



Bill Fraher, CPA

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Financial Statements
and Required Supplementary Information

For the Year Ended December 31, 2020

(With Independent Auditor's Report Thereon)

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT
Financial Statements and Required Supplementary Information

Years Ended December 31, 2020
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Independent Auditor's Report

The Board of Light Commissioners
Rowley Municipal Light Plant
Town of Rowley, Massachusetts

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Rowley Municipal Light Plant (the Plant), an enterprise fund of the Town of Rowley, Massachusetts, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the Rowley Municipal Light Plant of the Town of Rowley, Massachusetts, as of December 31, 2020, and the changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements present only the Rowley Municipal Light Plant and do not purport to, and do not, present fairly the financial position of the Town of Rowley, Massachusetts as of December 31, 2020, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 7 and the pension and OPEB schedules on pages 26 to 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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. I 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 regarding 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 obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 11, 2021 on my consideration of the Rowley Municipal Light Plant's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Rowley Municipal Light Plant's internal control over financial reporting and compliance.



Bill Fraher, CPA
August 11, 2021



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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

The Board of Light Commissioners
Rowley Municipal Light Plant
Town of Rowley, Massachusetts

I have audited, 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, the financial statements of the business-type activities and the remaining fund information of the Rowley Municipal Light Plant (the Plant), an enterprise fund of the Town of Rowley, Massachusetts, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued my report thereon dated August 11, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Plant's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rowley Municipal Light Plant's internal control. Accordingly, I do not express an opinion on the effectiveness of the Rowley Municipal Light Plant'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Plant's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

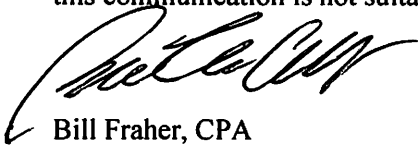
Compliance and Other Matters

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

I noted certain matters that I reported to management and Board of the Rowley Municipal Light Plant in a separate letter dated August 11, 2021.

Purpose of this Report

This 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 Plant'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 Plant's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Bill Fraher, CPA
August 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the financial statements, the management of the Rowley Municipal Light Plant (the Plant) provides a narrative discussion of the amounts that appear in the Plant's financial statements. This discussion is provided to present an overview of the Plant's year end financial position for December 31, 2020 and the results of operations for the year then ended.

Overview of the Financial Statements

The Plant's basic financial statements include two fund types, a proprietary fund type for all Plant activity except for the Other Post-Employment Benefits (OPEB) trust fund, which is considered a fiduciary fund type. For both fund types, the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The proprietary fund includes a Statement of Net Position, Statement of Revenues, Expense and Changes in Net Position and Statement of Cash Flows. The fiduciary fund type presents a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Notes follow these financial statements to present additional information on some of the amounts in the financial statements. Financial highlights from these statements are presented below.

- The Statement of Net Position is designated to indicate our financial position as of a specific point in time. At December 31, 2020, our net position is \$9,708,317, which is an increase of \$865,939 (9.8%) from the prior year amount of \$8,842,378. Of the total net position at December 31, 2020, \$4.72 million is the net investment in capital assets and \$4.99 million is unrestricted.
- The Statement of Revenues, Expenses and Changes in Net Position shows our operating results and reveals how much, if any, profit was made for the year. This statement shows a total increase in net position of \$865,939 for the year ended December 31, 2020, compared with an increase of \$757,633 for the year ended December 31, 2019. This change was due primarily to a decrease in purchased power costs due to market factors.
- The Statement of Cash Flows provides information about the cash receipts and cash payments during the year. A review of our Statement of Cash Flows indicates that cash receipts from operating activities mostly covered our operating expenses for the year.
- The Department's total OPEB liability at December 31, 2020 is \$675,824 and the net OPEB asset is \$47,206, with OPEB related deferred outflows of \$23,294 and deferred inflows of \$648,461. The Department has fully funded this liability. The OPEB trust balance at December 31, 2020 is \$723,030.
- The total Net Pension Liability (NPL) in the financial statements is \$2,553,908 with pension related deferred outflows of \$293,114 and deferred inflows of \$178,790. The NPL is being amortized through increased assessments from the Essex Regional Retirement System with a target date of 2035 for full liability amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary financial information is presented below.

Summary of Statement of Net Position

	<u>2020</u>	<u>2019</u>
Current Assets	\$8,616,571	\$8,049,981
Noncurrent Assets	<u>5,037,611</u>	<u>4,651,074</u>
Total Assets	<u>13,654,182</u>	<u>12,701,055</u>
Deferred Outflows	<u>316,408</u>	<u>326,502</u>
Current Liabilities	733,538	594,805
Noncurrent Liabilities	<u>2,701,484</u>	<u>2,858,236</u>
Total Liabilities	<u>3,435,022</u>	<u>3,453,041</u>
Deferred Inflows	<u>827,251</u>	<u>732,138</u>
Net Position:		
Net Investment in Capital Assets	4,990,405	4,651,074
Unrestricted	<u>4,717,912</u>	<u>4,191,304</u>
Total Net Position	<u>\$9,708,317</u>	<u>\$8,842,378</u>

The major changes to the Statement of Net Position between December 31, 2019 and 2020 were an increase in cash and net position due to net income and changes to liabilities and deferrals from OPEB and pensions.

