



**Town of Concord**  
Financial Audit Advisory Committee  
22 Monument Square  
P.O. Box 535  
Concord, Massachusetts 01742-0535

## **AGENDA**

### **Financial Audit Advisory Committee**

**Tuesday, August 16, 2022**

**8:30 AM**  
**Via Zoom**

Join Zoom Meeting

<https://us02web.zoom.us/j/82209319078?pwd=rvCKvkRzJ2YELQRYO9IRo-1vz8sgms.1>

Meeting ID: 822 0931 9078

Passcode: 410527

One tap mobile

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Meeting ID: 822 0931 9078

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- 1. Approval of meeting minutes: June 14, 2022**
- 2. FY21 Town Audit: Review letter to Select Board**
- 3. FY21 CCRSD Audit: Review letter to CCRSD Committee**
- 4. CY2022 CMLP Audit: Review of financial statements - Melanson**
- 5. FY2022 Audit Plan for Town and CCRSD - Melanson**
- 6. Cybersecurity Presentation – Jason Bulger**
- 7. Other Business**
- 8. Citizen comments**
- 9. Adjourn**

**Financial Audit Advisory Committee  
Draft Minutes of Meeting on June 14, 2022**

The Financial Audit Advisory Committee (FAAC) met on June 14, 2022 at 8:30AM by ZOOM (Meeting ID 815 9300 5252). Notice of the meeting was duly filed with the Town Clerk, Town of Concord, Massachusetts and the meeting was recorded.

Members present: Matthew Johnson, Select Board designee and Chair; Arthur Fulman, citizen representative; Wendy Rovelli, Light Board designee; and Court Booth, School Committee designee

Members absent: Carol Wilson, citizen representative; there remains one vacancy on the Committee.

Others present: Kerry Lafleur, Interim Town Manager; Gail Dowd, Interim Finance Director; Mary Barrett, Town Accountant; Erin Mulcahy, Assistant Town Accountant; Ian Rhames, Assistant Business Manager, CPS/CCRSD; Matt Cummings, Financial Manager, CMLP; Karlen Reed, LWVCC's Light Board observer; Malysa Simard, Finance Assistant; Scott McIntyre, Partner, Melanson; Sara Corduck, Melanson Audit Engagement Supervisor; and Cynthia Rainey, Concord Public School Committee.

Chair Matthew Johnson called the meeting to order at 8:30 AM and a roll call of Committee members was taken.

**Item 1: Approval of Minutes: October 19, 2021**

On a motion by Wendy Rovelli and seconded by Arthur Fulman the minutes were approved by unanimous roll call vote.

**Item 2: FY21 Town Audit: Review ACFR & Management Letter - Melanson**

Mr. McIntyre began by reporting that the annual Town audit is complete and went well. Mr. McIntyre noted that the Annual Comprehensive Financial Report (ACFR) is the newly adopted name going forward of the report formerly known as the Comprehensive Annual Financial Report. The Town's books and records were found to be in good working order with no disagreements concerning how various accounting principles have been applied. The auditors' work revealed no material weaknesses or significant deficiencies. A clean, unmodified opinion has been issued. An "Emphasis of Matter" has been added to the Independent Auditors' report this year to denote that as discussed in Note 34 to the financial statements, in 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Mr. McIntyre stated the opinion is not modified with respect to this matter this year, however, the ACFR will look quite different next year in so far as formatting and data captured because of the adoption of this GASB.

Mr. McIntyre then moved to the Statement of Net Position, page 2 (draft page 40 of the PDF). Here he wanted to highlight the Net Pension Liability and the Net OPEB Liability in the governmental activities' column. The net pension liability as of the balance sheet date of 6/30/21, technically measured at the end of the Retirement System year of 12/31/2020, had a liability of \$8,472,362. The system is well-

funded at a level of approximately 95% as of this date, and this liability is among the smallest seen in the Commonwealth. The net OPEB liability is \$16,658,829 as of 6/30/2021. This account balance has seen a significant drop since a year ago, when the liability was at \$38,609,300. To explain this, Mr. McIntyre utilized the data on page 91 of the Independent Auditors' Report (page 104 of the pdf packet), to demonstrate the factors contributing to the change in net OPEB liability, which included the Employer contributions of \$4,043,878 and paid benefits of (\$2,428,878) netting a \$1,615,000 cash contribution into the fund. Additionally, the portfolio earned \$7,309,562, resulting in the Plan net position increasing by \$8,924,562. The increased Plan net position decreased the liability and in conjunction with this, the total OPEB liability decreased by \$11,494,272 due to differences between expected and actual experience. Overall, the OPEB Trust Fund is approximately 62% funded. These liabilities are substantially lower than Concord's Aaa peer communities.

Mr. McIntyre discussed how the Deferred Inflows of Resources totaling \$27,400,498 will be amortized to zero over the next approximately 4 (four) plus years. Mr. McIntyre notes at that time, the Town would have an opportunity to turn the unrestricted net position deficit balance of (\$22,218,346) caused by pension and OPEB liabilities, into a positive number.

Mr. Johnson remarked that the Town is a member of the regional Minuteman Technical High School District, and it has identified that the OPEB liability is in the opposite position to the Town's. Mr. Johnson noted that although Minuteman Tech is not part of the Town's budget, he recognizes there will be a financial impact to the Town. He is curious if these types of encumbrances are, or will be, considered in the annual auditing. Mr. McIntyre opined that the GASB may issue guidance in the future on the subject matter raised by Mr. Johnson, perhaps contained within a GASB Statement being worked on with respect to reducing Note Disclosures. Since credit rating agencies want to know about any future cash obligations a local government may be responsible for, these types of agreements will impact the future cash flow of the organization although they are not balance sheet liabilities.

Mr. Johnson commented that the Town has entered a Regional Dispatch arrangement with the Town of Acton, whereby both Towns are equal partners. He inquired as to what extent Acton issued debt and/or capital expenses may be reflected in the Town of Concord's future audited statements. Mr. McIntyre responded he would need to understand more about this arrangement in the coming years to see whether this relationship may be defined as a joint venture, like the relationship the Town holds with many other communities within the Minuteman Technical High School District. Mr. Johnson believes that the net effect would be positive on the Town as there is state support for these arrangements and expressed curiosity surrounding the impact to the Town's finances as we begin to enter more regional arrangements. Mr. McIntyre noted that GASB has been busy developing new standards and one is to evaluate public-public partnerships, public-private partnerships. It is a comprehensive standard that will likely encompass these types of joint ventures (for lack of a better term) in the future.

Mr. McIntyre referred to the net management discussion and analysis pension liability. He reiterated that the pension liability is approximately 95% funded but wanted to note that with respect to these types of liabilities, there is a difference between funding and accounting. The audit reflects the accounting perspective. The reason this is notable is that over the course of the next couple of years, it

is possible for the Town's pension liability to become a pension asset on the accounting side. However, on the funding side, the Town may still have an amortization schedule that will need to be amortized with annual contributions as determined by PERAC.

Mr. McIntyre moved to review the fund basis financial statements. The general fund balance assets exceed liabilities by \$38,186,136, with \$12,320,090 restricted (pension reserve fund), a committed fund balance of \$8,185,985 (made up of stabilization funds), an assigned fund balance of \$6,879,001 (encumbrances carried into FY22 and free cash appropriated for FY22), and an unassigned fund balance of \$10,801,060, which is relatively unchanged from FY20 (-\$119,155) due to a very strong budgetary performance of \$2,398,398. The fund balance did not go up by \$2,398,398 because the Town, like other communities, used \$2,517,564 certified free cash and overlay surplus for FY22 as follows: \$1,867,564 to reduce the tax levy; \$500,000 to develop and support affordable housing; and \$150,000 for the senior property tax exemption program.

Mr. Johnson stated that Town Meeting voted to use free cash to reduce the tax levy by \$1,000,000 but inquired about the additional \$867,564. Ms. Lafleur answered that the \$867,564 is the prior year carry forward that Town Meeting appropriated due to the pandemic and revenue loss and this is not typical.

On the governmental funds page, Mr. McIntyre pointed out that this year there is a separate column for the federal grants fund due to the size and magnitude of the activities in the fund for FY21. It met the definition of a "major fund" and therefore the balance sheet is presented itself and is not consolidated with the non-major governmental funds. An unassigned fund balance deficit exists of -\$1,535,505 but this should not be looked at as problematic as grant funds in general are expenditure driven and reimbursement is typically sought after the fact. He expects that the money would come in FY22 and eliminate the accounting deficit. Mr. Johnson notes that the decision has been made to expend ARPA funding over the full four-year period so we will likely see this column for quite some time.

Mr. McIntyre moved to the amortization schedules of the long-term bonds and loans and points out that everything is paid off by the year 2031. The relevance is credit rating agencies like to see how much of the long-term obligations will be retired within a 10-year period and Concord fits into that model.

The management letter comments/recommendations were presented and there are no significant deficiencies or material weaknesses identified. In general terms, the recommendations include streamlining some policies, practices, and procedures. Those identified include improving the cash reconciliation procedure to ensure investment statements are included, improve year-end cut-off procedures with special attention to the enterprise non-budgetary funds, prepare for GASB 84 and 87, align the encumbrance policy with the practice, and improve reconciliation of utility receivables. Management acknowledges and agrees with the recommendations put forward by Melanson and will take necessary steps to implement them.

Mr. McIntyre provided a brief update to the committee on the 12/31/21 year end of the CMLP audit. The audit went very well this year, and the work is virtually done but the firm needs a little more time.

**Item 3: FY21 CCRSD Audit: Review draft statement and Management Letter – Melanson**

Mr. McIntyre referred to page 163 of the PDF packet and noted that the district's FY21 audit went well, finding the books and records to be in good order, and the same key aspects of the Town's financial statements are found also in the district's, namely the net pension and net OPEB liabilities. The independent auditors have issued a clean, unmodified opinion. Like the Town, the Emphasis of Matter paragraph has been included to inform the reader that this is the first year that the government implemented GASB No. 84. He anticipates next year that paragraph will state that the entity implemented GASB No. 87.

The net pension liability is \$1,394,961. CCRSD is a contributing member of the Concord Contributory Retirement System, which is 95% funded, measured as of 12/31/20. The net OPEB liability is \$9,540,003, down from approximately \$12,000,000 a year ago. It is 44% funded, measured as of 6/30/20. There were \$1,142,634 in contributions and \$592,634 in payments. The fund earned \$1,736,595 in net investment income. The net position of the OPEB Trust went up by \$2,286,595, and as a result, the liability went down by \$2,995,038.

Like the Town, the positive experience of the net pension and net OPEB liability produced a deferred inflow of resources, totaling \$5,872,477. This will eventually go to zero and amortize out in the credit balance. As the "liability" (it is not a liability but acts like one) goes down, it will have a positive impact on the unrestricted -\$13,802,064 by \$5,872,477 over the next four to five years.

Mr. McIntyre referred to page 175 of the PDF. There are four types of fund balance, and the total fund balance is \$4,411,775. This is broken down by \$910,750 restricted (debt service), \$210,878 committed (stabilization accounts), assigned fund balance of \$1,462,484 (encumbrances and certified ED) resulting in unassigned fund balance of \$1,827,661. Strong favorable budgetary performance of operations resulted in a nearly unchanged unassigned fund balance.

The management letter comments/recommendations were presented and there are no significant deficiencies or material weaknesses identified. The recommendations include the prior year issue to improve accounting for accounts payable at year-end and prepare for GASB No. 87. Mr. Johnson inquired if software subscriptions would fall under GASB No. 87. Mr. McIntyre notes that in the GASB No. 87 software is specifically excluded, yet a year after writing No. 87, GASB then created No. 96 specifically to address software subscriptions. Credit rating agencies are looking for Town's obligations, and recurring payments is included among them.

