Roselli, Clark & Associates
Certified Public Accountants

RCA CPA

Dennis Water District
South Dennis, Massachusetts

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2022

DENNIS WATER DISTRICT

TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022

Roselli, Clark & Associates
Certified Public Accountants

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Dennis Water District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 opinion.

Responsibilities of Management for the Financial Statements

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, 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers these 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.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts

November 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the District we offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the financial statements, and required supplementary information as listed in the table of contents.

Financial Highlights

- The assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over $37.2 million (*total net position*).
- The District's total net position increased by over $1.0 million.
- The District's total long-term debt decreased by almost $0.6 million due to regularly scheduled maturities.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These financial statements are reported using the *economic resources measurement* focus and the *accrual basis of* accounting.

The *statement of net position* presents information on all of the District's assets, deferred outflows of financial resources, liabilities, and deferred inflows of financial resources, with the difference between those categories reported as *net position*. 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.

The *statement of revenues, expenses and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected user charges, earned but unused vacation leave, and earned future other postemployment benefits.)

The *statement of cash flows* presents information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments and financing activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's Fund Financial Statements are limited to a fiduciary fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information as listed under the required supplementary information section in the accompanying table of contents.

Government-wide Financial Analysis

The following is a condensed Statement of Net Position:

	2022	2021 (a)
Assets		
Currrent and other assets	$ 6,174,201	$ 6,048,478
Capital assets, net	42,295,710	42,877,192
Total assets	48,469,911	48,925,670
Deferred Outflows of Resources	552,095	491,992
Liabilities		
Long-term liabilities	7,428,579	8,411,121
Other liabilities	2,382,860	2,571,554
Total liabilities	9,811,439	10,982,675
Deferred Inflows of Resources	1,986,634	2,253,701
Net Position		
Net investment in capital assets	37,764,647	37,595,263
Unrestricted	(540,714)	(1,413,977)
Net Position	$ 37,223,933	$ 36,181,286

(a) Current and other assets and deferred inflows of resources were revised to conform to current year presentation.

Net position reflects an accumulation of financial resources that may act as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of financial resources exceeded liabilities and deferred inflows of financial resources by over $37.2 million at the close of the most recent fiscal year.

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

A smaller amount reflects the District's unrestricted net position. The amount is a deficit as a result of the recognition of the net pension and net OPEB liabilities required under GASB 68 and 75. This trend is expected to continue into the foreseeable future

The following is a condensed Statement of Revenues, Expenses and Changes in Net Position:

	2022	2021
Revenues		
Program revenues:		
Charges for services	$ 4,789,697	$ 5,693,098
Solar income	111,875	98,720
Lease income	282,292	411,095
Other revenues	98,752	17,302
Total revenues	5,282,616	6,220,215
Expenses		
Salaries and wages	1,496,178	1,461,662
Employee benefits	367,795	496,459
Operations and maintenance	936,678	1,006,107
Utilities	372,617	397,457
Administrative and Office	234,938	210,090
Depreciation	747,118	762,325
Interest Expense	84,645	113,737
Total expenses	4,239,969	4,447,837
Increase (decrease) in net position	1,042,647	1,772,378
Net position, beginning of year	36,181,286	34,533,745
Prior period restatements	-	(124,837)
Net position, beginning of year, as restated	36,181,286	34,408,908
Net position, end of year	$ 37,223,933	$ 36,181,286

The District's total net position increased over $1.0 million.

Charges for services comprised approximately 90.7% of total revenues, which was consistent with the prior year. However, the dollar amount received decreased approximately $0.9 million compared to the prior year due to decreased consumption (about -13.8%). The decreased consumption was due to less traffic on Cape Cod than in the prior year due to the pandemic Other revenue types were either not significant, consistent with the prior year, or their fluctuations were not material.

Salaries and wages comprised approximately 35.3% of total expenses, which was consistent with the prior year. Operations and maintenance comprised approximately 22.1% of total expenses. The decrease of over $0.2 million over the prior year was due primarily to GAAP adjustments related to pension and other postemployment benefits liabilities.

