



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

CHELMSFORD WATER DISTRICT

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2023

CHELMSFORD WATER DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements	9
Proprietary Funds - Statement of Net Position	10
Proprietary Funds - Statement of Revenues, Expenses and Changes in Net Position.....	11
Proprietary Funds – Statement of Cash Flows.....	12
Fiduciary Funds – Statement of Fiduciary Net Position.....	13
Fiduciary Funds – Statement of Changes in Fiduciary Net Position	14
Notes to Basic Financial Statements	15
Required Supplementary Information.....	34
Pension Plan Schedules	35
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)	36
Schedule of the District's Contributions	37
Other Postemployment Benefit Plan Schedules.....	38
Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios	39
Schedule of the District's Contributions	40
Schedule of Investment Returns	41
Notes to Required Supplementary Information.....	42
Combining Schedules.....	44
Combining Schedule of Net Position	46
Combining Schedule of Revenues, Expenses and Changes in Net Position.....	47
Additional Information	48
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual	50
Schedule of Revenues, Expenditures and Changes in Fund Balance – Debt Service Fund – Budget and Actual ..	51
Schedule of Reserve for Capital Projects	52
Notes to Additional Information.....	53
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	55



Independent Auditor's Report

To the Board of Commissioners
Chelmsford Water District
Chelmsford, Massachusetts

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Chelmsford Water District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Chelmsford Water 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 business-type activities and the aggregate remaining fund information of the Chelmsford Water District, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Chelmsford Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 Chelmsford Water 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government 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 and *Government 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 Chelmsford Water 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 Chelmsford Water 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 and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedules and additional information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules and additional information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023, on our consideration of the Chelmsford Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Chelmsford Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chelmsford Water District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

September 18, 2023

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Chelmsford Water District (the District), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. These basic financial statements include the single purpose business-type activity statements, the fiduciary fund statements and the notes to the financial statements.

The District's *business-type activities* account for all operating, capital and debt service activities.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the District's own programs.

The *other postemployment benefits (OPEB) trust fund* is used to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information, combining schedules and additional information*. A schedule of the District's proportionate share of the net pension liability/(asset) and a schedule of contributions have been provided to show multi-year trend information on the District's net pension liability/(asset) in relation to the Middlesex County Retirement System. A schedule of changes in the District's net other postemployment benefit liability/(asset) and related ratios has been provided to show the components of changes in the District's net other postemployment liability/(asset). Also, combining schedules have been provided to show the impact of the combining of the District's operating funds with the long-term liabilities and assets to total the full-accrual financial statements. Also, budgetary comparison schedules have been provided for the general fund and debt service fund to demonstrate compliance with the District's annual appropriated budget; and a schedule of reserve for capital projects has been provided to show the activity of the individual projects included in the basic financial statements.

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42.8 million at the close of year 2023. This represents an increase of \$2.4 million from the prior year.

The following table demonstrates the District's net position at June 30, 2023 and 2022:

	2023	2022
Assets:		
Current assets.....	\$ 12,609,858	\$ 10,822,994
Noncurrent assets (excluding capital).....	-	1,005,744
Capital assets, net of accumulated depreciation....	33,439,476	33,531,587
Total assets.....	46,049,334	45,360,325
Deferred outflows of resources.....	2,004,151	912,652
Liabilities:		
Current liabilities (excluding debt).....	67,062	41,905
Noncurrent liabilities (excluding debt).....	1,590,817	851,419
Current debt.....	932,488	937,141
Noncurrent debt.....	1,701,042	2,633,530
Total liabilities.....	4,291,409	4,463,995
Deferred inflows of resources.....	942,502	1,367,440
Net position:		
Net investment in capital assets.....	30,830,108	29,994,742
Unrestricted.....	11,989,466	10,446,800
Total net position.....	\$ 42,819,574	\$ 40,441,542

The largest portion of net position, \$30.8 million, reflects the District's investment in capital assets (e.g., land and improvements, vehicles and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its members; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net position* has a year-end balance of \$12.0 million.

The table on the following page demonstrates the changes in revenues and expenses between 2023 and 2022.

	2023	2022
Operating revenues:		
Water rates and services.....	\$ 7,357,829	\$ 5,569,388
Bond debt fee receipts.....	597,411	1,086,353
Total operating revenues.....	7,955,240	6,655,741
Operating expenses:		
Salaries and wages.....	1,830,864	1,802,498
Compensated absences expense.....	663	(12,000) (A)
Other postemployment benefits expense.....	127,272	747,197
Depreciation.....	1,339,325	1,346,792
Equipment and building.....	283,177	276,050
Fuel, light, and power.....	197,478	169,298
Group insurance.....	558,060	505,471
FICA/Medicare tax.....	23,531	22,083
System maintenance reserve expense.....	155,722	129,683
Riveneck Road plant operations.....	198,336	172,317
Crooked Spring plant operations.....	156,215	156,700
Smith Street plant operations.....	89,491	104,252
General insurance.....	105,446	97,113
Water treatment.....	-	496
Middlesex Retirement expense.....	287,676	(275,517) (B)
Trucks, backhoe, and machinery.....	71,927	80,838
Printing advertising stationary.....	46,193	33,765
New service and repairs.....	38,595	22,208
Laboratory testing.....	63,610	59,876
Consulting and engineering.....	17,229	53,911
Office equipment maintenance.....	35,057	50,551
Professional fees.....	57,348	59,091
Telephone and radio.....	16,489	15,989
Consumer outreach.....	8,559	10,310
Police hire.....	26,615	15,771
Dues, licenses, and certificates.....	13,196	13,997
D.E.P. Clean water assessment.....	8,295	7,731
Miscellaneous equipment.....	4,830	4,973
Unemployment compensation.....	2,611	3,007
Administration miscellaneous and transportation.....	1,212	1,061
Water main extensions.....	69,268	41,196
Grant expenses - consulting and engineering.....	-	24,061
Total operating expenses.....	5,834,290	5,740,769
 Operating income (loss).....	 2,120,950	 914,972
Nonoperating revenues (expenses):		
Investment income (loss).....	284,299	(22,695)
Interest and fees expense.....	(62,256)	(95,768)
State grant revenue.....	35,039	196,266
Total nonoperating revenues (expenses).....	257,082	77,803
 Change in net position.....	 2,378,032	 992,775
 Net position, beginning of year.....	 40,441,542	 39,448,767
 Net position, end of year.....	 \$ 42,819,574	 \$ 40,441,542

(A) Represents a decrease in the estimated compensated absences liability.

(B) Represents a decrease in the estimated net pension liability/asset.

The District's net position increased by \$2.4 million over the prior year. This increase in net position was primarily due to net income from operations totaling \$2.1 million, which includes the changes in the District's net pension and net other postemployment benefit liabilities/assets, as well as investment income totaling \$284,000.

Budgetary Highlights

The District's annual budget is a legally adopted budget that is approved at the Annual District Meeting. The Annual District Meeting authorized appropriations of \$4.7 million for general fund operations and \$1.0 million for debt service. At the following Annual District Meeting, the District voted \$1.8 million from available funds for capital projects.