Mr. Johnson noted that the OPEB liability is 44% funded compared to the Town's 95% and inquired how CCRSD compares to other school districts. Mr. McIntyre responded that it compares very favorably.

There was some discussion about how these numbers will compare to our next audit given so many varying factors and members opined and highlighted that planning for drops in funding is important.

#### **Item 4: Audit Engagement Letter – FY22 thru FY24**

Ms. Lafleur commented that it was realized recently that included in the charge of the Committee, the Committee shall review the engagement letter before it is signed but she does not believe this has been done previously. To fulfill all the duties of the Committee charge, she asks that the Committee provide some input on the engagement letter before she signs it. Mr. Fulman notes that he does not recall ever seeing previous engagement letters and asks if there are any material differences between this letter and previous ones. Mr. McIntyre responded that auditing standards change on a regular basis and there is a whole new suite of standards from FY21 to FY22. Mr. Johnson asked if the costs of the Town's audit are benchmarked against other peer towns. Ms. Lafleur commented that our audit is more complex than many peer communities and the cost is very commensurate with the amount of work involved given the electric fund, the school district, and the number of presentations the auditors give to various committees, among other factors. Mr. McIntyre highlighted that the use of various closing dates adds complexity, as well. Mr. Johnson inquired if it might be possible for the Town to reduce the degree of complexity using the various dates, for example, could the Light Plant align with the other dates. Ms. Rovelli responded that with the Light Plant in particular, there is state regulatory compliance that the date is aligned to. The Committee agreed that they had reviewed the letter and support it being signed by Ms. Lafleur.

#### **Item 5: Revisit Audit Activity Schedule**

Mr. McIntyre commented that CMLP is ahead of the activity schedule at this point. The Town and CCRSD were slightly delayed due in part to the federal compliance work the firm is required to do. The compliance supplement was not published in a timely fashion which has been an impediment. For FY21, the OPEB valuation for the Town was received on November 29, 2021, which was sooner than it had been received in previous years. For FY22, the compliance supplement has been published which will be helpful.

The Committee agreed to meet again in July or August to have the cyber security risk assessment presentation, the CMLP draft financial statements, and review the draft report before it goes to the Select Board to potentially be on the Select Board agenda on August 29<sup>th</sup> or September 12<sup>th</sup>.

#### **Item 6: Other Business**

There was no other business brought before the Committee.

#### **Item 7: Citizen Comments**

Karlen Reed asked if Ms. Lafleur or Mr. Johnson might mention to the FAAC the question raised regarding the evaluation of the auditor's recommendation on the Fiber Broadband Task Force and the loan between broadband and electric. Ms. Lafleur commented that at the June 13, 2022, Select Board meeting, the Select Board received the final report of the fiber completion task force, which was a very detailed report available on the website for anyone who may be interested. The Chair of the Committee, Mark Howell, formerly the Chief Technology Officer for the Town was in the position of overseeing Broadband for several years. The Task Force has raised an issue about the loan that exists between the light plant and broadband. Broadband was sustaining an operating loss each year that was relatively

small in the beginning, but it occurred over a few years. Then broadband issued some debt and that earned the operating loss. In FY20, the auditors stated that a loan needed to be formalized between broadband and the light plant. The Light Board came up with a loan policy that was accepted. The Task Force has raised questions about the amount of the loss and the repayment of the loan. Ms. Lafleur stated that she and Mr. McIntyre talked about this yesterday because she had a detailed conversation with the Chair of the Task Force last week. Mr. McIntyre is going to take another look at it and put together some information looking at all those years together and identifying what work the auditors did to verify those amounts because the amounts have been called into question somewhat. This will be a separate audit project that isn't expected to take too long, and she will be happy to apprise the FAAC of the results when they are available.

**Item 8: Adjourn**

With no remaining business on the agenda, the Chair adjourned the meeting at 9:54 am.

**Documents distributed or referred to during this meeting:**

- Draft Minutes of 10/19/2021
- FY21 Town Audit: Draft ACFR & Management Letter – Melanson
- FY21 CCRSD Audit: Draft Statement & Management Letter - Melanson
- Audit Engagement Letter – FY22 thru FY24 – Melanson
- Audit Activity Schedule

## **Financial Audit Advisory Committee Report to the Select Board August 2022**

The Financial Audit Advisory Committee (“FAAC”) has completed its work for the current auditing cycle and as required in its charge, is reporting to the Select Board. We met to review auditing reports for the Concord Carlisle Regional School District (“CCRSD”) and the Town of Concord. This letter is our report regarding the audit of the **Town of Concord, FY21**.

### **Reporting Structure**

The Municipal Light Plant, a department of the Town, is separately audited on a December 31 fiscal year basis for the purpose of its required reporting to the Massachusetts Department of Public Utilities. The Town is audited on a June 30 fiscal year reporting basis, in accordance with state law. The audited financial statements of the Municipal Light Plant are incorporated into the Town’s annual financial statements. CCRSD is also a part of the Town’s annual audit and financial statements. There are no other component units of the Town of Concord.

CCRSD is a separate governmental jurisdiction and is responsible for its own annual audit examination and issuance of audited financial statements on a June 30 fiscal year basis. The CCRSD agreed to be included in the responsibilities of the FAAC and we reviewed the audit of the District and will in a separate letter report our findings to the Regional School Committee.

### **External Auditor**

The firm of Melanson currently is engaged to perform the annual audit examination of the Municipal Light Plant, CCRSD and the Town of Concord.

### **Duties of the Town of Concord FAAC**

As a reminder, the duties of the FAAC are:

- Review the arrangements for the scope and progress of the annual audit;
- Review the draft audited financial statements and consider the management letter recommendations and management’s response;
- Review internal accounting and control procedures as necessary;
- Participate in presentation of the annual audited financial statements by the external auditor at a public meeting of the Select Board and the Concord Carlisle Regional School Committee.
- Prepare such reports and recommendations to the Select Board and the Concord Carlisle Regional School Committee from time to time, within its assigned scope, as it may deem to be in the best interest of the Town.
- Recommend to the Town Manager the selection of the independent external auditor.

We believe that with the submission of this report and the future attendance at a Select Board meeting, the committee will have discharged its duties for the FY21 Town of Concord Audit Cycle.

## **Report on the activities of the FAAC**

Our report has two components: 1) comments on the audit process and management letter for the Town of Concord; and 2) additional items associated with the Town of Concord.

### **I. Audit Process and Management Letter for the Town of Concord**

The Independent Auditor's report for the Town of Concord (page 12) indicates:

"In our opinion, based on our audit, the financial statement referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of the Town of Concord, Massachusetts, as of June 30, 2021 (except for the Concord Contributory Retirement System and Concord Municipal Light Plant, which are as of and for the year ended December 31, 2020) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

The auditor's Management Letter for the Town of Concord contains one –(1) new item, and five- (5) prior year recommendations.

## **CURRENT YEAR RECOMMENDATIONS:**

### **1. Improve Cash Reconciliation Procedures**

The Town reconciles cash on a monthly basis; however, investment statements have not been included in this process. At June 30, 2021 a \$1.6m error in the OPEB trust account was noted that was not identified during the cash reconciliation process. We recommend that the Town ensure that all bank accounts, including investment accounts, be reconciled to the Treasurer's cash book on a monthly basis. Any differences noted should be investigated and corrected in a timely manner.

**Management Response:** *We agree with this recommendation. Going forward, we will take the necessary steps to ensure all bank statements, including the investment bank statements are utilized in completing the cash reconciliations between the bank, cash book and general ledger.*

## **PRIOR YEAR RECOMMENDATIONS:**

### **2. Improve Year-end Cut-off Procedures**

Our testing of year-end cut off procedures disclosed a water fund related invoice (non-budgetary accounts) for services provided in fiscal year 2021 that were instead charged to the subsequent fiscal period. Without a comprehensive cut-off of all invoices (capital and operating) an understatement of capital assets, liabilities, and expenditures can occur. We recommend that the Town apply its general fund year-end cut-off procedures to all funds, not simply budgetary basis funds.

**Management Response:** *We agree with this recommendation. We continue to work with individuals across the Town to ensure we are consistently applying the general fund year-end cut-off procedures to all funds. As we prepare to migrate to a new ERP system (Munis), we will be reviewing our accounting procedures and documentation along with educating and training departments on these cut-off procedures.*

### 3. Prepare for GASB Statements 84 and 87

Governmental Accounting Standards Board (GASB) Statement 84 and Statement 87 are applicable to the Town in fiscal year 2021 and 2022 respectively. Statement 84 will require changes in how the Town accounts and reports certain activities. Specifically, the Town has various Agency Funds that need to be reclassified as Custodial or Special Revenue Funds and may necessitate the need for additions and deductions (revenue and expenditure) accounts under the new Standard. Statement 87 addresses Lease accounting. The Town implemented GASB Statement 84 in fiscal year 2021. We continue to recommend that the Town perform a comprehensive review of all leases (lease and lessor) to ensure implementation of GASB Statement 87 is ready for fiscal year 2022.

**Management Response:** *We understand the importance of being prepared to implement new GASB Statements. We are gathering the information necessary to identify all operating leases for the Town and Schools to be ready for the implementation of GASB87.*

### 4. Align the Encumbrance Policy and Practice

The Town's policy regarding carrying forward unspent appropriations at year-end states that the encumbrance shall be for a "specific purpose at some later date". The Town's practice is not aligned with the current policy as the practice has been to encumber certain funds without a specific vendor or purpose. Over time, these unspecified amounts have grown to almost \$2m. We recommend that the Town review the encumbrance procedures and ensure that the policy and practice are aligned. We understand that the Town is aware of the inconsistency noted above and is in the process of implementing corrective action, which will likely take multiple fiscal years to phase in. We will consider this matter resolved if in subsequent years adherence to the policy is maintained.

**Management Response:** *We agree with this recommendation. The Town has taken additional corrective action to reduce the prior year encumbrances during the current year by working with department and division heads. Each balance is being reviewed prior to June 30, 2022. As we prepare to migrate to a new ERP system (Munis), we are closing out non-vendor related encumbrances.*

### 5. Improve Reconciliation of Utility Receivables

The Town implemented a new utility billing system in the Spring of 2019. The process of bringing the existing accounts receivable balances to the new system resulted in variances with amounts from the prior system. In addition, the new system does not consistently cut off at month end making the reconciliation process cumbersome. At June 30, 2021 the variances (approximately \$80k and \$81k for Sewer and Water, respectively) remained unresolved and have continued into fiscal year 2022. We recommend that the Town continue to work with the software provider to resolve the issues noted and develop formal (documented) reconciliation procedures. The benefits of the reconciliation process are: (1) to provide a means of identifying recurring differences in the way transactions are processed within the accounting system(s), and (2) to ensure that financial statement balances (general ledger) are supported by detail accounts maintained separately.

**Management Response:** *We agree with this recommendation. The Town continues to acknowledge the need to assess and improve the reconciliation of the utility receivables. We have begun to work towards implementing the noted recommendations. We have begun to review the exchange of data between NISC and ADMINS to ensure information is accurately reflected within the general ledger. Through meeting with the appropriate individuals, we will develop and formalize reconciliation procedures in order to identify and track variances between NISC and ADMINS. As part of this process, we are re-evaluating the Finance, Accounting and Treasury department staff and associated workloads to ensure we have dedicated resources responsible for this monthly reconciliation process.*

## 6. Analyze Withholding Accounts

The Town's general ledger contains certain payroll withholding accounts with credit balances that appear to be growing rather than zeroing out. Another account has a debit balance that has also grown from the prior year. We continue to recommend that the Town analyze all withholding balances to ensure their accuracy and, if necessary, adjust the general ledger balances accordingly. We further recommend that all withholding accounts be reconciled monthly to the applicable governmental regulations (FICA, Medicare, etc.) and health insurance contracts.

