ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

LYNNFIELD CENTER
WATER DISTRICT
LYNNFIELD, MASSACHUSETTS

Report on Examination of the Basic
Financial Statements
and Additional Information Year Ended
June 30, 2021

LYNNFIELD CENTER WATER DISTRICT

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YEAR ENDED JUNE 30, 2021

RCA CPA
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
Lynnfield Center Water District
Lynnfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the activities of the Lynnfield Center Water District, (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of the District as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information 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 it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts

April 30, 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, 2021. 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 almost $7.0 million (*total net position*).
- The District's total net position increased by over $1.4 million.
- The District's total long-debt decreased by approximately $0.1 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, and 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:

	2021	2020
Assets		
Currrent and other assets	$ 2,600,957	$ 1,430,309
Capital assets, net	6,287,675	6,138,140
Total assets	8,888,632	7,568,449
Deferred Outflows of Resources	387,409	356,752
Liabilities		
Long-term liabilities	1,979,133	2,089,164
Other liabilities	130,660	152,437
Total liabilities	2,109,793	2,241,601
Deferred Inflows of Resources	190,862	154,436
Net Position		
Net investment in capital assets	5,597,675	5,333,140
Unrestricted	1,377,711	196,024
Net Position	$ 6,975,386	$ 5,529,164

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 almost $7.0 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. The increase over the prior year is due to normal capital activity less depreciation.

The remainder of the District's annual net position represents resources that may be used for any legal purpose of the District. A portion of this balance has been internally designated for various projects, however these are not subject to external restrictions and may be used for any lawful purpose upon a vote of the users of the District. The increase over the prior year is a result of user charges exceeding expenses.

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

	2021	2020
Revenues		
Program revenues:		
Charges for services	$ 2,321,410	$ 1,032,820
Property taxes	916,925	1,719,287
Capital grants and contributions	250,000	175,000
Other revenues	304,422	218,597
Total revenues	3,792,757	3,145,704
Expenses		
Maintenance and operations	1,229,475	1,169,440
Salaries	893,681	842,499
Depreciation	205,554	194,385
Interest expense	17,825	19,709
Total expenses	2,346,535	2,226,033
Increase (decrease) in net position	1,446,222	919,671
Net position, beginning of year	5,529,164	4,609,493
Net position, beginning of year, as restated	$ 6,975,386	$ 5,529,164

The District's total net position increased over $1.4 million versus $0.9 million in the prior year.

Charges for services comprised approximately 61.2% of total revenues. This increased significantly over the prior as the District allocated a larger portion of its revenues to user charges, and away from property taxes. The collateral consequence was a large reduction in the reliance on property taxes. The overall increase in the combined categories was primarily due to an increase in rates both at the tax level and user level.

The District also receives revenues from rental agreements it maintains with its cell tower companies. This caused an increase in other revenue as an additional $45,000 in lease payments came in under new agreements.

Maintenance and operations comprised approximately 52.4% of total expenses. Overall, this is fairly consistent with the prior year. Salaries make up 38.1% of total expenses, which is also consistent with the prior year. Both of these expense categories were consistent with expectations and made up the majority of the expenses.

Capital Asset and Debt Administration

Capital Assets – The District's investment in capital assets as of June 30, 2021 was approximately $6.3 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 almost $0.4 million in capital asset acquisitions and installations, a majority of which related to cyclical replacement of the system. About 60% of this was funded by a developer as the District took over developer constructed infrastructure.

Additional information on the District's capital assets can be found in the notes to this report.

Long-Term Debt – At the end of the current fiscal year, the District had about $0.7 million in total outstanding debt, which includes unamortized premium.

The District currently maintains a credit rating of AA. This represents one notch below Standard and Poor's highest grade of investment, and is commensurate with outstanding financial condition, effective management and demographics.

Additional information on the District's debt can be found in the notes to this report.

Economic Factors and Next Year's Budgets and Rates

In May 2021, the District's proposed budget was adopted by the users of the District. Assumptions in preparing the budget were as follows:

- Revenues would include approximately $1 million from property taxes and approximately $1.5 million from user charges and other related water services and $0.4 million from free cash.
- Expenses were appropriated at approximately $2.9 million, which included capital infrastructure and equipment.
- Free cash for fiscal 2022 was certified at $1.1 million.

