Roselli, Clark & Associates
Certified Public Accountants

Town of Rowley
Municipal Lighting Plant

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended December 31, 2021

RCA
CPA

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021

ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801
Telephone: (781) 933-0073
www.roselliclark.com

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Commissioners
Town of Rowley Municipal Lighting Plant
Rowley, Massachusetts

Opinion

We have audited the accompanying financial statements of the Rowley Municipal Lighting Plant (the "Plant"), of the Town of Rowley, Massachusetts, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Plant'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 Plant as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plant and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plant's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plant’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 System’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 the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information 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.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
September 26, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the financial statements, the management of the Town of Rowley Municipal Lighting Plant (the Plant) provides a narrative discussion of the amounts that appear in the Plant's Statement of Net Position, Statement of Revenues, Expense and Changes in Net Position and Statement of Cash Flows. This discussion is provided to present an overview of the Plant's year-end financial position for December 31, 2021, and the results of operations for the year then ended.

Financial Highlights

- The Plant's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by approximately $9.9 million (*total net position*).

- The Plant's total net position increased by approximately $0.5 million. Positive operations were primarily the result of user charges significantly exceeding anticipated budget amounts by nearly $0.2 million, unbudgeted contribution aid in construction of $0.1 million; total actual expenses very closely approximated total budgeted amounts. Additionally, the Plant conservatively factored in a budgetary surplus of nearly $0.2 million for potential, unanticipated expenses.

- The total unrestricted net position at December 31, 2021, represents approximately 71.7% of the total combined operating and nonoperating expenses for 2021.

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 Postemployment 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.

Proprietary: Business-Type Fund – This is the singular fund maintained by the Plant that accounts for and reports on the operations. The following statements and their applicable purposes are reported:

- The Statement of Net Position is designated to indicate our financial position as of a specific point in time.

- 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.

- 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 whether cash receipts from operating activities covered our operating expenses.

Fiduciary Fund – This consists solely of the Plant's OPEB Trust Fund. As of December 31, 2021, the Plant had an accumulated OPEB net position held in trust balance of nearly $0.8 million; this balance consisted solely of cash and investment assets.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided within these financial statements.

Other Information – In addition, this report also presents certain required supplementary information which includes the schedules of the Plant's proportionate share of the net pension liability, contributions to its pension plan, and the funding progress and contribution funding of its obligation to provide other postemployment benefits to tis employees.

Financial Analysis

The condensed and comparative statement of net position is as follows:

	2021	2020
Assets		
Currrent and other assets	$ 9,127,993	$ 8,616,571
Noncurrent assets	4,602,434	5,037,611
Total assets	13,730,427	13,654,182
Deferred Outflows of Resources	445,688	316,408
Liabilities		
Current liabilities	914,471	733,538
Long-term liabilities	2,509,854	2,701,484
Total liabilities	3,424,325	3,435,022
Deferred Inflows of Resources	849,398	827,251
Net Position		
Net investment in capital assets	4,479,459	4,990,405
Unrestricted	5,422,933	4,717,912
Net position	$ 9,902,392	$ 9,708,317

Net position may serve over time as a useful indicator of the Plant's financial positions. The assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by approximately $9.9 million (*total net position*).

This statement shows a total increase in net position of nearly $0.5 million for the year ended December 31, 2021, compared with an increase of approximately $0.9 million for the year ended December 31, 2020.

The Plant is reporting annual pension expenses on an actuarially determined basis and recognize its share of the Essex Regional Retirement System's unfunded liability in the financial statements. The Plant is reporting a net pension liability of about $2.4 million (compared to nearly $2.6 million last year), deferred outflows of resources related to pensions of over $0.4 million and deferred inflows of resources related to pensions of over $0.2 million.

The Plant recognizes annual OPEB financial activities on an actuarially determined basis and recognize the net OPEB asset in the financial statements. The Plant is reporting a net OPEB asset of nearly $123 thousand (compared to approximately $47 thousand last year), deferred outflows of resources related to OPEB of approximately $34 thousand and deferred inflows of resources related to OPEB of over $629 thousand.

