

***NORTH ATTLEBOROUGH ELECTRIC DEPARTMENT***

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***YEARS ENDED DECEMBER 31, 2020 AND 2019***

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## Independent Auditor's Report

To the Board of Electric Commissioners  
North Attleborough Electric Department

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## Report on the Financial Statements

We have audited the accompanying financial statements of the North Attleborough Electric Department, an enterprise fund of the Town of North Attleborough, Massachusetts, as of and for the years ended December 31, 2020 and 2019, and the related notes to the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we 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 material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Attleborough Electric Department, as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, the financial statements present only the North Attleborough Electric Department and do not purport to, and do not, present fairly the financial position of the Town of North Attleborough, Massachusetts

as of December 31, 2020 and 2019, the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension plan schedules and the other postemployment benefit plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historic 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 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.

*Other Information*

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the North Attleborough Electric Department's financial statements. The Schedules of Operation and Maintenance Expenses, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated May 20, 2021, on our consideration of the North Attleborough Electric Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 North Attleborough Electric Department's internal control over financial reporting and compliance.



May 20, 2021

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the North Attleborough Electric Department, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the years ended December 31, 2020 and 2019. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### ***Overview of the Financial Statements***

The financial statements include (1) the statements of net position, (2) the statements of revenues, expenses and changes in net position, (3) the cash flow statements, (4) the statements of fiduciary net position, (5) the statements of changes in fiduciary net position, and (6) the notes to the financial statements.

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. Our net position increased by \$3.1 million for the year ended December 31, 2020, as compared to an increase of \$4.0 million in the prior year.

The Statements of Revenues, Expenses and Changes in Net Position summarize our operating results and reveals how net position changed for the year. Our income from operations was \$1.5 million for the year ended December 31, 2020, which was a decrease of \$566,000 from 2019.

Net non-operating revenue and expenses decreased from \$2.3 million in 2019 to \$2.0 million in 2020. The non-operating change relates mainly to a decrease in the market value of investments and investment income during 2020.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the operating activities, non-capital and capital related financing activities, and investing activities for the same period. The statement shows a net increase in cash of \$3.7 million provided by operating activities while the ending cash balance increased by \$1.8 million after deducting payments to the Town of North Attleborough, capital asset acquisitions, debt service payments, and investing activities.

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Department is considered an essential business and although it was closed to the public for a period of time, the Department remained operational and most employees continued to perform their daily duties. In response to the pandemic, the Department provided a 10% COVID discount to customers for several months throughout the year.

Condensed statements of net position and revenues, expenses and changes in net position appear on the following page.

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| Assets:  |                      |                      |
| Current assets.....                                  | \$ 23,174,008        | \$ 22,121,055        |
| Noncurrent assets (excluding capital).....           | 39,508,960           | 37,068,204           |
| Capital assets, non depreciable.....                 | 180,476              | 992,052              |
| Capital assets, net of accumulated depreciation..... | 16,670,483           | 14,420,988           |
| Total assets.....                                    | <u>79,533,927</u>    | <u>74,602,299</u>    |
| Deferred outflows of resources.....                  | <u>3,065,799</u>     | <u>3,548,758</u>     |
| Liabilities:   |                      |                      |
| Current liabilities (excluding debt).....            | 6,492,209            | 5,947,485            |
| Noncurrent liabilities (excluding debt).....         | 6,601,739            | 6,612,664            |
| Current debt.....                                    | 60,000               | 60,000               |
| Noncurrent debt.....                                 | 120,000              | 180,000              |
| Total liabilities.....                               | <u>13,273,948</u>    | <u>12,800,149</u>    |
| Deferred inflows of resources.....                   | <u>10,509,621</u>    | <u>9,594,933</u>     |
| Net position:  |                      |                      |
| Net investment in capital assets.....                | 16,670,959           | 15,173,040           |
| Restricted.....                                      | 27,753,731           | 26,816,371           |
| Unrestricted.....                                    | 14,391,467           | 13,766,564           |
| Total net position.....                              | <u>\$ 58,816,157</u> | <u>\$ 55,755,975</u> |

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| Operating revenue.....                     | \$ 28,276,470        | \$ 30,417,239        |
| Operating expense.....                     | <u>26,824,363</u>    | <u>28,398,868</u>    |
| Operating income.....                      | <u>1,452,107</u>     | <u>2,018,371</u>     |
| Nonoperating revenues (expenses), net..... | <u>1,964,075</u>     | <u>2,330,456</u>     |
| Excess (Deficiency) before transfers.....  | <u>3,416,182</u>     | <u>4,348,827</u>     |
| Transfers.....                             | <u>(356,000)</u>     | <u>(330,000)</u>     |
| Change in net position.....                | <u>3,060,182</u>     | <u>4,018,827</u>     |
| Net position, beginning of year.....       | <u>55,755,975</u>    | <u>51,737,148</u>    |
| Net position, end of year.....             | <u>\$ 58,816,157</u> | <u>\$ 55,755,975</u> |

## ***Financial Highlights***

Operating revenues decreased from the previous year by \$2.1 million, or 7.04%, while operating expenses also decreased by \$1.6 million, or 5.54%. The \$566,000 decrease in operating income was mainly the result of a \$2.2 million, or 7.16%, decrease in electricity sales revenue, an increase in distribution expenses of \$677,000, or 30.40%, and an increase in administrative and general expenses of \$400,000, or 10.21%; offset by a decrease in purchased power and depreciation expenses of \$2.2 million (11.18%) and \$214,000 (12.21%), respectively. The Department experienced a decrease of approximately 3.52% in the kilowatt hour sales during 2020 as compared to 2019.

Other non-operating revenues and expenses consist primarily of interest income, interest expense, and unrealized gains and losses in the market value of investments.

### Power Supply

North Attleborough Electric Department provides power for its customers through both fixed contracts and open market power supply in an effort to stabilize power costs. Purchased Power costs are the costs associated with buying capacity, energy, and related ancillary power costs and having it delivered to the Town of North Attleborough. There are circumstances that will cause prices to fluctuate, such as extended periods of time when the region experiences abnormal (high or low) temperatures and when fuel (gas and/or oil) prices are affected by global issues. The Electric Department has tried to position its customers so that these situations will not have an overbearing burden on them.

North Attleborough Electric Department, subject to market conditions, continues to purchase more of its energy from the market as its load increases change. For example, peak demand shifts from afternoon to early evening hours, during the summer, as air conditioning load increases. As North Attleborough's peak becomes coincident with the region, power supply costs will be more dependent on market conditions.

## ***Utility Plant and Debt Administration***

### Utility Plant

The Department had total plant acquisitions of approximately \$3.0 million in 2020, consisting of distribution plant acquisitions of \$709,000, general plant acquisitions of \$291,000, generating plant acquisitions of \$2.8 million and construction in progress additions totaling \$79,000. Furthermore, \$891,000 in assets previously classified as construction in progress have been reclassified to depreciable assets in the current year.

### Debt Administration

Outstanding long-term debt for the Department, as of December 31, 2020, totaled \$180,000. The Department paid a total of \$60,000 of principal payments during the year.

## ***Significant Balances and Transactions***

### Purchased Power Working Capital

The continually developing market rules continue to place a fair amount of emphasis on financial assurance and financial guarantees required by ISO-NE. North Attleborough Electric Department continues to work through its ISO-NE agent to ensure the Department can continue to participate in NEPOOL and ISO-NE. During 2020, the Department relied on Energy New England to act in the capacity of the ISO-NE agent.

Purchased power advanced deposits is an amount held by Energy New England in the amount of approximately \$2.7 million at December 31, 2020 and 2019, respectively. Energy New England requires that an amount of working capital (minimum of two months) be deposited and reserved at Energy New England so that NAED's ISO-NE obligations may be paid when due.

Energy New England replenishes the fund as needed from the Department's monthly invoice payments. Developments in the power market continue to create pressure on working capital requirements that secure North Attleborough Electric Department's financial guarantee to operate in ISO-NE.

### Depreciation Fund

North Attleborough Electric Department maintains a depreciation fund which consists of three components. One component is used to pay for large capital investments such as new vehicles, equipment, distribution system upgrades and new construction. This portion of the fund is required by state statute. In accordance with state statute, we annually set aside 3% to 5% of our gross cost-of-plant to be used for capital improvements and additions. The balance of this portion of the fund was \$8.5 million at December 31, 2020.

The second component of the Depreciation fund was created as an aftermath of deregulation. These funds are for unexpected escalation in power costs, such as the "decommissioning" (\*see below) of nuclear power plants before the end of their operating license, unusual spikes in fuel prices, transmission cost increases and other related power costs. The balance of this portion of the fund was \$17.4 million at December 31, 2020.

The third component of the Depreciation fund was voted on by the Board of Electric Commissioners in December of 2012, and identified as Rate Stabilization Funds. The funds have been designated to offset future powers costs. The balance of this portion of the fund was \$9.7 million at December 31, 2020.

All interest on the Depreciation Fund is added to the fund balance and remains in the account.

These funds will also be used to maintain the department's competitive position when the investor-owned utilities will no longer be collecting their "stranded cost" (\*\*see below) several years down the line.