Summary of Statement of Changes in Net Position

	<u>2020</u>	<u>2019</u>
Operating Revenues	\$7,879,787	\$7,888,226
Operating Expenses	<u>7,159,147</u>	<u>7,281,841</u>
Operating Income	720,640	606,385
Nonoperating Revenues (Expenses)	<u>145,299</u>	<u>151,248</u>
Changes in Net Position	865,939	757,633
Net Position – Beginning of Year	<u>8,842,378</u>	<u>8,084,745</u>
Net Position – End of Year	<u>\$9,708,317</u>	<u>\$8,842,378</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Highlights

Customer sales (which make up most of the Plant's operating revenues) increased from 2019 to 2020, totaling \$7,692,317 for 2019 and \$7,719,344 for 2020, an increase of 0.4%. This change is mainly due to a decrease in demand offset by an increase in the average fuel charge.

Operating expenses decreased from \$7,281,841 in 2019 to \$7,159,147 in 2020, a decrease of 1.7%. Most of this decrease is due to decreased power costs due to demand and the energy market.

Capital Assets & Debt Administration

Total net capital assets were \$4,651,074 at December 31, 2019 and \$4,990,405 at December 31, 2020, an increase of 7.3%. Capital assets include land, buildings, structures and improvements, equipment and furnishings and infrastructure. There were no major additions during the year and, therefore, capital additions were slightly less than depreciation for the year.

The Plant has no outstanding debt at December 31, 2020 nor was any debt outstanding during the year.

Fiduciary Fund

The Plant established an OPEB trust fund in 2015. This showed a contribution from the Plant of \$246,342 in 2020, with a total balance at December 31, 2020 of \$723,030.

Requests for Information

This financial report is designed to provide a general overview of the Rowley Municipal Light Plant's finances for all those interested in the Plant's financial operations. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

Manager
Rowley Municipal Light Plant
Rowley, MA 01969

Rowley Municipal Light Plant
Business-Type Activities Proprietary Fund
Statement of Net Position
December 31, 2020

Assets

Current assets:

Cash and cash equivalents - unrestricted	\$ 4,582,771
Cash and cash equivalents - restricted	109,547
Investments - unrestricted	1,804,386
Accounts receivable, net	361,869
Unbilled revenue	496,625
Inventory	99,431
Prepaid expenses	<u>1,161,942</u>
Total current assets	<u>8,616,571</u>

Noncurrent assets:

Net OPEB asset	47,206
Capital assets, net	<u>4,990,405</u>
Total noncurrent assets	<u>5,037,611</u>

Total assets **\$ 13,654,182**

Deferred Outflows of Resources

Deferred amounts related to OPEB	23,294
Deferred amounts related to pensions	<u>293,114</u>
Total deferred outflows	<u>316,408</u>

Liabilities

Current Liabilities:

Accounts payable	\$ 587,764
Customer deposits	109,547
Accrued employee benefits	<u>36,227</u>
Total current liabilities	<u>733,538</u>

Noncurrent liabilities:

Accrued employee benefits	147,576
Other post-employment benefits	-
Net pension liability	<u>2,553,908</u>
Total noncurrent liabilities	<u>2,701,484</u>

Total liabilities **3,435,022**

Deferred Inflows of Resources

Deferred amounts related to OPEB	648,461
Deferred amounts related to pensions	<u>178,790</u>
Total deferred inflows	<u>827,251</u>

Net investment in capital assets	4,990,405
Unrestricted	<u>4,717,912</u>

Total net position **\$ 9,708,317**

The notes to the financial statements are an integral part of this statement.

Rowley Municipal Light Plant
Business-Type Activities Proprietary Fund
Statement of Changes in Net Position
For the Year Ended December 31, 2020

Operating revenues:	
Charges for services	\$ 7,719,344
Other operating revenues	<u>160,443</u>
Total operating revenues	<u>7,879,787</u>
Operating expenditures:	
Purchased power and production	4,845,976
Other operating expenses	1,993,118
Depreciation	<u>320,053</u>
Total operating expenditures	<u>7,159,147</u>
Operating income	<u>720,640</u>
Nonoperating revenues (expenses):	
Interest income	166,847
Interest expense	-
Payments in lieu of taxes	<u>(21,548)</u>
Total nonoperating revenues (expenses)	<u>145,299</u>
Changes in net position	865,939
Net position, beginning of year	<u>8,842,378</u>
Net position, end of year	\$ <u><u>9,708,317</u></u>

The notes to the financial statements are an integral part of this statement.