For the general fund, actual revenues exceeded the final budget by \$3.0 million. Actual expenditures came in under budget by \$440,000. For the debt service fund, actual revenues were less than the final budget by \$400,000.

Capital Asset and Debt Administration

In 2023, the District had \$1.2 million in capital asset additions, mainly consisting of land and infrastructure. The District also recorded depreciation expense totaling \$1.3 million.

The District has \$2.6 million in long-term debt outstanding at June 30, 2023, and current year debt principal payments totaled approximately \$937,000.

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 requests for additional financial information should be addressed to the District at 20 Watershed Lane, Chelmsford, MA, 01824.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-Type Activities
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 6,924,283
Investments.....	3,520,250
Receivables, net of allowance for uncollectibles:	
Billed user charges.....	537,037
Unbilled user charges.....	1,628,288
Total current assets.....	12,609,858
NONCURRENT:	
Capital assets, non depreciable.....	1,669,949
Capital assets, net of accumulated depreciation.....	31,769,527
Total noncurrent assets.....	33,439,476
TOTAL ASSETS.....	46,049,334
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding.....	24,162
Deferred outflows related to pensions.....	1,563,835
Deferred outflows related to other postemployment benefits.....	416,154
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	2,004,151
LIABILITIES	
CURRENT:	
Accrued interest.....	15,283
Other liabilities.....	3,779
Compensated absences.....	48,000
Bonds payable.....	932,488
Total current liabilities.....	999,550
NONCURRENT:	
Compensated absences.....	71,000
Net pension liability.....	819,895
Net other postemployment benefits liability.....	699,922
Bonds payable.....	1,701,042
Total noncurrent liabilities.....	3,291,859
TOTAL LIABILITIES.....	4,291,409
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions.....	748,490
Deferred inflows related to other postemployment benefits.....	194,012
TOTAL DEFERRED INFLOWS OF RESOURCES.....	942,502
NET POSITION	
Net investment in capital assets.....	30,830,108
Unrestricted.....	11,989,466
TOTAL NET POSITION.....	\$ 42,819,574

See notes to basic financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	Business-Type Activities
<u>OPERATING REVENUES:</u>	
Water rates and other services.....	\$ 7,357,829
Bond debt fee receipts.....	597,411
TOTAL OPERATING REVENUES	7,955,240
<u>OPERATING EXPENSES:</u>	
Salaries and wages.....	1,830,864
Compensated absences expense.....	663
Other postemployment benefits expense.....	127,272
Depreciation.....	1,339,325
Equipment and building.....	283,177
Fuel, light, and power.....	197,478
Group insurance.....	558,060
FICA/Medicare tax.....	23,531
System maintenance reserve expense.....	155,722
Riverneck Road plant operations.....	198,336
Crooked Spring plant operations.....	156,215
Smith Street plant operations.....	89,491
General insurance.....	105,446
Middlesex Retirement expense.....	287,676
Trucks, backhoe, and machinery.....	71,927
Printing advertising stationary.....	46,193
New service and repairs.....	38,595
Laboratory testing.....	63,610
Consulting and engineering.....	17,229
Office equipment maintenance.....	35,057
Professional fees.....	57,348
Telephone and radio.....	16,489
Consumer outreach.....	8,559
Police hire.....	26,615
Dues, licenses, and certificates.....	13,196
D.E.P. Clean water assessment.....	8,295
Miscellaneous equipment.....	4,830
Unemployment compensation.....	2,611
Administration miscellaneous. and transportation.....	1,212
Water main extensions.....	69,268
TOTAL OPERATING EXPENSES.....	5,834,290
OPERATING INCOME.....	2,120,950
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	284,299
Interest and fees expense.....	(62,256)
State grant revenue.....	35,039
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	257,082
CHANGE IN NET POSITION.....	2,378,032
NET POSITION AT BEGINNING OF YEAR.....	40,441,542
NET POSITION AT END OF YEAR.....	\$ 42,819,574

See notes to basic financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

	Business-type Activities
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 7,407,720
Payments to vendors.....	(2,320,516)
Payments to employees.....	(1,903,864)
NET CASH FROM OPERATING ACTIVITIES.....	3,183,340
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Acquisition and construction of capital assets.....	(1,247,214)
Principal payments on bonds and notes.....	(937,141)
Interest expense.....	(78,979)
State grant revenue.....	35,039
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,228,295)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Net (purchase)/sale of investments.....	(491,950)
Investment income.....	284,299
NET CASH FROM INVESTING ACTIVITIES.....	(207,651)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	747,394
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,176,889
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 6,924,283
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income	\$ 2,120,950
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	1,339,325
Deferred loss on refunding.....	9,664
Deferred (outflows)/inflows related to pensions.....	(1,612,870)
Deferred (outflows)/inflows related to other postemployment benefits.....	86,769
Changes in assets and liabilities:	
Billed user charges receivables.....	(21,248)
Unbilled user charges receivables.....	(526,272)
Other liabilities.....	(6,120)
Compensated absences.....	(73,000)
Net pension liability/asset.....	1,825,639
Net other postemployment benefits liability/asset.....	40,503
Total adjustments.....	1,062,390
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,183,340

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Other Postemployment Benefit Trust Fund
ASSETS	
Cash and cash equivalents.....	\$ 29,064
Investments:	
Equity securities.....	776,039
Equity mutual funds.....	381,620
Real estate investments.....	<u>13,575</u>
TOTAL ASSETS	<u>1,200,298</u>
NET POSITION	
Restricted for other postemployment benefits.....	<u>\$ 1,200,298</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions for other postemployment benefit payments.... \$	86,699
Net investment income:	
Investment income.....	137,641
TOTAL ADDITIONS.....	224,340
<u>DEDUCTIONS:</u>	
Direct postemployment benefit payments.....	82,655
Other postemployment benefit payments.....	86,699
TOTAL DEDUCTIONS.....	169,354
NET INCREASE (DECREASE) IN NET POSITION.....	54,986
NET POSITION AT BEGINNING OF YEAR.....	1,145,312
NET POSITION AT END OF YEAR..... \$	1,200,298

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Chelmsford Water District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant District accounting policies are described herein.

A. Reporting Entity

The District is a municipality incorporated in the Commonwealth of Massachusetts to provide water and related services to the residents and businesses of the Town of Chelmsford. The District is a separate municipality, distinct from the Town of Chelmsford. The basic operations of the District are financed by water rate user charges and other service charges. The District's financial statements include the accounts of all District operations. Inhabitants of the Town of Chelmsford, who reside within District boundaries and who are qualified to vote in elections and Town affairs are eligible to vote on matters concerning the District and to act on District articles.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and institutions. The District has also considered all potential Component Units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the basic financial statements to be misleading or incomplete. There are no component units that require inclusion in the basic financial statements.

B. Government Wide and Fund Financial Statements***Government Wide Financial Statements***

The District engages only in business-type and fiduciary activities. Accordingly, the proprietary fund and entity-wide financial statements use the same basis of accounting and are therefore reported as the proprietary fund statement of net position and statement of revenues, expenses, and changes in net position.