\* Decommissioning of a nuclear power plant means the complete removal of any trace of that power plant. The Department has decommissioning obligations associated with PSAs through MMWEC to purchase capacity and energy from Millstone III and Seabrook. Decommissioning costs are being collected as the plants operate so that at the scheduled end of term of operation there will be monies to decommission the plant. If for some reason the plant is shut down early additional funds might have to be made available to decommission at that time.

\*\* Stranded costs refer to long-term debt or contractual obligations previously incurred that are higher compared to neighboring utility cost. The investor-owned utilities were required to sell their generation assets as a condition of deregulation and were also allowed to recover any outstanding unit costs as stranded costs.

### Rate Stabilization

Under the Financial Accounting Standards Board's (FASB) Accounting Standards Codification, ASC 980 – Regulated Operations, if the Department determines that current rates will end up paying for costs that will be incurred in a future period, then the revenues collected from those rates are not recorded as revenue but as a liability that will be taken to income when those future costs are incurred. At December 31, 2020, the Department identified \$8.7 million that will be used to offset future costs. In accordance with the provisions of GASB Statement No. 65 the Rate Stabilization reserve is classified as a deferred inflow of resources on the Statement of Net Position.

### Refunds Due to Customers

The Department calculates a Purchased Cost Adjustment (PCA) at the end of each year to be applied to all kilowatt-hours sold. This (credit) or charge is in place to adjust the revenues collected under the Energy Charge, the Generation Charge, and the Transmission Charge from all customers. The over-collection or under-collection of such purchased power and transmission charges will be reviewed by management periodically. For 2020, the Department determined that \$1,963,314 would be returned to the customers and a PCA credit was issued to them in March of 2021. The Department also established a Revenue Credit to return to its customers any revenues that the Department determines are surplus to the needs of the Department. For 2020, the Department determined that \$1,106,577 would be returned to the customers and a revenue credit was issued to them in March of 2021.

### ***Requests for Information***

This financial report is designed to provide a general overview of the North Attleborough Electric Department's finances for all those with an interest in the Department's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Division Manager, 275 Landry Avenue, North Attleborough, Massachusetts 02760.

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# ***Financial Statements***

STATEMENTS OF NET POSITION

DECEMBER 31,

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| CURRENT:  |                      |                      |
| Funds on deposit with Town Treasurer:                           |                      |                      |
| Operating cash.....   | \$ 16,916,434        | \$ 16,236,350        |
| Accounts receivable, net of allowance for uncollectibles.....   | 2,184,541            | 2,046,169            |
| Intergovernmental receivable.....                               | 13,399               | -                    |
| Inventory.....  | 1,167,619            | 958,354              |
| Prepaid expenses.....   | 189,987              | 186,886              |
| Purchased power advanced deposits.....                          | 2,702,028            | 2,693,296            |
| Total current assets.....                                       | <u>23,174,008</u>    | <u>22,121,055</u>    |
| NONCURRENT:   |                      |                      |
| Funds on deposit with Town Treasurer:                           |                      |                      |
| Depreciation fund.....  | 25,847,531           | 24,922,803           |
| Depreciation fund for rate stabilization.....                   | 9,669,375            | 8,683,294            |
| Customer deposits.....  | 1,043,008            | 1,011,342            |
| Insurance escrow fund.....                                      | 1,810,200            | 1,797,568            |
| Investment in Captive Insurance Trust.....                      | 96,000               | 96,000               |
| Other postemployment benefits asset.....                        | 1,042,846            | 557,197              |
| Capital assets, non depreciable.....                            | 180,476              | 992,052              |
| Capital assets, net of accumulated depreciation.....            | 16,670,483           | 14,420,988           |
| Total noncurrent assets.....                                    | <u>56,359,919</u>    | <u>52,481,244</u>    |
| TOTAL ASSETS.....   | <u>79,533,927</u>    | <u>74,602,299</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                      |                      |
| Deferred outflows related to pensions.....                      | 2,971,998            | 3,548,758            |
| Deferred outflows related to other postemployment benefits..... | 93,801               | -                    |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES.....                       | <u>3,065,799</u>     | <u>3,548,758</u>     |
| <b>LIABILITIES</b>  |                      |                      |
| CURRENT:  |                      |                      |
| Warrants payable and accrued expenses.....                      | 3,087,186            | 2,619,081            |
| Refunds due to customers.....                                   | 3,071,116            | 3,049,840            |
| Accrued interest.....   | 3,375                | 4,444                |
| Compensated absences.....                                       | 330,532              | 274,120              |
| Bonds payable.....  | 60,000               | 60,000               |
| Total current liabilities.....                                  | <u>6,552,209</u>     | <u>6,007,485</u>     |
| NONCURRENT:   |                      |                      |
| Customer deposits.....  | 1,020,735            | 993,612              |
| Customer advances for construction.....                         | 580,610              | 234,752              |
| Compensated absences.....                                       | 95,800               | 80,800               |
| Net pension liability.....                                      | 4,904,594            | 5,303,500            |
| Bonds payable.....  | 120,000              | 180,000              |
| Total noncurrent liabilities.....                               | <u>6,721,739</u>     | <u>6,792,664</u>     |
| TOTAL LIABILITIES.....  | <u>13,273,948</u>    | <u>12,800,149</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                      |                      |
| Regulatory rate stabilization reserve.....                      | 8,734,256            | 8,734,256            |
| Deferred inflows related to pensions.....                       | 997,829              | 385,719              |
| Deferred inflows related to other postemployment benefits.....  | 777,536              | 474,958              |
| TOTAL DEFERRED INFLOWS OF RESOURCES.....                        | <u>10,509,621</u>    | <u>9,594,933</u>     |
| <b>NET POSITION</b>   |                      |                      |
| Net investment in capital assets.....                           | 16,670,959           | 15,173,040           |
| Restricted for:   |                      |                      |
| Depreciation fund.....  | 25,847,531           | 24,922,803           |
| Insurance fund.....   | 1,906,200            | 1,893,568            |
| Unrestricted.....   | 14,391,467           | 13,766,564           |
| TOTAL NET POSITION.....   | <u>\$ 58,816,157</u> | <u>\$ 55,755,975</u> |

See notes to basic financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>OPERATING REVENUES:</b>                              |                      |                      |
| Sales of electricity.....                               | \$ 27,980,778        | \$ 30,137,497        |
| Other operating revenues.....                           | 295,692              | 279,742              |
| <b>TOTAL OPERATING REVENUES .....</b>                   | <b>28,276,470</b>    | <b>30,417,239</b>    |
| <b>OPERATING EXPENSES:</b>                              |                      |                      |
| Purchased power and production.....                     | 17,325,896           | 19,507,680           |
| Distribution.....                                       | 2,904,688            | 2,227,543            |
| Customer accounts.....                                  | 744,839              | 1,000,744            |
| Administrative and general expenses.....                | 4,313,356            | 3,913,828            |
| Depreciation.....                                       | 1,535,584            | 1,749,073            |
| <b>TOTAL OPERATING EXPENSES.....</b>                    | <b>26,824,363</b>    | <b>28,398,868</b>    |
| <b>OPERATING INCOME.....</b>                            | <b>1,452,107</b>     | <b>2,018,371</b>     |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                |                      |                      |
| Investment income.....                                  | 773,398              | 906,769              |
| Interest expense.....                                   | (32,053)             | (36,898)             |
| Increase in market value of investments.....            | 1,219,966            | 1,455,601            |
| Other nonoperating revenues.....                        | 2,764                | 4,984                |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b> | <b>1,964,075</b>     | <b>2,330,456</b>     |
| <b>INCOME BEFORE TRANSFERS.....</b>                     | <b>3,416,182</b>     | <b>4,348,827</b>     |
| <b>TRANSFERS:</b>                                       |                      |                      |
| Transfers out - payment in lieu of taxes.....           | (356,000)            | (330,000)            |
| <b>CHANGE IN NET POSITION.....</b>                      | <b>3,060,182</b>     | <b>4,018,827</b>     |
| <b>NET POSITION AT BEGINNING OF YEAR.....</b>           | <b>55,755,975</b>    | <b>51,737,148</b>    |
| <b>NET POSITION AT END OF YEAR.....</b>                 | <b>\$ 58,816,157</b> | <b>\$ 55,755,975</b> |