Capital Asset and Debt Administration

Capital Assets – The District's investment in capital assets as of June 30, 2022 amounts to almost $42.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment and infrastructure (water delivery system components).

During the year, the District invested nearly $0.2 million in capital asset acquisitions and installations.

Additional information on the District's capital assets can be found in Note II. C. of this report.

Long-Term Debt – At the end of the current fiscal year, the District had nearly $2.9 million of long term debt outstanding.

The District has not received a credit rating in over 10 years.

Additional information on the District's debt can be found in Note II. D. and E. of this report.

Economic Factors and Next Year's Budgets and Rates

In April 2022, the District's proposed budget for fiscal year 2023 was adopted by the users of the District. Assumptions in preparing the budget were as follows:

- Minor increases in operating expenses were assumed consistent with cost-of-living increases. These reflect salary and other costs.

- A consistent portion of the budget continues to be used for the allocation of resources to capital improvements.

These factors were considered in preparing the District's budget for the 2023 fiscal year which was adopted at the District's annual meeting held in April 2022.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Dennis Water District, Office of the Clerk/Treasurer, 80 Old Bass River Road, South Dennis, Massachusetts, 02660.

DENNIS WATER DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Business-Type Activities Enterprise Fund - Water Services
Assets:	
Current Assets:	
Cash and cash equivalents	$ 4,321,182
Receivables, net of allowance	
User charges	1,077,118
Leased property	300,241
Total Current Assets	5,698,541
Noncurrent assets:	
Receivables, net of allowance:	
Leased property	475,660
Capital assets, not being depreciated	14,862,139
Capital assets, net of accumulated depreciation	27,433,571
Total noncurrent assets	42,771,370
Total Assets	48,469,911
Deferred Outflows of Resources:	
Related to net pension liability	346,521
Related to net other postemployment benefits liability	205,574
Total deferred outflows	552,095
Liabilities:	
Current liabilities:	
Warrants and accounts payable	17,934
Accrued payroll and related liabilities	77,585
Other liabilities	13,516
Bond anticipation notes	1,630,000
Bonds and notes payable	555,866
Compensated absences	87,959
Total current liabilities	2,382,860
Noncurrent liabilities:	
Bonds and notes payable	2,345,197
Compensated absences	87,958
Net pension liability	2,253,236
Net other postemployment benefits liability	2,742,188
Total noncurrent liabilities	7,428,579
Total Liabilities	9,811,439
Deferred Inflows of Resources:	
Leased Property	775,901
Related to net pension liability	889,320
Related to net other postemployment benefits liability	321,413
Total deferred outflows	1,986,634
Net Position:	
Net investment capital assets	37,764,647
Unrestricted	(540,714)
Total Net Position	$ 37,223,933

See accompanying notes to basic financial statements.

-

DENNIS WATER DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

	Business-Type Activities Enterprise Fund - Water Services
Operating Revenues:	
Water rate charges	$ 4,789,697
Penalties and interest	409
Total Operating Revenues	4,790,106
Operating Expenses:	
Salaries and wages	1,496,178
Employee benefits	367,795
Operations and maintenance	936,678
Utilities	372,617
Administrative and Office	234,938
Depreciation	747,118
Total Operating Expenses	4,155,324
Operating Income (Loss)	634,782
Nonoperating Revenues (Expenses):	
Solar income	111,875
Lease revenue	282,292
Interest income	32,207
Other income	66,136
Interest expense	(84,645)
Total Nonoperating Revenues (Expenses)	407,865
Changes in Net Position	1,042,647
Total Net Position - Beginning	36,181,286
Total Net Position - Ending	$ 37,223,933

See accompanying notes to basic financial statements.