There are no differences to be reported between the proprietary fund financial statements and the government wide financial statements.

Fund Financial Statements

Separate financial statements are provided for both proprietary and fiduciary funds.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation***Government Wide Financial Statements***

The government wide financial statements (i.e. proprietary fund statement of net position and statement of revenues, expenses and changes in net position) report all non-fiduciary activities of the primary government. There are no differences to be reported between the proprietary fund financial statements and the government wide financial statements.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principle ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Financial Statements

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the business-type programs.

The *other postemployment benefits (OPEB) trust fund* is used to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

D. Cash and Investments

Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Fair Value Measurements

The District reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the District's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the proprietary funds financial statements and the fiduciary funds financial statements are reported under the accrual basis of accounting.

User Charges

Water usage is charged to all commercial and residential users based on consumption. The District issues bills monthly and on a rotating basis based on location, with rotations resulting in a quarterly billings for both commercial and residential users. Charges are based on a flat fee per usage up to a stated gallon total and are billed in an increasing block rate for overages based on gallon consumption. The District also charges for other services, which consist of new installations, repairs and updates to services, cross connections, and rentals.

Bond Debt Repayment Fees

Bond debt repayment fees are billed to all commercial and residential users based on the size of the service meter, regardless of water usage, and at a separate rate for commercial and residential consumers. These fees are billed in addition to the water usage billings. The receipts are used to pay principal, interest, and related fees on the District's long-term debt, which is issued to fund capital projects and capital acquisitions. There were no receivables for bond debt repayment fees reported at June 30, 2023.

G. Inventories

Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the fund financial statements, and therefore are not reported.

H. Capital Assets

Proprietary Fund Financial Statements

Capital assets, which include land, buildings, vehicles and equipment, and infrastructure, are reported in the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost,

if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All capital purchases and construction costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. The District does not have a minimum capital threshold.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Buildings.....	25-50
Vehicles and equipment.....	5-20
Infrastructure.....	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

I. Deferred Outflows/Inflows of Resources

Proprietary Fund Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets 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 reported deferred outflows of resources related to OPEB, pensions, and a deferred loss on refunding in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has reported deferred inflows of resources related to OPEB and pensions in this category.

J. Net Position

Proprietary Fund Financial Statements (Net Position)

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

K. Pensions

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Middlesex County Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Long-term Debt*Proprietary Fund Financial Statements*

Long-term debt is reported as a liability in the proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

M. Investment Income

Investment income derived from business-type activities is recorded in the respective fund.

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on state laws and executive policies.

Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

O. 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 expenditures/expenses during the year. Actual results could vary from estimates that were used.

NOTE 2 – CASH 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 statement of net position as "Cash and cash equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (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. At year-end, the carrying amount of deposits totaled \$6,953,347 and the bank balance totaled \$7,191,966. Of the bank balance, \$250,000 was covered by Federal Depository Insurance, \$100,781 was collateralized, and \$6,841,085 is cash sweep insured, and \$100 is in an uncollateralized account.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy related to interest rate risk.

As of June 30, 2023, the District had the following investments and maturities:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 476,547	\$ 342,073	\$ 93,380	\$ 41,094
Corporate bonds.....	290,878	24,782	184,717	81,379
Municipal bonds.....	29,423	29,423	-	-
Bond mutual funds.....	381,620	-	-	381,620
Total debt securities.....	1,178,468	\$ 396,278	\$ 278,097	\$ 504,093
<u>Other investments:</u>				
Equity securities.....	3,010,720			
Equity mutual funds.....	447,591			
Fixed income.....	41,130			
Real estate investments.....	13,575			
Total investments.....	\$ 4,691,484			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District does not have a formal investment policy related to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investments in U.S. Treasury Notes totaled \$476,547, and at June 30, 2023, the District's \$290,878 investments in Corporate Bonds, \$29,423 in Municipal Bonds and \$381,620 in Bond Mutual Funds were rated as follows:

Quality Rating	Corporate Bonds	Municipal Bonds	Bond Mutual Funds
AAA.....	\$ -	\$ 29,423	\$ -
A+.....	23,794	-	-
A.....	45,997	-	-
A-.....	178,726	-	-
BBB+.....	19,575	-	-
BBB-.....	22,786	-	-
Not Rated.....	-	-	381,620
Total.....	\$ 290,878	\$ 29,423	\$ 381,620

Concentration of Credit Risk

A concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal policy related to the concentration of credit risk. The District did not have any investments that exceeded 5% of the total investments.

Fair Value of Investments

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 determines 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.

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 the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 476,547	\$ 476,547	\$ -	\$ -
Corporate bonds.....	290,878	-	290,878	-
Municipal bonds.....	29,423	29,423	-	-
Bond mutual funds.....	381,620	381,620	-	-
Total debt securities.....	1,178,468	887,590	290,878	-
<u>Other investments:</u>				
Equity securities.....	3,010,720	3,010,720	-	-
Equity mutual funds.....	447,591	447,591	-	-
Fixed income.....	41,130	41,130	-	-
Real estate investments.....	13,575	13,575	-	-
Total other investments.....	3,513,016	3,513,016	-	-
Total investments measured at fair value.....	\$ 4,691,484	\$ 4,400,606	\$ 290,878	\$ -

U.S. treasury notes, bond mutual funds, equity securities, equity mutual funds, fixed income and municipal bonds, classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship benchmark quoted price.

NOTE 3 – RECEIVABLES

At June 30, 2023, the following receivables are all considered to be collectible:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Billed user charges.....	\$ 537,037	\$ -	\$ 537,037
Unbilled user charges.....	1,628,288	-	1,628,288
Total.....	\$ 2,165,325	\$ -	\$ 2,165,325

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,660,984	\$ 8,965	-	\$ 1,669,949
<u>Capital assets being depreciated:</u>				
Vehicles and equipment.....	2,646,910	-	-	2,646,910
Buildings.....	855,221	-	-	855,221
Infrastructure.....	52,935,674	1,238,249	-	54,173,923
Total capital assets being depreciated.....	56,437,805	1,238,249	-	57,676,054
<u>Less accumulated depreciation for:</u>				
Vehicles and equipment.....	(1,355,762)	(155,200)	-	(1,510,962)
Buildings.....	(333,527)	(25,416)	-	(358,943)
Infrastructure.....	(22,877,913)	(1,158,709)	-	(24,036,622)
Total accumulated depreciation.....	(24,567,202)	(1,339,325)	-	(25,906,527)
Total capital assets being depreciated, net.....	31,870,603	(101,076)	-	31,769,527
Total capital assets, net.....	\$ 33,531,587	\$ (92,111)	\$ -	\$ 33,439,476

NOTE 5 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue notes (RANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. The District did not have any short-term debt activity during 2023.

NOTE 6 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation.

