASB issued Statement #91, Conduit Debt Obligations, which is required to be implemented for the District's fiscal year ending June 30, 2021.

The GASB issued Statement #92, Omnibus 2020, which is required to be implemented for the District's fiscal year ending June 30, 2022.

The GASB issued Statement #93, Replacement of Interbank Offered rates, which is required to be implemented for the District's fiscal year ending June 30, 2022.

The GASB issued Statement #94, Public-Private and Public-Public Partnerships and Availability payment Arrangements, which is required to be implemented for the District's fiscal year ending June 30, 2023.

The GASB issued Statement #96, Subscription-based Information Technology Arrangements, which is required to be implemented for the District's fiscal year ending June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

DENNIS WATER DISTRICT
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variances Positive (Negative)
Revenues:				
Water revenue	\$ 3,959,520	\$ 3,959,520	\$ 4,082,501	\$ 122,981
Rental income	335,132	335,132	339,632	4,500
Investment income	5,730	5,730	38,368	32,638
Solar revenue	100,000	100,000	142,727	42,727
Miscellaneous income	49,344	49,344	27,364	(21,980)
	<u>4,449,726</u>	<u>4,449,726</u>	<u>4,630,592</u>	<u>180,866</u>
Expenditures:				
Payroll and fringe benefits	2,173,918	2,173,918	2,132,559	41,359
Maintenance and operations	1,270,913	1,270,913	1,137,099	133,814
Appropriations:				
Principal on loans	555,867	555,867	555,866	1
Interest on loans	104,028	104,028	104,028	-
Reserve fund	75,000	75,000	-	75,000
General	270,000	270,000	80,723	189,277
Capital Expenditures	45,000	45,000	1,459,974	(1,414,974)
	<u>4,494,726</u>	<u>4,494,726</u>	<u>5,470,249</u>	<u>(975,523)</u>
Net Revenues (Expenditures)	(45,000) #	(45,000)	(839,657)	(794,657)
Other Financing Sources				
Transfer of free cash	495,000	495,000	495,000	-
Proceeds from note payable			1,250,000	
Budgetary Fund Balance, Beginning of Year	<u>7,379,784</u>	<u>7,379,784</u>	<u>5,532,674</u>	<u>1,847,110</u>
Budgetary Fund Balance, End of Year	<u>\$ 7,829,784</u>	<u>\$ 7,829,784</u>	<u>\$ 4,693,017</u>	<u>\$ 1,052,453</u>

See Notes to Schedule of Revenues and Expenditures - Budget and Actual

DENNIS WATER DISTRICT

Notes to Schedule of Revenues and Expenditures - Budget and Actual For the Year Ended June 30, 2020

NOTE A - BUDGET / GAAP RECONCILIATION:

Pursuant to the Massachusetts General Laws, the District adopts an annual budget for all of its activities.

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

In fiscal 2020 the original budget did not change.

The District's annual budget is prepared on a basis other than GAAP (Generally Accepted Accounting Principles). The "Actual" column of the Schedule of Revenues and Expenditures is presented on a "budgetary basis" to provide a meaningful comparison with the budgets.

The following reconciliations summarize the differences between budgetary and GAAP-basis accounting principles for the year ended June 30, 2020.

	Revenues	Expenditures
Per Statement of Revenues, Expenses and Changes in Net Position	\$ 4,630,592	\$ 4,215,093
Adjustments:		
Eliminate depreciation and amortization	-	(760,685)
Eliminate Net OPEB	-	-
Add reserve transfers	-	-
Add principal on loan payments	-	555,867
Add capital assets acquired	-	1,459,974
Per Schedule	<u>\$ 4,630,592</u>	<u>\$ 5,470,249</u>

DENNIS WATER DISTRICT
Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2020

PENSION PLAN SCHEDULES

The Schedule of the District's Proportionate share of the Net Pension Liability presents multi-year trend information on the District's net pension liability and related ratios.

The Schedule of the District's Contributions presents multi-year trend information on the District's required and actual contributions to the pension plan and related ratios. Proportionate share of the Net Pension Liability presents multi-year trend information on the District's net pension liability and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

DENNIS WATER DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last Ten Years*

	Measurement Dates					
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
District's proportion of the net pension liability (asset)	4.10%	4.10%	4.29%	4.19%	4.57%	4.56%
District's proportionate share of the net pension liability (asset)	\$ 3,358,522	\$ 3,241,500	\$ 2,920,800	\$ 2,946,518	\$ 2,878,159	\$ 2,635,326
District's covered employee payroll	\$ 1,244,761	\$ 1,217,527	\$ 1,221,797	\$ 1,186,560	\$ 1,267,569	\$ 1,224,380
Net pension liability as a percentage of covered-employee payroll	269.81%	279.14%	250.61%	248.32%	227.06%	215.24%
Plan fiduciary net position as a percentage of the total pension liability	7.93%	57.63%	61.86%	57.28%	58.10%	60.43%

* Historical information presented above follows the measurement periods for which GASB 68 and 71 were available for a 10-year trend. 2014 was the first year of implementation required by GASB 68 and 71, therefore only six years are shown.