DENNIS WATER DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

	Business-Type Activities
	Enterprise Fund - Water Services
Cash Flows from Operating Activities:	
Receipts from users	$ 4,170,828
Payments to employees and vendors	(3,038,682)
Net Cash Provided by Operating Activities	1,132,146
Cash Flows from Capital and Related Financing Activities:	
Solar revenue	111,875
Leased income	282,292
Other	66,136
Acquisition and construction of capital assets	(165,636)
Issuance of bonds and notes	1,630,000
Principal payments on bonds and notes	(2,380,866)
Interest expense	(84,645)
Net Cash Used for Capital and Related Financing Activities	(540,844)
Cash Flows from Investing Activities:	
Interest income	32,207
Net Cash Provided by Investing Activities	32,207
Net Change in Cash and Cash Equivalents	623,509
Cash and Cash Equivalents:	
Beginning of year	3,697,673
End of year	$ 4,321,182
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:	
Operating income (loss)	$ 634,782
Depreciation expense	747,118
Changes in assets and liabilities:	
Receivables	(619,278)
Accounts payable and accrued expenses	2,906
Compensated absences	6,800
Net pension liability	(520,045)
Net other postemployment liability	89,969
Deferred inflows and outflows	789,894
Net Cash Provided by (Used for) Operating Activities	$ 1,132,146

See accompanying notes to basic financial statements.

DENNIS WATER DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

		Other Postemployment Benefits Trust Fund
Assets		
Cash and cash equivalents	$	6,347
Equity		204,135
Fixed income		163,996
Total Assets		374,478
Net Position		
Held in trust for other postemployment benefits		374,478
Total Net Position	$	374,478

See accompanying notes to basic financial statements.

DENNIS WATER DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022

	Other Postemployment Benefits Trust Fund
Additions	
Contributions:	
Employer	$ 182,691
Total contributions	182,691
Investment income:	
Interest and dividends	(29,474)
Net investment earnings	(29,474)
Total Additions	153,217
Deductions	
Benefits paid	112,685
Total Deductions	112,685
CHANGE IN NET POSITION	40,532
Net Position at Beginning of Year	333,946
Net Position at End of Year	$ 374,478

See accompanying notes to basic financial statements.

I. Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the District:

A. 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 over 14,000 residential and business accounts in the Town of Dennis.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the District meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements nor is the District a component unit of any other entity.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following are the accounting and reporting policies of the District:

Basis of Presentation – The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as specified by the Governmental Accounting Standards Board's ("GASB") requirements for an enterprise fund.

Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. User fees are recognized as revenues in the year in which they are used, as either assessed or unbilled.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with a proprietary fund's principal ongoing operations.
The principal operating revenues are user charges and fees associated with water distribution which are assessed periodically to users throughout the year, while operating expenses consist of salaries, ordinary maintenance, and depreciation.

Fiduciary fund financial statements are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The District reports the following fiduciary fund:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees, such as health and life insurance.

<u>*Taxes*</u> – The District is exempt from all federal and state income taxes and real estate taxes.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

<u>*Deposits and Investments*</u> – The District's cash and cash equivalents are generally considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Other short-term investments may also be classified as cash and cash equivalents due to their highly liquid nature.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

<u>*Inventories and Prepaid Items*</u> – Inventories, which are not material to the basic financial statements, are considered to be expenses at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

<u>*Capital Assets*</u> – Capital assets, which include land, buildings and their improvements, plant facilities, vehicles and equipment, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets, if material, is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of $5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Infrastructure	40-50 years

<u>*Compensated Absences*</u> – It is the District's policy to permit employees to accumulate and carryover up to 240 hours of sick leave benefits. Provisions of the District's policy have grandfathered long-term employees who at the time of the policy change had exceeded this amount of carry over. Amounts in excess of the above limits are bought back from the employee by the District at the end of each fiscal year. Additionally, the District's vacation leave benefit is based on a calendar year and has a use it or lose it policy. The unused vacation leave balances as

of June 30th and accumulated sick leave are recorded as an expense and a liability as benefits accrue to employees.