Nearly $4.5 million of the Plant's overall net position reflects its net investment in capital assets (e.g. land, buildings, infrastructure, vehicles, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Plant uses these capital assets to provide services to users; consequently, these assets are not available for future spending. Although the Plant's investment in its capital assets is reported net of related debt.

The condensed and comparative statement of revenues, expenses and changes in net position is as follows:

	2021	2020
Revenues		
Charges for services	$ 7,655,357	$ 7,719,344
Other revenues	232,490	160,443
Interest income	171,123	166,847
Total revenues	8,058,970	8,046,634
Expenses		
Purchase power and production	5,114,390	4,845,976
Other expenses	1,947,668	2,014,666
Depreciation	502,860	320,053
Total expenses	7,564,918	7,180,695
Increase in net position	494,052	865,939
Net position, beginning of year - as restated	9,408,340	8,842,378
Net position, end of year	$ 9,902,392	$ 9,708,317

Revenues for 2021 were nearly $8.1 million, a slight increase of over $12 thousand (0.1%). Overall revenues were consistent with the prior. Positive operations were primarily the result of user charges significantly exceeding anticipated budget amounts by nearly $0.2 million and unbudgeted contribution aid in construction of $0.1 million

Expenses for 2021 were nearly $7.6 million, an increase of over $384 thousand (5.4%). The primary activity resulting in this change was an increase in power costs and depreciation. Total actual expenses very closely approximated total budgeted amounts

Capital Assets & Debt Administration

Capital Assets – Total net capital assets were nearly $4.5 million at December 31, 2021 and nearly $4.6 million at December 31, 2020, a decrease of 2.1%. Capital assets include land, buildings, structures and improvements, equipment and furnishings and infrastructure. There were several significant additions in 2021, however additions were less than depreciation for the year resulting in the decrease in net capital assets.

Long-Term Debt – The Plant has no outstanding debt at December 31, 2021 nor was any debt outstanding during the year.

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates across the Commonwealth have improved significantly and are now trending at pre-pandemic rates in some industries.

- The Plant has established an appropriation budget of nearly $7.83 million for 2022 which is slightly more than the almost $7.55 million budgeted for 2021.

- The Plant did increase the PPA rate by $0.0025 for users in April 2022; all other rates remained the same.

Requests for Information

This financial report is designed to provide a general overview of the Rowley Municipal Lighting 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:

Town of Rowley Municipal Lighting Plant
Attn: General Manager
47 Summer Street
Rowley, MA 01969

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

STATEMENT OF NET POSITION
DECEMBER 31, 2021

Assets	
Current assets:	
Cash and cash equivalents - unrestricted	$ 1,585,264
Cash and cash equivalents - restricted	112,930
Investments	5,391,770
User charges receivable, net	587,091
Prepaid expenses	1,345,509
Inventory	105,429
Total current assets	9,127,993
Noncurrent assets:	
Other postemployment benefits asset	122,975
Capital assets, net	4,479,459
Total noncurrent assets	4,602,434
Total Assets	13,730,427
Deferred Outflows of Resources	
Deferred outflows related to pensions	411,237
Deferred outflows related to OPEB	34,451
Total Deferred Outflows of Resources	445,688
Liabilities	
Current liabilities:	
Accounts payable	520,211
Accrued expenses	232,816
Customer deposits	112,930
Accrued compensated absences	48,514
Total current liabilities	914,471
Noncurrent liabilities:	
Accrued compensated absences	145,542
Net pension liability	2,364,312
Total noncurrent liabilities	2,509,854
Total Liabilities	3,424,325
Deferred Inflows of Resources	
Deferred inflows related to pensions	220,273
Deferred inflows related to OPEB	629,125
Total Deferred Inflows of Resources	849,398
Net Position	
Net investment in capital assets	4,479,459
Unrestricted	5,422,933
Total Net Position	$ 9,902,392