See notes to basic financial statements.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                     |                      |                      |
| Receipts from customers.....   | \$ 28,173,098        | \$ 33,364,221        |
| Payments to suppliers.....   | (20,596,167)         | (23,039,342)         |
| Payments to employees.....   | (3,861,101)          | (3,524,978)          |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>3,715,830</b>     | <b>6,799,901</b>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                          |                      |                      |
| Transfers out - payment in lieu of taxes.....                                    | (356,000)            | (330,000)            |
| Receipts from other nonoperating revenue.....                                    | 2,764                | 4,984                |
| <b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>                        | <b>(353,236)</b>     | <b>(325,016)</b>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                 |                      |                      |
| Customer advances for construction.....  | 345,858              | 168,533              |
| Acquisition and construction of capital assets.....                              | (2,973,503)          | (2,303,775)          |
| Principal payments on bonds and notes.....                                       | (60,000)             | (60,000)             |
| Interest expense.....  | (33,122)             | (38,023)             |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>               | <b>(2,720,767)</b>   | <b>(2,233,265)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                     |                      |                      |
| Increase in market value of investments.....                                     | 1,219,966            | 1,455,601            |
| Proceeds from sales and maturities of investments.....                           | 1,042,857            | 2,778,947            |
| Purchase of investments.....   | (1,880,143)          | (5,139,824)          |
| Interest and dividend income.....  | 773,398              | 906,769              |
| <b>NET CASH FROM INVESTING ACTIVITIES.....</b>                                   | <b>1,156,078</b>     | <b>1,493</b>         |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>                              | <b>1,797,905</b>     | <b>4,243,113</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>                       | <b>19,676,822</b>    | <b>15,433,709</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>                             | <b>\$ 21,474,727</b> | <b>\$ 19,676,822</b> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>                     |                      |                      |
| <b>FROM OPERATING ACTIVITIES:</b>  |                      |                      |
| Operating income.....  | \$ 1,452,107         | \$ 2,018,371         |
| Adjustments to reconcile operating income to net cash from operating activities: |                      |                      |
| Depreciation.....  | 1,535,584            | 1,749,073            |
| Deferred (outflows)/inflows related to pensions.....                             | 1,188,870            | (3,357,309)          |
| Deferred (outflows)/inflows related to other postemployment benefits.....        | 208,777              | 823,551              |
| Deferred (outflows)/inflows related to rate stabilization reserve.....           | -                    | 500,000              |
| Changes in assets and liabilities:   |                      |                      |
| User charges.....  | (138,372)            | 617,009              |
| Intergovernmental receivable.....  | (13,399)             | -                    |
| Inventory.....   | (209,265)            | (61,448)             |
| Prepaid expenses.....  | (3,101)              | 72                   |
| Purchased power advanced deposits.....   | (8,732)              | (51,553)             |
| Warrants payable.....  | 468,105              | (58,380)             |
| Customer deposits.....   | 27,123               | 53,616               |
| Refunds due to customers.....  | 21,276               | 1,776,357            |
| Compensated absences.....  | 71,412               | 30,072               |
| Net pension liability.....   | (398,906)            | 3,822,659            |
| Net OPEB asset.....  | (485,649)            | (1,062,189)          |
| <b>Total adjustments.....</b>  | <b>2,263,723</b>     | <b>4,781,530</b>     |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>\$ 3,715,830</b>  | <b>\$ 6,799,901</b>  |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**OTHER POSTEMPLOYMENT BENEFIT TRUST FUND**

DECEMBER 31,

|   | 2020             | 2019             |
|---|------------------|------------------|
| <b>ASSETS</b>                                     |                  |                  |
| Cash and cash equivalents.....                    | \$ 283,145       | \$ 21,589        |
| Investments:                                      |                  |                  |
| Corporate bonds.....                              | 2,274,681        | 2,046,624        |
| Equity mutual funds.....                          | 4,183,510        | 3,829,852        |
| <b>TOTAL ASSETS.....</b>                          | <b>6,741,336</b> | <b>5,898,065</b> |
| <b>NET POSITION</b>                               |                  |                  |
| Restricted for other postemployment benefits..... | \$ 6,741,336     | \$ 5,898,065     |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**OTHER POSTEMPLOYMENT BENEFIT TRUST FUND**

FOR THE YEARS ENDED DECEMBER 31,

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| <b>ADDITIONS:</b>   |                     |                     |
| Contributions:  |                     |                     |
| Employer contributions.....   | \$ -                | \$ 67,505           |
| Employer contributions for other postemployment benefit payments..... | <u>216,923</u>      | <u>197,995</u>      |
| Total contributions.....  | <u>216,923</u>      | <u>265,500</u>      |
| Net investment income:  |                     |                     |
| Investment income.....  | <u>843,271</u>      | <u>1,026,629</u>    |
| TOTAL ADDITIONS.....  | <u>1,060,194</u>    | <u>1,292,129</u>    |
| <b>DEDUCTIONS:</b>  |                     |                     |
| Other postemployment benefit payments.....                            | <u>216,923</u>      | <u>197,995</u>      |
| NET INCREASE (DECREASE) IN NET POSITION.....                          | 843,271             | 1,094,134           |
| NET POSITION AT BEGINNING OF YEAR.....                                | <u>5,898,065</u>    | <u>4,803,931</u>    |
| NET POSITION AT END OF YEAR.....                                      | <u>\$ 6,741,336</u> | <u>\$ 5,898,065</u> |

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Reporting Entity

The financial statements present only the North Attleborough Electric Department (the “Department”), an Enterprise Fund of the Town of North Attleborough, Massachusetts. These statements are not intended to present fairly the financial position of the Town of North Attleborough, Massachusetts and the results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

The Department purchases power from various sources and distributes it to approximately 13,500 consumers within the Town of North Attleborough. The Department operates under the provisions of Chapter 164 of the Massachusetts General Laws with an elected Board of Electric Commissioners (Board). The Board appoints a manager of municipal lighting who shall, under the direction of the Board, have full charge of the operation and management of the Department.

Regulation and Basis of Accounting

The Department’s electric operations are accounted for as a proprietary fund type. Accordingly, this fund is reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Department also distinguishes between operating and nonoperating revenues and expenses based on whether the items relate to the primary operation of providing electric service.

The electric rates are proposed by the Department. The rates are approved by the Department’s Board of Electric Commissioners. The rates may be changed once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, 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 the utility plant.

Utility Plant

The statutory provision for depreciation of a utility plant is computed on the straight-line method at rates between 3% and 5% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Massachusetts law stipulates that the Electric Department may change from the statutory depreciation rate only with the approval of the DPU. In anticipation of funding future capital projects, the Department used an overall depreciation rate of 3.0%, which decreased from the prior year rate of 3.5%. These rates approximate GAAP based on the average age of the utility plant assets.

Cash and Investments

For purpose of the statement of cash flows, the Department considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. Investments are carried at fair value based on quoted market prices for those or similar investments.

Ending cash and cash equivalents consist of the following amounts at December 31,

|                                      | 2020                 | 2019                 |
|--------------------------------------|----------------------|----------------------|
| Operating cash.....                  | \$ 16,916,434        | \$ 16,236,350        |
| Customer deposits.....               | 1,043,008            | 1,011,342            |
| Depreciation fund.....               | 1,705,085            | 631,562              |
| Insurance escrow fund.....           | 1,810,200            | 1,797,568            |
| Total cash and cash equivalents..... | <u>\$ 21,474,727</u> | <u>\$ 19,676,822</u> |

### Fair Value Measurements

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

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

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

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

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

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

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

### Revenues

Revenues from the sale of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by the Department, which are applied to customers' consumption of electricity.

The Department's rates may include a Power Cost Adjustment ("PCA") which allows an adjustment of rates charged to customers in order to recover all changes in capacity and fuel costs from stipulated base cost. The Department approved a PCA credit back to all customers of approximately \$2.0 million and \$1.5 million in 2020 and 2019, respectively. The Department also established a Revenue Credit to return to its customers any revenues that the Department determines are surplus to the needs of the Department. For 2020, the Department determined that approximately \$1.1 million would be returned to the customers and a revenue credit was issued to them in March of 2021.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

### Materials and Supplies Inventory

Materials and supplies are valued at the lower of cost or market using the average cost method.

### Compensated Absences

In accordance with the Electric Department's personnel plan and the negotiated labor settlement with IBEW Local 104 (Groups A & B), employees are allowed to accumulate sick days up to a maximum of 120 days. After 120 days of accrued time, employees are eligible to earn an additional half day of vacation time per month while their sick time balance exceeds the 120 days. Upon retirement from the Department, the employee will be paid one day's pay for each 8 days of accumulated sick time.

Employees are permitted to carry over all remaining days of vacation; which must be used by August 31st of the subsequent year. Upon termination of employment with the Department, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination.

### Rate Stabilization

Under Accounting Standards Codification ASC 980 – Regulated Operations, if the Department determines that current rates will end up paying for costs that will be incurred in a future period, then the revenues collected from those rates are not recorded as revenue but as a liability that will be taken to income when those future costs are incurred. The Department identified \$8.7 million at December 31, 2020, and 2019, that will be used to offset future costs. In accordance with the provisions of GASB Statement No. 65 the Rate Stabilization reserve is classified as a deferred inflow of resources on the Statement of Net Position.

### Accounts Receivable Policy

Accounts receivable are reported net of an allowance for doubtful accounts of approximately \$343,000 and \$303,000, respectively, at December 31, 2020 and 2019. A receivable is considered past due if payments have not been received by the Department within 25 days. The Department will send a past due letter for those

accounts that are past due. Four days after the past due letter is sent the department will send a notice of termination to the account owner. The morning of the shut off a courtesy call is made as a last effort to collect the past due balance prior to the account actually being shut off.