Rowley Municipal Light Plant
Business-Type Activities Proprietary Fund
Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities:	
Cash received from customers	\$ 7,853,830
Cash paid to suppliers	(5,867,368)
Cash paid to employees	(942,901)
Payment in lieu of taxes	<u>(21,548)</u>
Net cash provided by operating activities	<u>1,022,013</u>
Cash flows from investing activities:	
Interest and investment income	166,847
Purchases and sales of investments, net	<u>(126,139)</u>
Net cash provided by capital and related financing activities:	<u>40,708</u>
Cash flows from capital and related financing activities:	
Capital expenditures, net	<u>(659,384)</u>
Net cash provided by capital and related financing activities:	<u>(659,384)</u>
Net increase in cash and cash equivalents	403,337
Cash and cash equivalents, beginning of year	<u>4,288,981</u>
Cash and cash equivalents, end of year	<u>\$ 4,692,318</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 720,640
Depreciation, bad debts & reserve	320,053
Payment in lieu of taxes	(21,548)
(Increase) Decrease in accounts receivable	(20,240)
(Increase) Decrease in unbilled revenue	(627)
(Increase) Decrease in inventory	(14,397)
(Increase) Decrease in prepaid expenses	(1,850)
Increase (Decrease) in accounts payable	149,963
Increase (Decrease) in customer deposit liability	(5,090)
Increase (Decrease) in accrued employee benefits	13,253
Increase (Decrease) in accrued OPEB and related deferrals	(296,765)
Increase (Decrease) in net pension liability and deferrals	<u>178,621</u>
Net cash provided by operating activities	<u>\$ 1,022,013</u>

The notes to the financial statements are an integral part of this statement.

Rowley Municipal Light Plant
Fiduciary Fund
Statement of Fiduciary Net Position
Year Ended December 31, 2020

	<u>OPEB Trust</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	-
Investments	\$ 723,030
	<u>723,030</u>
Total assets	<u>723,030</u>
<u>Liabilities</u>	
Current Liabilities:	
Other Liabilities	\$ -
	<u>-</u>
Total liabilities	<u>-</u>
<u>Net Position</u>	
Held in trust for retiree insurance benefits	<u>723,030</u>
Total net position	<u>\$ 723,030</u>

The notes to the financial statements are an integral part of this statement.

Rowley Municipal Light Plant
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2020

	<u>OPEB Trust Fund</u>
<u>Additions</u>	
Contributions:	
From Rowley Municipal Light Department	\$ <u>246,342</u>
Total contributions	<u>246,342</u>
Investment income:	
Interest and dividend income	<u>84,341</u>
Total investment income	<u>84,341</u>
Total additions	<u>330,683</u>
<u>Deductions</u>	
Benefits	<u>28,528</u>
Total deductions	<u>28,528</u>
Change in net position	302,155
Net position - beginning of year	<u>420,875</u>
Net position - end of year	\$ <u><u>723,030</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

1. Summary of Significant Accounting Policies

A. Introduction

The Town of Rowley Municipal Light Plant (the Plant) is an enterprise fund of the Town of Rowley, Massachusetts and was incorporated in 1910. The Plant was formed to provide electric power and related services to consumers in the Town of Rowley, Massachusetts. The Plant operates under the provisions of Chapter 164 of Massachusetts General Laws with an elected Board of Light Commissioners.

The Plant complies with accounting principles generally accepted in the United States of America (GAAP). The Plant's accounting records are required to conform to the accounting standards set by the Commonwealth of Massachusetts Department of Public Utilities (DPU), which differ from GAAP. Certain adjustments have been made to present the Plant's financial statements in accordance with GAAP.

B. Reporting Entity

The financial statements present information only on activities of Town of Rowley Municipal Light Plant and do not purport to, and do not, present fairly the financial position of the Town of Rowley, Massachusetts as of December 31, 2020, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. The Plant is presented as an enterprise fund in the Town of Rowley, Massachusetts' annual financial statements.

C. Regulation and Operation

Under Massachusetts law, electric rates of the Plant are set by the Board of Commissioners and may be changed once every three months. Rate schedules are filed with the DPU. While the DPU exercises general supervisory authority over the Plant, rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of utility plant, unless prior year losses are being recaptured.

D. Basis of Accounting

I. Basis of Presentation

The financial condition and results of operations of the Plant are presented as of and for the year ended December 31, 2020.

II. Basis of Accounting

The Plant's electric operations are accounted for as a proprietary fund type. As such, this fund is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The Plant also distinguishes between operating and nonoperating revenues and expenses, based on whether the items relate to the primary operation of providing electric service. The Department's OPEB trust is considered a fiduciary fund type and uses the accrual basis of accounting.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements

Years Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

II. Basis of Accounting (continued)

The Plant also has a fiduciary fund type which is a trust fund established pursuant to Chapter 32B Sections 20 of Massachusetts General Laws for the purpose of accumulating assets to fund the Plant's other post-employment benefits (OPEB) liability. This fund is also reported using the economic resources measurement focus and the accrual basis of accounting.