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

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021

Operating Revenues	
Charges for services	$ 7,655,357
Other operating revenues	232,490
Total operating revenues	7,887,847
Operating Expenditures	
Purchased power and production	5,114,390
Other operating expenses	1,926,712
Depreciation	502,860
Total operating expenditures	7,543,962
Operating Income (Loss)	343,885
Nonoperating Revenues (Expenses)	
Investment income	171,123
Payment in lieu of taxes	(20,956)
Total nonoperating revenues (expenses)	150,167
Change in Net Position	494,052
Net Position, Beginning of Year - as restated	9,408,340
Net Position, End of Year	$ 9,902,392

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

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities	
Cash received from customers	$ 8,162,633
Cash paid to suppliers	(6,256,353)
Cash paid to employees	(1,056,304)
Net Cash Provided by Operating Activities	849,976
Cash Flows from Noncapital Financing Activities	
Payment in lieu of taxes	(20,956)
Net Cash Provided by Noncapital Financing Activities	(20,956)
Cash Flows from Investing Activities	
Interest on deposits and investments	171,123
Purchase and sales of investments (net)	(3,587,384)
Net Cash Provided by Capital and Related Financing Activities	(3,416,261)
Cash Flows from Capital and Related Financing Activities	
Capital expenditures	(406,883)
Net Cash Provided by Capital and Related Financing Activities	(406,883)
Net Change in Cash and Cash Equivalents	(2,994,124)
Cash and Cash Equivalents, Beginning of Year	4,692,318
Cash and Cash Equivalents, End of Year	$ 1,698,194

Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Operating Income	$ 343,885
Adjustments to reconcile Operating Income to net cash provided by (used in) operating activities:	
Depreciation	502,860
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables	271,403
Prepaid expenses	(183,567)
Inventory	(5,998)
Net OPEB asset	(75,769)
Deferred outflows of resources	100,702
Accounts payable	65,116
Accrued expenses	(14,843)
Customer deposits	3,383
Compensated absences	10,253
Net pension liability	(189,596)
Deferred inflows of resources	22,147
Net Cash Provided by Operating Activities	$ 849,976

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

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

		Other Postemployment Benefits Trust Fund
Assets		
Cash and cash equivalents	$	3,992
Mutual funds - fixed income		197,127
Mutual funds - equities		536,977
Equities		52,848
Total Assets		790,944
Liabilities		
		-
Total Liabilities		-
Net Position		
Held in trust for other postemployment benefits		790,944
Total Net Position	$	790,944

See accompanying notes to basic financial statements.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021

	Other Postemployment Benefits Trust Fund
Additions	
Contributions:	
Employer	$ 26,635
Total contributions	26,635
Investment income:	
Investment income	67,914
Total investment income	67,914
Total Additions	94,549
Deductions	
Benefits paid	26,635
Total Deductions	26,635
Change in Net Position	67,914
Net Position - Beginning of Year	723,030
Net Position - End of Year	$ 790,944

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

I. Summary of Significant Accounting Policies

The basic financial statements of the Town of Rowley Municipal Lighting Plant (the Plant) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities.

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

The following is a summary of the more significant policies and practices used by the Plant:

A. Reporting Entity and Regulation

The Plant was incorporated in 1910. The Plant operates under the provisions of Chapter 164 of the Massachusetts General Laws with an elected three-person Board of Light Commissioners. The Plant is presented as an enterprise fund in the Town of Rowley, Massachusetts' financial statements; however, they do not purport to, and do not, present fairly the financial position of the Town of Rowley, Massachusetts as of December 31, 2021, 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 provides electric light services for the territory within its boundaries. These services are funded almost entirely with user charges. 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.

B. Fund Financial Statements

All of the non-fiduciary activities of the Plant are reported in proprietary fund type financial statements and include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. The OPEB Trust Fund is presented as a fiduciary fund and includes a statement of net position, a statement of revenues, expenses and changes in net position.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The Plant reports the following fiduciary funds:

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments – The Plant's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investment Income – All investment income is part of the Plant's proprietary fund except for fiduciary fund investment income which is retained in the trust fund.

Receivables – The Plant bills its customers for electric usage on a monthly basis. These are recorded as accounts receivable and revenue when billed.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Most of the prepaid expense amount represents deposit used to facilitate timely payments of power supply invoices.

Inventories – Inventories, which are not material to the basic financial statements, are considered expenditures at the time of purchase. The Plant has recorded an estimated amount of its materials and supplies inventory on hand at the end of the year in its financial statements.