<u>Debt Obligations</u> – Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

<u>Deferred Outflows/Inflows of Resources</u> – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of financial resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two types of items that are reported on the statement of net position which relate to outflows from changes in the net pension liability and changes in the net other postemployment benefit liability. The deferred pensions and other postemployment benefit liability items will be recognized in pension expense and benefits expense in future years as more fully described in Note III, subsections A and C.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of financial resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources relative to leased property and its other postemployment benefits and pension-related transactions. The District expects to recognize revenues related to deferred inflows of resources for leased property over the next four years to rental income. The deferred pensions and other postemployment benefit liability items will be recognized in pension expense and benefits expense in future years as more fully described in Note III, subsections A and C.

<u>Net Position</u> – Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. The District does not report restricted net position.

Net position that does not meet the definition of *invested in capital assets* or *restricted* are reported as *unrestricted net position*.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Stabilization Funds – The unrestricted net position balance contains a general stabilization fund that has been established by the District. These funds may be further appropriated by the District upon a two-thirds vote of the District Meeting. As of June 30, 2022, the District reports a $204,196 stabilization fund balance within the general ledger.

D. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents." The deposits and investments of trust funds are held separately from those of other funds.

The State Treasurer's investment pool (the "Pool") meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust, or MMDT, which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the District's deposits was $3,682,586 and the bank balance was $3,811,943. Of the District's bank balances, $2,963,337 was insured by either federal depository insurance corporation or depositors insurance fund and the remaining $848,606 was uninsured.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing for bankruptcy protection, the District may not be able to recover the full amount of its principal investment and/or investment earnings. The District's investment in the MMDT of $644,943 that is not included in the above deposits is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

Fair Value Measurement - Statement #72 of the Government Accounting Standards Board ("GASB") Fair Value Measurements and Application, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives 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 three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Districts' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determined that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a tabular format for disclosing the levels within the fair value hierarchy.

In addition, the District is a participant in Massachusetts Municipal Depository Trust (MMDT) a pooled investment trust established by the Commonwealth of Massachusetts. MMDT offers a cash portfolio and a short term bond portfolio. The pool meets the criteria of an external investment pool. The investments of the pool are measured at amortized cost.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table identifies the Groups investments by Level at:

		Fair Value Measurements Using		
	6/30/22	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
Debt securities:				
Fixed income securities - government	$ 21,522	$ 14,804	$ 6,718	$ -
Fixed income securities - corporate	14,891	-	14,891	-
Fixed income securities - mutual funds	127,582	-	127,582	-
Total debt securities	163,995	14,804	149,191	-
Equity securities:				
Common stock	204,135	204,135	-	-
Total equity securities	204,135	204,135	-	-
Total investments by fair value level	$ 368,130	$ 218,939	$ 149,191	$ -

Interest Rate Risk: Deposits – The District does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates. However, such risk is reduced by the fact that the District maintains such funds in highly liquid bank accounts; thereby, allowing for timely re-allocation of such holdings should the need arise.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment, particularly fixed income securities. The District manages the duration of its fixed income investments to better mitigate interest rate risk.

The following table presents the District's investments with maturities at June 30, 2022:

Investment Type	Fair Value	Time Until Maturity (Years) Less Than 1	1-5	6-10
Fixed income securities - government	$ 21,523	$ -	$ 14,721	$ 6,802
Fixed income securities - corporate	14,891	3,791	11,100	
Fixed income securities - mutual funds	127,582	-	127,582	-
District investments with maturities	163,996	$ 3,791	$ 153,403	$ 6,802
Other Investments:				
State investment pool	644,943			
Equities	204,135			
District investments without maturities	849,078			
Total District investments	1,013,074			

Concentration of Credit Risk – The District does not place a limit on the amount that may be invested in any one issuer. During the fiscal year, the District did not maintain balances in any single investment that would represent more than 5% of the District's total investments. The District maintains all bank accounts within seven separate banking institutions.

Credit Risk – The District has not adopted a formal policy related to credit risk. However, Massachusetts General Law and regulations require the District to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and the Pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation.

