Powers & Sullivan, LLC
CPAs AND ADVISORS

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March 18, 2024

Elizabeth Taglieri, P.E., Executive Director
Charles River Pollution Control District
66 Village Street
Medway, MA 02053

Dear Ms. Taglieri:

Enclosed please find 3 bound copies of the *report on examination of basic financial statements* for the Charles River Pollution Control District for the year ended June 30, 2023.

For the year ended June 30, 2023, we issued Basic Financial Statements on behalf of the District. A management letter was not deemed necessary, and nothing came up during our audit that either rose to the lever of a material weakness or a significant deficiency. Also, no items of improvement were noted during the FY23 audit and therefore a management letter was not issued.

If you have any questions, please feel free to contact our office.

Sincerely,

Craig Peacock

Craig Peacock, CPA
Partner

CHARLES RIVER POLLUTION CONTROL DISTRICT

REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Powers & Sullivan, LLC
CPAs AND ADVISORS

CHARLES RIVER POLLUTION CONTROL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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Independent Auditor's Report

To the Honorable Board of Commissioners
Charles River Pollution Control District
Medway, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Charles River Pollution Control District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charles River Pollution Control 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 Charles River Pollution Control District, as of June 30, 2023, and the changes in financial position and cashflows 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 Charles River Pollution Control 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 these 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 Charles River Pollution Control 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 Charles River Pollution Control 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 Charles River Pollution Control 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 Charles River Pollution Control District's basic financial statements. The Comparative Schedule of Operations and Statement of Changes in Net Position, 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 March 15, 2024, on our consideration of the Charles River Pollution Control 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 Charles River Pollution Control 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 Charles River Pollution Control District's internal control over financial reporting and compliance.

Powers & Sullivan, LLC

March 15, 2024

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Charles River Pollution Control 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 is intended to serve as an introduction to the District's basic financial statements. These basic financial statements include the single purpose business 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. These activities are excluded from the District's business-type activities because the District cannot use these assets to finance its operations.

The District established an o*ther postemployment benefits (OPEB) trust fund* to accumulate resources to provide funding for future OPEB 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*, which relates to the District's net pension liability and OPEB liability.

The report also includes certain supplementary information that management feels is important to understand the operations of the District.

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 $17.7 million at the close of year 2023. This represents an increase of $562,000 from the prior year.

The largest portion of net position, $16.4 million, reflects the District's investment in capital assets (e.g., land, buildings, sewer lines, plant equipment, transportation equipment and other capital asset categories), 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 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.

An additional portion of the District's net position of $3.4 million represents resources restricted for stabilization. The remaining balance of unrestricted net position has a year-end deficit balance of $2.1 million. This deficit balance is primarily due to the recognition of the $748,000 net OPEB liability and $1.1 million net pension liability.

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

		2023		2022
Assets:				
Current assets	$	4,031,614	$	3,790,896
Capital assets, net of accumulated depreciation		34,858,150		36,150,520
Total assets		**38,889,764**		**39,941,416**
Deferred outflows of resources		**552,670**		**464,180**
Liabilities:				
Current liabilities (excluding debt)		414,935		461,021
Noncurrent liabilities (excluding debt)		1,886,216		1,462,924
Current debt		1,378,803		1,351,814
Noncurrent debt		17,096,302		18,475,105
Total liabilities		**20,776,256**		**21,750,864**
Deferred inflows of resources		**961,738**		**1,511,853**
Net position:				
Net investment in capital assets		16,383,045		16,323,601
Restricted for stabilization		3,402,785		2,833,216
Unreserved		(2,081,390)		(2,013,938)
Total net position	$	**17,704,440**	$	**17,142,879**

The business-type activities net position increased by $562,000. This is due to the District's ability to set rates to cover combined operational and capital costs. The District had an operating loss of $1.3 million which is consistent with the operating loss of $1.5 million in the prior year. Operating expenses increased by approximately $331,000, which is mainly attributable to increases in administration and operation salaries, building maintenance, and energy and fuel in the amounts of $101,000, $60,000, and $44,000 respectively. The operating loss is offset by the net of various non-operating revenues and expenses mainly a capital assessment to member towns.

Nonoperating revenues increased in the current year by approximately $395,000. This was mainly attributable to increases of $201,000 in miscellaneous income related to solar credits, and $117,000 in investment income.

