

**TAUNTON MUNICIPAL LIGHTING PLANT  
(A COMPONENT UNIT OF THE CITY OF TAUNTON,  
MASSACHUSETTS)**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

# TAUNTON MUNICIPAL LIGHTING PLANT

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## INDEPENDENT AUDITORS' REPORT

To the Municipal Lighting Commissioners  
**City of Taunton, Massachusetts, Municipal Lighting Plant**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Taunton Municipal Lighting Plant (the "Plant") (a component unit of the City of Taunton, Massachusetts), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Taunton Municipal Lighting Plant's basic 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 Taunton Municipal Lighting Plant, as of December 31, 2022 and 2021, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plant and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing the audits in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

## ***Emphasis of Matter***

### **Presentation**

As discussed in Note A, the financial statements present the Taunton Municipal Lighting Plant only and do not purport to, and do not present fairly the financial position of the City of Taunton, Massachusetts, as of December 31, 2022 and 2021, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Schedule of Contributions Other Post-Employment Benefits, Schedule of Changes in the Plant's Net OPEB Liability and Related Ratios, Schedule of Investment Returns for Other Post-Employment Benefits, Schedule of Plant's Contributions – Defined Benefit Pension Plan, Schedule of Investment Returns – Defined Benefit Pension Plan and Schedule of Changes in Plant's Proportionate Share of the Net Pension Liability and Related Ratios – Defined Benefit Pension Plan on Pages 4-7 and 43-48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2023, on our consideration of the Plant's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plant's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plant's internal control over financial reporting and compliance.

*Marum LLP*

Providence, RI  
October 5, 2023

# TAUNTON MUNICIPAL LIGHTING PLANT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022 AND 2021

Within this section of the City of Taunton, Massachusetts, Municipal Lighting Plant's annual financial report, management provides narrative discussion and analysis of the financial activities of the Municipal Lighting Plant for the years ended December 31, 2022 and 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 statements of net position (2) the statements of revenues, expenses and changes in net position (3) the statements of cash flows and (4) notes to the financial statements.

The Statement of Net Position is designed to indicate the Plant's financial position as of a specific point in time. At December 31, 2022, it shows our net position of \$132,773,770 which is comprised of \$120,290,107 invested in capital assets net of related debt and \$12,483,663 unrestricted net position.

At December 31, 2021, it shows our net position of \$131,762,788 which is comprised of \$119,088,292 invested in capital assets net of related debt and \$12,674,496 unrestricted net position.

Our net position totaled \$132.8 million at December 31, 2022, an increase of \$1 million from December 31, 2021. The increase is due to net operating income of \$4 million and payment of \$3 million in lieu of taxes.

Our net position totaled \$131.8 million at December 31, 2021, an increase of \$9 million from December 31, 2020. The increase is due to net operating income of \$12 million and payment of \$3 million in lieu of taxes.

The Statements of Revenues, Expenses and Changes in Net Position summarizes our operating results for the years ended December 31, 2022 and 2021. As discussed in more detail below, the Plant's net income for 2022 and 2021, was \$4,005,982 and \$11,981,776, respectively, before payments in lieu of taxes (PILOT).

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of the Plant's Statements of Cash Flows indicates that the cash receipts from operating activities were sufficient to cover the operating expenses and capital projects, as well as contributions to the City.

# TAUNTON MUNICIPAL LIGHTING PLANT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022 AND 2021

### Summary of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$ 38,191,634	\$ 29,801,600	\$ 38,951,556
Noncurrent Assets	176,274,557	186,887,511	173,070,622
Total Assets	<u>214,466,191</u>	<u>216,689,111</u>	<u>212,022,178</u>
Deferred Outflows of Resources	<u>35,565,358</u>	<u>21,930,404</u>	<u>29,005,759</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 250,031,549</u>	<u>\$ 238,619,515</u>	<u>\$ 241,027,937</u>
Current Liabilities	\$ 11,313,780	\$ 11,757,580	\$ 10,905,399
Noncurrent Liabilities	69,629,649	71,300,534	77,118,376
Total Liabilities	<u>80,943,429</u>	<u>83,058,114</u>	<u>88,023,775</u>
Deferred Inflows of Resources	<u>36,314,350</u>	<u>23,798,613</u>	<u>30,228,150</u>
Net Investment in Capital Assets	120,290,107	119,088,292	109,108,776
Unrestricted	<u>12,483,663</u>	<u>12,674,496</u>	<u>13,667,236</u>
Total Net Position	<u>132,773,770</u>	<u>131,762,788</u>	<u>122,776,012</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 250,031,549</u>	<u>\$ 238,619,515</u>	<u>\$ 241,027,937</u>

### Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 110,980,197	\$ 95,658,577	\$ 96,032,720
Operating Expenses	<u>107,708,837</u>	<u>89,189,500</u>	<u>80,707,017</u>
Operating Income	3,271,360	6,469,077	15,325,703
Nonoperating Revenues Less Nonoperating Expenses	<u>734,622</u>	<u>5,512,699</u>	<u>3,226,845</u>
Increase in Net Position before Transfers	4,005,982	11,981,776	18,552,548
Transfers Out - Payment in Lieu of Taxes	<u>(2,995,000)</u>	<u>(2,995,000)</u>	<u>(2,995,000)</u>
Increase in Net Position	<u>\$ 1,010,982</u>	<u>\$ 8,986,776</u>	<u>\$ 15,557,548</u>

# TAUNTON MUNICIPAL LIGHTING PLANT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

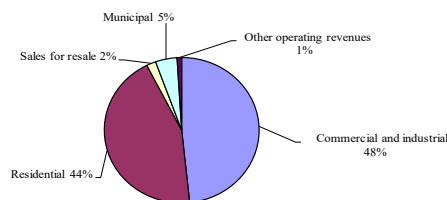
DECEMBER 31, 2022 AND 2021

### Financial Highlights:

Operating revenues for 2022 increased by \$15,321,620 or 16% from 2021. TMLP revenues from sales of Electricity increased in 2022 due to increases in rates to customer. The company increased base rates on July 1, 2022, by 15% for most rate classes. On September 1, 2022 the company increased the PCA by 3 cents/kWh. These revenue increases were driven by the need to recover purchased power costs which experienced a significant run-up in 2022 due to global fuel commodities increasing following the Russian invasion of Ukraine. Operating revenues for 2021 decreased by \$374,143 or 0.4% from 2020. The revenue decrease was a result of a decrease in other operating revenues, in 2020 TMLP billed National Grid for a large project which significantly increased other operating revenues in 2020. Operating revenues for 2021 reflected a more normalized year.

Operating expenses for 2022 increased by \$18.5 million or 20.8% from 2021. The increase in expenses is primarily a result of higher purchased power costs, which increased by \$14 million or 28% over the prior year. Purchase Power costs experienced a significant run-up in 2022 due to global fuel commodities increasing following the Russian invasion of Ukraine. In addition to purchased power, fuel costs were also \$2 million greater than in 2021. This fuel is specific to the steam plant, which is known as the "Cleary 9" generator. Cleary 9 generated 155% more electricity in 2022 than it did in 2021 as the generator was in an extended outage for most of 2022. Operating expenses for 2021 increased by \$8.5 million or 10.5% from 2020. The increase in expenses is a result of higher power costs.

### Source of 2022 Operating Revenues



### Utility Plant and Debt Administration:

#### Utility Plant

There was an increase in net utility plant in service of approximately \$11.7 million for 2022. This increase is the difference between the current year additions of \$19.7 million and the annual depreciation (3% of depreciable gross plant) expense of \$8 million. Additions to plant consisted principally of approximately \$15.5 million in production plant, \$4.1 million in distribution plant and \$61,000 in general plant. Major items capitalized include a Major Outage project, a large Battery Storage project, general distribution infrastructure upgrades, and Phase One of the Company's Enterprise Resource Planning project.



# TAUNTON MUNICIPAL LIGHTING PLANT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022 AND 2021

There was an increase in net utility plant in service of approximately \$2.1 million for 2021. This increase is the difference between the current year additions of \$10.5 million and the annual depreciation (3% of depreciable gross plant) expense of \$8.4 million. Additions to plant consisted principally of approximately \$5.6 million in production plant, \$3.9 million in distribution plant and \$1 million in general plant. Major items capitalized include a Major Outage project, general distribution infrastructure upgrades, and a pole assessment project.

### Debt Administration

At December 31, 2022 and 2021, the Plant had outstanding general obligation bonds of approximately \$7.4 million and \$10.9 million, respectively. These general obligation bonds are guaranteed in full faith and credit of the City of Taunton. Additional information on the Plant's debt obligations can be found in Note E (Pages 28-29) to the financial statements.