Other Postemployment Benefits – The Plant has contributed and earned sufficient investment income to accumulate an actuarially determined surplus based on estimated future needs for providing such benefits to employees. Accordingly, the surplus is categorized as noncurrent assets on the statement of net position.

Capital Assets – Capital assets, which include land, buildings and improvements, vehicles, machinery and equipment, and infrastructure (e.g., transformers, poles and other utility plant), are the other category reported as noncurrent assets on the statement of net position.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

The DPU requires that the Plant depreciate its capital assets at a statutory rate of up to 3%; however, a rate up to 5% is allowed with prior year DPU approval. The Plant utilized a 4.9% rate for 2021. This depreciation method approximated GAAP.

Customer Deposits – The Plant retains a deposit from certain customers based on the ownership status of the customer's property. Deposits are returned, with interest, once the customer no longer requires electric service and had fully paid its charges to the Plant.

Compensated Absences – Employees can carry over up to 40 hours of vacation time (unless additional time is approved by the General Manager prior to the end of the anniversary year) and 1,200 hours of sick time to the subsequent year. Employees who retire from the Plant are eligible to buy back 50% of their accumulated sick leave and all of their vacation. Compensated absence liabilities are accrued when incurred.

Long-Term Obligations – Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount. There was no such bond or notes payable items outstanding in 2021. The Plant does report long-term obligations for employee compensated absences and net pension liability.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Plant only has two types of items that qualify for reporting as deferred outflows of resources reported on the statement of net position that relates to outflows from changes in the net pension and net other postemployment benefits liabilities. These outflows will be recognized in pension and benefits expense in future years.

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

The Plant has two types of items which qualify for reporting in this category. These relate to inflows from changes in the net pension and net other postemployment benefits liabilities which will be recognized in pension and benefits expense in future years.

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

Net position is reported as restricted when amounts are legally restricted by outside parties for a specific use. The Plant has no restricted net position.

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

Other Postemployment Benefits (OPEB)

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 Plant'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.

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. All customers are allowed a discount on a portion of their electric bill if paid within fifteen days which is recorded as revenue when forfeited. If the 15^{th} day falls on a non-business day, this discount is extended to the next business day.

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, Massachusetts based on an agreed pre-determined calculation. During the year, the Plant paid to the Town an amount of $20,956 under this payment in lieu of tax agreement.

F. 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 fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes

A. Deposits and Investments

State laws and regulations require the Plant to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Plant did not enter into any repurchase agreements.

Separate accounts are maintained for the Plant's depreciation fund and OPEB trust which are designations allowed per DPU regulations and state statutes. The depreciation fund is recorded as restricted cash and investments in the financial statements as it is available only to finance capital asset (utility plant) additions. Operating cash is pooled with Town funds in various Town bank accounts.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year-end, the carrying amount of the Plant's segregated bank deposits was $1,697,504; and the bank balance was $1,610,701. Of the Plant's bank balance all of the deposit were covered by either federal depository insurance or by the depositors' insurance fund.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Plant may not be able to recover the full amount of its principal investment and/or investment earnings.

The Plant's investments are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

Fair Value of Investments – The Plant reports its investments at fair value. When actively quoted observable prices are not available, the Plant generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Plant categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.

- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

- *Level 3* – Inputs reflect the Plant's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Plant's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2021:

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	$ 791,899	$ 604,681	$ 187,218	$ -
Corporate bonds	1,093,714	-	1,093,714	-
Exchange traded funds - fixed income	178,753	-	178,753	-
Mutual funds - fixed income	197,127	-	197,127	-
Total debt securities	2,261,493	604,681	1,656,812	-
Equity securities:				
Common stock	277,307	277,307	-	-
Mutual funds - equities	536,977	-	536,977	-
Total equity securities	814,284	277,307	536,977	-
Total investments by fair value level	3,075,777	$ 881,988	$ 2,193,789	$ -
Investments measured at amortized cost				
State investment pool (MMDT)	2,888,454			
Mutual funds - money market	29,267			
Total investments measured at fair value	$ 5,993,498			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Bonds are classified in Level 2 and are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. Bond and equity mutual funds are classified in Level 2 and are valued at the published fair value per share for each fund.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Such securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments, through fair value losses arising from increasing interest rates. The Plant does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At December 31, 2021, the Plant's investments had the following maturities:

Investments	Total	Time Until Maturity (Years) <1	1 - 5	6 - 10
U.S. Government obligations	$ 791,899	$ 110,063	$ 681,836	$ -
Corporate bonds	1,093,714	55,499	818,340	219,875
Exchange traded funds - fixed income	178,753	-	158,537	20,216
Mutual funds - fixed income	197,127	-	197,127	-
Certificates of deposit	189,216	35,215	154,001	-
State investment pool (MMDT)	2,888,454	2,888,454	-	-
Total investments with maturities	5,339,163	$3,089,231	$2,009,841	$ 240,091
Other Investments				
Equities	277,307			
Mutual funds - equities	536,977			
Mutual funds - money market	29,267			
Total other investments	843,551			
Total investments	$6,182,714			

Concentration of Credit Risk – The Plant does not place a limit on the amount that may be invested in any one issuer. The Plant does not maintain balances in any single investment that would represent more than 5% of the Plant's total investments

Risk – The Plant has not adopted a formal policy related to credit risk.

At December 31, 2021, the credit quality ratings of the Plant's investments were as follows:

Moody Bond Ratings	Investments Government Obligations	Corporate Bonds
Aaa	$ 791,899	$ 55,499
Aa3	-	85,865
A1	-	108,166
A2	-	219,875
Baa1	-	217,719
Baa2	-	406,590
Totals	$ 791,899	$ 1,093,714

B. Receivables

Plant receivables as of year-end, including the applicable allowance for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Customer user charges	$ 612,091	$ (25,000)	$ 587,091
Total	$ 612,091	$ (25,000)	$ 587,091

The Plant also records amounts related to power used by customers but not billed at year end. Total unbilled revenue was $468,220 as of December 31, 2021 and has been included in the amount above.

C. Prepaid Expenses

The Plant reports amounts paid in advance to power providers as prepaid expenses. Most of these represent payments to facilitate timely payment of outside entitites' power supply and facility development invoices. At December 31, 2021, prepaid expenses totaled $1,345,509.

D. Capital Assets

Capital assets for the year ended December 31, 2021 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 282,335	$ -	$ -	$ 282,335
Total capital assets not being depreciated	282,335	-	-	282,335
Capital assets being depreciated:				
Buildings	674,141	-	-	674,141
Infrastructure	7,502,013	361,935	(13,643)	7,850,305
Vehicles, machinery and equipment	1,881,051	44,948	(210,552)	1,715,447
Total capital assets being depreciated	10,057,205	406,883	(224,195)	10,239,893
Less accumulated depreciation for:				
Buildings	(524,767)	(33,707)	-	(558,474)
Infrastructure	(4,573,227)	(375,943)	13,643	(4,935,527)
Vehicles, machinery and equipment	(666,110)	(93,210)	210,552	(548,768)
Total accumulated depreciation	(5,764,104)	(502,860)	224,195	(6,042,769)
Total capital assets being depreciated, net	4,293,101	(95,977)	-	4,197,124
Total capital assets, net	$ 4,575,436	$ (95,977)	$ -	$ 4,479,459

E. Temporary Debt

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

There was no temporary debt outstanding during 2021.

F. Long–Term Obligations

The Plant issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the Town. Additionally, the Plant incurs various other long-term obligations relative to associated personnel costs.

The following reflects the current year activity in the long-term liability accounts:

Long-Term Obligations	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Compensated absences	$ 183,803	$ 45,387	$ (35,134)	$ 194,056	$ 48,514
Net pension liability	2,553,908	777,100	(966,696)	2,364,312	-
Total	$ 2,737,711	$ 822,487	$ (1,001,830)	$ 2,558,368	$ 48,514

The Plant had no bond or note debt outstanding during 2021.