These factors were considered in preparing the District's budget for the 2022 fiscal year which was adopted at the District's annual user meeting held in May 2021.

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 Lynnfield Center Water District, Office of the Treasurer, 83 Phillips Road, Lynnfield, Massachusetts, 01940.

LYNNFIELD CENTER WATER DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Business-Type Activities
	Enterprise Fund - Water Services
Assets:	
Current Assets:	
Cash and cash equivalents	$ 1,929,827
Receivables, net of allowance	
User charges	662,621
Property taxes	8,327
Other	182
Total Current Assets	2,600,957
Noncurrent assets:	
Capital assets, not being depreciated	1,296,907
Capital assets, net of accumulated depreciation	4,990,768
Total noncurrent assets	6,287,675
Total Assets	8,888,632
Deferred Outflows of Resources:	
Related to net pension liability	272,407
Related to net other postemployment benefits liability	115,002
Total deferred outflows	387,409
Liabilities:	
Current liabilities:	
Warrants, accounts payable and payroll	13,622
Other liabilities	2,038
Bonds and notes payable	115,000
Total current liabilities	130,660
Noncurrent liabilities:	
Bonds and notes payable	575,000
Net pension liability	1,308,328
Net other postemployment benefits liability	95,805
Total noncurrent liabilities	1,979,133
Total Liabilities	2,109,793
Deferred Inflows of Resources:	
Related to net pension liability	111,621
Related to net other postemployment benefits liability	79,241
Total deferred inflows	190,862
Net Position:	
Net investment capital assets	5,597,675
Unrestricted	1,377,711
Total Net Position	$ 6,975,386

See accompanying notes to basic financial statements.

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LYNNFIELD CENTER WATER DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	Business-Type Activities
	Enterprise Fund - Water Services
Operating Revenues:	
Water rate charges	$ 2,321,410
Property taxes	916,925
Other	53,644
Total Operating Revenues	3,291,979
Operating Expenses:	
Operating and maintenance costs	1,229,475
Salaries	893,681
Depreciation	205,554
Total Operating Expenses	2,328,710
Operating Income (Loss)	963,269
Nonoperating Revenues (Expenses):	
Intergovernmental	-
Interest income	172
Contributed by developer	250,000
Lease revenue	250,606
Interest expense	(17,825)
Total Nonoperating Revenues (Expenses)	482,953
Changes in Net Position	1,446,222
Total Net Position - Beginning	5,529,164
Total Net Position - Ending	$ 6,975,386

See accompanying notes to basic financial statements.

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LYNNFIELD CENTER WATER DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

	Business-Type Activities Enterprise Fund - Water Services
Cash Flows from Operating Activities:	
Receipts from users	$ 3,070,893
Payments to employees and vendors	(2,100,240)
Net Cash Provided by Operating Activities	970,653
Cash Flows from Capital and Related Financing Activities:	
Lease revenue	250,606
Acquisition and construction of capital assets	(139,044)
Principal payments on bonds and notes	(115,000)
Interest expense	(17,825)
Net Cash Used for Capital and Related Financing Activities	(21,263)
Cash Flows from Investing Activities:	
Interest income	172
Net Cash Provided by Investing Activities	172
Net Change in Cash and Cash Equivalents	949,562
Cash and Cash Equivalents:	
Beginning of year	980,265
End of year	$ 1,929,827
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:	
Operating income (loss)	$ 963,269
Depreciation expense	205,554
Construction in process written off	33,955
Changes in assets and liabilities:	
Receivables	(221,086)
Pension and OPEB	10,738
Accounts payable and accrued expenses	(21,777)
Net Cash Provided by (Used for) Operating Activities	$ 970,653

See accompanying notes to basic financial statements.

LYNNFIELD CENTER WATER DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

		Other Postemployment Benefits Trust Fund
Assets		
Cash and Equivalents	$	1,097
Equities		113,591
Fixed Income		132,736
Other		20,083
Total Assets		267,507
Net Position		
Held in trust for other postemployment benefits		267,507
Total Net Position	$	267,507

See accompanying notes to basic financial statements.