B. Receivables

Receivables as of June 30, 2022, consist of the following:

	Gross Amount	Allowances	Net Receivables
User charges	$ 72,614	$ -	$ 72,614
Unbilled revenues	1,004,504	-	1,004,504
Leased property	775,901	-	775,901
	$ 1,853,019	$ -	$ 1,853,019

The District leases property to a number of lessors in the telecommunications industry with lease terms ranging up to five years. Lease receivables have been recorded in the District's Enterprise Fund. The net present value of future receipts from the leased properties totaled $775,901 at June 30, 2022 and are reported as leased property. Lease revenues and interest income related to these lease transactions reported in fiscal year 2022 were as follows:

Lease Revenue	Interest	Total
$ 282,292	$ 25,379	$ 307,671

C. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 14,862,139	$ -	$ -	$ 14,862,139
Total capital assets not being depreciated	14,862,139	-	-	14,862,139
Capital assets being depreciated:				
Buildings and improvements	265,911	-	-	265,911
Infrastructure	43,112,550	38,155	-	43,150,705
Machinery and equipment	2,022,862	53,310	-	2,076,172
Vehicles	744,863	74,171	-	819,034
Total capital assets being depreciated	46,146,186	165,636	-	46,311,822
Less accumulated depreciation for:				
Buildings and improvements	(199,594)	(6,648)	-	(206,242)
Infrastructure	(15,519,214)	(627,855)	-	(16,147,069)
Machinery and equipment	(1,833,578)	(46,354)	-	(1,879,932)
Vehicles	(578,747)	(66,261)	-	(645,008)
Total accumulated depreciation	(18,131,133)	(747,118)	-	(18,878,251)
Total capital assets being depreciated, net	28,015,053	(581,482)	-	27,433,571
Total capital assets, net	$ 42,877,192	$ (581,482)	$ -	$ 42,295,710

Total depreciation expense was charged to operations was as follows:

Water operations	$ 747,118

D. Temporary Debt

The District is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenses may be financed through the issuance of revenue anticipation notes (RANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or state aid anticipation notes (SANS).

In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the District and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds.

The following is a summary of temporary notes outstanding during the year ended June 30, 2022:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	0.59%	matured	$1,125,000	$ -	$(1,125,000)	$ -
BAN	0.95%	matured	700,000	-	(700,000)	-
BAN	1.00%	09/08/22	-	1,630,000	-	1,630,000
Total Short Term Notes Payable			$1,825,000	$1,630,000	$(1,825,000)	$1,630,000

On September 8, 2022, the District paid down the $1,630,000 outstanding and reissued bond anticipation notes in the amount of $1,435,000 relating to this land acquisition project.

E. Long–Term Obligations

The District issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. Additionally, the District incurs various other long-term obligations relative to employee benefits. The District has begun to accumulate resources to provide for these obligations. The following reflects the activity in the long-term liability accounts:

Description of Items	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
General Obligation Bonds	$ 330,000	$ -	$ (165,000)	$ 165,000	$ 165,000
Notes from direct borrowings and placements	3,126,929	-	(390,866)	2,736,063	390,866
Compensated absences	169,117	91,359	(84,559)	175,917	87,959
Net pension liability	2,773,281	671,082	(1,191,127)	2,253,236	-
Net other postemployment benefits liability	2,652,219	636,934	(546,965)	2,742,188	-
Total	$ 9,051,546	$ 1,399,375	$ (2,378,517)	$ 8,072,404	$ 643,825

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2022:

Debt Description	Maturing Fiscal Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
General Obligation Bonds	2023	4.125 - 4.250%	$ 330,000	$ -	$ (165,000)	$ 165,000
MCWT Note	2029	2.00%	3,126,929	-	(390,866)	2,736,063
Total Long-Term Bond and Note Indebtedness			$ 3,456,929	$ -	$ (555,866)	$ 2,901,063

The following table represents the District's future maturities of outstanding debt:

Year Ending	General Obligation Bonds		Direct Borrowings and Placements	
June 30	Principal	Interest	Principal	Interest
2023	$ 165,000	$ 3,465	$ 390,866	$ 50,813
2024	-	-	390,866	42,995
2025	-	-	390,866	35,178
2026	-	-	390,866	27,361
2027	-	-	390,866	19,543
2028-2029	-	-	781,733	15,635
Total	$ 165,000	$ 3,465	$2,736,063	$191,525

The District had $725,000 of authorized and unissued debt as of June 30, 2022, which was authorized to fund a portion of the Old Bass River Water Tank Painting Project.

III. Other Information

A. Retirement System

Plan Description – The District contributes to the Barnstable County Retirement Association (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Barnstable County Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2021 were issued and may be obtained by writing to the Barnstable County Retirement Association, 750 Attucks Lane, Hyannis MA 02601.

Membership – Membership in the System as of December 31, 2021, was as follows:

Retired participants and beneficiaries receiving benefits	3,607
Inactive participants entitled to a return of their employee contributions	1,106
Active participants	4,909
Total	9,622

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The District contributed $301,807 to the System in fiscal year 2022, which was the actuarially determined contribution requirement for the fiscal year and represented 22.8% of covered payroll.

Net Pension Liability – At June 30, 2022, the District reported a liability of $2,253,236 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 is based on a projection of the District's long-term share of contributions to the System relative to the projected contributions of all employers. The District's proportion was approximately 0.41% at December 31, 2021.

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022 and included the following significant assumptions:

Investment rate of return	Full prefunding: 6.9% per year, net of investment expenses
Discount Rate	6.9%
Inflation	3.00%
Salary Increases	3.25%
Cost of Living Adjustment	3% of first $18,000
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP - 2021
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortaility Table projected generationally with Scale MP-2021
Disabled Mortality	RP-2014 Healthy Annuitant Mortaility Table set forward

There were no significant changes in assumption between fiscal year 2022 and 2021

Pension Expense – The District recognized $102,276 in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	-	788,963
Changes in assumptions	282,572	-
Changes in proportion differences	63,949	-
Differences between expected and actual experience	-	15,812
Changes in proportion differences	-	84,545
	$ 346,521	$ 889,320

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the District's pension expense as follows:

Year Ended June 30,	Amount
2023	$ (93,792)
2024	(232,574)
2025	(135,831)
2026	(117,109)
2027	36,507
Total	$ (542,799)

Discount Rate – The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate.

Based on those assumptions, the Retirement System'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.

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 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. The target allocations and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	22.00%	6.11%
International Equity	11.50%	6.49%
International Emerging Markets	4.50%	8.12%
Core fixed income	15.00%	0.38%
High Yield Fixed Income	8.00%	2.48%
Real Estate	10.00%	3.72%
Commodities	4.00%	3.44%
Hedge Fund, GTAA, Risk Parity	10.00%	2.63%
Private Equity	15.00%	9.93%
	100.00%	

Sensitivity Analysis – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90% as well as the District's proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net Pension Liability			
	Discount Rate		
Current Rate	1% lower	Current	1% greater
6.900%	$ 3,313,563	$ 2,253,236	$1,361,330

B. Risk Financing

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The amount of claim settlements has not exceeded insurances coverage in any of the previous three years.

The District is a part of a premium-based self-insurance group which insures for worker's compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association (MIIA). The Trust offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group.

The District is obligated to pay the Trust its required premiums and, in the event the group is terminated, it proportionate share of a deficit, should one exist. The District essentially transfers its risk through payment of its annual assessment which is adjusted according to the District's experience history.

C. Other Postemployment Benefits

The District administers a single employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by the Water Commissioners in accordance with Commonwealth statutes that govern such activities. All benefits are provided through the District’s premium-based insurance program. The OPEB Plan does not issue an audited stand-alone financial report and is presented as a fiduciary fund in the District’s financial statements.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2022:

Active employees	16
Inactive employees	16
Total	32

Contributions – The contribution requirements of OPEB Plan members and the District are established and may be amended by the District. Retirees contribute 25% of the set premium for medical insurance. The remainder of the cost is funded by general revenues of the District.