Details related to the outstanding indebtedness at June 30, 2023, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
General Obligations:				
GOB Refunding Bonds of 2015.....	2027	\$ 6,020,000	3.00	\$ <u>2,240,000</u>
From Direct Borrowings and Placements:				
MWPAT Loan DW-02-05.....	2024	4,518,373	0.00	340,000
MWPAT Loan DW-02-05A.....	2026	277,887	2.00	<u>53,530</u>
Total from direct borrowings and placements.....				<u>393,530</u>
Total Bonds Payable.....				\$ <u><u>2,633,530</u></u>

Debt service requirements for principal and interest for business-type bonds payable in future years are as follows:

Year	General Obligation Bonds		Direct Borrowings and Placements		Total
	Principal	Interest	Principal	Interest	
2024.....	\$ 575,000	\$ 67,200	\$ 357,488	\$ 895	\$ 1,000,583
2025.....	565,000	49,950	17,841	542	633,333
2026.....	560,000	33,000	18,201	182	611,383
2027.....	540,000	16,200	-	-	556,200
Total.....	\$ <u>2,240,000</u>	\$ <u>166,350</u>	\$ <u>393,530</u>	\$ <u>1,619</u>	\$ <u>2,801,499</u>

The District has \$340,000 in an interest-free loan outstanding with the Massachusetts Water Pollution Abatement Trust (MWPAT). The imputed interest on this loan is immaterial and has not been recognized by the District.

At June 30, 2023, the District had authorized and unissued debt totaling \$700,000 and \$1,280,000 related to the Booster Station and the Treatment Plant, respectively.

Changes in Long-term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds Issued	Bonds Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
General Obligation Bonds.....	\$ 2,825,000	\$ -	\$ (585,000)	\$ -	\$ -	\$ 2,240,000	\$ 575,000
Direct Borrowings and Placements...	745,671	-	(352,141)	-	-	393,530	357,488
Total Long-term bonds payable.....	3,570,671	-	(937,141)	-	-	2,633,530	932,488
Compensated absences.....	192,000	-	-	1,000	(74,000)	119,000	48,000
Net pension liability/(asset).....	(1,005,744)	-	-	1,900,546	(74,907)	819,895	-
Net OPEB liability/(asset).....	659,419	-	-	127,202	(86,699)	699,922	-
Total.....	\$ 3,416,346	\$ -	\$ (937,141)	\$ 2,028,748	\$ (235,606)	\$ 4,272,347	\$ 980,488

NOTE 7 – RISK FINANCING

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District participates in a premium-based health care plan for its active employees. The District purchases insurance for workers' compensation and unemployment compensation activities.

NOTE 8 – PENSION PLAN*Plan Description*

The District contributes to the Middlesex County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 76 member units. The MCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

Benefits Provided

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. There were no changes of benefit terms that affected the total pension liability at December 31, 2022.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The District is required to pay into the System a legislatively mandated actuarial determined contribution. The District's contribution totaled \$74,907, and was 4.57% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2022, the District reported a liability of \$819,895 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2022, the District's proportion of the liability/(asset) was 0.048%, which changed from (0.075)% as of December 31, 2021.

Pension Expense

For the year ended June 30, 2023, the District recognized pension expense of \$287,676. The balances of deferred outflows/(inflows) of resources related to pensions at June 30, 2023 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 6,025	\$ -	\$ 6,025
Difference between projected and actual earnings, net.....	65,917	-	65,917
Changes in assumptions.....	14,157	-	14,157
Changes in proportion and proportionate share of contributions.....	1,477,736	(748,490)	729,246
Total deferred outflows/(inflows) of resources.....	\$ 1,563,835	\$ (748,490)	\$ 815,345

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

Year ended June 30:

2024.....	\$ 78,741
2025.....	138,012
2026.....	191,312
2027.....	407,280
Total.....	\$ 815,345

Actuarial Assumptions

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2022:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Entry age normal cost method.
Amortization method.....	Prior year's total contribution increased by 6.50% for fiscal 2023 through fiscal 2028, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; Early Retirement Incentive (ERI) liability amortized in level payments.
Remaining amortization period.....	17 years from July 1, 2020 for non-ERI liability, and 2 years from July 1, 2020 for 2010 ERI
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the fair value.
Discount rate.....	7.15%.
Inflation rate.....	3.25%
Projected salary increases.....	Varies by length of service with ultimate rate of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Cost of living adjustments.....	3% of first \$16,000 of retirement income
Mortality rates.....	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021. Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021. For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2021.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	20.50%	6.59%
International developed markets equity.....	12.00%	6.87%
International emerging markets equity.....	4.50%	8.30%
Core fixed income.....	15.00%	1.53%
High-yield fixed income.....	8.00%	3.54%
Real estate.....	10.00%	3.44%
Timber.....	4.00%	4.01%
Hedge funds, GTAA, risk parity.....	10.00%	3.06%
Private equity.....	16.00%	9.49%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% at December 31, 2022 and at December 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
The District's proportionate share of the net pension liability.....	\$ 1,014,917	\$ 819,895	\$ 655,702

Changes in Assumptions

None.

Changes in Plan Provisions

None.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Chelmsford Water District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the District and the District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District. The required contribution is based on a pay-as-you-go financing requirement. Retired plan members and beneficiaries currently receiving benefits are required to contribute 60% of the cost medical benefits. The District is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The District contributed \$86,699 during 2023 towards these benefits. Administrative costs of the Plan are assumed to be included in the fully insured premium rates. For the year ended June 30, 2023, the District’s average contribution rate was 5.40% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish the postemployment benefit trust fund and to enable the District to pre-fund its OPEB liabilities. During 2023, the District did not pre-fund future OPEB liabilities funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution.

Plan Membership

The following table represents the Plan’s membership as of July 1, 2021:

Active members.....	23
Inactive members currently receiving benefits.....	<u>12</u>
Total.....	<u><u>35</u></u>

Components of OPEB Liability

The following table represents the components of the Plan's OPEB liability as of June 30, 2023:

Total OPEB liability.....	\$	1,900,220
Less: OPEB plan's fiduciary net position.....		<u>(1,200,298)</u>
Net OPEB liability.....	\$	<u>699,922</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		63.17%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2021, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement that was updated to June 30, 2023, to be in accordance with GASB Statement #74 and GASB Statement #75:

Valuation date.....	July 1, 2021
Actuarial cost method.....	Entry Age Normal (Alternative Measurement Method).
Salary increases.....	4.00%
Discount Rate.....	4.988%
Inflation rate.....	3.00%
Healthcare Cost Trend Rates.....	5.50% for HMO Plan with an ultimate Health Care Cost Trend Rate of 4.50% reached in fiscal year 2038. 3.50% for MEDEX for all years.
Mortality Rates.....	PubG.H-2010 General Mortality Table with mortality improvement using scale MP-2020.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 4.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 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 and subtracting expected investment expense and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Cash.....	8.37%	2.00%
Fixed Income.....	27.83%	6.50%
Equities.....	63.80%	7.80%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.90% as of June 30, 2023, and 4.99% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. The District pays retiree healthcare benefits from the Trust, and therefore the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the discount rate represents a blended interest rate based on a long-term rate-of-return for those payments prior to the date in which future contributions are no longer sufficient to pay expected future benefit payments. A 20-year high grade municipal bond index rate is used for all remaining payments after such date.