Notes:

A. Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Changes in Assumptions

In 2019, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2014 using Projection Scale MP-2017 for purposes of developing mortality rates. Additionally, investment return assumptions was lowered from 7.375% to 7.00% and inflation allowance was lowered from 4.00%% to 3.75%.

C. Changes in Plan Provisions

None

DENNIS WATER DISTRICT
Schedule of the District's Contributions
As of June 30, 2020
Last Ten Years*

	<u>Fiscal Year 6/30/2020</u>	<u>Fiscal Year 6/30/2019</u>	<u>Fiscal Year 6/30/2018</u>	<u>Fiscal Year 6/30/2017</u>	<u>Fiscal Year 6/30/2016</u>	<u>Fiscal Year 6/30/2015</u>
Actuarially determined contributions (a)	\$ 271,534	\$ 262,578	\$ 256,166	\$ 237,719	\$ 246,851	\$ 243,107
Contributions in relation to the actuarially determined contribution	<u>(271,534)</u>	<u>(262,578)</u>	<u>(256,166)</u>	<u>(237,719)</u>	<u>(246,851)</u>	<u>(243,107)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,244,761	\$ 1,217,527	\$ 1,221,797	\$ 1,186,560	\$ 1,267,569	\$ 1,224,380
Contributions as a percentage of covered-employee payroll	21.81%	21.57%	20.96%	20.03%	19.48%	19.86%

* Historical information presented above follows the measurement periods for which GASB 68 and 71 were available for a 10-year trend. The fiscal year ended June 30, 2015 (valuation date of December 31, 2014) was the first year of implementation required by GASB 68 and 71, therefore only six years are shown.

DENNIS WATER DISTRICT
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2020

	<u>June 30, 2020</u>
Total OPEB Liability	
Service Cost	\$ 46,028
Interest on the total OPEB liability	185,372
Changes of assumptions	(91,214)
Benefit payments	(105,197)
Net change in total OPEB liability	<u>34,989</u>
Total OPEB liability - beginning	2,654,744
Total OPEB liability - ending	<u><u>\$ 2,689,733</u></u>
 Plan Fiduciary Net Position	
Contribution - employer	\$ 105,197
Benefit payments	(105,197)
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u><u>\$ -</u></u>
Net OPEB liability - ending	<u><u>\$ 2,689,733</u></u>
 Measurement date	 June 30, 2020

Notes to Required Supplemental Information:

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

Changes in Assumptions:

Based on past experience and future expectations, the following assumptions were changed:

This valuation includes the repeal of the excise tax on high cost health plans, which was effective :

December 20, 2019

Changes in Plan Provisions:

None

DENNIS WATER DISTRICT
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2020

The Total OPEB liability as of June 30, 2020 was measured by an actuarial valuation as of June 30, 2020 using the following methods and assumptions:

Discount rate	7.00%
Inflation	3.25%
Salary increases	<ul style="list-style-type: none"> • Service-related increases for Group 1(excluding Teachers) and Group 2 employees: 6% decreasing over 11 years to an ultimate level of 4.00%. • Service-related increases for Group 4 employees: 7% decreasing over 8 years to an ultimate level of 4.50% • Service-related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.00%
Healthcare trend rates	<p><u>CCMHG</u></p> <ul style="list-style-type: none"> • Non-Medicare: 0% for 1 year, then 7.0% decreasing by .025% each year an ultimate level of 4.5% per year. • Medicare: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year. <p><u>GIC</u></p> <ul style="list-style-type: none"> • Medical/prescription Drug: 8.0% decreasing by 0.50% for 5 years, then by 0.25% for 2 years to an ultimate level of 5% per year. • - EGWP: 5.0% • Dental: 0.0% for 1 year, then 3.0% thereafter • Part B: 4.5% • Contributions: Retiree contributions are expected to increase with respective trend shown above.

DENNIS WATER DISTRICT
Schedule of OPEB Contributions
For the Year Ended June 30, 2020

	Year Ended June 30,	
	2020	2019
Actuarially determined contribution (ADC)	\$ 105,197	\$ 100,707
Contributions in relation to the ADC	(105,197)	(100,707)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	N/A	N/A
Contributions as a percentage of covered-employee	N/A	N/A

Notes to Required Supplemental Information:

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



SANDERS, WALSH & EATON CPAs, LLC

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of Water Commissioners
Dennis Water District
Dennis, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Dennis Water District as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dennis Water District's internal control over financial reporting (internal control) to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dennis Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dennis Water District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dennis Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

P.O. Box 1427 • West Chatham, MA 02669 • Tel: 508.945.0031 • 800.287.1040 • Fax: 508.945.9267
P.O. Box F • Osterville, MA 02655 • Tel: 508.428.0790 • 877.428.1040 • Fax: 508.428.6150
P.O. Box 670 • Sandwich, MA 02563 • Tel: 774.338.5444 • Fax: 774.413.9922

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sanders, Walsh & Eaton, CPAs, LLC

Osterville, Massachusetts
April 17, 2021