III. Cash Equivalents

For purposes of the statement of cash flows, the Plant considers investments with original maturities of three months or less when purchased to be cash equivalents.

IV. Inventory

Inventory is carried at cost, calculated on an average cost basis.

V. Utility Plant in Service (Capital Assets)

Utility plant in service is recorded at historical cost. Depreciation is calculated on a straight-line basis. Depreciation rates are as follows: buildings and structures - 50 years; utility plant infrastructure (poles, meters, transformers, etc.) - 20 to 33 years; other capital assets - 10 to 20 years.

An amount equal to annual depreciation expense is transferred by the Plant from general operating cash to a segregated depreciation cash fund. This fund is utilized in accordance with DPU regulations for certain additions to utility plant in service.

The Plant charges maintenance costs to expense when incurred. Replacements and betterments are charged to utility plant when purchased or when placed in service, according to DPU requirements. At the time plant is retired, the cost of plant, less accumulated depreciation and any salvage value, is recorded as a reduction of the related accounts.

VI. Accrued Vacation and Sick Leave

Vacation time for Plant employees varies from one to five weeks, based on years of service. In addition, upon termination, employees are eligible to "buy back" a percentage of accrued sick time, subject to certain restrictions. Vacation and sick leave payable at December 31, 2020 is accrued in the accompanying financial statements.

VII. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, proprietary and fiduciary fund statements may present deferred outflow and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will be recognized as an outflow (expense/expenditure) at that time. Deferred inflows of resources represent acquisition of net position that

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

VII. Deferred Outflows/Inflows of Resources (continued)

applies to a future period and will be recognized as an inflow (revenue) at that time. In the proprietary fund financial statements, certain items related to the net pension and OPEB liabilities have been reported as deferred outflows and inflows.

VIII. 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 Essex Regional Retirement System (the 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.

IX. Other Post-Employment Benefits

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 Department's OPEB 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, 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.

X. Operating Revenues

Revenues are based on rates established by the Plant and are applied to customers' consumption of electricity. The Plant utilizes a fuel cost adjustment, whereby fluctuations in the cost of power can be adjusted monthly on customer bills without a change to the basic rate structure. Certain customers are allowed a discount on a portion of their electric bill if paid within fifteen days which is recorded as revenue when forfeited.

XI. Taxes

The Plant is exempt from state and federal income taxes and local property taxes. The Plant pays an in lieu of tax payment to the Town of Rowley based on an annual vote by the Board of Commissioners.

XII. Use of Estimates

In preparing the Plant's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements

Years Ended December 31, 2020

2. Cash and Investments

Cash of the Plant is in control of the Town Treasurer, as required by state law. State and local statutes place certain limitations on the nature of deposits and investments available to the Plant.

Cash and cash equivalents in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Separate accounts are maintained for the Plant's operating, depreciation, stabilization and customer meter deposits funds. The Plant maintains a depreciation and stabilization fund, which are statutory designations allowed per DPU regulations. Customer meter deposits are presented as restricted cash and cash equivalents, as these amounts are available to the Plant only if a customer account is terminated with an outstanding balance.

At year-end, the Department's carrying amount of *segregated* deposits was \$1,612,233 and the bank balance was \$1,612,557. The difference is due to timing issues between general ledger activity and transfers to or from the Town operating accounts. An additional \$169,680 was pooled with Town funds in Town bank accounts. Cash is pooled with, or in the same financial institution as, Town funds and, therefore, specific collateralization information on these amounts is not available. At year-end, the investment balances for the Plant were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US Government Securities	\$ 522,578
Certificates of Deposit	222,887
Other fixed income securities	991,182
Mutual Funds	67,740
Money Market Funds (cash equivalents)	9,842
MMDT (cash equivalents)	2,899,873
Pooled Funds – OPEB Trust Investments	<u>723,030</u>
Total investments	<u>\$5,437,132</u>

US government securities maturities are: \$131,166 less than one year, \$215,086 between one and two years and \$131,320 between two and five years and \$45,006 thereafter. Certificates of deposit maturities are as follows: \$30,065 less than one year, \$35,569 between one and two years and \$157,253 between two and five years. Other fixed income securities maturities are as follows: \$208,436 less than one year, \$234,577 between one and two years and \$548,169 between two and five years. The US government and agency securities investments are AA to A by Standard and Poor's. The other fixed income securities are rated as follows: \$106,242 AAA, \$570,417 AA to A and \$314,523 BBB by Standard and Poor's. Other investments are not rated. The OPEB trust funds are in an investment account pooled with the Town's OPEB funds. Information on the Plant's specific securities is not available.