LYNNFIELD CENTER WATER DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2021

		Other Postemployment Benefits Trust Fund
Additions		
Contributions:		
Employer	$	37,537
Other		-
Total contributions		37,537
Investment income:		
Interest and dividends		45,033
Total Additions		82,570
Deductions		
Benefits paid		7,537
Total Deductions		7,537
CHANGE IN NET POSITION		75,033
NET POSITION AT BEGINNING OF YEAR		192,474
NET POSITION AT END OF YEAR	$	267,507

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 is a corporate body that manages the supply and distribution of drinking water to area residents and businesses.

The affairs of the District are administered by a Board of three Water Commissioners. All are elected by the registered voters of the District. The main office facilities are located at 83 Phillips Road Lynnfield, Massachusetts approximately 15 miles north of Boston in Essex County. The District is supplied with water from its wells which it stores in water tanks.

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:

<u>Basis of Presentation</u> – 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.

Taxes – 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

Deposits and Investments – 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.

Receivables – The District is supported by both water rates and real estate property taxes.

Water rates are established each year at the District's Annual Meeting. The Board of Commissioners has also been granted the authority to raise the water rates should additional revenues be needed to operate the District. Bills are sent to residential customers quarterly, staggered by District regions, throughout the year and are based on a standard meter size and consumption. Commercial customers are billed quarterly throughout the year; commercial rates fluctuate depending on the size of the meter installed. An annual usage amount is automatically charged to each residential dwelling or commercial entity, thereby allowing the District to collect a minimum amount from each user.

Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported.

Inventories and Prepaid Items – 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.

Capital Assets – 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 earned but unused vacation time. Vested accumulated vacation time is accrued at their current rate of pay and recorded as an expense and a liability in the District's financial statements. The amount was not material to the financial statements in the current year.

<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 and other postemployment liabilities. 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 later notes to the financial statements.

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 a deferred inflow related to its net pension and net other postemployment benefit liabilities, which will be recognized in pension and benefits expense in future years as more fully described in later notes to the financial statements.

<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. None of the net position has been restricted.

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.

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 $1,838,093 and the bank balance was $1,923,994. All the District's bank balances were insured by either federal depository insurance corporation or by collateralization agreements as of June 30, 2021.

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 of bankruptcy, 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 $91,734 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		
	Amount	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Bond mutual funds	$ 114,071	$ -	$ 114,071	$ -
Total debt securities	114,071	-	114,071	-
Equity securities:				
Equity mutual funds	152,109	152,109	-	-
Total equity securities	152,109	152,109	-	-
Total investments by fair value level	266,180	$ 152,109	$ 114,071	$ -
Investments measured at amortized cost				
State Treasurer investment pool (MMDT)	91,734			
Total investments measured at fair value	$ 357,914			

<u>Interest Rate Risk: Deposits</u> – 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. The District does not hold any investments with maturities.

<u>Concentration of Credit Risk</u> – 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 four separate banking institutions.

Credit risk - is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in following table. Equity securities are not rated as to credit risk. The District does not have an investment policy which limits the overall portfolio allocation but is not specific as to limit investment choices to certain ratings. Currently none of the District's securities are rated.

B. Receivables

Receivables of the District as of June 30, 2021, are as follows:

Revenue Classifications	Amount
Water rates	$ 662,621
Property taxes	8,327
Other fees	182
Gross receivables	671,130
Allowance for uncollectible accounts	-
Net receivables	$ 671,130

C. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,215,184	$ -	$ -	$ 1,215,184
Construction in progress	33,953	81,723	(33,953)	81,723
Total capital assets not being depreciated	1,249,137	81,723	(33,953)	1,296,907
Capital assets being depreciated:				
Buildings and improvements	1,692,973	-	-	1,692,973
Infrastructure	6,904,982	293,111	-	7,198,093
Machinery and equipment	436,705	14,210	-	450,915
Vehicles	171,887	-	(37,937)	133,950
Total capital assets being depreciated	9,206,547	307,321	(37,937)	9,475,931
Less accumulated depreciation for:				
Buildings and improvements	(982,860)	(44,896)	-	(1,027,756)
Infrastructure	(2,923,918)	(123,018)	-	(3,046,936)
Machinery and equipment	(296,630)	(24,807)	-	(321,437)
Vehicles	(114,137)	(12,834)	37,937	(89,034)
Total accumulated depreciation	(4,317,545)	(205,555)	37,937	(4,485,163)
Total capital assets being depreciated, net	4,889,002	101,766	-	4,990,768
Total capital assets, net	$ 6,138,139	$ 183,489	$ (33,953)	$ 6,287,675

Total depreciation expense was charged to operations was as follows:

Water operations	$ 205,554

D. Temporary Debt

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

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

<u>*Capital Projects and Other Approved Costs*</u> – 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. There were no temporary notes outstanding during the year ended June 30, 2021.