Another class of customer accounts consists of those for which the owner of record is also the customer of record. Most of those accounts are protected from shut-off for non-payment of usage charges. The Department analyzes these accounts in November of each year to determine whether or not the accounts will be collectible within a reasonable period of time. If the accounts are deemed to be uncollectible, the Department will initiate procedures to transfer the unpaid balance to the Town Assessor so that the unpaid balance can be added onto the real estate bill. The Department will write off the customer account once it has been added to the real estate bill.

Another class of customer accounts consists of those for which the customer has closed the account and moved out of the service area. If the account remains unpaid after a reminder is sent, the Department will send the customer account to a collection agency and write-off the account balance.

However, during 2020, due to the state of emergency declared in the Commonwealth in response to the coronavirus, the Department ceased collection efforts on overdue accounts and shut-offs per the request of the Department of Public Utilities (DPU) to extend a moratorium on shut-offs until the state of emergency was lifted or until further communication was provided by the DPU.

#### 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 North Attleborough Contributory Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Taxes

The Electric Department is exempt from federal income taxes. Although also exempt from property taxes, the Electric Department pays amounts in lieu of taxes to the Town of North Attleborough. A sales and use tax is assessed by the Commonwealth, in accordance with Massachusetts General Law Chapter 64H, on a portion of the sale of electricity. Taxes are remitted to the Commonwealth monthly.

#### Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow or inflow of resources until then. The Department has reported deferred outflows and inflows of resources related to pensions and other postemployment benefits, and deferred inflows of resources related to the regulatory Rate Stabilization reserve as of December 31, 2020, and 2019.

**NOTE 2 – CASH AND INVESTMENTS**

Cash of the Department is in the 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 Department. Separate accounts are maintained for the Department’s Operating cash fund, Depreciation fund, Customer Deposit fund, and the Insurance Escrow fund.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Department’s deposits may not be returned to it. Responsibility for enforcing policies addressing custodial credit risk of Department deposits vests with the Town Treasurer. At December 31, 2020, the Town’s custodial credit risk policy for deposits is as follows:

- Unlimited amounts of deposits may be assigned to bank accounts or Certificates of Deposit that mature in one year or less only if the accounts are fully collateralized through a third-party agreement;
- Unsecured bank deposits may be held for no more than 30 days during times of heavy collections or an anticipation of large payments. In this circumstance no more than 5% of an institution’s assets and no more than 25% of the Town’s cash may be held in unsecured bank accounts.

At year-end, the carrying amount of deposits totaled \$19,607,478, which includes \$283,145 of deposits held in the Department’s OPEB Trust Fund.

Investments

As of December 31, 2020, the Department had the following investments that are available for operational uses:

| Investment Type                       | Fair value    | Maturities   |               |               | Rating    |
|---------------------------------------|---------------|--------------|---------------|---------------|-----------|
|                                       |               | Under 1 Year | 1-5 Years     | 6-10 Years    |           |
| <u>Debt securities:</u>               |               |              |               |               |           |
| Government sponsored enterprises..... | \$ 1,742,808  | \$ 349,836   | \$ 1,392,972  | \$ -          | AA+       |
| Corporate bonds.....                  | 32,069,013    | 1,815,995    | 19,802,290    | 10,450,728    | AAA - BB- |
| Total debt securities.....            | 33,811,821    | \$ 2,165,831 | \$ 21,195,262 | \$ 10,450,728 |           |
| <u>Other investments:</u>             |               |              |               |               |           |
| MMDT - Cash portfolio.....            | 2,150,394     |              |               |               |           |
| Total investments.....                | \$ 35,962,215 |              |               |               |           |

As of December 31, 2019, the Department had the following investments that are available for operational uses:

| <u>Investment Type</u>             | <u>Fair value</u>    | <u>Maturities</u>   |                   |                   | <u>Rating</u> |
|------------------------------------|----------------------|---------------------|-------------------|-------------------|---------------|
|                                    |                      | <u>Under 1 Year</u> | <u>1-5 Years</u>  | <u>6-10 Years</u> |               |
| <u>Debt securities:</u>            |                      |                     |                   |                   |               |
| Government sponsored enterprises.. | \$ 2,785,665         | \$ 1,626,870        | \$ 1,158,795      | \$ -              | AA+           |
| Corporate bonds.....               | 30,188,870           | 482,166             | 23,685,622        | 6,021,082         | AA+ - BB-     |
| Total debt securities.....         | 32,974,535           | <u>2,109,036</u>    | <u>24,844,417</u> | <u>6,021,082</u>  |               |
| <u>Other investments:</u>          |                      |                     |                   |                   |               |
| MMDT - Cash portfolio.....         | 2,135,388            |                     |                   |                   |               |
| Total investments.....             | <u>\$ 35,109,923</u> |                     |                   |                   |               |

MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 33 days. MMDT is considered a cash equivalent for financial statement reporting purposes.

As of December 31, 2020, the Department’s OPEB Trust Fund had the following investments:

| <u>Investment Type</u>    | <u>Fair value</u>   | <u>Maturities</u>   |                  |                   | <u>Rating</u> |
|---------------------------|---------------------|---------------------|------------------|-------------------|---------------|
|                           |                     | <u>Under 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> |               |
| <u>Debt securities:</u>   |                     |                     |                  |                   |               |
| Corporate bonds.....      | \$ 2,274,681        | \$ -                | \$ 2,274,681     | \$ -              | AA - BBB      |
| <u>Other investments:</u> |                     |                     |                  |                   |               |
| Equity mutual funds.....  | 4,183,510           |                     |                  |                   |               |
| Total investments.....    | <u>\$ 6,458,191</u> |                     |                  |                   |               |

As of December 31, 2019, the Department’s OPEB Trust Fund had the following investments:

| <u>Investment Type</u>    | <u>Fair value</u>   | <u>Maturities</u>   |                  |                   | <u>Rating</u> |
|---------------------------|---------------------|---------------------|------------------|-------------------|---------------|
|                           |                     | <u>Under 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> |               |
| <u>Debt securities:</u>   |                     |                     |                  |                   |               |
| Corporate bonds.....      | \$ 2,046,624        | \$ 203,900          | \$ 1,643,637     | \$ 199,087        | AAA - BBB     |
| <u>Other investments:</u> |                     |                     |                  |                   |               |
| Equity mutual funds.....  | 3,829,852           |                     |                  |                   |               |
| Total investments.....    | <u>\$ 5,876,476</u> |                     |                  |                   |               |

The OPEB Trust Fund investments are held by the Treasurer of the Town of North Attleborough who serves as custodian of the Trust Fund.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Department will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

The Town maintains a policy governing custodial credit risk of investments. The policy indicates that the Town will purchase investments listed on the State of Massachusetts’ list of legal investments or investment grade securities with a high concentration in securities rated A or better, with no limitation in terms of amounts invested with MMDT.

At December 31, 2020, the Department had five investments with an investment rating of BBB+, three with an investment rating of BBB, and one investment with an investment rating of BB-.

Any investments not held directly by the Town will be held in the Town’s name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. Since these deposits are pooled with other Town funds, specific collateralization information is not available.

Concentration of Credit Risk, Interest Rate Risk, and Credit Risk

The Department’s investments are under the control and custody of the Town Treasurer. As a result, specific GASB #40 disclosures relating to these investments are not available.

Fair Market Value of Investments

The Department holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Department’s mission, the Department determines that the disclosures related to these investments only need to be disaggregated by major type. The Department chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Department had the following recurring fair value measurements as of December 31, 2020:

| Investment Type                                | December 31,<br>2020 | Fair Value Measurements Using  |   |  |
|--|----------------------|--|---|--|
|  |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>     |                      |  |   |  |
| <u>Debt securities:</u>                        |                      |  |   |  |
| Government sponsored enterprises.....          | \$ 1,742,808         | \$ 1,742,808   | \$ -  | \$ -   |
| Corporate bonds.....                           | 32,069,013           | -  | 32,069,013  | -  |
| Total debt securities.....                     | 33,811,821           | \$ 1,742,808   | \$ 32,069,013   | \$ -   |
| <b>Investments measured at amortized cost:</b> |                      |  |   |  |
| MMDT - Cash portfolio.....                     | 2,150,394            |  |   |  |
| Total investments.....                         | \$ 35,962,215        |  |   |  |

The Department had the following recurring fair value measurements as of December 31, 2019:

| Investment Type                                | December 31,<br>2019 | Fair Value Measurements Using  |   |  |
|--|----------------------|--|---|--|
|  |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>     |                      |  |   |  |
| <u>Debt securities:</u>                        |                      |  |   |  |
| Government sponsored enterprises.....          | \$ 2,785,665         | \$ 2,785,665   | \$ -  | \$ -   |
| Corporate bonds.....                           | 30,188,870           | -  | 30,188,870  | -  |
| Total debt securities.....                     | 32,974,535           | 2,785,665  | 30,188,870  | -  |
| <b>Investments measured at amortized cost:</b> |                      |  |   |  |
| MMDT - Cash portfolio.....                     | 2,135,388            |  |   |  |
| Total investments.....                         | \$ 35,109,923        |  |   |  |