	2023	2022
Operating revenues:		
Operating assessments to member Towns	$ 3,418,790	$ 2,892,177
Septage fees	839,512	857,635
Total operating revenues	**4,258,302**	**3,749,812**
Operating expenses:		
Operating expense	3,838,078	3,513,391
Depreciation	1,719,570	1,713,150
Total operating expenses	**5,557,648**	**5,226,541**
Nonoperating revenues (expenses):		
Investment income	125,759	8,395
Interest expense	(399,455)	(427,304)
Miscellaneous income	333,418	132,269
Capital assessments to member towns	1,829,320	1,782,631
Loan fees	(28,135)	(29,958)
Total nonoperating revenues (expenses)	**1,860,907**	**1,466,033**
Change in net position	**561,561**	**(10,696)**
Net position, beginning of year	**17,142,879**	**17,153,575**
Net position, end of year	$ **17,704,440**	$ **17,142,879**

Capital Asset and Debt Administration

The District has $18.5 million in long-term debt outstanding at June 30, 2023. Of that amount $17.5 million are non-subsidized loans from the MCWT, and $1.0 million are general obligation water abatement bonds. The District did not issue any new long-term debt in the current year, and the District paid $1.4 million in principal payments on outstanding loans.

The District has $34.9 million of capital assets as of June 30, 2023. In 2023, the District capitalized $427,000 of depreciable assets related to plant equipment, sewer lines, other equipment and land improvement.

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 66 Village St, Medway, Massachusetts 02053.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2023

ASSETS	
CURRENT:	
Cash and cash equivalents	$ 3,695,615
Receivables, net of allowance for uncollectibles:	
Operations receivables	335,999
Total current assets	4,031,614
NONCURRENT:	
Capital assets, non depreciable	229,524
Capital assets, net of accumulated depreciation	34,628,626
Total noncurrent assets	34,858,150
TOTAL ASSETS	38,889,764
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	256,400
Deferred outflows related to OPEB	296,270
TOTAL DEFERRED OUTFLOWS OF RESOURCES	552,670
LIABILITIES	
CURRENT:	
Warrants payable	242,663
Accrued interest	172,272
Bonds payable	1,378,803
Total current liabilities	1,793,738
NONCURRENT:	
Net pension liability	1,138,079
Net OPEB liability	748,137
Bonds payable	17,096,302
Total noncurrent liabilities	18,982,518
TOTAL LIABILITIES	20,776,256
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	103,087
Deferred inflows related to OPEB	858,651
TOTAL DEFERRED INFLOWS OF RESOURCES	961,738
NET POSITION	
Net investment in capital assets	16,383,045
Restricted for Stablization	3,402,785
Unrestricted	(2,081,390)
TOTAL NET POSITION	$ 17,704,440

See notes to basic financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

OPERATING REVENUES:		
Operating assessments to member Towns	$	3,418,790
Septage Fees		839,512
TOTAL OPERATING REVENUES		4,258,302
OPERATING EXPENSES:		
Administration and operating salaries		851,758
Contract services		109,928
Health insurance		138,167
Pension expense		180,785
Workman's compensation		21,014
General insurance		143,347
Office supplies		18,820
Telephone		7,697
Payroll taxes		9,259
Laboratory expenses		32,434
Miscellaneous		21,515
Energy and fuel		648,734
Equipment maintenance		220,046
Building maintenance		147,865
Chemicals		426,949
Sludge removal		995,968
Professional services		37,639
Employee reimbursement		11,466
Depreciation		1,719,570
Employee benefits related to pension and OPEB		(215,313) (A)
Contributions for other postemployment benefits		30,000
TOTAL OPERATING EXPENSES		5,557,648
OPERATING INCOME (LOSS)		(1,299,346)
NONOPERATING REVENUES (EXPENSES):		
Investment income		125,759
Interest expense		(399,455)
Miscellaneous income		333,418
Capital assessments to member towns		1,829,320
Loan fees		(28,135)
TOTAL NONOPERATING REVENUES (EXPENSES), NET		1,860,907
CHANGE IN NET POSITION		561,561
NET POSITION AT BEGINNING OF YEAR		17,142,879
NET POSITION AT END OF YEAR	$	17,704,440

(A) Represents a decrease in the District's estimated net pension and net OPEB liabilities, net of related deferred outflows/(inflows) of resources.