**Management Response:** *We agree with this recommendation. We are implementing an approach in resolving the debit and credit balances within the withholding accounts. We continue to work with our vendor to transition the Town from "self-billing" to a "roster billing" process. We continue to have delays with the vendor but have made some progress in this area. We have also reviewed and are making some changes within the Chart of Accounts as we migrate from ADMINS to Munis which will further allow the accounts to be fully reconciled on a monthly basis. We are expanding the chart of accounts to break out Group Insurance by Medical, Dental, and Basic Life, further breaking it down by Town, School, and Retirees. Supplemental Life and Disability Insurance will be broken out between Town and School. We have begun to analyze the historical data to address the existing balances within those accounts. We will also be moving forward with regular meetings with Town employees and School employees to address any issues as they arise during the monthly reconciliation.*

## II. Additional Items Associated with the Town of Concord

No additional items associated with the Town of Concord's FY21 Audit were noted.

The FAAC would like to thank Scott McIntire, Partner, and the Audit Engagement Manager of Melanson for the presentations to the committee. The FAAC would also like to thank the entire finance team for their attention to the committee's requests and in assisting us in understanding both the audit process and the financial statements.

The Committee:

Matthew Johnson, Chair  
Court Booth  
Arthur Fulman  
Wendy Rovelli  
Carol Wilson

**Financial Audit Advisory Committee  
Report to the Regional School Committee  
CCRSD  
August 2022**

The Financial Audit Advisory Committee (“FAAC”) has completed its work for the current auditing cycle and as required in its charge, is reporting to the Select Board. We met in 2022 to review auditing reports for Concord Carlisle Regional School District (“CCRSD”) and the Town of Concord. This letter is our report regarding the audit of the **Concord-Carlisle Regional School District**.

**Reporting Structure**

The Municipal Light Plant, a department of the Town, is separately audited on a December 31 fiscal year basis for the purpose of its required reporting to the Massachusetts Department of Public Utilities. The Town of Concord is audited on a June 30 fiscal year reporting basis, in accordance with state law. The audited financial statements of the Municipal Light Plant are incorporated into the Town’s annual financial statements. CCRSD is also a part of the Town’s annual audit and financial statements. There are no other component units of the Town of Concord.

CCRSD is a separate governmental jurisdiction and is responsible for its own annual audit examination and issuance of audited financial statements on a June 30 fiscal year basis. CCRSD agreed to be included in the responsibilities of the FAAC and we reviewed the audit of the District and in this letter report our findings to the Regional School Committee.

**External Auditor**

The firm of Melanson currently is engaged to perform the annual audit examination of the Municipal Light Plant, CCRSD and the Town of Concord.

**Duties of the Town of Concord FAAC**

As a reminder, the duties of the FAAC are:

- Review the arrangements for the scope and progress of the annual audit;
- Review the draft audited financial statements and consider the management letter recommendations and management’s response;
- Review internal accounting and control procedures as necessary;
- Participate in presentation of the annual audited financial statements by the external auditor at a public meeting of the Select Board and the Concord Carlisle Regional School Committee.
- Prepare such reports and recommendations to the Select Board and the Concord Carlisle Regional School Committee from time to time, within its assigned scope, as it may deem to be in the best interest of the Town.
- Recommend to the Town Manager the selection of the independent external auditor.

We believe that with the submission of this report and the future attendance at a Select Board meeting, and with a submission to the Regional School Committee at a date to be determined, the committee will have discharged its duties for the FY21/ CY20 Audit cycle.

## **Report on the activities of the FAAC**

Our report has two components: 1) comments on the audit process and management letter for CCRSD and 2) additional items associated with the CCRSD.

### I. Audit Process and Management Letter for the CCRSD

The Independent Auditor's report for the CCRSD (page 2) indicates:

*"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Concord-Carlisle Regional School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America".*

In conducting the audit, the Auditor found the following:

- The financial records of the district were found to be in good order at the time of the audit.
- No significant journal entries were required to close the reporting period.
- No significant difficulties in dealing with management relating to the performance of the audit were encountered.
- No information was obtained nor identified indicating that any fraud may have occurred.

The auditor's Management Letter for the CCRSD contained one prior year recommendation and one informational recommendation.

#### 1. Improve Accounting for Notes Payable at Year-End.

**Prior Year Issue:** In the prior year we recommended the District establish and implement procedures to properly report year-end accounts payable and liquidate prior year encumbrances in the general ledger. **Current Year Status:** While the District made improvements in the current year, we identified that year-end accounts payable procedures had not been established and implemented in accordance with Generally Accepted Accounting Principles. As a result, cash and short-term investments, and accounts payable, were understated due to a warrant (checkrun) processed after year-end impacting cash instead of related accounts payable.

- #### 2. Prepare for GASB Statement No. 87 (Informational): The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, that will apply to the District in fiscal year 2022. Statement 87 changes the way certain leases are to be accounted for. The changes establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under Statement 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset to enhance the relevance and consistency of information about the District's leasing activities. The Auditor recommend that the District prepare to implement Statement 87. An Implementation Guide has been published to provide guidance for implementation of this Statement.

II. Additional Items Associated with the CCRSD

No additional items of any significance were identified by Committee members for further review and/ or action.

The FAAC would like to thank Scott McIntire, Partner, and the Audit Engagement Manager of Melanson for the presentations to the committee. The FAAC would also like to thank the Town's entire finance team, and Jared Stanton and Ian Rhames, CPS/ CCRSD Finance Department, for their attention to the committee's requests and in assisting us in understanding both the audit process and the financial statements.

The Committee:

Matthew Johnson, Chair  
Court Booth  
Arthur Fulman  
Wendy Rovelli  
Carol Wilson



# CONCORD MUNICIPAL LIGHT PLANT

ELECTRIC | BROADBAND | ENERGY MANAGEMENT

## TOWN OF CONCORD, MASSACHUSETTS MUNICIPAL LIGHT PLANT

Financial Statements and Supplementary Information  
For the Year Ended December 31, 2021

(With Independent Auditor's Report Thereon)

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## INDEPENDENT AUDITOR'S REPORT

To the Municipal Lighting Board  
Town of Concord Municipal Light Plant

### Opinion

We have audited the accompanying financial statements of the Concord Municipal Light Plant (the Plant) (an enterprise fund of the Town of Concord, Massachusetts), as of and for the year ended December 31, 2021, and the related notes to the financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Concord Municipal Light Plant as of December 31, 2021, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plant's



ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plant's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plant's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Concord Municipal Light Plant are intended to present the financial position, and the changes in financial position and, cash flows of only that portion of the Town of Concord, Massachusetts that is attributable to the transactions of the Concord Municipal Light Plant. They do not purport to, and do not, present fairly the financial position of the Town of Concord, Massachusetts as of December 31, 2021, and the changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Plant's 2020 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Plant's financial statements as noted above. The accompanying supplementary information on pages 42 through 44 is presented for purposes of additional analysis and is not a required part of the basic 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Melanson*

Andover, Massachusetts  
August 5, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Concord Municipal Light Plant's (the Plant) annual financial report, management provides a narrative discussion and analysis of the Plant's financial activities for the year ended December 31, 2021. The Plant'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 basic financial statements include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, and (4) Notes to Financial Statements.

#### *Proprietary Funds*

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users.

#### *Notes to Financial Statements*

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

### Financial Highlights

The Statement of Net Position is designed to indicate our financial position at a specific point in time. As of December 31, 2021, it shows our net position as \$45,832,801, which comprises \$35,569,167 invested in capital assets net of related long-term debt, \$6,083,556 restricted for the depreciation fund, and \$4,180,078 unrestricted.

The Statement of Revenues, Expenses, and Changes in Net Position summarizes our operating results. The change in net position for the year ended December 31, 2021 was \$1,864,624. The increase in net position was mainly due to the change in rate refund adjustments and a reduction in the Pension and OPEB Costs.

The Statement of Cash Flows provides information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our 2021 Statement of Cash Flows indicates that cash receipts from operating activities adequately covers our operating expenses, debt service principal and interest, and our return on investment to the Town of Concord.

The following is a summary of the Plant's financial data for the current and prior two years.

**SUMMARY OF NET POSITION**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current and other assets	\$ 22,285,602	\$ 21,315,802	\$ 21,403,195
Capital assets	<u>39,085,750</u>	<u>39,928,279</u>	<u>40,794,548</u>
Total assets	61,371,352	61,244,081	62,197,743
Deferred outflows of resources	2,427,857	2,803,432	3,148,803
Liabilities:			
Long-term liabilities	5,997,884	9,742,952	11,308,655
Other liabilities	<u>8,574,639</u>	<u>8,893,759</u>	<u>7,563,684</u>
Total liabilities	14,572,523	18,636,711	18,872,339
Deferred inflows of resources	3,393,885	1,442,625	583,410
Net position:			
Net investment in capital assets	35,569,167	35,953,279	36,009,547
Restricted for depreciation fund	6,083,556	4,810,412	3,609,450
Unrestricted	<u>4,180,078</u>	<u>3,204,486</u>	<u>6,271,800</u>
Total net position	<u>\$ 45,832,801</u>	<u>\$ 43,968,177</u>	<u>\$ 45,890,797</u>

## SUMMARY OF CHANGES IN NET POSITION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 32,658,336	\$ 27,963,382	\$ 28,981,905
Operating expenses	<u>(31,079,445)</u>	<u>(29,640,725)</u>	<u>(29,038,957)</u>
Operating income (loss)	1,578,891	(1,677,343)	(57,052)
Nonoperating revenues (expenses)	<u>737,233</u>	<u>229,223</u>	<u>154,672</u>
Income (loss) Before Contributions and Other Items	2,316,124	(1,448,120)	97,620
Return on investment to Town of Concord	<u>(451,500)</u>	<u>(474,500)</u>	<u>(452,000)</u>
Change in net position	1,864,624	(1,922,620)	(354,380)
Beginning net position	<u>43,968,177</u>	<u>45,890,797</u>	<u>46,245,177</u>
Ending net position	<u>\$ 45,832,801</u>	<u>\$ 43,968,177</u>	<u>\$ 45,890,797</u>

Operating revenues for 2021 increased by \$4,694,954 or 16.8% from 2020. This increase was due to an increase in the rate refund revenue adjustment and an increase in the rate charge for the purchase of Renewable Energy Credits.

Total operating expenses for 2021 increased by \$1,438,720 or 4.9% from 2020.

The transfer to the Town of Concord General Fund decreased from the prior year by \$23,000 to \$451,500, in accordance with the vote of Article 20 of the 2021 Annual Town Meeting.

### Capital Assets and Debt Administration

#### ***Capital Assets***

The Plant's total investment in capital assets at year-end was \$39,085,750, net of accumulated depreciation but before related debt of \$3,220,000, a decrease of \$(842,529) from the prior year. This investment in capital assets includes land, construction in progress, structures and improvements, equipment and furnishings, transmission, distribution, and communications assets.

#### ***Debt and Other Long-Term Obligations***

At December 31, 2021, total bonded debt was \$3,220,000 (exclusive of unamortized bond premium), all of which was backed by the full faith and credit of the Town of Concord, Massachusetts.