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 OPEB Plan are paid by the District. For the year ended June 30, 2022, the District’s average contribution rate was approximately 13.8% of covered payroll.

Net OPEB Liability – The District’s net OPEB liability was measured as of June 30, 2022 using an actuarial valuation as of July 1, 2020. The components of the net OPEB liability of the District as of June 30, 2022 were as follows:

Total OPEB Liability	$	3,116,666
Plan fiduciary net position		(374,478)
Net OPEB liability	$	2,742,188
Plan fiduciary net position as a percentage of the total OPEB liability		12.0%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.5%, net of OPEB plan investment expense including inflation.
Discount Rate	6.5%, net of OPEB plan investment expense including inflation.
Inflation	3.25% annually
Health Care Trend Rate	6.75% decreasing to 4.5%
Salary Increases	3.25% annually
Pre-Retirement Mortality	RP-2014; blue collar for general and white collar for teachers
Post-Retirement Mortality	RP-2014; blue collar for general and white collar for teachers
Disabled Mortality	RP-2014; blue collar for general and white collar for teachers
Actuarial Cost Method	Individual entry age normal

Discount Rate – The discount rate used to measure the total OPEB liability was 6.5%. There were no significant changes in assumptions from the prior year.

Long Term Expected Rate of Return – 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 OPEB Plan 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.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Expected Investment Rate of Return
Domestic Equity	6.11%
Interntional Equity - Developed Market	6.49%
Interntional Equity - Emerging Market	8.12%
Domestic Fixed Income	0.38%
High yield fixed income	2.48%
Real Estate	3.72%
Commodities	3.44%
Hedge fund, GTAA, Risk parity	2.63%
Private equity	9.93%

Sensitivity Analyses – The following presents the District's net OPEB liability as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

Net OPEB Liability			
Discount Rate			
Current	1% Decrease	Current Rate	1% Increase
6.50%	$ 3,058,141	$ 2,742,188	$ 2,316,501
Healthcare Trend Rate			
Current	1% Decrease	Current Trend	1% Increase
6.75% decreasing to 4.5%	$ 2,274,893	$ 2,742,188	$ 3,116,581

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	$ 2,986,165	$ 333,946	$ 2,652,219
Changes for the year:			
Service cost	49,474	-	49,474
Interest	193,712	-	193,712
Investment income	-	(29,474)	29,474
Employer contributions	-	182,691	(182,691)
Benefit payments withdrawn	-	(112,685)	112,685
Benefit payments	(112,685)	-	(112,685)
Net changes	130,501	40,532	89,969
Balances at June 30, 2022	$ 3,116,666	$ 374,478	$ 2,742,188

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the District recognized OPEB income of $42,861. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 316,833
Differences between projected and actual earnings	26,850	-
Differences between actual and expected experience	178,724	4,580
	$ 205,574	$ 321,413

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

June 30	
2023	$ (190,108)
2024	19,266
2025	16,252
2026	38,751
2027	-
thereafter	-
	$ (115,839)

Investment Custody – In accordance with Massachusetts General Laws, the District Treasurer is the custodian of the OPEB Plan and is also voted by the District voters as the Trustee, and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the District.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other District Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was negative 8.321%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Commitments and Contingencies

<u>Legal Issues</u> – There are no legal actions and claims pending against the District.

<u>Other</u> – The District is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

E. Implementation of New GASB Pronouncements

<u>*Current Year Implementations*</u> –

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard caused the District to record a receivable and an offsetting deferred inflow related to lease transactions

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the District's financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the District's financial statements.