See notes to basic financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$	4,172,133
Payments to vendors		(3,235,236)
Payments to employees		(851,758)
NET CASH FROM OPERATING ACTIVITIES		85,139
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Miscellaneous income		333,418
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Nonoperating capital assessments from member communities		1,829,320
Acquisition and construction of capital assets		(427,200)
Principal payments on bonds		(1,351,814)
Interest expense		(411,938)
Loan fees		(28,135)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES		(389,767)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income		125,759
NET CHANGE IN CASH AND CASH EQUIVALENTS		154,549
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,541,066
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	3,695,615
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	$	(1,299,346)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation		1,719,570
Deferred (outflows)/inflows related to pensions		(494,307)
Deferred (outflows)/inflows related to OPEB		(144,298)
Changes in assets and liabilities:		
Other receivables		(86,169)
Warrants payable		(33,603)
Net pension liability		413,155
Net OPEB liability		10,137
Total adjustments		1,384,485
NET CASH FROM OPERATING ACTIVITIES	$	85,139

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	$	1,412
Investments:		
Bond mutual funds		73,358
Equity mutual funds		206,758
TOTAL ASSETS		281,528
NET POSITION		
Restricted for other postemployment benefits	$	281,528

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
ADDITIONS:		
Contributions:		
Employer contributions	$	30,000
Employer contributions for other postemployment benefit payments		28,074
Total contributions		58,074
Net investment income:		
Investment income (loss)		19,429
TOTAL ADDITIONS		77,503
DEDUCTIONS:		
Other postemployment benefit payments		28,074
NET INCREASE (DECREASE) IN NET POSITION		49,429
NET POSITION AT BEGINNING OF YEAR		232,099
NET POSITION AT END OF YEAR	$	281,528

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Charles River Pollution Control 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 Charles River Pollution Control District was organized under Chapter 21 of the Massachusetts General Laws in 1974 as a water pollution abatement district to include the Towns of Franklin and Medway, Massachusetts. The District currently also provides services to Bellingham, Millis, Norfolk, Sherborn, and Dover and also receives septage from several other towns. The primary purpose of the entity is to construct and operate a system for water pollution abatement.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and institutions. The District has also considered all 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. As required by GAAP, these basic financial statements present the District and its component units. The District has determined that there are no component units.

B. 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.

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 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.

Operations

The operations receivables relate to charges to certain industries for chemical usage, services provided and insurance reimbursements. An allowance for uncollectible accounts is estimated based on specific analysis of each account. At June 30, 2023, there was no allowance for uncollectible accounts reported.

G. Member Community Assessments and Other Revenue

Proprietary Fund Financial Statements

Amounts received from the member towns or the state and federal governments which are restricted for a specific purpose, other than for capital related expenditures, are recognized as revenue in the year in which the related expense is incurred. Amounts received designated for capital expenditures are recorded as contributions in aid of construction. The District did not have any qualifying amounts at June 30, 2023.

H. 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.

I. Capital Assets

Proprietary Fund Financial Statements

Capital assets, which include land, buildings, sewer lines, plant equipment, transportation equipment, other equipment, and landfill improvements, 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 purchases and construction costs in excess of $10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis over the estimated useful life of various classes of assets ranging from 5 to 45 years.

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.

Construction in progress is the construction of a general fixed asset for which the expenses related to the construction are capitalized as the construction proceeds. Upon completion of the construction, the construction in progress balance is transferred to the appropriate asset account.

J. 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) until then. The District has reported deferred outflows of resources related to other postemployment benefits and pensions in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of 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 other postemployment benefits and pensions in this category.

K. Net Position

Proprietary Fund Financial Statements (Net Position)

Net position is reported as restricted when amounts 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.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Norfolk 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.

M. 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.

N. Investment Income

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

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.

The District Treasurer has adopted specific policies as it relates to the investment of the operating fund cash balances. The main objective of these policies is to secure the highest rate of return reasonably available, while taking into account the acceptable levels of safety, liquidity and yield.

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 $3,695,615 and the bank balance totaled $3,728,408. Of the bank balance, $250,000 was covered by Federal Depository Insurance and $3,478,408 was covered by Depositors Insurance Fund.

Investments

As of June 30, 2023, the District's investments consisted of the following:

Investment Type		Fair Value
Bond Mutual Funds	$	73,358
Equity Mutual Funds		206,758
Money Market Mutual Funds		1,412
Total Investments	$	281,528

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 has adopted a policy to evaluate the creditworthiness of financial institutions being used by the District on a semi-annual basis. The District's investments are not subject to custodial credit risk.