Additional information on capital assets and other long-term obligations can be found in the Notes to the Financial Statements.

## **Other Information**

### ***Broadband Operations***

In 2014, the Plant brought a municipal high-speed internet service to market using its fiber optic network. The April 2013 Annual Town Meeting approved Article 48 which authorized borrowing of up to \$1,000,000 to fund telecommunications startup expenses. An initial borrowing of \$100,000 in 2014 has been fully paid back. In 2016, the Plant borrowed an additional \$500,000 with a one-year bond anticipation note to continue to expand the telecommunications operation. This Note was converted into a bond in 2016. The April 2017 Annual Town Meeting approved Article 24 which authorized borrowing of up to \$1,000,000 to fund telecommunications expansion expenses in addition to the 2013 authorization. During 2019, the Plant issued a new bond for telecommunications for \$338,000, which exhausted the 2013 authorization. On November 13 of 2020, an agreement was made between the Plant and Broadband whereas Broadband agreed to pay back the \$1,900,000 loan issued to the Plant to fund the telecommunication startup costs. On May 20, 2021 the Broadband issued an additional \$133,000 of debt for its telecommunications infrastructure. As of December 31, 2021, the Plant had 1,559 commercial and residential broadband customers connected, an increase of 75 customers over the previous year. As of December 31, 2021, annualized operating revenue from Broadband was \$1,345,890.

## **Requests for Information**

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

Concord Municipal Light Plant Director  
Town of Concord Municipal Light Plant  
1175 Elm Street  
P.O. Box 1029  
Concord, Massachusetts, 01742

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Statement of Net Position

December 31, 2021

(With Comparative Totals as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current:		
Unrestricted cash and short-term investments	\$ 479,798	\$ 1,155,185
Accounts receivable, net of allowance for uncollectible	3,796,500	4,394,653
Prepaid expenses	1,932,609	3,264,872
Inventory	1,258,310	1,290,615
Other	<u>18,957</u>	<u>16,708</u>
Total current assets	7,486,174	10,122,033
Noncurrent:		
Restricted cash	14,017,372	10,840,003
Investment in associated companies	782,056	353,766
Capital assets:		
Land and construction in progress	2,423,499	2,307,593
Other capital assets, net of accumulated depreciation	<u>36,662,251</u>	<u>37,620,686</u>
Total noncurrent assets	<u>53,885,178</u>	<u>51,122,048</u>
Total Assets	61,371,352	61,244,081
<b>Deferred Outflows of Resources</b>		
Related to pension	2,000,120	2,532,556
Related to OPEB	<u>427,737</u>	<u>270,876</u>
Total Deferred Outflows of Resources	2,427,857	2,803,432
<b>Liabilities</b>		
Current:		
Accounts payable	5,493,672	4,122,569
Accrued liabilities	256,485	247,913
Customer deposits	606,380	543,669
Customer advances for construction	72,158	112,188
Unearned revenue	2,145,944	3,867,420
Current portion of long-term liabilities:		
Bonds payable	630,041	834,429
Compensated absences	<u>11,827</u>	<u>13,232</u>
Total current liabilities	9,216,507	9,741,420
Noncurrent:		
Bonds payable, net of current portion	2,886,542	3,380,074
Net pension liability	1,164,249	3,097,827
Net OPEB liability	1,080,514	2,165,982
Compensated absences	<u>224,711</u>	<u>251,408</u>
Total noncurrent liabilities	<u>5,356,016</u>	<u>8,895,291</u>
Total Liabilities	14,572,523	18,636,711
<b>Deferred Inflows of Resources</b>		
Related to pension	2,114,602	1,099,644
Related to OPEB	<u>1,279,283</u>	<u>342,981</u>
Total Deferred Inflows of Resources	3,393,885	1,442,625
<b>Net Position</b>		
Net investment in capital assets	35,569,167	35,953,279
Restricted for depreciation fund	6,083,556	4,810,412
Unrestricted	<u>4,180,078</u>	<u>3,204,486</u>
Total Net Position	<u>\$ 45,832,801</u>	<u>\$ 43,968,177</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Electric sales	\$ 25,719,399	\$ 24,994,161
Internet sales	1,326,540	1,242,267
Rate refund	1,748,680	(675,883)
Underground surcharge	435,214	402,008
Renewable energy certificate revenue	3,363,741	1,801,988
Other operating revenue	<u>64,762</u>	<u>198,841</u>
Total Operating Revenues	32,658,336	27,963,382
<b>Operating Expenses</b>		
Purchase power	22,262,740	19,366,359
Salaries and benefits	3,260,038	4,481,429
Other operating expenses	1,252,865	1,620,431
Depreciation	1,975,366	1,926,950
Customer accounts	1,148,601	896,718
Distribution	1,069,507	1,247,702
Transmission	<u>110,328</u>	<u>101,136</u>
Total Operating Expenses	<u>31,079,445</u>	<u>29,640,725</u>
Operating Income (loss)	1,578,891	(1,677,343)
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	448,947	110,302
Interest expense	(122,034)	(157,581)
Gain (Loss) on disposal of capital assets	31,204	(13,464)
Other	<u>379,116</u>	<u>289,966</u>
Total Nonoperating Revenues, net	<u>737,233</u>	<u>229,223</u>
Income (Loss) Before Transfers	2,316,124	(1,448,120)
Return on investment transfer to Town of Concord	<u>(451,500)</u>	<u>(474,500)</u>
Change in Net Position	1,864,624	(1,922,620)
Net Position at Beginning of Year	<u>43,968,177</u>	<u>45,890,797</u>
Net Position at End of Year	<u>\$ 45,832,801</u>	<u>\$ 43,968,177</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Statement of Cash Flows  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 31,597,723	\$ 27,340,063
Payments to vendors and employees	<u>(27,115,574)</u>	<u>(27,097,428)</u>
Net Cash Provided By Operating Activities	4,482,149	242,635
<b>Cash Flows From Noncapital Financing Activities</b>		
Return on investment to Town of Concord	(451,500)	(474,500)
Other	<u>314,342</u>	<u>188,121</u>
Net Cash (Used For) Noncapital Financing Activities	(137,158)	(286,379)
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(1,132,836)	(1,060,681)
Gain (Loss) on disposition of assets	31,204	(13,464)
Proceeds from bonds	131,000	-
Principal payments on bonds	(790,000)	(810,000)
Interest expense	(122,034)	(110,423)
Bond premium proceeds	115,000	-
Loss on refunding	<u>(96,000)</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,863,666)	(1,994,568)
<b>Cash Flows From Investing Activities</b>		
Investment income	448,947	110,302
Increase in investments in associated companies	<u>(428,290)</u>	<u>-</u>
Net Cash Provided By Investing Activities	<u>20,657</u>	<u>110,302</u>
Net Change in Cash and Short-Term Investments	2,501,982	(1,928,010)
Cash and Short Term Investments, Beginning of Year	<u>11,995,188</u>	<u>13,923,198</u>
Cash and Short Term Investments, End of Year	<u>\$ 14,497,170</u>	<u>\$ 11,995,188</u>
<b>Reconciliation of Operating Income to Net Cash provided by Operating Activities</b>		
Operating income (loss)	\$ 1,578,891	\$ (1,677,343)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation expense	1,975,366	1,926,950
Changes in assets, liabilities, and deferred outflows/inflows:		
Accounts receivable	598,153	(519,615)
Prepaid expenses	1,332,262	(1,290,139)
Inventory	32,305	(20,260)
Other assets	4,609	(3,075)
Deferred outflows - related to pension	532,436	494,331
Deferred outflows - related to OPEB	(156,861)	(148,960)
Accounts payable	1,371,101	666,581
Accrued liabilities	8,570	46,268
Customer advances for construction	(6,580)	3,255
Unearned revenue	(1,721,476)	700,616
Net pension liability	(1,933,578)	(589,389)
Net OPEB liability	(1,085,468)	(219,608)
Other liabilities	1,159	13,809
Deferred inflows - related to pension	1,014,958	535,564
Deferred inflows - related to OPEB	<u>936,302</u>	<u>323,650</u>
Net Cash Provided By Operating Activities	<u>\$ 4,482,149</u>	<u>\$ 242,635</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF CONCORD, MASSACHUSETTS MUNICIPAL LIGHT PLANT

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### ***Reporting Entity***

These financial statements present only the Town of Concord, Massachusetts Municipal Light Plant (the Plant), an enterprise fund of the Town of Concord, Massachusetts. These financial statements are not intended to and do not, present fairly the financial position of the Town of Concord, Massachusetts and the results of its operations and cash flows, in conformity with accounting principles generally accepted in the United States of America.

#### ***Business Activity***

The Plant purchases electricity which it distributes to consumers within the Town of Concord, Massachusetts. The Plant operates under the provisions of Chapter 164 of Massachusetts General Laws (MGL), with a Municipal Light Board appointed by the Town Manager. The Town Manager appoints the Plant Director who has full charge of the day-to-day operations and management of the Plant, under the general direction of the Town Manager.

#### ***Regulation and Basis of Accounting***

Under Massachusetts General Laws, the Plant's electric rates are set by the Municipal Light Board. Electric rates, excluding the fuel charge, cannot be changed more often than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general authority over the Plant, the Plant's rates are not subject to DPU approval. The Plant's policy is to prepare its financial statements in conformity with Generally Accepted Accounting Principles.

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

Operating revenues and expenses are distinguished from nonoperating items in the financial statements. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Plant's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the Plant include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Concentrations***

The Plant operates within the electric utility industry which has undergone significant restructuring and deregulation. Legislation enacted by the Commonwealth of Massachusetts in 1998 introduced competition and provided consumers with additional power supply choices while assuring continued reliable service. However, municipal electric utilities are not currently subject to this legislation.

***Revenues***

Revenues are based on rates established by the Plant and filed with the DPU. Revenues from sales of electricity are recorded based on monthly meter readings taken on a cycle basis. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal period.

A key component of operating revenues is the Purchased Power & Fuel Cost Adjustment (PP&FCA). This adjustment allows the Plant to recover fluctuating power supply and fuel costs from customers by increasing or decreasing their energy charges per kilowatt hour by the amount that actual power supply and fuel costs exceed their standard base rate.

***Cash and Short-Term Investments***

For the purpose of the Statement of Cash Flows, the Plant considers all unrestricted cash on deposit with the Town Treasurer as cash and short-term investments. For the purposes of the Statement of Net Position, the Plant considers investments with original maturities of three months or less to be short-term investments.

***Inventory***

Plant inventory consists of parts and accessories purchased for use in the utility business for construction, operation, and maintenance and is stated at average cost. Meters and transformers are capitalized when purchased.

***Capital Assets and Depreciation***

Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value, and any cash proceeds, is charged to the Plant's unrestricted net position.

Massachusetts General Laws require utility plant in service to be depreciated at a minimum annual rate of 3%. To change this rate, the Plant must obtain approval from the DPU. Changes in annual depreciation rates may be made for financial factors relating to cash flow for plant expansion, rather than engineering factors relating to estimates of useful lives.

***Accrued Compensated Absences***

The Plant's employment benefit plan, consistent with the Town's policy, provides that employees are entitled to a minimum of ten days of vacation per year up to twenty-five days per year depending on years of service and employment classification. Employees are allowed to accumulate monthly and carry forward to the following month their unused vacation days for a year subject to a cap equal to the employees' annual rate of accrual plus five days.

***Long-Term Obligations***

The financial statements report long-term debt and other long-term obligations as liabilities in the Statement of Net Position.

***Net Position***

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Plant or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The remaining net position is reported as unrestricted.

***Use of Estimates***

The preparation of basic 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could vary from estimates that were used.