<u>*Future Year Implementations*</u>

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensate Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The District is currently evaluating whether adoption will have a material impact on the financial statements.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Year Ended June 30							
	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.41%	0.40%	0.41%	0.41%	0.43%	0.42%	0.46%	0.47%
District's proportionate share of the net pension liability (asset)	$ 2,253,236	$ 2,773,281	$ 3,085,562	$ 3,241,500	$ 2,920,800	$ 2,946,514	$ 2,878,161	$2,635,330
District's covered payroll *	$ 1,323,453	$ 1,286,893	$ 1,263,110	$ 1,217,527	$ 1,221,797	$ 1,186,560	$ 1,267,569	$1,224,380
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.3%	215.5%	244.3%	266.2%	239.1%	248.3%	227.1%	215.2%
Plan fiduciary net position as a percentage of the total pension liability	75.1%	66.8%	62.3%	57.6%	61.9%	57.3%	58.1%	60.4%

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	Year Ended December 31							
	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 301,807	$ 279,251	$ 270,407	$ 262,578	$ 260,915	$ 242,197	$ 251,501	$ 247,758
Contributions in relation to the actuarially determined contribution	301,807	279,251	271,534	262,578	260,915	242,197	251,501	247,758
Contribution deficiency (excess)	$ -	$ -	$ (1,127)	$ -	$ -	$ -	$ -	$ -
District's covered payroll *	$ 1,323,453	$ 1,286,893	$ 1,263,110	$ 1,217,527	$ 1,221,797	$ 1,186,560	$ 1,267,569	$1,224,380
Contributions as a percentage of covered payroll	22.8%	21.7%	21.5%	21.6%	21.4%	20.4%	19.8%	20.2%

* Covered employee payroll as reported in the actuarial valuation report.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

DENNIS WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	June 30		
	2022	2021	2020
Total OPEB liability:			
Service cost	$ 49,474	$ 46,079	$ 46,028
Interest	193,712	187,864	185,372
Change in assumptions	-	(99,725)	(91,214)
Differences between expected and actual experience	-	268,086	-
Benefit payments	(112,685)	(105,872)	(105,197)
Net change in total OPEB liability	130,501	296,432	34,989
Total OPEB liability - beginning of year	2,986,165	2,689,733	2,654,744
Total OPEB liability - end of year (a)	$ 3,116,666	$ 2,986,165	$ 2,689,733
Plan fiduciary net position:			
Contributions - employer	$ 182,691	$ 172,684	$ 105,197
Net investment income	(29,474)	53,761	(127)
Benefit payments	(112,685)	(105,872)	(105,197)
Net change in Plan fiduciary net position	40,532	120,573	(127)
Plan fiduciary net position - beginning of year	333,946	213,373	213,500
Plan fiduciary net position - end of year (b)	$ 374,478	$ 333,946	$ 213,373
Net OPEB liability - end of year (a) - (b)	$ 2,742,188	$ 2,652,219	$ 2,476,360
Plan fiduciary net position as a percentage of the total OPEB liability	12.02%	11.18%	7.93%
Covered payroll	$ 1,323,453	$ 1,286,893	$ 1,263,110
Net OPEB liability as a percentage of covered-employee payroll	207.20%	206.09%	196.05%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

DENNIS WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	June 30		
	2022	2021	2020
Actuarially-determined contribution	$ 206,526	$ 199,951	$ 197,600
Contributions in relation to the actuarially-determined contribution	(182,691)	(172,684)	(105,197)
Contribution deficiency (excess)	$ 23,835	$ 27,267	$ 92,403
Covered-employee payroll	$ 1,323,453	$ 1,286,893	$ 1,263,110
Contribution as a percentage of covered payroll	13.80%	13.42%	8.33%

Valuation Date	July 1, 2020
Amortization Period	26 years
Investment rate of return	6.50%
Single Equivalent Discount Rate	6.50%
Inflation	3.25%
Healthcare cost trend rates	6.75% decreasing to 4.50%
Salary increases	3.25%
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value of Assets as of Reporting Date

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	June 30		
	2022	2021	2020
Annual money-weighted rate of return, net of investment expense	-8.32%	19.65%	0.00%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.