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 will manage interest rate risk by managing duration in the account, usually limiting the maturity of the investment to one year.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The District's investment policy states that the concentration of credit risk will be addressed by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single issuer, with the exception of the United States Government and its Agencies, will not exceed 5% of the portfolio value. The District's investments are unrated.

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. Securities of a single issuer, with the exception of the United States Government and its Agencies, will not exceed 5% of the portfolio value.

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 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.

Bond mutual funds, equity mutual funds, and money market mutual funds classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

		Fair Value Measurements Using		
Investment Type	June 30, 2023	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:				
Bond Mutual Funds	$ 73,358	$ 73,358	$ -	$ -
Equity Mutual Funds	206,758	206,758	-	-
Money Market Mutual Funds	1,412	1,412	-	-
Total investments measured at fair value	$ 281,528	$ 281,528	$ -	$ -

NOTE 3 – RECEIVABLES

At June 30, 2023, the District had $335,999 of receivables. Of the total, $198,338 relate to septage fees and $137,661 relate to other miscellaneous receivables. All of the District's receivables at year end are considered collectible.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 229,524	$ -	$ -	$ 229,524
Capital assets being depreciated:				
Buildings	17,000,147	-	-	17,000,147
Sewer lines	12,890,998	251,366	(615,606)	12,526,758
Plant equipment	46,157,759	164,379	(549,010)	45,773,128
Transportation equipment	122,286	-	(28,300)	93,986
Other equipment	116,472	694	-	117,166
Landfill improvements	1,007,323	10,761	-	1,018,084
Total capital assets being depreciated	77,294,985	427,200	(1,192,916)	76,529,269
Less accumulated depreciation for:				
Buildings	(10,750,412)	(436,249)	-	(11,186,661)
Sewer lines	(11,168,827)	(186,905)	615,606	(10,740,126)
Plant equipment	(19,049,162)	(1,047,730)	549,010	(19,547,882)
Transportation equipment	(109,830)	(7,783)	28,300	(89,313)
Other equipment	(79,605)	(15,505)	-	(95,110)
Landfill improvements	(216,153)	(25,398)	-	(241,551)
Total accumulated depreciation	(41,373,989)	(1,719,570)	1,192,916	(41,900,643)
Total capital assets being depreciatied, net	35,920,996	(1,292,370)	-	34,628,626
Total capital assets, net	$ 36,150,520	$ (1,292,370)	$ -	$ 34,858,150

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 anticipation 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. Interest expenditures and expenses for short-term borrowings are accounted for in the Debt Service Fund.

The District did not have any short-term debt during the fiscal year.

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 of all communities multiplied by the respective member community's ratio to that total. Debt authorization requires majority vote of the Commission.

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

Project	Maturities Through	Original Amount Issued	Interest Rate (%)	Outstanding at June 30, 2023
General obligation bonds:				
General Obligation Water Abatement Bonds.........	2032	$ 1,950,000	3%-4%	$ 960,000
Direct borrowings and placements:				
MCWT Loan: 10-38..	2033	2,899,075	2%	1,747,700
MCWT Loan: 13-09B......................................	2037	1,493,152	2%	1,209,388
MCWT Loan: 13-09A......................................	2036	8,741,935	2%	6,099,225
MCWT Loan: 13-09..	2035	13,000,000	2%	8,458,792
Total from direct borrowings and placements......				17,515,105
Total..				$ 18,475,105

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

	General Obligation Bonds			Direct Borrowing and Placements		
Year	Principal	Interest	Total	Principal	Interest	Total
2024	$ 110,000	$ 33,500	$ 143,500	$ 1,268,803	$ 383,802	$ 1,652,605
2025	110,000	29,925	139,925	1,296,378	354,852	1,651,230
2026	110,000	26,075	136,075	1,324,554	325,074	1,649,628
2027	105,000	22,313	127,313	1,353,340	294,821	1,648,161
2028	105,000	18,638	123,638	1,382,754	264,137	1,646,891
2029	105,000	14,700	119,700	1,412,806	232,486	1,645,292
2030	105,000	10,500	115,500	1,443,511	200,030	1,643,541
2031	105,000	6,300	111,300	1,474,884	156,959	1,631,843
2032	105,000	2,100	107,100	1,506,939	163,261	1,670,200
2033	-	-	-	1,539,691	101,022	1,640,713
2034	-	-	-	1,376,819	70,228	1,447,047
2035	-	-	-	1,406,743	42,422	1,449,165
2036	-	-	-	628,916	14,557	643,473
2037	-	-	-	98,967	1,980	100,947
Total	$ 960,000	$ 164,050	$ 1,124,050	$ 17,515,105	$ 2,605,631	$ 20,120,736