The Department categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles, based on the valuation inputs use to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2020, US Government securities, mutual funds, equities and money market mutual funds are categorized as Level 1 and certificates of deposit and fixed income securities are categorized as Level 2. MMDT cash portfolio investments are valued at amortized cost, whereby an investment is initially valued at its cost and adjusted for the amount if income accrued each day over the investment term to account for the difference between the initial cost and the amount payable at maturity. If amortized cost is determined not to approximate fair value, the value will be established under procedures established by the investment advisor.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

3. Accounts Receivable

The following is a summary of accounts receivable as of December 31, 2020.

Customer accounts receivable	\$426,794
Other accounts receivable	20,075
Allowance for uncollectible accounts	<u>(85,000)</u>
Total accounts receivable, net	<u>\$361,869</u>

In addition, at December 31, 2020 the Plant has \$496,625 in unbilled revenue. This represents power sold to customers for December, 2020 usage that will be billed in the subsequent year.

4. Prepaid Expenses

At December 31, 2020, the Plant has total prepaid expenses of \$1,161,942. Most of the prepaid expense amount represents a deposit used to facilitate timely payments of certain monthly power invoices. The remainder represents amounts prepaid to the Town of Rowley for employee benefits and insurance.

5. Capital Assets

The following is a summary of capital assets for the year ended December 31, 2020.

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Land and land improvements	<u>\$282,334</u>	=	=	<u>282,334</u>
Total capital assets not being depreciated	<u>282,334</u>	=	=	<u>282,334</u>
Capital assets being depreciated:				
Buildings and improvements	628,342	45,800	-	674,142
Equipment	1,551,857	329,194	-	1,881,051
Infrastructure	<u>7,249,130</u>	<u>284,391</u>	<u>31,508</u>	<u>7,502,013</u>
Total capital assets being depreciated	<u>9,429,329</u>	<u>659,385</u>	<u>31,508</u>	<u>10,057,206</u>
Less accumulated depreciation for:				
Buildings and improvements	(348,925)	(13,483)	-	(362,408)
Equipment	(1,150,155)	(89,812)	-	(1,239,967)
Infrastructure	<u>(3,561,509)</u>	<u>(216,759)</u>	<u>(31,508)</u>	<u>(3,746,760)</u>
Total accumulated depreciation	<u>(5,060,589)</u>	<u>(320,054)</u>	<u>(31,508)</u>	<u>(5,349,135)</u>
Capital assets being depreciated, net	<u>4,368,740</u>	<u>339,331</u>	=	<u>4,368,740</u>
Total capital assets, net	<u>\$4,651,074</u>	<u>339,331</u>	=	<u>4,990,405</u>

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

6. Notes and Bonds Payable

The Plant did not have any short or long-term debt outstanding at any time during the year ended December 31, 2020. At December 31, 2020, the Plant has no unauthorized and unissued debt.

7. Pension Plans

Plan Description: Plant employees are provided with pensions through the Essex Regional Retirement System, a cost sharing, multiple employer defined benefit plans administered by the Essex Regional Retirement Board and regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). Chapter 32 of the Massachusetts General Laws (MGL) grants the authority to establish and amend benefit terms. The System issues an annual public report and audited financial statements that can be obtained at essexregional.com.

Benefits Terms: Membership in the System is mandatory for all full-time employees and non-seasonal employees who, in general, regularly work more than twenty hours per week.

The System provides retirement, disability and death benefits. Benefit payments are based on a member's age, length of creditable service, level of compensation and group classification. Retirement benefits are determined as follows. For employees hired prior to April 2, 2012, the system provides for retirement benefits up to a maximum of 80% of a member's highest three-year average annual rate of compensation. For employees hired on or after April 2, 2012, it is a maximum of 80% of a member's highest consecutive five-year average or, if greater, during the last five years (consecutive or not) preceding retirement. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 (age 60 if hired on or after April 2, 2012) with 10 years eligible service.

System members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. Disability benefits are based on a number of factors, including the member's age, compensation, veteran status, years of service and whether or not the disability is work related. In addition, certain death benefits exist for beneficiaries who die in active service. Cost of living adjustments (COLAs) granted between 1981 and 1997 are the responsibility of the Commonwealth. Beginning in 1998, funding COLAs became the responsibility of the System.

Contributions: Chapter 32 of MGL governs the contributions of plan members and member employers. Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. The Plant's contribution reflects its share of the system-wide actuarial determined contribution, in accordance with Chapter 32 Section 22D of MGL, apportioned among all System employers based on an annual employer normal cost and amortization payments to pay the unfunded net pension liability in full by fiscal year 2035. Contributions to the System by the Plant for the year ended December 31, 2020 were \$221,654.