***Rate of Return***

The Plant's rates must be set such that earnings attributable to electric operations do not exceed eight percent of the net cost of plant. In 2021 and 2020, the Plant's earnings did not exceed this threshold.

## 2. Cash and Investments

### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Plant's deposits may not be returned. Massachusetts General Laws Chapter 44, Section 55, limit deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town of Concord is responsible for implementing policies for deposit custodial credit risk for the Plant.

Because all of the Plant's cash is in the custody of the Town's Treasurer, all bank accounts are maintained in the name of the Town. At December 31, 2021 and 2020, virtually all of the Plant's bank balances were held in Massachusetts Municipal Depository Trust (MMDT), the local government money market investment pool, for which the State Treasurer is sole trustee and which is managed by Federated Investors under contract to the State Treasurer.

## 3. Receivables

Receivables consist of the following for the years ended December 31, 2021 and 2020:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Customer Accounts:		
Billed	\$ 2,172,635	\$ 2,799,421
Less allowances:		
Uncollectible accounts	<u>(13,588)</u>	<u>(20,225)</u>
Total billed	2,159,047	2,779,196
Unbilled, net	<u>1,585,635</u>	<u>1,448,522</u>
Total customer accounts	3,744,682	4,227,718
Other Accounts:		
Merchandise and jobbing	10,168	75,311
Liens and other	<u>41,650</u>	<u>91,624</u>
Total other accounts	<u>51,818</u>	<u>166,935</u>
Total net receivables	<u>\$ 3,796,500</u>	<u>\$ 4,394,653</u>

#### 4. Prepaid Expenses

Prepaid expenses consist primarily of advance payments for purchased power. For the years ended December 31, 2021 and 2020, the Plant reported the following prepaid expenses:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Purchased power	\$ 1,568,902	\$ 2,893,025
NYPA prepayment fund	85,884	85,884
Fuel inventory	157,267	177,523
Insurance and other	<u>120,556</u>	<u>108,440</u>
Total	<u>\$ 1,932,609</u>	<u>\$ 3,264,872</u>

#### 5. Inventory

Inventory is comprised of supplies and materials for the years ended December 31, 2021 and 2020 and is valued using the average cost method.

#### 6. Restricted Cash

Restricted cash consists of the following for the years ended December 31, 2021 and 2020:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Customer advances for construction fund	\$ 72,158	\$ 112,188
Customer deposits fund	558,776	536,636
Debt service fund	892,994	546,432
Depreciation fund	6,083,556	4,810,412
Emergency repairs fund	1,130,000	1,130,000
Renewable energy certificate purchase fund	2,990,828	1,818,836
Underground fund	2,034,358	1,657,974
Worker's compensation insurance fund	<u>254,702</u>	<u>227,525</u>
Total	<u>\$ 14,017,372</u>	<u>\$ 10,840,003</u>

The Plant maintains the following restricted cash accounts:

- *Customer advances for construction fund* – This represents customer deposits held for special construction projects.
- *Customer deposits fund* – This represents residential and commercial customer service deposits that are held in escrow.

- *Debt service fund* – This fund was established to set aside funds to meet outstanding debt obligations due within twelve months.
- *Depreciation fund* – The Plant reserves 3.0% of depreciable utility plant assets each year to fund current and future capital improvements.
- *Emergency repairs fund* – This fund was established to be used in the event of a major equipment failure.
- *Renewable energy certificate purchase fund* – This account was established to accumulate funds received from customers for the purpose of purchasing renewable energy certificates on the open market.
- *Underground fund* – This fund was established in 1987 for the purpose of placing existing overhead lines underground. Currently, a 1.5% charge on all electric bills is used to replenish this fund.
- *Workers’ compensation insurance fund* – The Plant maintains a self-insurance fund for payment of workers’ compensation claims and for injury and damage claims.

## **7. Investment in Associated Companies**

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Plant has made advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Plant is carrying its investment at cost, reduced by shares repurchased. As of December 31, 2021 and 2020, the market value of these investments could not be readily determined.

The Plant also purchased a five percent interest in Energy New England, LLC for \$150,000 in 2007. Energy New England, LLC is an energy and energy services cooperative established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. Energy New England, LLC functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. The balance, reflected at fair value, was \$743,210 as of December 31, 2021.

Investment in associated companies consists of the following for the years ended December 31, 2021 and 2020:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Hydro-Quebec (at cost)	\$ 38,846	\$ 38,846
Energy New England, LLC (at fair value)	<u>743,210</u>	<u>314,920</u>
Total	<u>\$ 782,056</u>	<u>\$ 353,766</u>

## 8. Capital Assets

The capital asset activity for the years ended December 31, 2021 and 2020 was as follows (in thousands):

	<u>2021</u>				
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>2021 Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Structures and improvements	\$ 9,446	\$ 4	\$ -	\$ -	\$ 9,450
Equipment and furnishings	13,834	500	(142)	-	14,192
Infrastructure	43,201	530	(131)	-	43,600
Intangible	<u>2,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,086</u>
Total capital assets, being depreciated	68,567	1,034	(273)	-	69,328
Less accumulated depreciation for:					
Structures and improvements	(4,836)	(280)	-	-	(5,116)
Equipment and furnishings	(5,337)	(392)	138	2	(5,589)
Infrastructure	(19,771)	(1,298)	131	43	(20,895)
Intangible	<u>(1,003)</u>	<u>(63)</u>	<u>-</u>	<u>-</u>	<u>(1,066)</u>
Total accumulated depreciation	<u>(30,947)</u>	<u>(2,033)</u>	<u>269</u>	<u>45</u>	<u>(32,666)</u>
Total capital assets, being depreciated, net	37,620	(999)	(4)	45	36,662
Capital assets, not being depreciated:					
Land	1,602	-	-	-	1,602
Construction in progress	<u>706</u>	<u>512</u>	<u>(397)</u>	<u>-</u>	<u>821</u>
Total capital assets, not being depreciated	<u>2,308</u>	<u>512</u>	<u>(397)</u>	<u>-</u>	<u>2,423</u>
Capital assets, net	<u>\$ 39,928</u>	<u>\$ (487)</u>	<u>\$ (401)</u>	<u>\$ 45</u>	<u>\$ 39,085</u>

	2020				Ending Balance
	Beginning Balance	Increases	Decreases	2020 Adjustments	
Capital assets, being depreciated:					
Structures and improvements	\$ 9,183	\$ 263	\$ -	\$ -	\$ 9,446
Equipment and furnishings	13,658	207	(31)	-	13,834
Infrastructure	41,967	1,381	(147)	-	43,201
Intangible	2,086	-	-	-	2,086
Total capital assets, being depreciated	66,894	1,851	(178)	-	68,567
Less accumulated depreciation for:					
Structures and improvements	(4,562)	(274)	-	-	(4,836)
Equipment and furnishings	(4,957)	(380)	2	(2)	(5,337)
Infrastructure	(18,611)	(1,259)	147	(48)	(19,771)
Intangible	(940)	(63)	-	-	(1,003)
Total accumulated depreciation	(29,070)	(1,976)	149	(50)	(30,947)
Total capital assets, being depreciated, net	37,824	(125)	(29)	(50)	37,620
Capital assets, not being depreciated:					
Land	1,602	-	-	-	1,602
Construction in progress	1,369	951	(1,614)	-	706
Total capital assets, not being depreciated	2,971	951	(1,614)	-	2,308
Capital assets, net	\$ 40,795	\$ 826	\$ (1,643)	\$ (50)	\$ 39,928

## 9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Plant that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

## 10. Accounts Payable

Accounts payable represents 2021 and 2020 expenses that were paid after December 31, 2021 and 2020, respectively.

## 11. Accrued Liabilities

Accrued liabilities consist of the following for the years ended December 31, 2021 and 2020:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Accrued payroll	\$ 239,132	\$ 231,066
Accrued sales tax	1,100	533
Accrued bond interest	16,148	16,211
Other	<u>105</u>	<u>103</u>
Total	<u>\$ 256,485</u>	<u>\$ 247,913</u>

## 12. Customer Deposits

This balance represents deposits received from residential and commercial customers that are held in escrow. Earned interest is applied to customer accounts at year-end or when the deposit is applied to their closed accounts.

## 13. Unearned Revenue

Unearned revenue relates to resources which will be used in future years' customer rates. Unearned revenue consists of the following for the years ended December 31, 2021 and 2020:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Provision for rate refund	\$ 1,891,242	\$ 3,639,922
Provision for injuries and damages	<u>254,702</u>	<u>227,498</u>
Total	<u>\$ 2,145,944</u>	<u>\$ 3,867,420</u>

#### 14. Long-Term Liabilities

##### ***General Obligation Bonds***

The Plant issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the Plant. The balances of the general obligation bonds outstanding at December 31, 2021 and 2020 are as follows:

<u>General Obligation Bonds</u>	<u>Serial Maturities Through</u>	<u>Coupon Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/21</u>	<u>Amount Outstanding as of 12/31/20</u>
W. R. Grace land acquisition	09/15/21	3.00%	\$ -	\$ 50,000
Telecom	09/15/21	4.00%	-	75,000
W. R. Grace land acquisition	06/15/24	5.00%	102,000	137,000
Smart grid	05/15/26	2.52%	-	1,300,000
Light plant expansion	06/01/27	2.07%	1,800,000	2,100,000
Telecom	06/15/29	5.00%	283,000	313,000
Telecom	06/30/28	5.00%	131,000	-
Smart grid - refunding	06/30/26	5.00%	904,000	-
Total general obligation bonds			\$ <u>3,220,000</u>	\$ <u>3,975,000</u>

##### ***Future Debt Service***

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 570,000	\$ 109,625	\$ 679,625
2023	560,000	85,875	645,875
2024	565,000	63,750	628,750
2025	535,000	43,375	578,375
2026	540,000	24,563	564,563
2027	355,000	9,875	364,875
2028	55,000	3,375	58,375
2029	40,000	1,000	41,000
Total	\$ <u>3,220,000</u>	\$ <u>341,438</u>	\$ <u>3,561,438</u>

**Changes in General Long-Term Liabilities**

During the years ended December 31, 2021 and 2020, the following changes occurred in long-term liabilities:

	Beginning Balance <u>1/1/2021</u>	Additions	Reductions	Total Balance <u>12/31/2021</u>	Less Current Portion	Equals Long-Term Portion
Bonds payable	\$ 3,975	\$ 1,035	\$ (1,790)	\$ 3,220	\$ (570)	\$ 2,650
Unamortized premium	<u>240</u>	<u>116</u>	<u>(59)</u>	<u>297</u>	<u>(60)</u>	<u>237</u>
Subtotal bonds	4,215	1,151	(1,849)	3,517	(630)	2,887
Net pension liability	3,098	-	(1,934)	1,164	-	1,164
Net OPEB Liability	2,166	-	(1,085)	1,081	-	1,081
Compensated absences	<u>264</u>	<u>-</u>	<u>(27)</u>	<u>237</u>	<u>(12)</u>	<u>225</u>
Totals	\$ <u>9,743</u>	\$ <u>1,151</u>	\$ <u>(4,895)</u>	\$ <u>5,999</u>	\$ <u>(642)</u>	\$ <u>5,357</u>

	Beginning Balance <u>1/1/2020</u>	Additions	Reductions	Total Balance <u>12/31/2020</u>	Less Current Portion	Equals Long-Term Portion
Bonds payable	\$ 4,785	\$ -	\$ (810)	\$ 3,975	\$ (790)	\$ 3,185
Unamortized premium	<u>287</u>	<u>-</u>	<u>(47)</u>	<u>240</u>	<u>(44)</u>	<u>196</u>
Subtotal bonds	5,072	-	(857)	4,215	(834)	3,381
Net pension liability	3,687	-	(589)	3,098	-	3,098
Net OPEB Liability	2,386	-	(220)	2,166	-	2,166
Compensated absences	<u>164</u>	<u>100</u>	<u>-</u>	<u>264</u>	<u>(13)</u>	<u>251</u>
Totals	\$ <u>11,309</u>	\$ <u>100</u>	\$ <u>(1,666)</u>	\$ <u>9,743</u>	\$ <u>(847)</u>	\$ <u>8,896</u>

**15. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of net position by the Plant that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

**16. Concord Contributory Retirement System**

The Plant follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

**Plan Description**

Substantially all employees of the Plant are members of the Town of Concord Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee

retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports which can be obtained through the Town of Concord Contributory Retirement System at Town House, Concord, Massachusetts.