The following table discloses the recurring fair value measurements of the OPEB Trust as of December 31, 2020:

| Investment Type                               | December 31,<br>2020 | Fair Value Measurements Using  |   |  |
|---|----------------------|--|---|--|
|   |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>    |                      |  |   |  |
| <u>Debt securities:</u>                       |                      |  |   |  |
| Corporate bonds.....                          | \$ 2,274,681         | \$ -   | \$ 2,274,681  | \$ -   |
| <u>Other investments:</u>                     |                      |  |   |  |
| Equity mutual funds.....                      | 4,183,510            | 4,183,510  | -   | -  |
| Total investments measured at fair value..... | \$ 6,458,191         | \$ 4,183,510   | \$ 2,274,681  | \$ -   |

The following table discloses the recurring fair value measurements of the OPEB Trust as of December 31, 2019:

| Investment Type                               | December 31,<br>2019 | Fair Value Measurements Using  |   |  |
|---|----------------------|--|---|--|
|   |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>    |                      |  |   |  |
| <u>Debt securities:</u>                       |                      |  |   |  |
| Corporate bonds.....                          | \$ 2,046,624         | \$ -   | \$ 2,046,624  | \$ -   |
| <u>Other investments:</u>                     |                      |  |   |  |
| Equity mutual funds.....                      | 3,829,852            | 3,829,852  | -   | -  |
| Total investments measured at fair value..... | \$ 5,876,476         | \$ 3,829,852   | \$ 2,046,624  | \$ -   |

Government sponsored enterprises and equity mutual fund investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

**NOTE 3 – INSURANCE ESCROW FUND**

The Department has set up an insurance fund which is to be used to reduce the future costs of insurance expenses. During 2020 and 2019, the monies were invested with the Massachusetts Municipal Depository Trust. Interest earned remains in the fund. The balance of this account was \$1,810,200 and \$1,797,568 at December 31, 2020 and 2019, respectively.

**NOTE 4 – DEPRECIATION FUND**

The Department maintains a depreciation fund, which is managed by the Town of North Attleborough’s Treasurer. Internally this fund consists of three components. One is used to pay for large capital investments such as new vehicles, equipment, distribution system upgrades and new construction. This portion of the fund is required by state statute. The Department sets aside annually 3% to 5% of gross cost-of-plant to be used for capital improvements and additions. The balance of this portion of the fund was \$8,451,038 and \$8,557,759 at December 31, 2020, and 2019, respectively.

The second portion of the Depreciation fund was created as an aftermath of deregulation. These funds are for unexpected escalation in power costs, such as the “decommissioning” of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices, transmission cost increases and other related power costs. The balance of this portion of the fund was \$17,396,493 and \$16,365,044 at December 31, 2020, and 2019, respectively.

The third component of the Depreciation fund was voted on by the Board of Electric Commissioners in December of 2012, and identified as Rate Stabilization Funds. The funds have been designated to offset future powers costs. The balance of this portion of the fund was \$9,669,375 and \$8,683,294 at December 31, 2020, and 2019, respectively.

All interest on the Depreciation fund is added to the fund balance and remains in the account.

#### **NOTE 5 – PURCHASED POWER ADVANCED DEPOSITS**

The purchased power advanced deposits is an amount held by Energy New England, our power supply agent. The implementation of the Working Capital Program began August 1, 1985 and was originally administered by MMWEC. Under the terms of the Working Capital Program the Department approved certain working capital amendments to various power purchase agreements which require the power supply agent to hold a set amount of capital from which it may pay our power obligations when they are due. The fund is replenished as needed from our monthly invoice payments. The income earned and allocated to the Electric Department remains in the account. The balance in the Fund as of December 31, 2020, and 2019 was \$2,621,711 and \$2,613,431, respectively.

The Department also has other purchased power deposits in the amount of \$80,317 and \$79,865 at December 31, 2020 and 2019, respectively.

#### **NOTE 6 – OTHER INVESTMENTS**

The Department is a founding member (9.6% interest) of Public Utility Mutual Insurance Company (“PUMIC”) which has been established to provide general insurance policies to other municipal electric utilities. The Department accounts for this investment at its original cost. As of December 31, 2020, and 2019, the investment in PUMIC was \$96,000.

**NOTE 7 – UTILITY PLANT ASSETS**

Capital asset activity for the year ended December 31, 2020, was as follows:

|  | Beginning<br>Balance | Increases           | Decreases           | Ending<br>Balance    |
|--|----------------------|---------------------|---------------------|----------------------|
| <b>Municipal Light:</b>                                  |                      |                     |                     |                      |
| <u>Capital assets not being depreciated:</u>             |                      |                     |                     |                      |
| Land.....  | \$ 99,623            | \$ -                | \$ -                | \$ 99,623            |
| Construction in progress.....                            | 892,429              | 79,344              | (890,920)           | 80,853               |
| Total capital assets not being depreciated....           | <u>992,052</u>       | <u>79,344</u>       | <u>(890,920)</u>    | <u>180,476</u>       |
| <u>Capital assets being depreciated:</u>                 |                      |                     |                     |                      |
| Distribution Plant.....                                  | 39,648,710           | 708,922             | (191,551)           | 40,166,081           |
| General Plant.....                                       | 11,537,432           | 290,883             | (7,274)             | 11,821,041           |
| Generating Plant.....                                    | -                    | 2,785,274           | -                   | 2,785,274            |
| Total capital assets being depreciated.....              | <u>51,186,142</u>    | <u>3,785,079</u>    | <u>(198,825)</u>    | <u>54,772,396</u>    |
| <u>Less accumulated depreciation for:</u>                |                      |                     |                     |                      |
| Distribution Plant.....                                  | (27,245,067)         | (1,306,927)         | 191,551             | (28,360,443)         |
| General Plant.....                                       | (9,520,087)          | (228,657)           | 7,274               | (9,741,470)          |
| Total accumulated depreciation.....                      | <u>(36,765,154)</u>  | <u>(1,535,584)</u>  | <u>198,825</u>      | <u>(38,101,913)</u>  |
| Total capital assets being depreciated, net.....         | <u>14,420,988</u>    | <u>2,249,495</u>    | <u>-</u>            | <u>16,670,483</u>    |
| Total municipal light activities capital assets, net.... | <u>\$ 15,413,040</u> | <u>\$ 2,328,839</u> | <u>\$ (890,920)</u> | <u>\$ 16,850,959</u> |

Depreciation expense amounted to \$1,535,584 and \$1,749,073 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 8 – LONG TERM DEBT**

Details related to the outstanding indebtedness at December 31, 2020, and the debt service requirements are as follows:

| Project                  | Maturities<br>Through | Original<br>Loan<br>Amount | Interest<br>Rate<br>(%) | Outstanding<br>at December 31,<br>2020 |
|--------------------------|-----------------------|----------------------------|-------------------------|--|
| 2003 Muni-Net Bonds..... | 2023                  | \$ 1,200,000               | 3.0-5.0                 | \$ <u>180,000</u>                      |

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

| Year              | Principal         | Interest         | Total             |
|-------------------|-------------------|------------------|-------------------|
| 2021.....         | \$ 60,000         | \$ 9,000         | \$ 69,000         |
| 2022.....         | 60,000            | 6,000            | 66,000            |
| 2023.....         | 60,000            | 3,000            | 63,000            |
| <b>Total.....</b> | <b>\$ 180,000</b> | <b>\$ 18,000</b> | <b>\$ 198,000</b> |

**NOTE 9 – RELATED PARTY TRANSACTIONS AND BALANCES**

The Department provides electrical service to the Town for all schools, municipal buildings and street lighting at average rates per kilowatt-hour, which approximates those billed to other customers. Revenues from billing to the Town were approximately \$1,688,000 and \$1,945,000 in 2020 and 2019, respectively. Included in the accompanying statements of net position are amounts due from the Town as of December 31, 2020 and 2019, of approximately \$35,100 and \$99,750, respectively.

The Town provides police details, insurance coverage and other items to the Department. These expenses amounted to approximately \$1,741,000 and \$1,801,000 in 2020 and 2019, respectively. At December 31, 2020 and 2019, the Department owed the Town approximately \$513,400 and \$75,000, respectively. These amounts are included in accounts payable and accrued expenses in the respective year end statements of net position.

The Department also made payments in lieu of property taxes to the Town in the amounts of \$356,000 and \$330,000 during 2020 and 2019, respectively.