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	$ 1,070,000	$ -	$ (110,000)	$ -	$ -	$ 960,000	$ 110,000
Direct borrowings and placements	18,756,919	-	(1,241,814)	-	-	17,515,105	1,268,803
Total long term debt	19,826,919	-	(1,351,814)	-	-	18,475,105	1,378,803
Net pension liability	724,924	-	-	593,880	(180,725)	1,138,079	-
Net OPEB liability	738,000	-	-	87,640	(77,503)	748,137	-
Total	$ 21,289,843	$ -	$ (1,351,814)	$ 681,520	$ (258,228)	$ 20,361,321	$ 1,378,803

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 from a not-for-profit risk pool and is self-insured for unemployment compensation activities.

The District's liability for unemployment compensation is not material at June 30, 2023, and therefore is not reported.

NOTE 8 – STABILIZATION

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund or appropriations from the fund requires a two-thirds vote of the legislative body. Any additions to the fund requires a majority vote of the District's Board of Commissioners. At year end, the balances for the general stabilization fund and the infiltration/inflow stabilization fund are $2,797,835 and $604,950 respectively. Both of the District's stabilization funds are reported as restricted net position.

NOTE 9 – PENSION PLAN

Plan Description

The District is a member of the Norfolk County Retirement System (NCRS). NCRS is a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 42 member units. The System 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. A copy of their audited financial report may be obtained by visiting http://www.norfolkcountyretirement.org.

Benefits Provided

The System 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 measurement of the total pension liability since the prior measurement date.

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 member units are required to pay into the NCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended June 30, 2023, which was $180,785, 24.61% 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 liability. The required contribution is payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the required contributions.

Pension Liabilities

At June 30, 2023, the District reported a net pension liability of $1,138,079 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 back 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 was 0.1968%, which increased from its proportion measured at December 31, 2021, of 0.1967%.

Pension Expense

For the year ended June 30, 2023, the District recognized pension expense of $108,141. At June 30, 2023, the District reported deferred outflows of resources related to pensions and deferred inflows of resources related to pensions of $256,400 and $103,087, respectively. 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................	$ 37,462	$ -	$ 37,462
Difference between projected and actual earnings, net...............	217,320	-	217,320
Changes in proportion and proportionate share of contributions...	1,618	(103,087)	(101,469)
Total deferred outflows/(inflows) of resources...........................	$ 256,400	$ (103,087)	$ 153,313

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

Year ended June 30:	
2024...	$ (19,824)
2025...	8,774
2026...	55,485
2027...	108,878
Total..	$ 153,313

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 rolled back to December 31, 2022:

Valuation date…………………………………	January 1, 2022
Actuarial cost method………………………	Entry Age Normal Cost Method
Asset valuation method………………………	Fair Value
Investment rate of return……………………	7.75%
Projected salary increases…………………	3.50% - 5.50%
Inflation rate…………………………………	3.00%
Cost of living adjustments……………………	3.00% of first $18,000 of retirement income
Mortality rates…………………………………	The RP-2014 Blue Collar Mortality Table adjusted with Scale with MP-2014

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Directors of the NCRS. 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………………………	30.50%	7.00%
International Equities…………………	15.50%	7.70%
Fixed Income…………………………	20.50%	4.30%
Real Estate……………………………	9.50%	6.90%
Private Equity…………………………	10.00%	9.40%
Hedge Funds…………………………	11.50%	8.60%
Real Assets……………………………	2.50%	8.90%
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 -11.82%. 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 7.75% as of both the December 31, 2022, and December 31, 2021, measurement dates. 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability..........................	$ 1,511,844	$ 1,138,079	$ 820,331
NCRS total net pension liability................	$ 768,213,463	$ 578,291,931	$ 416,834,744

Changes in Assumptions

None.

Changes in Plan Provisions

None.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Charles River Pollution Control District administers a single-employer defined benefit healthcare plan ("the Plan"). The Plan provides lifetime healthcare insurance and life 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. The Retiree Health Plan does not issue a publicly available financial report.

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 30% of the cost of 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 $58,074 during 2023 towards these benefits including the pre-funding amount discussed below. 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 6.91% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish the postemployment benefit trust fund and enabled the District to pre-fund its OPEB liabilities. During 2023, the District pre-funded future OPEB liabilities in the amount of $30,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. As of June 30, 2023, the balance in the Other Postemployment Benefit Fund was $281,528.