Return of Contributions: Employee contributions may be returned to the participants upon leaving Plant employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

7. Pension Plans (continued)

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the Plant reported a liability of \$2,553,908 for its proportionate share of the net pension liability. The net pension liability was measured at December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 rolled back to December 31, 2019. There were no material changes made in this update to the actuarial assumptions or to the retirement terms since the last actuarial valuation. The Plant's proportion of the net pension liability was based on a projection of the Plant's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Plant's proportion was 0.6061%.

For the year ended December 31, 2020, the Plant recognized pension expense of \$400,275. At December 31, 2020 the Plant reported deferred outflows as follows: \$351 for the difference between expected and actual experience, \$255,257 for changes in assumptions and \$37,506 for changes in proportion and differences between employer contributions and proportionate share of contributions; and reported deferred inflows as follows: \$95,222 for the net difference between projected and actual investment earnings \$12,137 for the difference between expected and actual experience and \$71,431 for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be recognized in pension expense as follows:

Fiscal year ended December 31:	
2021	\$49,732
2022	\$24,018
2023	\$51,213
2024	(\$10,639)

Actuarial Assumptions: The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Actuarial cost method	Entry Age Normal Cost Method
	Inflation rate	2.75%
	Projected salary increases	3% of the first \$14,000 of a member's retirement allowance is assumed every year (2% in 2021 only)
	Investment rate of return	7.3% per annum
	Salary increases	Based on years of service, ranging from 7.5% at zero years of service decreasing to 3.75% after 5 years of service

Mortality rates were based on the following: for pre-retirement, the RP-2014 Employee Mortality Table projected generationally with scale MP-2019; for healthy retiree, RP-2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2019; and disabled retiree RP-2014 Healthy Annuitant Mortality Table, set forward two years, projected generationally with scale MP-2019.

The long-term rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expenses 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 rates of return by the

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

7. Pension Plans (continued)

target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	21.0%	6.15%
International developed equities	13.0%	6.78%
International emerging equities	5.0%	8.65%
Core fixed income	15.0%	1.11%
High yield fixed income	8.0%	3.51%
Private equity	13.0%	9.99%
Real estate	10.0%	4.33%
Commodities	4.0%	4.13%
Hedge funds/other	<u>11.0%</u>	3.68%
Total	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.3%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that contributions will be made at the actuarially determined contribution rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Department’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Department’s proportionate share of the net pension liability of the System calculated using the discount rate of 7.3%, as well as what the Department’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.3%) or 1-percentage-point higher (8.3%) than the current rate:

<u>1% Decrease (6.3%)</u>	<u>Current Discount Rate (7.3%)</u>	<u>1% Increase (8.3%)</u>
\$3,211,696	\$2,553,908	\$2,000,996

8. Other Post-Employment Benefits (OPEB)

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

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Plant ordinance. All benefits are provided through the Plant’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Plant’s financial statements.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

8. Other Post-Employment Benefits (OPEB) (continued)

With respect to OPEB plan reporting, GASB issued GASB Statement No.'s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the same measurement date is used for both GASB 74 and GASB 75. When different measurement dates are used, differences in assumptions and calculations will result.

OPEB Plan disclosures that impact the Plant's net OPEB liability using a measurement date of December 31, 2020 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of January 1, 2019:

Active employees		8
Inactive employees		5
Total		13

Contributions – The contribution requirements of OPEB Plan members and the Plant are established and may be amended by the Plant. Currently, members receiving these benefits contribute at a 47.5% of the cost of the plan. The remainder of the cost is funded by general revenues of the Plant. The Plant currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Plant. For the year ended December 31, 2020, the Plant's average contribution rate was approximately 25% of covered-employee payroll.

Net OPEB Liability – The Plant's net OPEB liability was measured as of December 31, 2020 using an actuarial valuation as of January 1, 2019. The components of the net OPEB liability of the Plant at December 31, 2020 were as follows:

Total OPEB Liability		\$ 675,824
Plan fiduciary net position		(723,030)
Net OPEB liability (asset)		\$ (47,206)
Plan fiduciary net position as a percentage of the total OPEB liability		
		106.98%

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

8. Other Post-Employment Benefits (OPEB) (continued)

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

Investment rate of return	6%, net of OPEB plan investment expense including inflation
Discount Rate	6%, net of OPEB plan investment expense including inflation
Inflation	2.0% annually
Health Care Trend Rate	7.0%, decreasing to an ultimate rate of 4.5% in 2025
Salary Increases	2.50%
Mortality	RP-2014 Fully Generational Combined Mortality Table projected with scale MP-2019
Actuarial Cost Method	Individual entry age normal

Discount Rate – The discount rate used to measure the total OPEB liability was 6.0%. The previous discount rate was 6.3%.