Changes in the Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2022.....	\$ 1,804,731	\$ 1,145,312	\$ 659,419
Changes for the year:			
Service cost.....	74,864	-	74,864
Interest.....	87,856	-	87,856
Changes in assumptions.....	19,468	-	19,468
Employer contributions for OPEB payments.....	-	86,699	(86,699)
Net investment income.....	-	137,641	(137,641)
Other Benefit payments.....	(86,699)	(86,699)	-
Direct Benefit payments.....	-	(82,655)	82,655
Net change.....	95,489	54,986	40,503
Balances at June 30, 2023.....	\$ 1,900,220	\$ 1,200,298	\$ 699,922

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The table as noted on the following page presents the net other postemployment benefit liability, calculated using the discount rate of 4.90%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current discount rate.

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Net OPEB liability.....	\$ 955,166	\$ 699,922	\$ 489,176

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

The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 461,871	\$ 699,922	\$ 996,686

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the financial reporting year ended June 30, 2023, the District recognized OPEB expense of \$221,226. The District also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (186,049)	\$ (186,049)
Difference between projected and actual earning, net.....	28,385	-	28,385
Changes in assumptions.....	387,769	(7,963)	379,806
Total deferred outflows/(inflows) of resources.....	\$ 416,154	\$ (194,012)	\$ 222,142

Amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense in the following periods:

Reporting year ended June 30:

2024.....	\$	52,782
2025.....		57,187
2026.....		76,246
2027.....		28,253
2028.....		7,674
Total.....	\$	<u>222,142</u>

Changes of Assumptions

The discount rate decreased from 4.99% to 4.90%.

Changes in Plan Provisions

None.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

Per – and Poly Fluoroalkyl Substances

The District continues to conduct vigorous research regarding the extent and remediation of Per – and Poly fluoroalkyl (PFAS) contamination in the water supply. The District is a part of a class action lawsuit by a retaining law firm to prosecute any legal claim for negligence against any and all parties, individuals, or corporations that are found to be liable under the law for injuries and/or property damages arising from contamination of water supplies by PFAS. Furthermore, the District has initiated the process of upgrading the District's water treatment plants to mitigate the presence of PFAS in the District's water supply. These plans are in the early development and design phase and therefore the ultimate costs and funding sources cannot be determined as of the date of the financial statements.

It is possible that the District may be responsible for costs associated with PFAS remediation, and these future costs may be significant. While the amounts may be substantial the ultimate liability cannot be determined because of the considerable uncertainties that exist. Therefore, it is possible that there could be material negative outcomes affected by certain contingencies existing as of June 30, 2023. The full extent of the financial impact cannot be determined at the date of the financial statements.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2023 which is the date the financial statements were available to be issued.

NOTE 12 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

Pension Plan Schedules

The Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset) presents multi-year trend information on the District's net pension liability/(asset) and related ratios.

The Schedule of the District's Contributions presents multi-year trend information the District's required and actual contributions to the pension plan and related ratios.

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

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY/(ASSET)
MIDDLESEX COUNTY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered Payroll	Net position liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	0.048313%	\$ 819,895	\$ 1,605,725	51.06%	52.61%
December 31, 2021..... (A)	(0.075015%)	(1,005,744)	1,544,300	-65.13%	61.14%
December 31, 2020.....	0.001578%	24,164	1,463,629	1.65%	53.42%
December 31, 2019.....	0.021485%	343,766	1,405,409	24.46%	49.45%
December 31, 2018.....	0.045451%	708,793	1,390,459	50.98%	46.40%
December 31, 2017.....	0.027562%	391,160	1,333,719	29.33%	49.27%
December 31, 2016.....	0.082234%	1,165,154	1,282,932	90.82%	45.49%
December 31, 2015.....	0.108728%	1,402,613	1,222,528	114.73%	46.13%
December 31, 2014.....	0.175335%	2,106,325	1,175,508	179.18%	47.65%

Until a 10-year trend is compiled, information is presented for those years for which information is available.

(A) The proportionate share is representative of a net pension asset.

See notes to required supplementary information.

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
MIDDLESEX COUNTY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2023.....	\$ 74,907	\$ 74,907	\$ -	\$ 1,637,840	4.57%
June 30, 2022.....	70,601	70,601	-	1,575,186	4.48%
June 30, 2021.....	67,843	67,843	-	1,492,902	4.54%
June 30, 2020.....	63,546	63,546	-	1,433,517	4.43%
June 30, 2019.....	115,058	506,218	(391,160)	1,418,268	35.69%
June 30, 2018.....	107,500	607,500	(500,000)	1,360,393	44.66%
June 30, 2017.....	199,317	699,317	(500,000)	1,308,591	53.44%
June 30, 2016.....	186,049	1,186,049	(1,000,000)	1,246,979	95.11%
June 30, 2015.....	243,247	743,247	(500,000)	1,199,018	61.99%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability/(Asset) and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability/(asset). It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability/(asset) as a percentage of covered employee payroll.

The Schedule of the District's Contributions presents multi-year trend information on the District's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

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

**SCHEDULE OF CHANGES IN THE
DISTRICT'S NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Total OPEB Liability							
Service Cost.....	\$ 10,318	\$ 16,350	\$ 14,768	\$ 12,594	\$ 13,265	\$ 46,510	\$ 74,864
Interest.....	50,250	51,275	48,829	50,317	56,785	57,205	87,856
Changes of benefit terms.....	-	-	-	-	-	695,264	-
Differences between expected and actual experience....	-	-	-	(21,943)	-	(251,730)	-
Changes of assumptions.....	-	-	-	(12,314)	-	474,141	19,468
Other Changes.....	40,526	(66,009)	10,522	127,705	-	-	-
Benefit payments.....	(41,473)	(34,909)	(38,202)	(67,526)	(60,393)	(67,727)	(86,699)
Net change in total OPEB liability.....	59,621	(33,293)	35,917	88,833	9,657	953,663	95,489
Total OPEB liability - beginning.....	690,332	749,953	716,660	752,578	841,411	851,068	1,804,731
Total OPEB liability - ending (a).....	<u>\$ 749,953</u>	<u>\$ 716,660</u>	<u>\$ 752,578</u>	<u>\$ 841,411</u>	<u>\$ 851,068</u>	<u>\$ 1,804,731</u>	<u>\$ 1,900,220</u>
Plan fiduciary net position							
Employer contributions.....	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer contributions for OPEB payments.....	41,473	34,909	38,202	67,526	60,393	67,727	86,699
Net investment income (loss).....	100,125	78,924	77,279	99,304	277,207	(163,365)	137,641
Other Postemployment benefit payments.....	(41,473)	(34,909)	(38,202)	(67,526)	(60,393)	(67,727)	(86,699)
Direct Postemployment benefit payments.....	-	-	-	-	(45,600)	(41,114)	(82,655)
Net change in plan fiduciary net position.....	250,125	78,924	77,279	99,304	231,607	(204,479)	54,986
Plan fiduciary net position - beginning of year.....	612,552	862,677	941,601	1,018,880	1,118,184	1,349,791	1,145,312
Plan fiduciary net position - end of year (b).....	<u>\$ 862,677</u>	<u>\$ 941,601</u>	<u>\$ 1,018,880</u>	<u>\$ 1,118,184</u>	<u>\$ 1,349,791</u>	<u>\$ 1,145,312</u>	<u>\$ 1,200,298</u>
Net OPEB liability/(asset) - ending (a)-(b).....	<u>\$ (112,724)</u>	<u>\$ (224,941)</u>	<u>\$ (266,302)</u>	<u>\$ (276,773)</u>	<u>\$ (498,723)</u>	<u>\$ 659,419</u>	<u>\$ 699,922</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	115.03%	131.39%	135.39%	132.89%	158.60%	63.46%	63.17%
Covered-employee payroll.....	\$ 1,504,500	\$ 1,535,204	\$ 1,563,334	\$ 1,625,226	\$ 1,753,324	\$ 1,641,149	\$ 1,605,728
Net OPEB liability/(asset) as a percentage of covered-employee payroll.....	-7.49%	-14.65%	-17.03%	-17.03%	-28.44%	40.18%	43.59%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 86,699	\$ (86,699)	\$ -	\$ 1,605,728	5.40%
June 30, 2022.....	67,727	(67,727)	-	1,641,149	4.13%
June 30, 2021.....	60,393	(60,393)	-	1,753,324	3.44%
June 30, 2020.....	67,526	(67,526)	-	1,625,226	4.15%
June 30, 2019.....	38,202	(38,202)	-	1,563,334	2.44%
June 30, 2018.....	34,909	(34,909)	-	1,535,204	2.27%
June 30, 2017.....	41,473	(191,473)	(150,000)	1,504,500	12.73%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023.....	4.80%
June 30, 2022.....	-15.15%
June 30, 2021.....	22.50%
June 30, 2020.....	9.29%
June 30, 2019.....	7.88%
June 30, 2018.....	7.00%
June 30, 2017.....	14.62%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