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	$ 805,000	$ -	$ (115,000)	$ 690,000	$ 115,000
Net pension liability	1,221,441	214,151	(127,264)	1,308,328	-
Net other postemployment benefits liability	177,723	-	(81,918)	95,805	-
Total	$ 2,204,164	$ 214,151	$ (324,182)	$ 2,094,133	$ 115,000

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2021:

Debt Description	Maturing Fiscal Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
GO Bond	2027	3 - 4%	$ 805,000	$ -	$ (115,000)	$ 690,000

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

	Principal		Interest		
Years	GOB	Total	GOB	Total	Total Debt
2022	$ 115,000	$ 115,000	$ 15,524	$ 15,524	$ 130,524
2023	115,000	115,000	13,226	13,226	128,226
2024	115,000	115,000	10,924	10,924	125,924
2025	115,000	115,000	8,338	8,338	123,338
2026	115,000	115,000	5,750	5,750	120,750
2027	115,000	115,000	2,874	2,874	117,874
Totals	$ 690,000	$ 690,000	$ 56,636	$ 56,636	$ 746,636

The District maintains authorized and unissued debt of approximately $11.1million purposed to fund its long-term capital improvement program. In July 2021, subsequent to year-end, the District issued approximately $3.4 million of short-term notes related to this authorization.

III. Other Information

A. Retirement System

Plan Description – The District contributes to the Essex Regional Retirement System (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 Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2020 were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the System as of December 31, 2020, was as follows:

Retired participants and beneficiaries receiving benefits	1,510
Inactive participants entitled to a return of their employee contributions	1,146
Active members	2,420
Total	5,076

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 $127,264 to the System in fiscal year 2021, which was the actuarially determined contribution requirement for the fiscal year. The District's contributions as a percentage of covered payroll was approximately18.4% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the District reported a liability of $1,308,328 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. These figures were updated by the independent actuary as of December 31, 2020. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

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 1.908% at December 31, 2020.

Pension Expense – The District recognized $142,260 in pension expense in the statement of activities in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, 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	-	97,340
Changes in assumptions	87,525	-
Changes in proportion differences	184,739	-
Differences between expected and actual experience	143	1,122
Changes in proportion differences	-	13,159
	$ 272,407	$ 111,621

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
2022	$ 61,829
2023	60,096
2024	22,656
2025	16,205
Total	$ 160,786

Discount Rate – The discount rate used to measure the total pension liability was 7.30%. 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.

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, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

Investment rate of return	Full prefunding: 7.3% per year, net of investment expenses
Discount Rate	7.30%
Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Cost of Living Adjustment	2% of first $14,000 in 2021 and 3% of first $14,000 thereafter
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP 2019
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortaility Table projected generationally with Scale MP 2019
Disabled Mortality	RP-2014 Healthy Annuitant Mortaility Table set forward two years projected generationally with Scale MP 2019

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	23.10%	6.40%
International Equity	14.40%	6.60%
International Emerging Markets	5.80%	8.40%
Core fixed income	15.80%	2.70%
High Yield Fixed Income	7.40%	6.20%
Real Estate	8.30%	6.00%
Timberland	3.30%	6.60%
Hedge Fund, GTAA, Risk Parity	8.80%	5.20%
Liquidating portfolios	0.10%	0.00%
Overlay	0.60%	0.00%
Private Equity	12.40%	10.20%
	100.00%	

Sensitivity Analysis – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.30% as well as the District's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.30%) or one percentage point higher (8.30%) than the current rate:

		Discount Rate		
	Current Rate	1% lower	Current	1% greater
Net Pension Liability	7.30%	$ 1,675,260	$ 1,308,328	$ 999,918

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, its 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") that provides health, dental and life insurance benefits (other postemployment benefits) to retirees and their dependents/beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