Investment Custody - Per state statutes, the Town Treasurer is the custodian of the OPEB Plan assets. The Town has not adopted a formal trust. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Plant.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Investment Rate of Return</u>
Domestic Equity	33.91%	4.96%
International Equity	18.27%	7.01%
Domestic Fixed Income	31.79%	2.22%
International Fixed Income	6.03%	1.53%
Alternatives/Private Equity	5.81%	2.76%
Cash	4.19%	2.00%
	<u>100.00%</u>	
Net investment return		<u>6.00%</u>

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

8. Other Post-Employment Benefits (OPEB) (continued)

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

	Discount Rate		
	1% Decrease (5.0%)	Trend Rate (6.0%)	1% Increase (7.0%)
Net OPEB Liability (Asset)	\$ 69,311	\$ (47,206)	\$ (139,713)
	Health Care Rate		
	1% Decrease (6.0% Decreasing to 3.5%)	Current (7.0% Decreasing to 4.5%)	1% Increase (8.0% Decreasing to 5.5%)
Net OPEB Liability (Asset)	\$ (159,280)	\$ (47,206)	\$ 99,557

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended December 31, 2020:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1, 2019	\$ 638,689	\$ 420,875	\$ 217,814
Changes for the year:			
Service cost	13,316	-	13,316
Interest	39,107	-	39,107
Experience difference	-		-
Changes in assumptions	13,240		13,240
Net investment income	-	84,341	(84,341)
Employer contributions	-	246,342	(246,342)
Benefit payments withdrawn from trust	-	(28,528)	28,528
Benefit payments	(28,528)	-	(28,528)
Net changes	37,135	302,155	(265,020)
Balances at December 31, 2019	\$ 675,824	\$ 723,030	\$ (47,206)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended December 31, 2018, the Plant recognized OPEB expense of (\$50,425). Deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2020 were reported as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual earnings	\$ 67,134	\$ 11,238
Differences between expected and actual experience	\$ 334,273	\$ -
Changes in assumptions	247,054	12,056
	\$ 648,461	\$ 23,294

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

8. Other Post-Employment Benefits (OPEB) (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (net inflow of \$656,912) will be recognized in OPEB expense (benefit) as follows:

December 31,		
2021	\$	(77,048)
2022		(77,050)
2023		(82,668)
2024		(75,904)
2025		(64,196)
Thereafter		(248,301)
	\$	(625,167)

9. Commitments

The Plant purchases its power through contracts with various power suppliers. These contracts are subject to certain market factors. Based on current market conditions, the Plant anticipates some stability to its power cost expenses over the next few years.

10. Contingencies

Numerous lawsuits may be pending or threatened against the Plant, which arose from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Plant's attorney estimates that potential claims, not covered by insurance, resulting from such litigation, would not materially affect the financial statements.

11. Implementation of new GASB Statements

During fiscal year 2020, the Department implemented the following GASB pronouncements:

- GASB Statement #95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was required to be implemented in fiscal year 2020. Due to COVID-19 restrictions, this Statement delayed the implementation date requirements of various GASB Statements and other guidance.

In future fiscal years, the Department will implement the following GASB pronouncements:

- GASB Statement #84 – *Fiduciary Activities*, which is required to be implemented in fiscal year 2021. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #87 – *Leases*, which is required to be implemented in fiscal year 2023. The Department is currently evaluating the possible impact of this will have on its financial statements.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2020

11. Implementation of new GASB Statements (continued)

- GASB Statement #89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in fiscal year 2022. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented in fiscal year 2021. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #91 – *Conduit Debt Obligations*, which is required to be implemented in fiscal year 2023. The Department is currently evaluating the impact of this will have on its financial statements.
- GASB Statement #92 – *Omnibus 2020*, which is required to be implemented in fiscal year 2021 or 2023, depending on the provision. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #93 – *Replacement of Interbank Offered Rates*, which is required to be implemented in fiscal year 2023. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #94 – *Public-Private and Public-Public Partnerships of Availability Payment Arrangements*, which is required to be implemented in fiscal year 2024. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #96 – *Subscription-Based Information Technology Arrangements*, which is required to be implemented in fiscal year 2024. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #97 – *Certain Component Unit Criteria, and accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented in fiscal year 2023. The Town is currently evaluating the possible impact of this will have on its financial statements.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Required Supplementary Information

Department's Participation in the Essex Regional Retirement System

Proportionate Share of the System's Net Pension Liability

	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2019	0.6061%	\$2,553,908	\$904,725	282.3%	55.46%
December 31, 2018	0.5668%	\$2,512,239	\$784,656	320.2%	51.87%
December 31, 2017	0.5890%	\$2,251,386	\$772,273	291.5%	55.40%
December 31, 2016	0.5790%	\$2,232,711	\$739,222	302.0%	51.12%
December 31, 2015	0.5790%	\$2,232,711	\$739,222	302.0%	51.01%
December 31, 2014	0.5400%	\$1,845,572	\$823,935	224.0%	52.27%

Schedule of Contributions

	<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
December 31, 2020	\$217,711	(\$217,711)	\$435,421.51	\$904,725	24.06%
December 31, 2019	\$198,724	(\$198,724)	\$397,448.00	\$784,656	25.33%
December 31, 2018	\$186,294	(\$186,294)	\$372,588.00	\$772,273	24.12%
December 31, 2017	\$167,905	(\$167,905)	\$335,810.00	\$739,222	22.71%
December 31, 2016	\$167,905	(\$167,905)	\$335,810.00	\$739,222	22.71%
December 31, 2015	\$139,552	(\$139,552)	\$279,104.00	\$823,935	16.94%

The above schedules are required for ten years. Additional years will be presented as they become available.