***Participant Contributions***

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

***Participant Retirement Benefits***

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts system on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Plant employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

#### ***Methods of Payment***

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of

the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### ***Participant Refunds***

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

#### ***Employer Contributions***

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Plant’s contributions to the System for the years ended December 31, 2021 and 2020 were \$650,908 and \$752,565, respectively, which were equal to its actuarially determined contributions.

#### ***Summary of Significant Accounting Policies***

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

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2021 and 2020, the Plant reported a liability of \$1,164,249 and \$3,097,827, respectively for its proportionate share of the net pension liability. For the current year, the net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Plant’s proportion of the net pension liability was based on a projection of the Plant’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020 and 2019, the Plant’s proportion was 10.10% and 12.72%, respectively.

For the years ended December 31, 2021 and 2020, the Plant recognized pension expense of \$280,354 and \$1,091,414, respectively. In addition, the Plant reported deferred outflows of resources and deferred (inflows) of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 366,130	\$ 721,055
Net difference between projected and actual earnings on pension plan investments	-	745,652
Changes of assumptions	294,802	30,166
Changes in proportion and differences between employer contributions and proportionate share of contributions	672,651	617,729
Contributions subsequent to the measurement date	<u>666,537</u>	<u>-</u>
Total	<u>\$ 2,000,120</u>	<u>\$ 2,114,602</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as an increase or (decrease) in pension expense as follows:

<u>Year ended December 31:</u>	
2022	\$ (151,262)
2023	136,532
2024	(420,738)
2025	(322,948)
2026	<u>(22,603)</u>
Total	<u>\$ (781,019)</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:

Inflation	2.20%
Actuarial cost method	Entry age normal
Salary increases	2.50% for 10 years
Investment rate of return	6.75% (previously 7.00%)
Post-retirement cost-of-living adjustment	3.00% of first \$12,000

Mortality rates were based on the following:

- Pre-retirement and beneficiary mortality: RP-2014 Healthy Employee table adjusted to 2006 and projected generationally using scale MP-2019, gender distinct.
- Mortality for retired members: RP-2014 Healthy Annuitant table adjusted to 2006 and projected generationally using scale MP-2019, gender distinct.
- Mortality for disabled members: RP-2014 Healthy Annuitant table adjusted to 2006 and projected generationally using scale MP-2019, gender distinct, ages set forward 2 years. For members retired under Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of the most recent actuarial experience study.

### ***Target Allocations***

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	36.00%	3.94%
Core Bonds	23.37%	-0.33%
Real Estate	8.75%	3.65%
International Equities	7.25%	4.84%
Hedged equity	7.00%	3.42%
Private Equity	6.50%	7.32%
Portfolio Completion (PCS)	2.50%	2.94%
Commodities	2.25%	4.31%
Value-Added Fixed Income	2.00%	3.91%
Emerging Equities	1.25%	6.07%
TIPS/ILBs	1.00%	-0.10%
Infrastructure	0.88%	3.61%
Treasury STRIPS	0.75%	-0.49%
Short term fixed income	<u>0.50%</u>	-0.20%
Total	<u>100.00%</u>	

#### ***Discount Rate***

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Plant's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Plant's proportionate share of the net pension liability would be if it were calculated using a discount rate that

is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

<u>Year Ended</u>	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
December 31, 2021	\$ 3,560,510	\$ 1,164,249	\$ (861,059)
December 31, 2020	\$ 6,016,945	\$ 3,097,827	\$ 570,944

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

**17. Other Post-Employment Benefits (GASB 75)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Plant pools contributions to an OPEB trust fund with the Town. See additional disclosures for the plan fiduciary net position in the Town’s June 30, 2021 Annual Comprehensive Financial Report dated February 28, 2022.

All the following OPEB disclosures are based on a measurement date of June 30, 2021.

***General Information about the OPEB Plan***

*Plan Description*

The Plant provides post-employment healthcare benefits for retired employees through the Plant’s plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

*Benefits Provided*

The Plant provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Plant and meet the eligibility criteria will receive these benefits.

### *Funding Policy*

The Plant's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

### *Plan Membership*

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	24
Active employees	<u>42</u>
Total	<u>66</u>

### ***Actuarial Assumptions and Other Inputs***

The net OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.00% ultimate rate, reduced to 3.50% while receiving the following step: 4.30% for seven years
Investment rate of return	6.75% per year net of investment expenses
Discount rate	6.75% (previously 6.50%)
Healthcare cost trend rates	8.00% to 9.00% for 2021, fluctuating 0.50% annually, to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	Range of 37.00% to 50.00% 67.50% of eligible employees. Medicare-eligible retirees as assumed to elect a Medicare plan option at age 65
Participation rate	

Mortality rates were based on the following:

- Actives: The PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, for Employees projected using generational mortality and scale MP-2020.
- Retirees: The PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, for Healthy Retirees projected using generational mortality and scale MP-2020.
- Disabled: The PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, for Healthy Retirees projected using generational mortality and scale MP-2020. Set forward 2 years.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

***Target Allocations***

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. large cap	57.50%	4.30%
U.S. aggregate bonds	13.70%	1.00%
International equity	13.00%	4.80%
Emerging market equity	6.60%	5.50%
U.S. mid cap	4.20%	4.70%
U.S. high yield bonds	2.80%	2.70%
U.S. small cap	2.20%	4.70%
Total	<u>100.00%</u>	

***Contributions***

In addition to the implicit subsidy contribution, the Plant’s policy is to contribute the actuarially determined contribution.

***Discount Rate***

The discount rate used to measure the net OPEB liability was 6.75% for the year ended June 30, 2021 and 6.50% for the year ended June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

**Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2021 and 2020 were as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total OPEB liability	\$ 3,029,506	\$ 3,584,856
Plan fiduciary net position	<u>(1,948,992)</u>	<u>(1,418,874)</u>
Net OPEB liability	<u>\$ 1,080,514</u>	<u>\$ 2,165,982</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.33%	39.58%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

**Changes in the Net OPEB Liability**

The following summarizes the changes in the net OPEB liability for the years ending December 31, 2021 and 2020:

	2021		
	<u>Increase (Decrease)</u>		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balance, beginning of year	\$ 3,584,856	\$ 1,418,874	\$ 2,165,982
Changes for the year:			
Service cost	104,047	-	104,047
Interest	233,339	-	233,339
Contributions - employer	-	240,206	(240,206)
Net investment income	-	434,188	(434,188)
Changes of benefit terms	14,751	-	14,751
Differences between expected and actual experience	(541,134)	-	(541,134)
Changes in assumptions	(222,077)	-	(222,077)
Benefit payments	<u>(144,276)</u>	<u>(144,276)</u>	<u>-</u>
Net Changes	<u>(555,350)</u>	<u>530,118</u>	<u>(1,085,468)</u>
Balance, end of year	<u>\$ 3,029,506</u>	<u>\$ 1,948,992</u>	<u>\$ 1,080,514</u>

	2020		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, beginning of year	\$ 3,670,891	\$ 1,285,301	\$ 2,385,590
Changes for the year:			
Service cost	81,473	-	81,473
Interest	223,249	-	223,249
Contributions - employer	-	223,526	(223,526)
Net investment income	-	32,947	(32,947)
Differences between expected and actual experience	(387,025)	-	(387,025)
Changes in assumptions	119,168	-	119,168
Benefit payments	(122,900)	(122,900)	-
Net Changes	(86,035)	133,573	(219,608)
Balance, end of year	\$ <u>3,584,856</u>	\$ <u>1,418,874</u>	\$ <u>2,165,982</u>

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Years Ended	1% Decrease	Current Discount Rate	1% Increase
June 30, 2021	\$ 1,450,221	\$ 1,080,514	\$ 775,746
June 30, 2020	\$ 2,614,759	\$ 2,165,982	\$ 1,798,403

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>Years Ended</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
June 30, 2021	\$ 743,896	\$ 1,080,514	\$ 1,496,914
June 30, 2020	\$ 1,732,185	\$ 2,165,982	\$ 2,707,075

***OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB***

For the years ended December 31, 2021 and 2020, the Plant recognized an OPEB expense of \$49,252 and \$191,520, respectively. At December 31, 2021, the Plant reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 190,348	\$ -
Change in assumptions	84,536	187,806
Difference between expected and actual experience	28,637	565,610
Changes in proportion and differences between contributions and proportionate share of contributions	124,216	275,174
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>250,693</u>
Total	<u>\$ 427,737</u>	<u>\$ 1,279,283</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ending June 30, 2022.

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

<u>Year Ended June 30:</u>	
2022	\$ (200,014)
2023	(191,755)
2024	(193,966)
2025	(213,164)
2026	(163,783)
Thereafter	<u>(79,212)</u>
Total	\$ <u>(1,041,894)</u>

#### **18. Participation in Massachusetts Municipal Wholesale Electric Company**

The Town of Concord, acting through its the Plant, is a participant in the New York Power Administration Niagara Project (NYPA) which is administered through 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.

The power purchase agreement with MMWEC for NYPA requires that each project participant pay its pro rata share of MMWEC's costs related to the Project in addition to its share of capacity, energy, transmission, and working capital funding.

The Plant is a 2.120% entitlement holder in the Massachusetts allocation of the NYPA firm and peaking energy. The contracts are for the life of the units and the 2021 average energy price under the NYPA contract was \$0.00492/kWh.

#### **19. Return on Investment to Town of Concord**

The return on investment to the Town of Concord also referred to as "payment in lieu of taxes" (PILOT) is used with reference to the interfund transfer within the municipal corporate entity because it is the language used in the statute authorizing the establishment and operation of municipal light plants (MGL Ch. 164). The Plant's PILOT is a transfer from the Plant to the Town's General Fund.

The particular method in arriving at an appropriate amount of this transfer is not prescribed by statute, but rather Concord's specific amount has been derived from a formula

worked out jointly by the Finance Department and the Plant and approved by the Town Manager. The formula is based upon the last full years kWh sales multiplied by \$0.00275.

## **20. Commitments and Contingencies**

### ***COVID-19***

The COVID-19 outbreak in the United States and across the globe has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, special acts or legislation by the state or federal government, and the impact on our customers, employees, and vendors, all of which are uncertain and cannot be predicted. Although the Plant has not experienced any disruptions in operations or supply chains as of the date of the financial statements, the extent to which COVID-19 may impact our financial condition or results of operations remains uncertain.

### ***Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the Plant is involved. The Plant's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

## **21. Renewable Energy Certificates**

In 2003, the Massachusetts Department of Energy and Environmental Affairs adopted the Massachusetts Renewable Energy Portfolio Standard (RPS), a regulation that requires Investor Owned Utilities (IOUs) to purchase mandated amounts of energy generated by renewable resources (Green Energy) as a percentage of their overall electricity sales. The Massachusetts RPS applies only to IOUs, so the Plant is currently exempt from this mandate.