An employee shall become eligible to retire under this plan upon the completion of 10 years of creditable service and the attainment of age 55 as an active member or with 20 years of service regardless of age.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and District ordinance. All benefits are provided through the District's premium-based insurance programs, and these include comprehensive medical insurance. Pre-65 retirees are provided with HMO Blue New England Plan and Post 65 retirees have Medex II.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2021:

Active employees	7
Inactives currently receiving benefits	4
Total	11

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	6.50%
Single Equivalent Discount Rate	6.50%
Inflation	2.20%
Health Care Trend Rate	7.0%; trending down to 5.4%
Pre-Retirement Mortality	RP-2014 Employees Mortality Table base year 2019 projected with generational mortality improvement using Scale BB
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table base year 2019 projected with generational mortality improvement using Scale BB

Key Changes in Assumptions – Discount rate was increased from 5.8% to 6.5%

Contributions – The contribution requirements of OPEB Plan members and the District are established and may be amended by the District. Retirees contributed 50% of the set premium for medical insurance during fiscal 2021. The remainder of the cost is funded from taxation.

The District currently contributes enough money to the Plan to maintain over 80% funding status. The costs of administering the OPEB Plan are paid by the District.

For the year ended June 30, 2021, the District's average contribution rate was 11.1% of covered-employee payroll.

Net OPEB Liability – The District's net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2019.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.5% which was based on the long-term investment rate of return.

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	Target Allocation	Expected Investment Rate of Return
Domestic Equity	34.00%	5.34%
International Equity	22.00%	6.10%
Domestic Bond	20.00%	1.62%
International Bond	4.00%	1.26%
Alternatives	20.00%	4.21%
Cash	0.00%	0.00%
	100.00%	

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 1.0% lower or 1.0% 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:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability (asset)	6.50%	$ 156,399	$ 95,805	$ 48,029

	Health Care Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability (asset)	7.0% trending to 4.0%	$ 37,428	$ 95,805	$ 172,844

Changes in the Net OPEB Liability (Asset) – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2021:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances at June 30, 2020	$ 370,197	$ 192,474	$ 177,723
Changes for the year:			
Service cost	17,250	-	$ 17,250
Interest	22,253	-	22,253
Changes in assumptions	(38,851)	-	(38,851)
Difference between expected and actual experience	-	-	-
Employer contributions	-	37,537	(37,537)
Benefit payments withdrawn from trust	-	(7,537)	7,537
Net investment income	-	45,033	(45,033)
Benefit payments	(7,537)	-	(7,537)
Net changes	(6,885)	75,033	(81,918)
Balances at June 30, 2021	$ 363,312	$ 267,507	$ 95,805

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the District recognized OPEB expense of $32,919. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 63,682	$ 34,176
Differences between actual and expected experience	49,007	17,969
Differences between expected and actual earnings	2,313	27,096
	$ 115,002	$ 79,241

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,	
2022	$ 4,580
2023	3,945
2024	3,505
2025	3,239
2026	11,378
thereafter	9,114
	$ 35,761

Net OPEB Liability – The components of the net OPEB liability of the District at June 30, 2021 were as follows:

Total OPEB Liability	$ 363,312
Plan fiduciary net position	(267,507)
Net OPEB liability	$ 95,805
Plan fiduciary net position as a percentage of the total OPEB liability	73.6%

Investment Custody – In accordance with Massachusetts General Laws, the District Treasurer is the custodian of the OPEB Plan and since the District has not designated a Board of Trustees, the District Treasurer is also 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, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 23.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Implementation of New GASB Pronouncements

Current Year Implementations –

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. As amended, the provisions of this Statement became effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The adoption of this standard did not have an impact on the District's financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. As amended, the provisions of this Statement became effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The adoption of this standard did not have an impact on the District's financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement was to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. This Statement eliminates the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt for reporting periods after December 31, 2021. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2020 (fiscal year 2021). The adoption of this standard did not have an impact on the District's financial statements.

Future Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The District is currently evaluating whether adoption will have a material impact on the financial statements.