See notes to the required supplementary information

Rowley Municipal Light Plant
 Required Supplementary Information
 Schedules of Changes in Net OPEB Liability and Related Ratios

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability (GASB 74)</u>				
Service cost	\$ 13,316	12,415	50,726	49,489
Interest on total OPEB liability	39,107	37,724	62,751	59,044
Changes in benefit terms				-
Difference between expected and actual plan experience	-	(405,245)	-	-
Changes in assumptions	13,240	(15,388)	(319,995)	-
Benefit payments, including refunds of member contributions	(28,528)	(26,694)	(33,487)	(31,267)
Net change in total OPEB liability	37,135	(397,188)	(240,005)	77,266
Total OPEB liability - beginning of year	638,689	1,035,877	1,275,882	1,198,616
Total OPEB liability - end of year	\$ 675,824	638,689	1,035,877	1,275,882
<u>Plan Fiduciary Net Position (GASB 74)</u>				
Net investment income	\$ 84,341	56,772	(17,028)	18,998
Net investment income (loss)	84,341	56,772	(17,028)	18,998
Employer contributions	246,342	26,694	183,487	131,267
Benefit payments	(28,528)	(26,694)	(33,487)	(31,267)
Administrative expense	-	-	-	-
Net change in fiduciary plan net position	302,155	56,772	132,972	118,998
Plan fiduciary net position - beginning of year	420,875	364,103	231,131	112,133
Plan fiduciary net position - end of year	\$ 723,030	420,875	364,103	231,131
Net OPEB liability (asset)	\$ (47,206)	217,814	671,774	1,044,751
Plan fiduciary net position as a percentage of the total OPEB liability	106.98%	65.90%	35.15%	18.12%
Department's employee-covered payroll	\$ 972,754	949,028	957,970	934,605
Plan net OPEB liability as a percentage of covered payroll	(4.85%)	22.95%	70.12%	111.79%

These schedules are required for ten years. Additional years will be presented as they become available.

See notes to the Department's financial statement for a summary of significant actuarial methods and assumptions.

Rowley Municipal Light Plant
Required Supplementary Information
Schedules of OPEB Contributions and Investment Returns

SCHEDULE OF CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially-determined contribution	\$ 29,171	\$ 29,062	\$ 80,712	\$ 108,533
Contributions in relation to the actuarially-determined contribution	<u>(246,342)</u>	<u>(26,694)</u>	<u>(150,000)</u>	<u>(131,267)</u>
Contribution deficiency (excess)	<u>\$ (217,171)</u>	<u>\$ 2,368</u>	<u>\$ (69,288)</u>	<u>\$ (22,734)</u>
Covered-employee payroll	<u>\$ 972,754</u>	<u>\$ 949,028</u>	<u>\$ 957,970</u>	<u>\$ 934,605</u>
Contribution as a percentage of covered-employee payroll	<u>25.32%</u>	<u>2.81%</u>	<u>15.66%</u>	<u>14.05%</u>

SCHEDULE OF INVESTMENT RETURNS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	17.87%	15.59%	(5.32%)	13.92%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. additional years will be presented as they become available.

See notes to the Department's financial statements and required supplementary information for a summary of significant actuarial methods and assumptions.

Town of Rowley Municipal Light Plant
Notes to the Required Supplementary Information
June 30, 2020

Note A – Pension Plan Schedules

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

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

B. Schedule of Plant's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The 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 Plant may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Plant based on covered payroll.

C. Changes in Assumptions

The following assumption changes were reflected in the January 1, 2020 actuarial valuation:

- Investment rate of return changed from 7.5% to 7.3%.
- Mortality tables were updated.

D. Changes in Plan Provisions

There were no plan provision changes in the January 1, 2020 actuarial valuation.

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Note B – Other Post-Employment Schedules

The Plant administers a single-employer defined benefit healthcare plan (“The OPEB Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Plant’s group health insurance plan, which covers both active and retired members.

A. Schedule of Changes - Plant’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Plant’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.

B. Schedule of the Plant’s Contributions

The Schedule of the Plant’s Contributions includes the Plant’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Plant is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

C. Schedule of Investment Return

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

D. Changes in Assumptions

The discount rate was increased from 6.13% to 6.0%.

The health care trend rate was changed from a starting point of 7.5% to 7.0%.

E. Changes in Plan Provisions

There were no plan provision changes in the January 1, 2019 actuarial valuation.