**NOTE 10 – MMWEC PARTICIPATION**

The Town of North Attleborough, acting through its Electric department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Light Department has entered into PSAs with

MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from the Municipal Light Department revenues. Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Millstone and Seabrook Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

As of July 1, 2019, MMWEC has no debt service obligations outstanding relating to the Projects. MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department's Project Capability of the Projects in which it participated for the years ended December 31, 2020, and 2019, respectively are listed in the table below.

| Projects                              | Percentage Share | 2020<br>Total Capital Expenditures | 2020<br>Capacity, Fuel, & Transmission Billed | 2019<br>Capacity, Fuel, & Transmission Billed |
|---------------------------------------|------------------|------------------------------------|---|---|
| Stony Brook Peaking Project.....      | 5.9838%          | \$ 3,619,310                       | \$ 226,016                                    | \$ 218,336                                    |
| Stony Brook Intermediate Project..... | 3.5564%          | 6,422,993                          | 493,905                                       | 461,337                                       |
| Nuclear Mix No. 1-Seabrook.....       | 4.1590%          | 423,284                            | 19,506  | 22,708  |
| Nuclear Mix No. 1-Millstone.....      | 4.1590%          | 2,555,143                          | 247,095                                       | 243,871                                       |
| Nuclear Project No. 3-Millstone.....  | 3.3709%          | 5,050,437                          | 401,406                                       | 397,288                                       |
| Nuclear Project No. 4-Seabrook.....   | 4.4020%          | 13,259,315                         | 551,316                                       | 643,504                                       |
| Nuclear Project No. 5-Seabrook.....   | 1.5884%          | 1,295,545                          | 51,059  | 59,572  |
| Project No. 6-Seabrook.....           | 2.7185%          | 15,203,949                         | 477,150                                       | 625,161                                       |
| Total.....                            |                  | \$ 47,829,976                      | \$ 2,467,453                                  | \$ 2,671,777                                  |

**NOTE 11 – PENSION PLAN***Plan Description*

The Department contributes to the North Attleborough Contributory Retirement System (the “System”), a cost-sharing, multiple-employer defined benefit pension plan administered by the North Attleborough Retirement Board (the “Board”). Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available audited financial report. That report may be obtained by contacting the System located at 500 East Washington Street, North Attleborough, MA 02761.

*Benefits Provided*

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

Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers' Retirement System, to which the Town of North Attleborough does not contribute. Pension benefits and administrative expenses paid by the Teachers' Retirement Board are the legal responsibility of the Commonwealth.

There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the

pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarially determined contribution that is apportioned among the member units based on active current payroll. The Department's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2019, which was \$501,939 and 15.19% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At December 31, 2020, the Department reported a liability of \$4,904,594 for its proportionate share of the net pension liability. The net pension liability was measured as of 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. The Department's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At December 31, 2019, the Department's proportion was 12.67%, which decreased from the previous measurement date by 0.02%.

*Pension Expense*

For the year ended December 31, 2020, the Department recognized a pension expense of \$1,278,748. At December 31, 2020, the Department reported deferred outflows of resources related to pensions and deferred inflows of resources related to pensions of \$2,971,998 and \$997,829, respectively.

The balances of deferred outflows (inflows) of resources for the department at December 31, 2020, consist of the following:

| Deferred Category   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total        |
|---|--------------------------------------|-------------------------------------|--------------|
| Differences between expected and actual experience.....           | \$ 992,636                           | \$ (56,860)                         | \$ 935,776   |
| Difference between projected and actual earnings, net.....        | -                                    | (936,679)                           | (936,679)    |
| Changes in assumptions.....                                       | 1,409,995                            | -                                   | 1,409,995    |
| Changes in proportion and proportionate share of contributions... | 80,583                               | (4,290)                             | 76,293       |
| Contributions made subsequent to the measurement date.....        | 488,784                              | -                                   | 488,784      |
|   |                                      |                                     |              |
| Total deferred outflows (inflows) of resources.....               | \$ 2,971,998                         | \$ (997,829)                        | \$ 1,974,169 |

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

|  |                     |
|--|---------------------|
| <u>Year ended December 31:</u>                                 |                     |
| 2021.....  | \$ 629,072          |
| 2022.....  | 660,210             |
| 2023.....  | 578,128             |
| 2024.....  | <u>(382,025)</u>    |
| Subtotal amortized deferred outflows (inflows) of resources... | <u>1,485,385</u>    |
| Contributions made subsequent to the measurement date....      | <u>488,784</u>      |
| Total deferred outflows (inflows) of resources.....            | <u>\$ 1,974,169</u> |

*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 as of December 31, 2019:

|   |                                      |
|---|--------------------------------------|
| Valuation date.....                       | January 1, 2020                      |
| Investment rate of return/Discount rate.. | 7.25%                                |
| Projected salary increases.....           | 3.0% per annum                       |
| Cost of living adjustments.....           | 3% on the first \$14,000 of benefits |

Mortality rates:

|                     |  |
|---------------------|--|
| Groups 1 and 2..... | Healthy: Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.<br><br>Disabled: Pub-2010 General Disabled Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019. |
| Group 4.....        | Healthy: Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.<br><br>Disabled: Pub-2010 General Disabled Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019. |

*Investment Policy*

The investment of the System’s funds is the responsibility of the Retirement Board (Board). The Board adopted a revised investment policy statement in April 2017. The investment objective is to obtain a reasonable total rate of return commensurate with the Prudent Investor Rule and any other applicable statute or requirement. The Board

seeks to generate long-term investment performance of 8.0%. Furthermore, the Board establishes investment benchmarks, by asset class, to compare its actual performance against.

The System's investment policy requires diversification within its investment portfolio. The System's portfolio target weights and the long-term expected rates of return for each of these assets classes were as follows:

| <u>Asset Class</u>           | <u>Long-Term Expected<br/>Asset Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------------|--|---|
| Domestic equity.....         | 50.00%   | 6.20%   |
| International equity.....    | 15.00%   | 6.75% - 8.65%                                     |
| Fixed income.....            | 20.00%   | 1.11% - 3.51%                                     |
| Real Estate/Real Assets..... | 10.00%   | 4.30%   |
| Timber.....                  | 5.00%  | 5.50%   |
| Total.....                   | <u>100.00%</u>                                 |   |

*Discount rate*

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

|   | <u>1% Decrease<br/>(6.25%)</u> | <u>Current<br/>Discount<br/>(7.25%)</u> | <u>1% Increase<br/>(8.25%)</u> |
|---|--------------------------------|---|--------------------------------|
| The Department's proportionate share of<br>the net pension liability..... | \$ <u>7,566,239</u>            | \$ <u>4,904,594</u>                     | \$ <u>2,688,765</u>            |

*Changes of Assumptions*

The discount rate decreased from 7.50% to 7.25%, and there were changes in the mortality rate tables.

*Changes of Plan Provisions*

None.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The Town of North Attleborough, Massachusetts, administers a single-employer defined benefit healthcare plan, (“the Retiree Health Plan”), of which the Department and its employees are members. The plan provides lifetime healthcare and life insurance for eligible retirees and their dependents through the Town’s health insurance plan, which covers both active and retired members, including teachers through various health plan benefit options. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Department and the unions representing Department employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

The Department has accepted Chapter 32b, Section 20 of MGL which established an irrevocable trust that is under control of the Board of Commissioners of the Department; however, in accordance with provisions of the law, the Department remits the annual required contribution to the Treasurer of the Town of North Attleborough who, by a vote of the Board of Electric Commissioners, has been designated as the custodian of the OPEB Trust fund assets. Funds transferred to the Town Treasurer under the provisions of MGL Chapter 32b, Section 20 are invested and managed separately from any OPEB funds that have been reserved for the benefit of Town employees and retirees that are not employed by the North Attleborough Electric Department.

*Funding Policy*

The contribution requirements of the plan members and the Department are established and may be amended through collective bargaining. The Department contributes 75% of the cost of the current-year premiums for eligible retired plan members and their dependents that receive benefits under the MBS, PPO and Medex plan options. For retired plan members and dependents who are over age 65 and receive benefits under the HMO plan option, the Department contributes 88% of the cost of current-year premiums. The Department contributes 67% of the cost of current-year premiums for spouses of retired plan members receiving benefits under the HMO option and who are under the age of 65. Plan members receiving benefits contribute the remaining 12% to 33% of their premium costs.

The Commonwealth of Massachusetts passed special legislation that has allowed the Department to establish the postemployment benefit trust fund and enabled the Department to pre-fund its OPEB liabilities. During 2020, the Department did not contribute to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. As of December 31, 2020, the balance in the Other Postemployment Benefit Fund was \$6.7 million.

*Measurement Date*

The net OPEB liability (asset) was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2020.

*Plan Membership*

The following table represents the Plan’s membership at December 31, 2020:

|                        |                  |
|------------------------|------------------|
| Active members.....    | 36               |
| Retirees/Disabled..... | <u>38</u>        |
| Total.....             | <u><u>74</u></u> |

*Components of Net OPEB liability (asset)*

The following table represents the components of the Plan’s net OPEB liability (asset) as of December 31, 2020:

|  |    |                           |
|--|----|---------------------------|
| Total OPEB liability.....  | \$ | 5,698,490                 |
| Less: OPEB plan's fiduciary net position.....  |    | <u>(6,741,336)</u>        |
| Net OPEB liability (asset).....  | \$ | <u><u>(1,042,846)</u></u> |
|  |    |                           |
| The OPEB plan's fiduciary net position<br>as a percentage of the total OPEB liability..... |    | 118.30%                   |

*Significant Actuarial Methods and Assumptions*

The total OPEB liability in the January 1, 2020, actuarial valuation was determined by using the following actuarial assumptions applied to all periods including the measurement date that was updated to December 31, 2020, to be in accordance with GASB Statement #74 and Statement #75.

|                                |   |
|--------------------------------|---|
| Valuation date.....            | January 1, 2020   |
| Actuarial cost method.....     | Individual Entry Age Normal.  |
| Asset valuation method.....    | Market value of assets as of the measurement date, December 31, 2020.   |
| Investment rate of return..... | 5.83%, net of OPEB plan investment expense, including inflation.  |
| Municipal bond rate.....       | 1.93% as of December 31, 2020. S&P Municipal Bond 20-year High Grade Index.   |
| Discount rate.....             | 6.00%, net of OPEB plan investment expense, including inflation.  |
| Inflation.....                 | 2.50% as of December 31, 2020, and for future periods.  |
| Salary increase.....           | 3.00% annually as of December 31, 2020, and for future periods.   |
| Mortality:                     |   |
| Pre-Retirement.....            | RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.          |
| Post-Retirement.....           | RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. |
| Disabled.....                  | RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.             |

*Rate of Return*

For the Year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense was 14.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Investment Policy*

The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Department's investment policy.