III. Other Information

A. Retirement System

Plan Description – The Plant contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2020, were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

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

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

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

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

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

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040 (the System's current funding schedule allows for full funding by June 30, 2035). Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Plant contributed $229,982 to the System in fiscal year 2021, which was the actuarially determined contribution requirement for the year. The Plant's contributions as a percentage of covered payroll was approximately 25.0%.

Net Pension Liability – At December 31, 2021, the Plant reported a liability of $2,364,312 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. These figures were updated by the independent actuary as of December 31, 2020. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Plant's proportion of the net pension liability is based on a projection of the Plant's long-term share of contributions to the System relative to the projected contributions of all employers. The Plant's proportion was approximately 0.59566% at December 31, 2021.

Pension Expense – The Plant recognized $193,729 in pension expense in the statement of revenues, expenses and changes in net position in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2021, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to measurement date	$ 232,816	$ -
Changes in assumptions	158,169	-
Differences between expected and actual earnings	-	175,906
Changes in proportion differences	19,994	42,340
Differences between expected and actual experience	258	2,027
Totals	$ 411,237	$ 220,273

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

Year Ended December 31,	Amount
2022	$ 230,116
2023	23,980
2024	(36,782)
2025	(26,350)
Total	$ 190,964

Discount Rate – The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020, and used the following significant actuarial assumptions:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of 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. The target allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	23.10%	6.40%
International Developed Markets Equity	14.40%	6.60%
International Emerging Markets Equity	5.80%	8.40%
Core Fixed Income	15.80%	2.70%
High Yield Fixed Income	7.40%	6.20%
Private Equity	12.40%	10.20%
Real Estate	8.30%	6.00%
Timberland	3.30%	6.60%
Hedge Fund, GTAA, Risk Parity	8.80%	5.20%
Other	0.70%	0.00%
	100.00%	

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

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net Pension Liability	7.30%	$ 3,027,406	$ 2,364,312	$ 1,806,978

B. Risk Financing

The Plant 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 Plant carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Plant participates in a health insurance risk pool sponsored by the Town and administered by Group Insurance Commission of the Commonwealth of Massachusetts (GID) (the Group). The Town offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. In the event the Group is terminated, the Plant would be obligated to pay its proportionate share of a deficit through the Town, should a deficit exist.

C. Other Postemployment 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 ordinances. All benefits are provided through Plant's premium-based insurance program. The OPEB Plan does not issue an audited stand-alone financial report and is presented as a fiduciary fund in the Plant's financial statements.

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

Active employees	7
Inactive employees	6
Total	13

Contributions – The contribution requirements of OPEB Plan members and the Plant are stablished and may be amended by the Plant. Retirees contribute 47.5% of the set premium for medical insurance depending on the plan chosen and contribute 50% to life insurance. The remainder of the cost is funded by general revenues of the Plant.

The Plant currently contributes enough money to the Plan to exceed the annual required contribution. The costs of administering the OPEB Plan are paid by the Plant. For the year ended December 31, 2021, the Plant's average contribution rate was approximately 3.13% of covered payroll.

Net OPEB Liability (Asset) – The Plant's net OPEB liability (asset) was measured as of December 31, 2021, using an actuarial valuation as of January 1, 2021. The components of the net OPEB liability (asset) of the Plant as of December 31, 2021, were as follows:

Total OPEB Liability	$ 667,969
Plan fiduciary net position	(790,944)
Net OPEB liability (asset)	$ (122,975)
Plan fiduciary net position as a a percentage of the total OPEB liability	118.41%

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	6.00%
Municipal Bond Rate	2.06%
Single Equivalent Discount Rate	6.00%
Inflation	2.00% annually
Health Care Trend Rate	7.0% for 2021, decreasing 0.5% per year to 5.0%
Salary Increases	2.50% annually
Mortality Table	RPH-2014 Headcount-weighted fully generational with Scale MP-2021
Actuarial Cost Method	Individual entry age normal