NOTE A – PENSION PLAN***Pension Plan Schedules***Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)

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

Schedule of the District's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual District contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the District on an actuarial basis.

Changes in Assumptions

None.

Changes in Plan Provisions

None.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan ("The Retiree Health Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members.

The Other Postemployment Benefit PlanThe Schedule of Changes in the District's Net Other Postemployment Benefit Liability/(Asset) and Related Ratios

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability/(Asset) and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability/(asset). It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability/(asset) as a percentage of covered employee payroll.

Schedule of the District's Contributions

The Schedule of the District's Contributions includes the District's annual required contribution to the Plan, along with the contributions made in relation to the actuarially determined contribution and the covered employee

payroll. The District is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2021
Actuarial cost method.....	Entry Age Normal (Alternative Measurement Method).
Salary increases.....	4.00%
Discount Rate.....	4.988%
Inflation rate.....	3.00%
Healthcare Cost Trend Rates.....	5.50% for HMO Plan with an ultimate Health Care Cost Trend Rate of 4.50% reached in fiscal year 2038. 3.50% for MEDEX for all years.
Mortality Rates.....	PubG.H-2010 General Mortality Table with mortality improvement using scale MP-2020.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

Changes of Assumptions

The discount rate decreased from 4.99% to 4.90%.

Changes in Plan Provisions

None.

Combining Schedules

Combining Schedules

The Chelmsford Water District accounts for the general operations, debt service, construction, and capital acquisitions of the District as separate activities and the internal ledgers report them as indicated below. The schedules provide a reconciliation between the internal ledgers and financial statements.

General Fund – This fund is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Capital Projects Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the District.

Long-Term Obligations Fund – This fund is used to account for liabilities that have maturities greater than one year.

Capital Assets Fund – This fund is used to account for capital asset additions, retirements and depreciation expense.

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2023

	General	Debt Service	Capital Projects	Long-Term Obligations	Capital Assets	Total
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 2,181,625	\$ 2,323,807	\$ 2,418,851	\$ -	\$ -	\$ 6,924,283
Investments.....	1,696,175	-	1,824,075	-	-	3,520,250
Receivables, net of allowance for uncollectibles:						
Billed user charges.....	537,037	-	-	-	-	537,037
Unbilled user charges.....	1,628,288	-	-	-	-	1,628,288
Due from other funds.....	-	38,478	-	-	-	38,478
Total current assets.....	6,043,125	2,362,285	4,242,926	-	-	12,648,336
NONCURRENT:						
Capital assets, non depreciable.....	-	-	-	-	1,669,949	1,669,949
Capital assets, net of accumulated depreciation.....	-	-	-	-	31,769,527	31,769,527
Total noncurrent assets.....	-	-	-	-	33,439,476	33,439,476
TOTAL ASSETS.....	6,043,125	2,362,285	4,242,926	-	33,439,476	46,087,812
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding.....	-	-	-	24,162	-	24,162
Deferred outflows related to pensions.....	-	-	-	1,563,835	-	1,563,835
Deferred outflows related to other postemployment benefits.....	-	-	-	416,154	-	416,154
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	-	-	-	2,004,151	-	2,004,151
LIABILITIES						
CURRENT:						
Accrued interest.....	-	-	-	15,283	-	15,283
Other liabilities.....	3,779	-	-	-	-	3,779
Due to other funds.....	38,478	-	-	-	-	38,478
Compensated absences.....	-	-	-	48,000	-	48,000
Bonds payable.....	-	-	-	932,488	-	932,488
Total current liabilities.....	42,257	-	-	995,771	-	1,038,028
NONCURRENT:						
Compensated absences.....	-	-	-	71,000	-	71,000
Net pension liability.....	-	-	-	819,895	-	819,895
Net other postemployment benefits liability.....	-	-	-	699,922	-	699,922
Bonds payable.....	-	-	-	1,701,042	-	1,701,042
Total noncurrent liabilities.....	-	-	-	3,291,859	-	3,291,859
TOTAL LIABILITIES.....	42,257	-	-	4,287,630	-	4,329,887
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions.....	-	-	-	748,490	-	748,490
Deferred inflows related to other postemployment benefits.....	-	-	-	194,012	-	194,012
TOTAL DEFERRED INFLOWS OF RESOURCES.....	-	-	-	942,502	-	942,502
NET POSITION						
Net investment in capital assets.....	-	-	-	(2,609,368)	33,439,476	30,830,108
Unrestricted:						
Reserved for debt service.....	-	2,362,285	-	-	-	2,362,285
Reserved for compensated absences.....	118,837	-	-	-	-	118,837
Reserved for capital projects.....	-	-	4,242,926	-	-	4,242,926
Unassigned/unreserved.....	5,882,031	-	-	(616,613)	-	5,265,418
TOTAL NET POSITION.....	\$ 6,000,868	\$ 2,362,285	\$ 4,242,926	\$ (3,225,981)	\$ 33,439,476	\$ 42,819,574