Energy suppliers meet their annual RPS obligations by acquiring a sufficient quantity of RPS-qualified renewable energy certificates (RECs) that are created and recorded at the New England Power Pool (NEPOOL) Generation Information System (GIS). Suppliers can purchase RECs from electricity generators or from other utilities that have acquired RECs.

The Plant currently has a 15-year contract for the purchase of wind power from Spruce Mountain in Maine. As part of the contract they are given RECs and they are subsequently sold to offset the power costs.

Information regarding the Plant’s calendar years ending December 31, 2021 and 2020 REC holdings is as follows:

			<u>Banked Certificates</u>		<u>Estimated Value</u>
12/31/2021	MA Class I	\$	89,000	\$	3,369,464
12/31/2020	MA Class I	\$	37,167	\$	1,614,813

A banked REC is a REC that has been processed by the NEPOOL GIS Coordinator and is in the Plant’s GIS account.

Because there is no formal accounting guidance under GAAP or IFRS for RECs and the Plant does not have a formal policy for the future disposition of RECs, the estimated fair value of the Plant’s REC holdings at December 31, 2021 and 2020 is not recognized as an asset in the financial statements.

**22. Subsequent Events**

Management has evaluated subsequent events through August 5, 2022, which is the date the financial statements were available to be issued.

**23. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Plant beginning with its calendar year ending December 31, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not yet evaluated the impact of GASB 87 on its financial statements.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability

December 31, 2021  
(Unaudited)

Concord Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
December 31, 2021	December 31, 2020	10.10%	\$1,164,249	\$3,769,869	30.88%	94.59%
December 31, 2020	December 31, 2019	12.72%	\$3,097,827	\$4,468,346	69.33%	88.35%
December 31, 2019	December 31, 2018	10.10%	\$3,687,216	\$3,424,758	107.66%	81.34%
December 31, 2018	December 31, 2017	6.34%	\$1,097,567	\$2,109,619	52.03%	90.58%
December 31, 2017	December 31, 2016	8.20%	\$2,643,809	\$2,583,283	102.34%	81.85%
December 31, 2016	December 31, 2015	9.04%	\$2,487,542	\$2,647,220	93.97%	80.73%
December 31, 2015	December 31, 2014	10.57%	\$1,639,399	\$2,783,014	58.91%	88.04%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Required Supplementary Information  
Schedule of Pension Contributions

December 31, 2021  
(Unaudited)

Concord Contributory Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
December 31, 2021	December 31, 2020	\$ 650,908	\$ 650,908	\$ -	\$ 3,769,869	17.27%
December 31, 2020	December 31, 2019	\$ 752,565	\$ 752,565	\$ -	\$ 4,468,346	16.84%
December 31, 2019	December 31, 2018	\$ 572,244	\$ 572,244	\$ -	\$ 3,424,758	16.71%
December 31, 2018	December 31, 2017	\$ 347,354	\$ 347,354	\$ -	\$ 2,109,619	16.47%
December 31, 2017	December 31, 2016	\$ 423,095	\$ 423,095	\$ -	\$ 2,583,283	16.38%
December 31, 2016	December 31, 2015	\$ 423,095	\$ 423,095	\$ -	\$ 2,647,220	15.98%
December 31, 2015	December 31, 2014	\$ 403,515	\$ 403,515	\$ -	\$ 2,783,014	14.50%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in the Net OPEB Liability

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 104,047	\$ 81,473	\$ 89,258	\$ 89,218
Interest	233,339	223,249	200,587	242,729
Changes of benefit terms	14,751	-	1,321	-
Differences between expected and actual experience	(541,134)	(387,025)	63,915	96,636
Changes of assumptions	(222,077)	119,168	-	164,896
Benefit payments, including refunds of member contributions	<u>(144,276)</u>	<u>(122,900)</u>	<u>(146,101)</u>	<u>(129,591)</u>
Net change in total OPEB liability	(555,350)	(86,035)	208,980	463,888
Total OPEB liability - beginning	<u>3,584,856</u>	<u>3,670,891</u>	<u>3,461,911</u>	<u>2,998,023</u>
Total OPEB liability - ending (a)	3,029,506	3,584,856	3,670,891	3,461,911
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	240,206	223,526	244,891	262,417
Net investment income	434,188	32,947	70,007	71,621
Benefit payments, including refunds of member contributions	<u>(144,276)</u>	<u>(122,900)</u>	<u>(146,101)</u>	<u>(129,591)</u>
Net change in plan fiduciary net position	530,118	133,573	168,797	204,447
Plan fiduciary net position - beginning	<u>1,418,874</u>	<u>1,285,301</u>	<u>1,116,504</u>	<u>912,057</u>
Plan fiduciary net position - ending (b)	<u>1,948,992</u>	<u>1,418,874</u>	<u>1,285,301</u>	<u>1,116,504</u>
Net OPEB liability - ending (a-b)	<u>\$ 1,080,514</u>	<u>\$ 2,165,982</u>	<u>\$ 2,385,590</u>	<u>\$ 2,345,407</u>

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Plants' financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedules of Net OPEB Liability, Contributions, and Investments Returns

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Net OPEB Liability</b>				
Total OPEB liability	\$ 3,029,506	\$ 3,584,856	\$ 3,670,891	\$ 3,461,911
Plan fiduciary net position	<u>1,948,992</u>	<u>1,418,874</u>	<u>1,285,301</u>	<u>1,116,504</u>
Net OPEB liability	<u>\$ 1,080,514</u>	<u>\$ 2,165,982</u>	<u>\$ 2,385,590</u>	<u>\$ 2,345,407</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.33%	39.58%	35.01%	32.25%
Covered employee payroll	\$ 3,252,501	\$ 3,149,976	\$ 3,422,839	Unavailable
Participating employer net OPEB liability as a percentage of covered employee payroll	33.22%	68.76%	69.70%	Unavailable
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Contributions</b>				
Actuarially determined contribution	\$ 240,206	\$ 223,526	\$ 244,891	\$ 261,460
Contributions in relation to the actuarially determined contribution	<u>240,206</u>	<u>223,526</u>	<u>244,891</u>	<u>262,417</u>
Contribution (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (957)</u>
Covered employee payroll	3,252,501	3,149,976	3,422,839	Unavailable
Contributions as a percentage of covered employee payroll	7.39%	7.10%	7.15%	Unavailable
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Investment Returns</b>				
Annual money weighted rate of return, net of investment expense	32.65%	2.91%	6.16%	7.24%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Plants' financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT

Combining Statement of Net Position  
December 31, 2021

(With Comparative Totals as of December 31, 2020)

	2021				2020			
	Light Fund	Broadband Fund	Eliminations	Total	Light Fund	Broadband Fund	Eliminations	Total
<b>Assets</b>								
<b>Current:</b>								
Unrestricted cash and short-term investments	\$ 324,264	\$ 155,534	\$ -	\$ 479,798	\$ 966,699	\$ 188,486	\$ -	\$ 1,155,185
Accounts receivable, net of allowance for uncollectible	3,691,059	105,441	-	3,796,500	4,288,791	105,862	-	4,394,653
Prepaid expenses	1,921,081	11,528	-	1,932,609	3,251,607	13,265	-	3,264,872
Inventory	1,106,652	151,658	-	1,258,310	1,151,096	139,519	-	1,290,615
Other	15,258	3,699	-	18,957	8,402	8,306	-	16,708
<b>Total current assets</b>	<b>7,058,314</b>	<b>427,860</b>	<b>-</b>	<b>7,486,174</b>	<b>9,666,595</b>	<b>455,438</b>	<b>-</b>	<b>10,122,033</b>
<b>Noncurrent:</b>								
Restricted cash	13,897,230	120,142	-	14,017,372	10,760,140	79,863	-	10,840,003
Investment in associated companies	782,056	-	-	782,056	353,766	-	-	353,766
Due from Broadband	1,900,000	-	(1,900,000)	-	1,900,000	-	(1,900,000)	-
<b>Capital assets:</b>								
Land and construction in progress	2,422,763	736	-	2,423,499	2,296,767	10,826	-	2,307,593
Other capital assets, net of accumulated depreciation	34,207,460	2,454,791	-	36,662,251	35,353,025	2,267,661	-	37,620,686
<b>Total noncurrent assets</b>	<b>53,209,509</b>	<b>2,575,669</b>	<b>(1,900,000)</b>	<b>53,885,178</b>	<b>50,663,698</b>	<b>2,358,350</b>	<b>(1,900,000)</b>	<b>51,122,048</b>
<b>Total Assets</b>	<b>60,267,823</b>	<b>3,003,529</b>	<b>(1,900,000)</b>	<b>61,371,352</b>	<b>60,330,293</b>	<b>2,813,788</b>	<b>(1,900,000)</b>	<b>61,244,081</b>
<b>Deferred Outflows of Resources</b>								
Related to pension	1,721,080	279,040	-	2,000,120	2,378,070	154,486	-	2,532,556
Related to OPEB	372,361	55,376	-	427,737	236,013	34,863	-	270,876
<b>Total Deferred Outflows of Resources</b>	<b>2,093,441</b>	<b>334,416</b>	<b>-</b>	<b>2,427,857</b>	<b>2,614,083</b>	<b>189,349</b>	<b>-</b>	<b>2,803,432</b>
<b>Liabilities</b>								
<b>Current:</b>								
Accounts payable	5,461,370	32,302	-	5,493,672	4,094,065	28,504	-	4,122,569
Accrued liabilities	211,677	44,808	-	256,485	209,660	38,253	-	247,913
Customer deposits	606,380	-	-	606,380	543,669	-	-	543,669
Customer advances for construction	70,297	1,861	-	72,158	103,747	8,441	-	112,188
Unearned revenue	2,120,632	25,312	-	2,145,944	3,845,768	21,652	-	3,867,420
<b>Current portion of long-term liabilities:</b>								
Bonds payable	570,026	60,015	-	630,041	717,290	117,139	-	834,429
Compensated absences	10,006	1,821	-	11,827	11,854	1,378	-	13,232
<b>Total current liabilities</b>	<b>9,050,388</b>	<b>166,119</b>	<b>-</b>	<b>9,216,507</b>	<b>9,526,053</b>	<b>215,367</b>	<b>-</b>	<b>9,741,420</b>
<b>Noncurrent:</b>								
Due to Light	-	1,900,000	(1,900,000)	-	-	1,900,000	(1,900,000)	-
Bonds payable, net of current portion	2,468,699	417,843	-	2,886,542	3,050,714	329,360	-	3,380,074
Net pension liability	1,001,836	162,413	-	1,164,249	2,908,860	188,967	-	3,097,827
Net OPEB liability	1,060,504	20,010	-	1,080,514	2,138,955	27,027	-	2,165,982
Compensated absences	190,109	34,602	-	224,711	225,233	26,175	-	251,408
<b>Total noncurrent liabilities</b>	<b>4,721,148</b>	<b>2,534,868</b>	<b>(1,900,000)</b>	<b>5,356,016</b>	<b>8,323,762</b>	<b>2,471,529</b>	<b>(1,900,000)</b>	<b>8,895,291</b>
<b>Total Liabilities</b>	<b>13,771,536</b>	<b>2,700,987</b>	<b>(1,900,000)</b>	<b>14,572,523</b>	<b>17,849,815</b>	<b>2,686,896</b>	<b>(1,900,000)</b>	<b>18,636,711</b>
<b>Deferred Inflows of Resources</b>								
Related to pension	1,819,615	294,987	-	2,114,602	1,032,566	67,078	-	1,099,644
Related to OPEB	1,260,688	18,595	-	1,279,283	342,981	-	-	342,981
<b>Total Deferred Inflows of Resources</b>	<b>3,080,303</b>	<b>313,582</b>	<b>-</b>	<b>3,393,885</b>	<b>1,375,547</b>	<b>67,078</b>	<b>-</b>	<b>1,442,625</b>
<b>Net Position</b>								
Net investment in capital assets	33,591,498	1,977,689	-	35,569,167	34,062,792	1,890,487	-	35,953,279
Restricted for depreciation fund	6,083,556	-	-	6,083,556	4,810,412	-	-	4,810,412
Unrestricted	5,834,371	(1,654,293)	-	4,180,078	4,845,810	(1,641,324)	-	3,204,486
<b>Total Net Position</b>	<b>\$ 45,509,425</b>	<b>\$ 323,376</b>	<b>\$ -</b>	<b>\$ 45,832,801</b>	<b>\$ 43,719,014</b>	<b>\$ 249,163</b>	<b>\$ -</b>	<b>\$ 43,968,177</b>