Key assumption changes effective fiscal year ending December 31, 2021 –

No significant assumption changes were made regarding trend, inflation or mortality that would in aggregate, materially impact the valuation.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.0% which remained unchanged from the previous year.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Expected Investment Rate of Return
Corporate Bond	43.69%	1.72%
Treasury Bond	24.16%	1.48%
Common Stock	8.96%	5.44%
Certificates of Deposit	7.56%	0.66%
Government Agency Fund	7.48%	1.48%
Bond Fund	7.14%	1.48%
Money Market Mutual Fund	1.01%	0.00%
	100.00%	
Real rate of return		4.00%
Inflation assumption		2.00%
Net investment return		6.00%

Sensitivity Analyses – The following presents the Plant's net OPEB liability (asset) as well as what the Plant's net OPEB liability (asset) 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			
	Current	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Asset)	6.00%	$ (8,511)	$ (122,975)	$ (213,567)

	Healthcare Trend Rate			
	Current	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Asset)	7% then decreasing to 5%	$ (226,687)	$ (122,975)	$ 12,330

Changes in the Net OPEB Liability (Asset) – The following table summarizes the changes in the net OPEB liability (asset) for the year ended December 31, 2021:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at December 31, 2020	$ 675,824	$ 723,030	$ (47,206)
Changes for the year:			
Service cost	11,179	-	11,179
Interest	38,575	-	38,575
Change in assumptions	20,658	-	20,658
Difference between expected and actual experience	(51,632)	-	(51,632)
Employer contributions	-	26,635	(26,635)
Net investment earnings	-	67,914	(67,914)
Benefit payments withdrawn	-	(26,635)	26,635
Benefit payments	(26,635)	-	(26,635)
Net changes	(7,855)	67,914	(75,769)
Balances at December 31, 2021	$ 667,969	$ 790,944	$ (122,975)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended December 31, 2021, the Plant recognized OPEB income of $106,262. Deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2021, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 28,833	$ 217,162
Differences between expected and actual earnings	5,618	68,285
Differences between actual and expected experience	-	343,678
Totals	$ 34,451	$ 629,125

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

December 31,	Amount
2022	$ (86,001)
2023	(91,619)
2024	(84,855)
2025	(73,144)
2026	(68,238)
Thereafter	(190,817)
Total	$ (594,674)

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

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

Investment Rate of Return – For the year ended December 31, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 9.39%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Commitments and Contingencies

The Plant is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at December 31, 2021, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Plant at December 31, 2021.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Plant expects such amounts, if any, to be immaterial.

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

Other

The Plant purchases its power through contracts with various power suppliers, including Energy New England and MMWEC. 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.

IV. **Implementation of New GASB Pronouncements**

Current Year Implementations –

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2021). The Plant is currently evaluating whether adoption will have a material impact on the financial statements.

Future Year Implementations –

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

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2022). The Plant is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement was to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. This Statement eliminates the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Plant is currently evaluation adoption will have an impact on the financial statements.

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

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Plant is currently evaluating whether adoption will have a material impact on the financial statements.

V. Restatement

As of December 31, 2020, the Plant has begun recognizing an additional accrued expense for the annual pension assessment (which is calculated on a fiscal year ending June 30th annually). Additionally, the Plant optioned to begin utilizing the pension reporting as of December 31, 2019, as it base measurement date for December 31, 2020, as allowed under Governmental Auditing Standards; this resulted in a restatement of the deferred outflows of resources relative to an additional contribution after measurement date relative to the fiscal year 2020 pension assessment. The prior auditor adjusted the depreciation method, causing an additional restatement to bring the balance back in line with what is found on the DPU report.

The following table illustrates the effect of the net position restatement:

Prior year Net Position as presented	$	9,708,317
Restate: Change in depreciation reporting		(414,969)
Restate: Additional accrual of pension assessment expense		(114,990)
Restate: Deferred outflow of resources - additional pension contribution after measurement date		229,982
Net Position as restated	$	9,408,340

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED DECEMBER 31, 2021

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

	Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.5957%	0.6061%	0.5668%	0.5890%	0.5790%	0.5790%	0.5400%
Proportionate share of the net pension liability	$ 2,364,312	$ 2,553,908	$ 2,512,239	$ 2,251,386	$ 2,232,711	$ 2,232,711	$ 1,845,572
Covered payroll	919,540	904,725	784,656	772,273	739,222	$ 739,222	$ 823,935
Proportionate share of the net pension liability as a percentage of its covered payroll	257.1%	282.3%	320.2%	291.5%	302.0%	302.0%	224.0%
Plan fiduciary net position as a percentage of the total pension liability	59.73%	55.46%	51.87%	55.40%	51.12%	51.12%	52.27%