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	General	Debt Service	Capital Projects	Long-Term Obligations	Capital Assets	Total
OPERATING REVENUES:						
Water rates and services.....	\$ 7,357,829	\$ -	\$ -	\$ -	\$ -	\$ 7,357,829
Bond debt fee receipts.....	-	597,411	-	-	-	597,411
TOTAL OPERATING REVENUES	7,357,829	597,411	-	-	-	7,955,240
OPERATING EXPENSES:						
Salaries and wages.....	1,830,864	-	-	-	-	1,830,864
Compensated absence expense.....	73,663	-	-	(73,000) (A)	-	663
Other postemployment benefits expense.....	-	-	-	127,272	-	127,272
Depreciation.....	-	-	-	-	1,339,325	1,339,325
Equipment and building.....	283,177	-	-	-	-	283,177
Fuel, light, and power.....	197,478	-	-	-	-	197,478
Group insurance.....	558,060	-	-	-	-	558,060
FICA/Medicare tax.....	23,531	-	-	-	-	23,531
System maintenance reserve expense.....	155,722	-	-	-	-	155,722
Riverneck Rd. plant operations.....	198,336	-	-	-	-	198,336
Crooked Spring plant operations.....	156,215	-	-	-	-	156,215
Smith St. plant operations.....	89,491	-	-	-	-	89,491
General insurance.....	105,446	-	-	-	-	105,446
Middlesex Retirement expense.....	74,907	-	-	212,769	-	287,676
Trucks, backhoe, and machinery.....	71,927	-	-	-	-	71,927
Printing advertising stationary.....	46,193	-	-	-	-	46,193
New service and repairs.....	38,595	-	-	-	-	38,595
Laboratory testing.....	63,610	-	-	-	-	63,610
Consulting and engineering.....	17,229	-	-	-	-	17,229
Office equipment maintenance.....	35,057	-	-	-	-	35,057
Professional fees.....	57,348	-	-	-	-	57,348
Telephone and radio.....	16,489	-	-	-	-	16,489
Consumer outreach.....	8,559	-	-	-	-	8,559
Police hire.....	26,615	-	-	-	-	26,615
Dues, licenses, and certificates.....	13,196	-	-	-	-	13,196
D.E.P. Clean water assessment.....	8,295	-	-	-	-	8,295
Miscellaneous equipment.....	4,830	-	-	-	-	4,830
Unemployment compensation.....	2,611	-	-	-	-	2,611
Administration miscellaneous and transportation.....	1,212	-	-	-	-	1,212
Water main extensions.....	69,268	-	-	-	-	69,268
TOTAL OPERATING EXPENSES.....	4,227,924	-	-	267,041	1,339,325	5,834,290
OPERATING INCOME (LOSS).....	3,129,905	597,411	-	(267,041)	(1,339,325)	2,120,950
NONOPERATING REVENUES (EXPENSES):						
Investment income.....	275,670	8,629	-	-	-	284,299
Capital outlay.....	-	-	(1,247,214)	-	1,247,214	-
Interest and fees expense.....	-	(69,315)	-	7,059	-	(62,256)
State grant revenue.....	-	-	35,039	-	-	35,039
Debt service - principal.....	-	(937,141)	-	937,141	-	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	275,670	(997,827)	(1,212,175)	944,200	1,247,214	257,082
INCOME (LOSS) BEFORE TRANSFERS.....	3,405,575	(400,416)	(1,212,175)	677,159	(92,111)	2,378,032
TRANSFERS:						
Transfers in (out).....	(1,816,000)	-	1,816,000	-	-	-
CHANGE IN NET POSITION.....	1,589,575	(400,416)	603,825	677,159	(92,111)	2,378,032
NET POSITION AT BEGINNING OF YEAR.....	4,411,293	2,762,701	3,639,101	(3,903,140)	33,531,587	40,441,542
NET POSITION AT END OF YEAR.....	\$ 6,000,868	\$ 2,362,285	\$ 4,242,926	\$ (3,225,981)	\$ 33,439,476	\$ 42,819,574

(A) Represents a decrease in the District's estimated compensated absence liability.

This page left intentionally blank

Additional Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Water rates and services.....	\$ 4,667,907	\$ 4,667,907	\$ 7,357,829	\$ -	\$ 2,689,922
Bond debt fee receipts.....	-	-	-	-	-
Interest income.....	-	-	275,670	-	275,670
TOTAL REVENUES.....	4,667,907	4,667,907	7,633,499	-	2,965,592
EXPENDITURES:					
Current:					
Salaries and wages.....	1,961,000	1,961,000	1,830,864	-	130,136
Compensated absence expense.....	-	-	73,663	-	(73,663)
Equipment and building.....	325,000	325,000	283,177	-	41,823
Fuel, light, and power.....	170,000	170,000	197,478	-	(27,478)
Group insurance.....	600,000	600,000	558,060	-	41,940
FICA/Medicare tax.....	28,500	28,500	23,531	-	4,969
System maintenance reserve expense.....	160,000	160,000	155,722	-	4,278
Riverneck Rd. plant operations.....	230,000	230,000	198,336	-	31,664
Crooked Spring plant operations.....	190,000	190,000	156,215	-	33,785
Smith St. plant operations.....	170,000	170,000	89,491	-	80,509
General insurance.....	134,500	134,500	105,446	-	29,054
Water treatment.....	1,000	1,000	-	-	1,000
Middlesex Retirement expense.....	74,907	74,907	74,907	-	-
Trucks, backhoe, and machinery.....	85,000	85,000	71,927	-	13,073
Printing advertising stationary.....	60,000	60,000	46,193	-	13,807
New service and repairs.....	40,000	40,000	38,595	-	1,405
Laboratory testing.....	99,000	99,000	63,610	-	35,390
Consulting and engineering.....	25,000	25,000	17,229	-	7,771
Office equipment maintenance.....	50,000	50,000	35,057	-	14,943
Professional fees.....	76,000	76,000	57,348	-	18,652
Telephone and radio.....	25,000	25,000	16,489	-	8,511
Consumer outreach.....	25,000	25,000	8,559	-	16,441
Police hire.....	26,000	26,000	26,615	-	(615)
Dues, licenses, and certificates.....	23,000	23,000	13,196	-	9,804
D.E.P. Clean water assessment.....	9,000	9,000	8,295	-	705
Miscellaneous equipment.....	5,000	5,000	4,830	-	170
Unemployment compensation.....	3,000	3,000	2,611	-	389
Administration miscellaneous. and transportation.....	2,000	2,000	1,212	-	788
Water main extensions.....	70,000	70,000	69,268	-	732
Debt service:					
Principal.....	-	-	-	-	-
Interest.....	-	-	-	-	-
TOTAL EXPENDITURES.....	4,667,907	4,667,907	4,227,924	-	439,983
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	-	-	3,405,575	-	3,405,575
OTHER FINANCING SOURCES (USES):					
Use of free cash.....	-	1,816,000	-	-	(1,816,000)
Transfers out.....	-	(1,816,000)	(1,816,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	(1,816,000)	-	(1,816,000)
NET CHANGE IN FUND BALANCE.....	-	-	1,589,575	-	1,589,575
BUDGETARY FUND BALANCE, Beginning of year.....	4,411,293	4,411,293	4,411,293	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 4,411,293	\$ 4,411,293	\$ 6,000,868	\$ -	\$ 1,589,575

(A) The District does not budget grant activity as part of their operations, however it is included within in the general fund.