Best estimates of real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020, are summarized in the following table.

| Asset Class                                  | Long-Term Expected<br>Asset Allocation | Long-Term Expected<br>Real Rate of Return |
|--|--|---|
| Domestic equity - large cap.....             | 47.50%                                 | 4.90%                                     |
| Domestic equity - small/mid cap.....         | 9.50%                                  | 5.40%                                     |
| International equity - developed market..... | 5.00%                                  | 5.32%                                     |
| Domestic fixed income.....                   | 33.75%                                 | 1.40%                                     |
| Cash.....                                    | 4.25%                                  | 0.00%                                     |
| Total.....                                   | 100.00%                                |   |

*Discount rate*

The discount rate used to measure the total OPEB liability was 6.00% as of December 31, 2020. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy.

*Changes in the Net OPEB Liability (Asset) for the Measurement Date*

|  | Increase (Decrease)            |  |  |
|--|--------------------------------|--|--|
|  | Total OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability (asset)<br>(a) - (b) |
| Balances at December 31, 2019.....                     | \$ 5,340,868                   | \$ 5,898,065                             | \$ (557,197)                               |
| Changes for the year:                                  |                                |  |  |
| Service cost.....                                      | 122,509                        | -  | 122,509                                    |
| Interest.....  | 334,785                        | -  | 334,785                                    |
| Net investment income.....                             | -                              | 843,271                                  | (843,271)                                  |
| Changes in assumptions.....                            | 66,199                         | -  | 66,199                                     |
| Difference between actual and expected experience..... | 51,052                         | -  | 51,052                                     |
| Employer contributions to the Trust.....               | -                              | 216,923                                  | (216,923)                                  |
| Benefit payments.....                                  | (216,923)                      | (216,923)                                | -  |
| Net change.....  | 357,622                        | 843,271                                  | (485,649)                                  |
| Balances at December 31, 2020.....                     | \$ 5,698,490                   | \$ 6,741,336                             | \$ (1,042,846)                             |

*Sensitivity of the net OPEB liability (asset) to changes in the discount rate*

The following table presents the net other postemployment benefit liability (asset), calculated using the discount rate of 6.00% as well as what the net other postemployment benefit liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage point higher (7.00%) than the current rate.

|                                 | 1% Decrease<br>(5.00%) | Current<br>Discount Rate<br>(6.00%) | 1% Increase<br>(7.00%) |
|---------------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability (asset)..... | \$ (296,081)           | \$ (1,042,846)                      | \$ (1,705,254)         |

*Sensitivity of the net OPEB liability (asset) to changes in the healthcare trend*

For postretirement medical plans in particular, the calculated actuarial values are highly sensitive to the assumed rate of health care cost trend. This is due to the compounding effect of the annual trend rates assumed for medical costs, as opposed to pension valuations where benefit levels typically remain fixed. The following table illustrates the effect on our valuation results of a 1% increase or decrease in the assumed rates of health care cost trend in each year.

|                                 | 1% Decrease    | Current Trend  | 1% Increase  |
|---------------------------------|----------------|----------------|--------------|
| Net OPEB liability (asset)..... | \$ (1,782,835) | \$ (1,042,846) | \$ (133,522) |

*OPEB Expense and Deferred Outflows of Resources Related to OPEB*

For the financial reporting year ended December 31, 2020, the Department recognized OPEB expense of (\$59,949) and reported deferred outflows/inflows of resources of \$93,801 and deferred inflows of resources of \$777,536, related to OPEB from the following sources:

| Deferred Category  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total        |
|--|--------------------------------------|-------------------------------------|--------------|
| Differences between expected and actual experience.....    | \$ 40,842                            | \$ (62,312)                         | \$ (21,470)  |
| Difference between projected and actual earnings, net..... | -                                    | (600,988)                           | (600,988)    |
| Changes in assumptions.....                                | 52,959                               | (114,236)                           | (61,277)     |
| Total deferred outflows (inflows) of resources.....        | \$ 93,801                            | \$ (777,536)                        | \$ (683,735) |

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

|   |                     |
|---|---------------------|
| <u>Year ended December 31:</u>                      |                     |
| 2021.....   | \$ (173,386)        |
| 2022.....   | (173,385)           |
| 2023.....   | (260,533)           |
| 2024.....   | <u>(76,431)</u>     |
| Total deferred outflows (inflows) of resources..... | \$ <u>(683,735)</u> |

*Changes of Assumptions:*

The following are the changes of assumptions reflected in the January 1, 2020, valuation.

- The discount rate decreased from 6.25% to 6.00%.
- The mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality table projected generationally with scale MP-2018 for males and females.
- The expected long-term medical trend rate has been updated to 4.50%.
- The assumption for morbidity or age-related costs of medical care has been updated.

*Changes in Plan Provisions:*

None.

**NOTE 13 – RISK MANAGEMENT**

The Department has a program to self-insure for general liability claims. The Department is responsible for the payment of the first \$500,000 for each claim incurred. Claims that exceed this amount are covered by an excess liability policy with a limit of \$25 million per occurrence. No accrual has been made in the accompanying financial statements as of December 31, 2020 and 2019, as no significant claims have been submitted.

**NOTE 14 – CONTINGENCIES**

The Department is involved in legal proceedings and claims arising in the normal course of business. In the opinion of management and legal counsel, North Attleborough Electric Department’s liability, if any, would not materially affect its financial condition or results of operations.

Through its membership in MMWEC, the Department is contingently liable on various projects in which they participated (See Note 10).

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 20, 2021, which is the date the financial statements were available to be issued.

# ***Required Supplementary Information***

# ***Pension Plan Schedules***

The Schedule of the Department's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

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

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

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
NORTH ATTLEBOROUGH CONTRIBUTORY RETIREMENT SYSTEM**

| Year                   | Proportion of<br>the net pension<br>liability (asset) | Proportionate<br>share of the<br>net pension<br>liability (asset) | Covered<br>payroll | Net pension<br>liability as a<br>percentage of<br>covered payroll | Plan fiduciary<br>net position as<br>a percentage of<br>the total<br>pension liability |
|------------------------|---|---|--------------------|---|--|
| December 31, 2019..... | 12.67%  | \$ 4,904,594  | \$ 3,304,209       | 148.43%   | 77.42%   |
| December 31, 2018..... | 12.69%  | 5,303,500   | 3,192,677          | 166.11%   | 72.70%   |
| December 31, 2017..... | 10.82%  | 1,480,841   | 3,056,117          | 48.45%  | 89.50%   |
| December 31, 2016..... | 12.67%  | 2,971,667   | 2,903,457          | 102.35%   | 81.30%   |
| December 31, 2015..... | 11.97%  | 2,882,783   | 2,684,777          | 107.38%   | 79.74%   |
| December 31, 2014..... | 11.80%  | 2,312,733   | 2,368,408          | 97.65%  | 82.90%   |

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

See notes to required supplementary information.

**SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS**  
**NORTH ATTLEBOROUGH CONTRIBUTORY RETIREMENT SYSTEM**

---

| Year                   | Actuarially<br>determined<br>contribution | Contributions in<br>relation to the<br>actuarially<br>determined<br>contribution | Contribution<br>deficiency<br>(excess) | Covered<br>payroll | Contributions as<br>a percentage of<br>covered payroll |
|------------------------|---|--|--|--------------------|--|
| December 31, 2019..... | \$ 501,939                                | \$ (501,939)   | -                                      | \$ 3,304,209       | 15.19%   |
| December 31, 2018..... | 487,820                                   | (487,820)  | -                                      | 3,192,677          | 15.28%   |
| December 31, 2017..... | 411,959                                   | (411,959)  | -                                      | 3,056,117          | 13.48%   |
| December 31, 2016..... | 397,495                                   | (397,495)  | -                                      | 2,903,457          | 13.69%   |
| December 31, 2015..... | 424,025                                   | (424,025)  | -                                      | 2,684,777          | 15.79%   |
| December 31, 2014..... | 409,031                                   | (409,031)  | -                                      | 2,368,408          | 17.27%   |

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

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

The Schedule of Changes in the Department's Net Other Postemployment Benefit Liability (Asset) and Related Ratios presents multi-year trend information on the Plan's net other postemployment benefit liability (asset) and related ratios.