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.

Plan Membership

The following table represents the Plan's membership at June 30, 2023:

Active members	12
Retired, disabled, survivors and beneficiaries receiving benefits	6
Total	18

Components of OPEB Liability

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

Total OPEB liability	$ 1,029,665
Less: OPEB plan's fiduciary net position	(281,528)
Net OPEB liability	$ 748,137
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	27.34%

Measurement Date

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022.

Significant Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2023, to be in accordance with GASB Statement #74 and Statement #75:

Valuation date…………………………………	January 1, 2022
Actuarial cost method………………………	Entry Age Normal
Asset valuation method……………………	Fair value of assets with payables and receivables.
Interest Rate / Discount rate…………………	6.25% per year net of investment expense as of June 30, 2023. In the calculation of the discount rate, the 20-year Municipal General Obligation bonds as shown in the Bond Buyer 20 Bond Index (3.65%) and a long-term rate of return of 6.25% were used.
Salary scale…………………………………	4.00% by individual. Overall payroll increase rate, including new entrants of 3.00% per year.
Inflation rate………………………………	CPI-U of 2.50% per year.
Mortality rates:	
Actives………………………………………	The RPH-2014 Headcount-Weighted Mortality Tables adjusted to 2006, sex-distinct, for employees projected using generational mortality and scale MP-2021.
Retirees……………………………………	The RPH-2014 Headcount-Weighted Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2021.
Disabled……………………………………	The RPH-2014 Headcount-Weighted Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2021. Set forward 2 years.

Rate of return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense was 8.33%. 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 returns 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 expenses and a risk margin. The target allocation as of June 30, 2023, and projected geometric 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
Domestic equity	40.00%	3.90%
International equity	21.00%	5.75%
Domestic bond	22.00%	1.39%
International bond	5.00%	1.21%
Alternatives	12.00%	3.14%
Total	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability as of June 30, 2023, remained the same from June 30, 2022 at 6.25%. 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.

Changes in the Net OPEB Liability for the Measurement Date

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	$ 970,099	$ 232,099	$ 738,000
Changes for the year:			
Service cost	26,246	-	26,246
Interest	61,394	-	61,394
Contributions - employer	-	58,074	(58,074)
Net Investment income (loss)	-	19,429	(19,429)
Benefit payments	(28,074)	(28,074)	-
Net change	59,566	49,429	10,137
Balances at June 30, 2023	$ 1,029,665	$ 281,528	$ 748,137

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

The table on the following page presents the net OPEB liability, calculated using the discount rate of 6.25%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current discount rate.

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB liability…………………………	$ 925,957	$ 748,137	$ 608,462

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

The following table presents the net OPEB liability, calculated using the current healthcare trend rate, as well as what the net OPEB 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……………………	$ 581,855	$ 748,137	$ 966,801

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 $76,088 and reported deferred outflows of resources and deferred inflows of resources related to OPEB of $296,270 and $858,651, respectively from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience…….	$ -	$ (291,542)	$ (291,542)
Changes in assumptions………………………………………	281,208	(567,109)	(285,901)
Difference between projected and actual earnings, net……	15,062	-	15,062
Total deferred outflows/(inflows) of resources………………	$ 296,270	$ (858,651)	$ (562,381)

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

Measurement date year ended June 30:	
2024…………………………………………………………	$ (148,864)
2025…………………………………………………………	(148,913)
2026…………………………………………………………	(142,037)
2027…………………………………………………………	(130,243)
2028…………………………………………………………	4,564
Thereafter……………………………………………………	3,112
Total…………………………………………………………	$ (562,381)

Changes of Assumptions

None.

Changes in Plan Provisions

None.

NOTE 11 – CONTINGENCIES

Environmental Compliance

The District is subject to environmental laws and regulation concerning discharge of wastewater established by the National Pollutant Discharge Elimination System (NPDES). In certain instances over the past few years the District has not complied with these regulations. The financial result of noncompliance with these regulations cannot be presently determined. The District believes, to the best of its knowledge, that it has acted in good faith to address and correct any non-compliance conditions.

Other Matters

The District has received state grants in connection with bond issues for specific purposes that are subject to review and audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. District officials are not aware of any potential disallowances.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2024, which is the date the financial statements were available to be issued.

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023. This pronouncement did not impact the basic financial statements.

- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.

- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.

- The GASB issued Statement #99, *Omnibus 2022*. This pronouncement did not the 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 presents multi-year trend information of the District’s net pension liability and related ratios.