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS TO PENSION PLAN

	Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 229,982	$ 217,711	$ 198,724	$ 186,294	$ 167,905	$ 167,905	$ 139,552
Contributions in relation to the actuarially determined contribution	229,982	217,711	198,724	186,294	167,905	167,905	139,552
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	919,540	904,725	784,656	772,273	739,222	739,222	823,935
Contributions as a percentage of covered payroll	25.0%	24.1%	25.3%	24.1%	22.7%	22.7%	16.9%

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

See accompanying independent auditors' report.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)
YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	December 31, 2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	$ 11,179	$ 13,316	$ 12,415	$ 50,726	$ 49,489
Interest	38,575	39,107	37,724	62,751	59,044
Change in assumptions	20,658	13,240	(15,388)	(319,995)	-
Difference between expected and actual plan experience	(51,632)	-	(405,245)	-	-
Benefit payments	(26,635)	(28,528)	(26,694)	(33,487)	(31,267)
Net change in total OPEB liability	(7,855)	37,135	(397,188)	(240,005)	77,266
Total OPEB liability - beginning of year	675,824	638,689	1,035,877	1,275,882	1,198,616
Total OPEB liability - end of year (a)	$ 667,969	$ 675,824	$ 638,689	$ 1,035,877	$ 1,275,882
Plan fiduciary net position:					
Contributions - employer	$ 26,635	$ 246,342	$ 26,694	$ 183,487	$ 131,267
Net investment income	67,914	84,341	56,772	(17,028)	18,998
Benefit payments	(26,635)	(28,528)	(26,694)	(33,487)	(31,267)
Net change in Plan fiduciary net position	67,914	302,155	56,772	132,972	118,998
Plan fiduciary net position - beginning of year	723,030	420,875	364,103	231,131	112,133
Plan fiduciary net position - end of year (b)	$ 790,944	$ 723,030	$ 420,875	$ 364,103	$ 231,131
Net OPEB (asset) liability - end of year (a) - (b)	$ (122,975)	$ (47,206)	$ 217,814	$ 671,774	$ 1,044,751
Plan fiduciary net position as a percentage of the total OPEB liability	118.41%	106.98%	65.90%	35.15%	18.12%
Covered-employee payroll	$ 850,964	$ 972,754	$ 949,028	$ 957,970	$ 934,605
Net OPEB liability as a percentage of covered-employee payroll	-14.45%	-4.85%	22.95%	70.12%	111.79%

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

See independent auditors' report.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)
YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF CONTRIBUTIONS - OPEB PLAN

	December 31, 2021	2020	2019	2018	2017
Actuarially-determined contribution	$ 7,259	$ 29,171	$ 29,062	$ 80,712	$ 108,533
Contributions in relation to the actuarially-determined contribution	26,635	246,342	26,694	150,000	131,267
Contribution deficiency (excess)	$ (19,376)	$ (217,171)	$ 2,368	$ (69,288)	$ (22,734)
Covered-employee payroll	$ 850,964	$ 972,754	$ 949,028	$ 957,970	$ 934,605
Contribution as a percentage of covered-employee payroll	3.13%	25.32%	2.81%	15.66%	14.05%

Valuation date	January 1, 2021	
Investment rate of return	6.00%	
Municipal bond rate	2.06%	
Single equivalent discount rate	6.00%	
Inflation	2.00%	Annually
Healthcare cost trend rates	7.00%	Decreasing 0.5% annually until 5.00%
Salary increases	2.50%	Annually
Actuarial cost method	Individual Entry Age Normal	
Asset valuation method	Market Value of Assets as of Reporting Date	

SCHEDULE OF INVESTMENT RETURNS - OPEB PLAN

	December 31, 2021	2020	2019	2018	2017
Annual money-weighted average rate of return	9.39%	17.87%	15.59%	-5.32%	13.92%

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

See independent auditors' report.