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

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

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

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

|   | December 31,<br>2017 | December 31,<br>2018 | December 31,<br>2019 | December 31,<br>2020  |
|---|----------------------|----------------------|----------------------|-----------------------|
| <b>Total OPEB Liability</b>   |                      |                      |                      |                       |
| Service Cost.....   | \$ 126,222           | \$ 98,517            | \$ 101,558           | \$ 122,509            |
| Interest.....   | 301,433              | 314,415              | 318,776              | 334,785               |
| Differences between expected and actual experience....                          | -                    | (155,780)            | -                    | 51,052                |
| Changes of assumptions.....   | -                    | -                    | (190,394)            | 66,199                |
| Benefit payments.....   | (189,681)            | (177,330)            | (197,995)            | (216,923)             |
| Net change in total OPEB liability.....   | 237,974              | 79,822               | 31,945               | 357,622               |
| Total OPEB liability - beginning.....   | 4,991,127            | 5,229,101            | 5,308,923            | 5,340,868             |
| Total OPEB liability - ending (a).....  | <u>\$ 5,229,101</u>  | <u>\$ 5,308,923</u>  | <u>\$ 5,340,868</u>  | <u>\$ 5,698,490</u>   |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                       |
| Employer contributions.....   | \$ 485,344           | \$ -                 | \$ 67,505            | \$ -                  |
| Employer contributions for OPEB payments.....                                   | 189,681              | 177,330              | 197,995              | 216,923               |
| Net investment income (loss).....   | 534,449              | (285,638)            | 1,026,629            | 843,271               |
| Benefit payments.....   | (189,681)            | (177,330)            | (197,995)            | (216,923)             |
| Net change in plan fiduciary net position.....                                  | 1,019,793            | (285,638)            | 1,094,134            | 843,271               |
| Plan fiduciary net position - beginning of year.....                            | 4,069,776            | 5,089,569            | 4,803,931            | 5,898,065             |
| Plan fiduciary net position - end of year (b).....                              | <u>\$ 5,089,569</u>  | <u>\$ 4,803,931</u>  | <u>\$ 5,898,065</u>  | <u>\$ 6,741,336</u>   |
| <b>Net OPEB liability (asset) - ending (a)-(b).....</b>                         | <u>\$ 139,532</u>    | <u>\$ 504,992</u>    | <u>\$ (557,197)</u>  | <u>\$ (1,042,846)</u> |
| Plan fiduciary net position as a percentage of the<br>total OPEB liability..... | 97.33%               | 90.49%               | 110.43%              | 118.30%               |
| Covered-employee payroll.....   | \$ 3,052,826         | \$ 3,144,411         | \$ 3,238,743         | \$ 4,184,791          |
| Net OPEB liability (asset) as a percentage of<br>covered-employee payroll.....  | 4.57%                | 16.06%               | -17.20%              | -24.92%               |

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

See notes to required supplementary information.

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

| Year                   | Actuarially<br>determined<br>contribution | Contributions in<br>relation to the<br>actuarially<br>determined<br>contribution | Contribution<br>deficiency<br>(excess) | Covered-<br>employee payroll | Contributions as<br>a percentage of<br>covered-<br>employee payroll |
|------------------------|---|--|--|------------------------------|---|
| December 31, 2020..... | \$ 71,392                                 | \$ (216,923)   | \$ (145,531)                           | \$ 4,184,791                 | 5.18%   |
| December 31, 2019..... | 62,435                                    | (265,500)  | (203,065)                              | 3,238,743                    | 8.20%   |
| December 31, 2018..... | 133,127                                   | (177,330)  | (44,203)                               | 3,144,411                    | 5.64%   |
| December 31, 2017..... | 189,368                                   | (675,025)  | (485,657)                              | 3,052,826                    | 22.11%  |

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

---

| Year                   | Annual money-weighted<br>rate of return,<br>net of investment expense |
|------------------------|---|
| December 31, 2020..... | 14.30%  |
| December 31, 2019..... | 21.23%  |
| December 31, 2018..... | -5.61%  |
| December 31, 2017..... | 12.41%  |

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

See notes to required supplementary information.

**NOTE A – PENSION PLAN*****Pension Plan Schedules*****A. Schedule of the Department's Proportionate Share of the Net Pension Liability**

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

**B. Schedule of Department's Contributions**

Governmental employers are required to pay an annual appropriation as established by PERAC. The Department's 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 Department's appropriations are payable on July 1 and January 1. The Department may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual Department contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Department based on covered payroll.

**C. Changes of Assumptions**

The discount rate decreased from 7.50% to 7.25%, and there were changes in the mortality rate tables.

**D. Changes of Plan Provisions**

There were no changes in plan provisions.

**NOTE B – OTHER POSTEMPLOYMENT BENEFITS**

The Town of North Attleborough administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"), which the Department participates in. The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Department's health insurance plan, which covers both active and retired members, including teachers.

**The Other Postemployment Benefit Plan****Schedule of the Changes in the Department's Net Other Postemployment Benefit Liability (Asset) and Related Ratios**

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

Schedule of the Department’s Contributions

The Schedule of the Department’s Contributions includes the Department’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially required contribution and the covered employee payroll. The Department is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

|                                |   |
|--------------------------------|---|
| Valuation date.....            | January 1, 2020   |
| Actuarial cost method.....     | Individual Entry Age Normal.  |
| Asset valuation method.....    | Market value of assets as of the measurement date, December 31, 2020.   |
| Investment rate of return..... | 5.83%, net of OPEB plan investment expense, including inflation.  |
| Municipal bond rate.....       | 1.93% as of December 31, 2020. S&P Municipal Bond 20-year High Grade Index.   |
| Discount rate.....             | 6.00%, net of OPEB plan investment expense, including inflation.  |
| Inflation.....                 | 2.50% as of December 31, 2020, and for future periods.  |
| Salary increase.....           | 3.00% annually as of December 31, 2020, and for future periods.   |
| Mortality:                     |   |
| Pre-Retirement.....            | RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.          |
| Post-Retirement.....           | RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. |
| Disabled.....                  | RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.             |

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.

Changes of Assumptions

The following changes of assumptions have been reflected in the January 1, 2020, valuation:

- The discount rate decreased from 6.25% to 6.00%.
- The mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality table projected generationally with scale MP-2018 for males and females.
- The expected long-term medical trend rate has been updated to 4.50%.
- The assumption for morbidity or age-related costs of medical care has been updated.

Changes in Plan Provisions

None.

***Other Supplementary Information***

SUPPLEMENTARY SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES

FOR THE YEARS ENDED DECEMBER 31,

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| Power acquisition expenses:                        |                      |                      |
| Purchased power.....                               | \$ 12,228,779        | \$ 14,663,320        |
| Generation power.....                              | 33,365               | 145,106              |
| Transmission expenses.....                         | 4,601,872            | 4,251,537            |
| Other power expenses.....                          | <u>461,880</u>       | <u>447,717</u>       |
| Total power acquisition expenses.....              | <u>17,325,896</u>    | <u>19,507,680</u>    |
| Distribution expenses:                             |                      |                      |
| Station expenses.....                              | 286,328              | 255,214              |
| Customer installation expenses.....                | 119,784              | 79,409               |
| Other distribution expenses.....                   | 1,070,468            | 971,774              |
| Maintenance of overhead and underground lines..... | <u>1,428,108</u>     | <u>921,146</u>       |
| Total distribution expenses.....                   | <u>2,904,688</u>     | <u>2,227,543</u>     |
| Customer account expenses:                         |                      |                      |
| Meter reading expense.....                         | 7,863                | 30,447               |
| Customer records and collection.....               | 654,853              | 687,752              |
| Customer assistance expense.....                   | 80,759               | 258,989              |
| Informational and instructional expense.....       | <u>1,364</u>         | <u>23,556</u>        |
| Total customer account expenses.....               | <u>744,839</u>       | <u>1,000,744</u>     |
| Administrative and general expenses:               |                      |                      |
| Administrative and general salaries.....           | 904,304              | 853,063              |
| Office supplies and expenses.....                  | 158,404              | 140,753              |
| Outside services employed.....                     | 174,206              | 143,005              |
| Insurance, injuries and damages.....               | 148,061              | 138,779              |
| Employees' pensions and benefits.....              | 2,209,359            | 1,872,379            |
| Miscellaneous general expenses.....                | 230,043              | 248,852              |
| Maintenance of general plant.....                  | 459,924              | 477,363              |
| Community support.....                             | <u>29,055</u>        | <u>39,634</u>        |
| Total administrative and general expenses.....     | <u>4,313,356</u>     | <u>3,913,828</u>     |
| Total operation and maintenance expense.....       | <u>\$ 25,288,779</u> | <u>\$ 26,649,795</u> |

***Report on Internal Control Over Financial  
Reporting and on Compliance***

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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**

To the Board of Electric Commissioners  
North Attleborough Electric Department

We have audited the financial statements of the North Attleborough Electric Department (Department), an enterprise fund of the Town of North Attleborough, Massachusetts, as of and for the year ended December 31, 2020, and have issued our report thereon dated May 20, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

*A deficiency in internal control over financial reporting 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.*

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Pomeroy & Sullivan, LLC".

May 20, 2021