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

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

NORFOLK COUNTY RETIREMENT SYSTEM

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-payroll	Net pension liability as a percentage of covered-payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022..........	0.1968%	$ 1,138,079	$ 720,269	158.01%	68.80%
December 31, 2021..........	0.1967%	724,924	695,912	104.17%	79.40%
December 31, 2020..........	0.2358%	1,204,359	643,758	187.08%	70.20%
December 31, 2019..........	0.2355%	1,382,652	621,988	222.30%	64.60%
December 31, 2018..........	0.2319%	1,509,531	715,967	210.84%	58.30%
December 31, 2017..........	0.2317%	1,281,311	691,756	185.23%	63.50%
December 31, 2016..........	0.2366%	1,235,106	642,914	192.11%	61.60%
December 31, 2015..........	0.2366%	1,285,124	565,942	227.08%	58.60%
December 31, 2014..........	0.2409%	1,249,165	567,409	220.15%	60.10%

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

NORFOLK 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	$ 180,785	$ (180,785)	$ -	$ 734,674	24.61%
June 30, 2022	168,551	(168,551)	-	709,830	23.75%
June 30, 2021	188,839	(188,839)	-	656,633	28.76%
June 30, 2020	176,400	(176,400)	-	634,428	27.80%
June 30, 2019	162,231	(162,231)	-	730,286	22.21%
June 30, 2018	148,304	(148,304)	-	705,591	21.02%
June 30, 2017	151,157	(132,554)	18,603	655,772	20.21%
June 30, 2016	151,157	(120,377)	30,780	577,261	20.85%
June 30, 2015	116,537	(113,709)	2,828	578,757	19.65%

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 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. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability 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 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	$ 58,074	$ 60,106	$ 62,210	$ 77,326	$ 76,847	$ 27,534	$ 26,246
Interest	62,357	66,537	70,437	71,177	49,444	64,013	61,394
Differences between expected and actual experience	-	-	-	(513,697)	-	(102,355)	-
Changes of assumptions	-	-	196,094	424,291	(997,310)	(2,113)	-
Benefit payments	(27,173)	(31,915)	(36,505)	(44,282)	(39,077)	(27,323)	(28,074)
Net change in total OPEB liability	93,258	94,728	292,236	14,815	(910,096)	(40,244)	59,566
Total OPEB liability - beginning	1,425,402	1,518,660	1,613,388	1,905,624	1,920,439	1,010,343	970,099
Total OPEB liability - ending (a)	$ 1,518,660	$ 1,613,388	$ 1,905,624	$ 1,920,439	$ 1,010,343	$ 970,099	$ 1,029,665
Plan fiduciary net position							
Employer contributions	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 80,000	$ 30,000	$ 30,000
Employer contributions for OPEB payments	27,173	31,915	36,505	44,282	39,077	27,323	28,074
Net investment income (loss)	6,554	5,078	5,946	4,038	33,979	(36,407)	19,429
Benefit payments	(27,173)	(31,915)	(36,505)	(44,282)	(39,077)	(27,323)	(28,074)
Net change in plan fiduciary net position	11,554	10,078	10,946	9,038	113,979	(6,407)	49,429
Plan fiduciary net position - beginning of year	82,911	94,465	104,543	115,489	124,527	238,506	232,099
Plan fiduciary net position - end of year (b)	$ 94,465	$ 104,543	$ 115,489	$ 124,527	$ 238,506	$ 232,099	$ 281,528
Net OPEB liability - ending (a)-(b)	$ 1,424,195	$ 1,508,845	$ 1,790,135	$ 1,795,912	$ 771,837	$ 738,000	$ 748,137
Plan fiduciary net position as a percentage of the total OPEB liability	6.22%	6.48%	6.06%	6.48%	23.61%	23.93%	27.34%
Covered-employee payroll	$ 668,163	$ 684,017	$ 606,781	$ 613,503	$ 703,488	$ 742,116	$ 840,541
Net OPEB liability as a percentage of covered-employee payroll	213.15%	220.59%	295.02%	292.73%	109.72%	99.45%	89.01%

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	Statutory 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……………	$ 28,074	$ (58,074)	$ (30,000)	$ 840,541	6.91%
June 30, 2022……………	27,323	(57,323)	(30,000)	742,116	7.72%
June 30, 2021……………	39,077	(119,077)	(80,000)	703,488	16.93%
June 30, 2020……………	44,282	(49,282)	(5,000)	613,503	8.03%
June 30, 2019……………	36,505	(41,505)	(5,000)	606,781	6.84%
June 30, 2018 (1)……….	108,000	(36,915)	71,085	684,017	5.40%
June 30, 2017 (1)……….	108,000	(32,173)	75,827	668,163	4.82%

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.