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 issues 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 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 is 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 (IRC) 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 are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The District is currently evaluating whether adoption will have a material impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2021

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

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Districts's proportion of the net pension liability (asset)	0.330%	0.290%	0.280%	0.269%	0.239%	0.339%	0.319%
Districts's proportionate share of the net pension liability (asset)	$ 1,308,328	$ 1,221,441	$ 1,182,017	$ 1,013,969	$ 921,596	$ 1,229,513	$ 1,081,212
District's covered-employee payroll	$ 691,876	$ 669,540	$ 379,260	$ 362,590	$ 327,435	$ 430,641	$ 413,901
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	189.1%	182.4%	311.7%	279.6%	281.5%	285.5%	261.2%
Plan fiduciary net position as a percentage of the total pension liability	59.7%	55.5%	51.9%	55.4%	51.1%	51.0%	52.3%

SCHEDULE OF THE DISTRICT CONTRIBUTIONS TO PENSION PLAN

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 127,264	$ 104,123	$ 93,500	$ 83,902	$ 69,306	$ 92,967	$ 81,665
Contributions in relation to the actuarially determined contribution	(127,264)	(104,123)	(93,500)	(83,902)	(69,306)	(92,967)	(81,665)
Contribution deficiency (excess)	$ 254,528	$ 208,246	$ 187,000	$ 167,804	$ 138,612	$ 185,934	$ 163,330
District's covered-employee payroll	$ 691,876	$ 669,540	$ 379,260	$ 362,590	$ 327,435	$ 430,641	$ 413,901
Contributions as a percentage of covered-employee payroll	18.4%	15.6%	24.7%	23.1%	21.2%	21.6%	19.7%

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.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2021

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

	June 30				
	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	$ 17,250	$ 8,646	$ 6,800	$ 4,740	$ 4,558
Interest	22,253	16,744	15,489	16,491	17,007
Difference between expected and actual experience	-	64,541	-	(34,161)	-
Changes in assumptions	(38,851)	53,728	24,398	13,611	-
Other	-	(9,381)	-	-	-
Benefit payments	(7,537)	(6,998)	(6,974)	(25,247)	(31,985)
Net change in total OPEB liability	(6,885)	127,280	39,713	(24,566)	(10,420)
Total OPEB liability - beginning of year	370,197	242,917	203,204	227,770	238,190
Total OPEB liability - end of year (a)	$ 363,312	$ 370,197	$ 242,917	$ 203,204	$ 227,770
Plan fiduciary net position:					
Contributions - employer	$ 37,537	$ 36,998	$ 35,974	$ 45,247	$ 54,377
Net investment income	45,033	9,487	6,605	3,849	3,988
Benefit payments	(7,537)	(6,998)	(6,974)	(25,247)	(31,985)
Plan fiduciary net position - beginning of year	192,474	152,987	117,382	93,533	67,153
Plan fiduciary net position - end of year (b)	$ 267,507	$ 192,474	$ 152,987	$ 117,382	$ 93,533
Net OPEB liability (asset) - end of year (a) - (b)	$ 95,805	$ 177,723	$ 89,930	$ 85,822	$ 134,237
Plan fiduciary net position as a percentage of the total OPEB liability	73.63%	51.99%	62.98%	57.77%	41.06%
Covered-employee payroll	$ 864,241	$ 813,725	$ 665,185	$ 713,838	$ 619,743
Net OPEB liability/(asset) as a percentage of covered-employee payroll	11.09%	21.84%	13.52%	12.02%	21.66%

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.

See independent auditors' report.

LYNNFIELD CENTER WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2021

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	June 30				
	2021	2020	2019	2018	2017
Actuarially-determined contribution	$ 30,887	$ 16,293	$ 14,575	$ 16,458	$ 26,138
Contributions in relation to the actuarially-determined contribution	(37,537)	(36,998)	(35,974)	(45,247)	(54,377)
Contribution deficiency (excess)	$ (6,650)	$ (20,705)	$ (21,399)	$ (28,789)	$ (28,239)
Covered-employee payroll	$ 864,241	$ 813,725	$ 665,185	$ 713,838	$ 619,743
Contribution as a percentage of covered-employee payroll	4.34%	4.55%	5.41%	6.34%	8.77%

Valuation Date	July 1, 2019
Amortization Period	30 years
Investment rate of return	6.50%
Single Equivalent Discount Rate	5.80%
Inflation	2.20%
Healthcare cost trend rates	7.0% to 5.4%
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				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	23.40%	5.92%	5.63%	4.12%	5.94%

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.