See Independent Auditors' Report.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Combining Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

	2021			2020		
	Light Fund	Broadband Fund	Total	Light Fund	Broadband Fund	Total
<b>Operating Revenues</b>						
Electric sales	\$ 25,719,399	\$ -	\$ 25,719,399	\$ 24,994,161	\$ -	\$ 24,994,161
Internet sales	-	1,326,540	1,326,540	-	1,242,267	1,242,267
Rate refund	1,748,680	-	1,748,680	(675,883)	-	(675,883)
Underground surcharge	435,214	-	435,214	402,008	-	402,008
Renewable energy certificate revenue	3,363,741	-	3,363,741	1,801,988	-	1,801,988
Other operating revenue	45,412	19,350	64,762	178,511	20,330	198,841
<b>Total Operating Revenues</b>	<b>31,312,446</b>	<b>1,345,890</b>	<b>32,658,336</b>	<b>26,700,785</b>	<b>1,262,597</b>	<b>27,963,382</b>
<b>Operating Expenses</b>						
Purchase power	22,067,067	195,673	22,262,740	19,156,969	209,390	19,366,359
Salaries and benefits	2,569,040	690,998	3,260,038	3,920,733	560,696	4,481,429
Other operating expenses	1,059,764	193,101	1,252,865	1,479,142	141,289	1,620,431
Depreciation	1,901,168	74,198	1,975,366	1,856,017	70,933	1,926,950
Customer accounts	1,102,712	45,889	1,148,601	876,288	20,430	896,718
Distribution	925,549	143,958	1,069,507	1,078,839	168,863	1,247,702
Transmission	110,328	-	110,328	101,136	-	101,136
<b>Total Operating Expenses</b>	<b>29,735,628</b>	<b>1,343,817</b>	<b>31,079,445</b>	<b>28,469,124</b>	<b>1,171,601</b>	<b>29,640,725</b>
Operating Income (Loss)	1,576,818	2,073	1,578,891	(1,768,339)	90,996	(1,677,343)
<b>Nonoperating Revenues (Expenses)</b>						
Interest income	448,947	-	448,947	110,302	-	110,302
Interest expense	(101,663)	(20,371)	(122,034)	(135,675)	(21,906)	(157,581)
Gain (Loss) on disposal of capital assets	33,270	(2,066)	31,204	(11,271)	(2,193)	(13,464)
Other	284,539	94,577	379,116	191,104	98,862	289,966
<b>Total Nonoperating Revenues (Expenses), Net</b>	<b>665,093</b>	<b>72,140</b>	<b>737,233</b>	<b>154,460</b>	<b>74,763</b>	<b>229,223</b>
Income (Loss) Before Transfers	2,241,911	74,213	2,316,124	(1,613,879)	165,759	(1,448,120)
Return on investment - transfer to Town of Concord	(451,500)	-	(451,500)	(474,500)	-	(474,500)
Change in Net Position	1,790,411	74,213	1,864,624	(2,088,379)	165,759	(1,922,620)
Net Position - Beginning of Year	43,719,014	249,163	43,968,177	45,807,393	83,404	45,890,797
<b>Net Position at End of Year</b>	<b>\$ 45,509,425</b>	<b>\$ 323,376</b>	<b>\$ 45,832,801</b>	<b>\$ 43,719,014</b>	<b>\$ 249,163</b>	<b>\$ 43,968,177</b>

See Independent Auditors' Report.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT PLANT**

Combining Statement of Cash Flows  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)

	2021			2020		
	Light Fund	Broadband Fund	Total	Light Fund	Broadband Fund	Total
<b>Cash Flows From Operating Activities</b>						
Receipts from customers and users	\$ 30,247,752	\$ 1,349,971	\$ 31,597,723	\$ 26,054,357	\$ 1,285,706	\$ 27,340,063
Payments to vendors and employees	<u>(25,920,668)</u>	<u>(1,194,906)</u>	<u>(27,115,574)</u>	<u>(26,090,918)</u>	<u>(1,006,510)</u>	<u>(27,097,428)</u>
Net Cash Provided By (Used For) Operating Activities	4,327,084	155,065	4,482,149	(36,561)	279,196	242,635
<b>Cash Flows From Noncapital Financing Activities</b>						
Return on investment to Town of Concord	(451,500)	-	(451,500)	(474,500)	-	(474,500)
Due to/from light	-	-	-	(72,555)	72,555	-
Other	<u>233,406</u>	<u>80,936</u>	<u>314,342</u>	<u>117,498</u>	<u>70,623</u>	<u>188,121</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(218,094)	80,936	(137,158)	(429,557)	143,178	(286,379)
<b>Cash Flows From Capital and Related Financing Activities</b>						
Acquisition and construction of capital assets	(881,599)	(251,237)	(1,132,836)	(965,081)	(95,600)	(1,060,681)
Gain (Loss) on disposition of assets	33,270	(2,066)	31,204	(11,271)	(2,193)	(13,464)
Proceeds from bonds	-	131,000	131,000	-	-	-
Principal payments on bonds	(685,000)	(105,000)	(790,000)	(685,000)	(125,000)	(810,000)
Interest expense	(101,663)	(20,371)	(122,034)	(102,637)	(7,786)	(110,423)
Bond premium proceeds	96,000	19,000	115,000	-	-	-
Loss on refunding	<u>(96,000)</u>	<u>-</u>	<u>(96,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,634,992)	(228,674)	(1,863,666)	(1,763,989)	(230,579)	(1,994,568)
<b>Cash Flows From Investing Activities</b>						
Investment income	448,947	-	448,947	110,302	-	110,302
Increase in investments in associated companies	<u>(428,290)</u>	<u>-</u>	<u>(428,290)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided By Investing Activities	20,657	-	20,657	110,302	-	110,302
Net Change in Cash and Short-Term Investments	2,494,655	7,327	2,501,982	(2,119,805)	191,795	(1,928,010)
Cash and Short Term Investments, Beginning of Year	<u>11,726,839</u>	<u>268,349</u>	<u>11,995,188</u>	<u>13,846,644</u>	<u>76,554</u>	<u>13,923,198</u>
Cash and Short Term Investments, End of Year	<u>\$ 14,221,494</u>	<u>\$ 275,676</u>	<u>\$ 14,497,170</u>	<u>\$ 11,726,839</u>	<u>\$ 268,349</u>	<u>\$ 11,995,188</u>
<b>Reconciliation of Operating Income (loss) to Net Cash provided by (used for) Operating Activities</b>						
Operating income (loss)	\$ 1,576,818	\$ 2,073	\$ 1,578,891	\$ (1,768,339)	\$ 90,996	\$ (1,677,343)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	1,901,168	74,198	1,975,366	1,856,017	70,933	1,926,950
Changes in assets, liabilities, and deferred outflows/inflows:						
Accounts receivable	597,732	421	598,153	(542,724)	23,109	(519,615)
Prepaid expenses	1,330,526	1,736	1,332,262	(1,304,221)	14,082	(1,290,139)
Inventory	44,444	(12,139)	32,305	(39,860)	19,600	(20,260)
Other assets	-	4,609	4,609	-	(3,075)	(3,075)
Deferred outflows - related to pension	656,990	(124,554)	532,436	508,037	(13,706)	494,331
Deferred outflows - related to OPEB	(136,348)	(20,513)	(156,861)	(124,101)	(24,859)	(148,960)
Accounts payable	1,367,304	3,797	1,371,101	694,638	(28,057)	666,581
Accrued liabilities	2,017	6,553	8,570	25,742	20,526	46,268
Customer advances for construction	-	(6,580)	(6,580)	-	3,255	3,255
Unearned revenue	(1,725,136)	3,660	(1,721,476)	694,819	5,797	700,616
Net pension liability	(1,907,024)	(26,554)	(1,933,578)	(606,900)	17,511	(589,389)
Net OPEB liability	(1,078,451)	(7,017)	(1,085,468)	(245,913)	26,305	(219,608)
Other liabilities	(7,712)	8,871	1,159	(2,019)	15,828	13,809
Deferred inflows - related to pension	787,049	227,909	1,014,958	494,716	40,848	535,564
Deferred inflows - related to OPEB	<u>917,707</u>	<u>18,595</u>	<u>936,302</u>	<u>323,547</u>	<u>103</u>	<u>323,650</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 4,327,084</u>	<u>\$ 155,065</u>	<u>\$ 4,482,149</u>	<u>\$ (36,561)</u>	<u>\$ 279,196</u>	<u>\$ 242,635</u>

See Independent Auditors' Report.

# FY2022 Audit: Town/CCRSD, CY2022 Audit: CMLP Draft Activity Schedule

	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
CMLP	Audit Field Work			Melanson presentation of CY2021 Financials								
Town				Melanson Review - FY2022 Audit Plan Cybersecurity Presentation	Audit Field Work			*Draft Financials available Mid-December				
CCRSD				Melanson review - FY2022 Audit Plan		Audit Field Work			Draft Financials available Mid-January			

\* Contingent upon auditors receiving data by November 1<sup>st</sup> including Pension ,OPEB, and Fixed Assets.

Agenda Item: #6

# Town of Concord Information Technology Security Presentation

August, 2022

# State of Cybersecurity



# What is changing in cybersecurity?

- ❑ Cyber insurance is becoming more expensive and tacks on additional requirements.
- ❑ Ransomware cannot be mitigated solely through strong backups.
- ❑ Internet of Things (IoT) equipment is a real threat to enterprises.

# What is changing in cybersecurity?

- ❑ Security is now offered as a service; not a one-time expense.
- ❑ The pain of supply chain attacks is now very clear.
- ❑ Anti-virus software is considered inadequate.
- ❑ The pandemic made a lasting impact on employee expectations in the workforce.

# Proactive Measures



# Proactive measures

- ❑ Start with actively managed policies and repeatable procedures for IT activity
- ❑ Make sure data is difficult to access
- ❑ Train staff to have high levels of cyber hygiene
- ❑ Lower your attack surface

# Proactive measures

- ☒ Create a culture of risk avoidance in the organization
- ☒ Receive, collect, and process security bulletins
- ☒ Employ multi-factor authentication for all accounts
- ☒ Enable data loss prevention tools

# Reactive Measures



# Reactive measures

- ☒ Standardize and document responses to cyber incidents
- ☒ Configure alerts and notifications
- ☒ Notify users of suspicious messages
- ☒ Conduct follow-up training after unsafe actions

# Summary and Questions

- ☒ Looking at trends and what is coming in the future