(1) Actuarially determined contribution.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2023……………………………	8.33%
June 30, 2022……………………………	-15.18%
June 30, 2021……………………………	25.55%
June 30, 2020……………………………	3.48%
June 30, 2019……………………………	5.63%
June 30, 2018……………………………	5.16%
June 30, 2017……………………………	7.95%

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

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

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

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 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 based on covered payroll.

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 Plan"). The Plan provides lifetime healthcare 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 Plan

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability 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. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability 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-employee payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

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

Valuation date……………………………….	January 1, 2022
Actuarial cost method………………………	Entry Age Normal
Asset valuation method……………………	Fair value of assets with payables and receivables.
Interest Rate / Discount rate……………….	6.25% per year net of investment expense as of June 30, 2023. In the calculation of the discount rate, the 20-year Municipal General Obligation bonds as shown in the Bond Buyer 20 Bond Index (3.65%) and a long-term rate of return of 6.25% were used.
Salary scale………………………………….	4.00% by individual. Overall payroll increase rate, including new entrants of 3.00% per year.
Inflation rate…...	CPI-U of 2.50% per year.
Mortality rates:	
Actives……………………….………………	The RPH-2014 Headcount-Weighted Mortality Tables adjusted to 2006, sex-distinct, for employees projected using generational mortality and scale MP-2021.
Retirees…………………….…………………	The RPH-2014 Headcount-Weighted Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2021.
Disabled…………………….…………………	The RPH-2014 Headcount-Weighted Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2021. Set forward 2 years.

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

None.

Changes in Plan Provisions

None.

Supplementary Information

COMPARATIVE SCHEDULE OF OPERATIONS

YEAR ENDED JUNE 30, 2023

OPERATING EXPENSES:	2023		2022		2021	
Administration and operating salaries	$ 851,758		$ 750,929		$ 712,620	
Contract services	109,928		107,277		109,596	
Health insurance	138,167		123,380		88,599	
Pension expense	180,785		168,551		188,839	
Workman's compensation	21,014		20,578		17,675	
General insurance	143,347		137,360		136,752	
Office supplies	18,820		12,384		11,580	
Telephone	7,697		7,822		9,130	
Engineering	-		14,385		26,081	
Payroll taxes	9,259		11,178		11,113	
Laboratory expenses	32,434		29,264		29,218	
Miscellaneous	21,515		19,941		22,332	
Energy and fuel	648,734		604,343		519,638	
Equipment maintenance	220,046		180,540		111,544	
Building maintenance	147,865		87,541		75,694	
Chemicals	426,949		469,451		388,710	
Sludge removal	995,968		997,977		949,856	
Professional services	37,639		26,493		29,876	
Employee reimbursement	11,466		9,921		7,735	
Contributions to postemployment benefits	30,000		30,000		80,000	
Depreciation	1,719,570		1,713,150		1,720,280	
Employee benefits for pension and other postemployment benefits	(215,313)	(A)	(295,924)	(A)	(183,216)	(A)
TOTAL OPERATING EXPENSES	$ 5,557,648		$ 5,226,541		$ 5,063,652	

(A) Represents a decrease in the District's estimated net pension and net OPEB liabilities, net of related deferred outflows/(inflows) of resources.

STATEMENT OF CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	Invested in Capital Assets	Unrestricted Accumulated Deficit	Restricted Stabilization Fund	Total
Balance, July 1, 2022	$ 16,323,601	$ (2,013,938)	$ 2,833,216	$ 17,142,879
Change in net position	-	561,561	-	561,561
Restricted for stablization	-	(569,569)	569,569	-
Change in long term debt	1,351,814	(1,351,814)	-	-
Depreciation expense	(1,719,570)	1,719,570	-	-
Capital asset additions depreciable	427,200	(427,200)	-	-
Balance at June 30, 2023	$ 16,383,045	$ (2,081,390)	$ 3,402,785	$ 17,704,440

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

Independent Auditor's Report

To the Honorable Board of Commissioners
Charles River Pollution Control District
Medway, 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 Charles River Pollution Control District, (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Powers & Sullivan, LLC

March 15, 2024