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Water rates and services.....	\$ -	\$ -	\$ -	\$ -	\$ -
Bond debt fee receipts.....	1,006,456	1,006,456	597,411	-	(409,045)
Interest income.....	-	-	8,629	-	8,629
TOTAL REVENUES.....	1,006,456	1,006,456	606,040	-	(400,416)
EXPENDITURES:					
Current:					
Salaries and wages.....	-	-	-	-	-
Compensated absence expense.....	-	-	-	-	-
Equipment and building.....	-	-	-	-	-
Fuel, light, and power.....	-	-	-	-	-
Group insurance.....	-	-	-	-	-
FICA/Medicare tax.....	-	-	-	-	-
System maintenance reserve expense.....	-	-	-	-	-
Riverneck Rd. plant operations.....	-	-	-	-	-
Crooked Spring plant operations.....	-	-	-	-	-
Smith St. plant operations.....	-	-	-	-	-
General insurance.....	-	-	-	-	-
Water treatment.....	-	-	-	-	-
Middlesex Retirement expense.....	-	-	-	-	-
Trucks, backhoe, and machinery.....	-	-	-	-	-
Printing advertising stationary.....	-	-	-	-	-
New service and repairs.....	-	-	-	-	-
Laboratory testing.....	-	-	-	-	-
Consulting and engineering.....	-	-	-	-	-
Office equipment maintenance.....	-	-	-	-	-
Professional fees.....	-	-	-	-	-
Telephone and radio.....	-	-	-	-	-
Consumer outreach.....	-	-	-	-	-
Police hire.....	-	-	-	-	-
Dues, licenses, and certificates.....	-	-	-	-	-
D.E.P. Clean water assessment.....	-	-	-	-	-
Miscellaneous equipment.....	-	-	-	-	-
Unemployment compensation.....	-	-	-	-	-
Administration miscellaneous and transportation.....	-	-	-	-	-
Water main extensions.....	-	-	-	-	-
Debt service:					
Principal.....	937,141	937,141	937,141	-	-
Interest.....	69,315	69,315	69,315	-	-
TOTAL EXPENDITURES.....	1,006,456	1,006,456	1,006,456	-	-
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES.....	-	-	(400,416)	-	(400,416)
OTHER FINANCING SOURCES (USES):					
Use of free cash.....	-	-	-	-	-
Transfers out.....	-	-	-	-	-
TOTAL OTHER FINANCING					
SOURCES (USES).....	-	-	-	-	-
NET CHANGE IN FUND BALANCE.....	-	-	(400,416)	-	(400,416)
BUDGETARY FUND BALANCE, Beginning of year.....	2,762,701	2,762,701	2,762,701	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 2,762,701	\$ 2,762,701	\$ 2,362,285	\$ -	\$ (400,416)

SCHEDULE FOR RESERVE FOR CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2023

	Beginning Balance 6/30/2022	Transfers Between Capital Projects	Transfers (To) From General Fund	Grant Revenue	Capital Outlay	Ending Balance 6/30/2023
Capital Projects Fund:						
Misty Meadows - Special Mtg Aug 2020.....	\$ 31,576	\$ -	\$ -	\$ -	(4,165)	\$ 27,411
Emergency Truck 2024.....	-	-	350,000	-	-	350,000
Rehab of Pump Station Buildings 2014.....	9,981	29	-	-	(10,010)	-
Smith St Treatment Plant - Special Mtg Jan 2008.....	18,037	36	-	-	(18,073)	-
Watershed Ln Stream Crossing.....	135,400	-	-	-	(66,012)	69,388
PFAS DEP Regulations.....	17,423	-	-	-	(7,500)	9,923
Truck 11 2021 10 Wheel Dump Truck.....	35,754	35,624	-	-	-	71,378
Infrastructure Upgrade 2011.....	117,378	-	100,000	-	(117,475)	99,903
Water Meter Upgrade and Exchange.....	104,425	-	115,000	-	(170,514)	48,911
Access Improve to Storage Tanks Pump Stations Wells 2013.....	138,463	-	-	-	(38,794)	99,669
Infrastructure of Water Main.....	630,080	-	-	-	(562,095)	67,985
Main Looping Somerset Pl to Littleton Rd 2020.....	483,511	483,511	-	-	-	967,022
Water Exploration and Well Planning.....	3,069	-	-	-	-	3,069
Obtaining Property for Protection of Future Water Supply and Grounwater Recharge.....	300,000	-	-	-	(4,800)	295,200
PFAS Design at Crooked Spring.....	725,004	-	-	-	(105,400)	619,604
Truck 4 Ford F250.....	69,000	-	-	-	-	69,000
Pall Filter System - PLC Panel Upgrade.....	50,000	-	-	-	-	50,000
Aeration Ball Replacement Riverneck Rd Treatment Plant.....	95,000	-	60,000	-	-	155,000
Cleaning Aeration Balls at Crooked Spring Treatment Plant.....	30,000	-	(30,000)	-	-	-
Unidirectional Flushing/Water Model Calibration/Asset Plan.....	320,000	65	-	35,039	(107,966)	247,138
PFAS - Free Credits.....	75,000	-	-	-	-	75,000
Grants Incentives or Similar.....	250,000	-	-	-	(34,410)	215,590
Well Repair and Rehab Stream of Ground Water Monitoring.....	-	-	50,000	-	-	50,000
Temporary Electrical Disconnects CSTP Emergency Trailer.....	-	-	15,000	-	-	15,000
PFAS Treatment Removal System.....	-	(519,265)	981,000	-	-	461,735
Building Repairs and Upgrades for Treatment Plants.....	-	-	75,000	-	-	75,000
Well Exploration Hydrogeologic Analysis Permitting and Construction.....	-	-	100,000	-	-	100,000
Total Reserved for Capital Projects.....	\$ 3,639,101	\$ -	\$ 1,816,000	\$ 35,039	\$ (1,247,214)	\$ 4,242,926

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Annual District Meeting. The Superintendent presents an annual budget to the Annual District Meeting, which includes recommendations of expenditures and other financing uses.

Increases or transfers between and within line items in the District, subsequent to the approval of the annual budget, are authorized by the Special District Meeting.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by the Special District Meeting.

The District adopts an annual budget for the General Fund and Debt Service Funds in conformity with the guidelines described above. The original 2023 approved budget for the General Fund and Debt Service Funds authorized \$4.7 million and \$1.0 million in appropriations, respectively. In the subsequent Annual District Meeting, the District voted an additional \$1.8 million from available funds for capital projects. The District Treasurer has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

This page left intentionally blank

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

To the Board of Commissioners
Chelmsford Water District
Chelmsford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Chelmsford Water District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Chelmsford Water District's basic financial statements, and have issued our report thereon dated September 18, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Chelmsford Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chelmsford Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chelmsford Water District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chelmsford Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC", with a stylized flourish at the end.

September 18, 2023