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

#### Depreciation Fund

The Plant maintains this fund to pay for capital investments and improvements. These capital items are paid from the operating fund, which is then replenished by funds transferred from the depreciation fund. The depreciation fund is required by state statute. The Light Plant must set aside 3% of its gross depreciable plant annually to be used principally for capital expenditures. Interest earned on the account is kept in the fund.

#### Sick Leave Trust Fund

The Plant maintains a fully funded Sick Leave Trust Fund ("Trust") for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust.

#### Pension Plans

The employees of the Light Plant participate in the City of Taunton Retirement System. In addition to investments made by the System, a separate fiduciary fund (plant retirement trust) has been established by the Plant to provide funding of the Plant's past unfunded service costs. Each year the Light Plant is assessed by the City for its share of such pension costs.

#### Customer Deposits

The Plant collects deposits from residential and commercial accounts when they come into the system. Deposits can be refunded when a customer has demonstrated a good credit history or upon leaving the system. Interest is paid for as long as the Plant holds the deposit.

### **Request for Information:**

This financial report is designed to provide a general overview of the City of Taunton, Massachusetts, Municipal Lighting 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 request for additional information should be addressed to the Office of the Business Manager, 55 Weir Street, Taunton, MA 02780.

# TAUNTON MUNICIPAL LIGHTING PLANT

## STATEMENTS OF NET POSITION

DECEMBER 31, 2022 AND 2021

### Assets and Deferred Outflows of Resources

	2022	2021
<b>Utility Plant - at Cost</b>		
Plant in service	\$ 313,111,161	\$ 293,453,562
Less: Accumulated depreciation	201,768,373	193,853,124
<b>Net Utility Plant in Service</b>	111,342,788	99,600,438
Investment in Seabrook	294,499	263,384
Construction work in progress	20,524,631	27,357,783
<b>Total Utility Plant</b>	132,161,918	127,221,605
<b>Other Assets</b>		
Depreciation Fund - designated funds	13,208,818	13,208,818
Rate stabilization - designated funds	--	2,300,000
Sick leave fund	8,940,470	20,744,147
Sick leave annuities	3,405,023	4,230,646
Plant employees' retirement fund	14,247,257	15,946,960
Other post- employment benefits fund	1,500,000	517,638
Deposit	137,553	91,393
Investment in Hydro Quebec Project	148,663	148,663
Investment in Energy New England LLC	2,524,855	2,477,641
<b>Total Other Assets</b>	44,112,639	59,665,906
<b>Current Assets</b>		
Cash	10,179,660	8,907,227
Customer deposits	2,128,336	2,033,789
Accounts receivable customers , less allowance for doubtful accounts of \$2,305,363 and \$2,470,506 in 2022 and 2021, respectively	9,940,507	7,327,532
Accounts receivable customers - internet services, less allowance for doubtful accounts of \$11,097 and \$29,233 in 2022 and 2021, respectively	148,991	147,392
Accounts receivable - other	4,301,250	--
Materials and supplies inventory	5,669,648	5,276,044
Prepaid expenses	5,823,242	6,109,616
<b>Total Current Assets</b>	38,191,634	29,801,600
<b>Total Assets</b>	214,466,191	216,689,111
<b>Deferred Outflows of Resources</b>		
Deferred outflows for pensions	15,802,978	17,868,620
Deferred outflows for OPEB	19,762,380	4,061,784
<b>Total Deferred Outflows of Resources</b>	35,565,358	21,930,404
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 250,031,549	\$ 238,619,515

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

# TAUNTON MUNICIPAL LIGHTING PLANT

## STATEMENTS OF NET POSITION (CONTINUED)

DECEMBER 31, 2022 AND 2021

### Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
<b>Net Position</b>		
Net Investment in capital assets	\$ 120,290,107	\$ 119,088,292
Unrestricted net position	12,483,663	12,674,496
<b>Total Net Position</b>	132,773,770	131,762,788
<b>Non-Current Liabilities</b>		
Bonds payable and bonds premium - excluding current portion	10,641,811	7,133,313
Sick leave - excluding current portion	4,347,802	4,040,054
Sick leave annuities - obligation	3,405,023	4,230,646
Accrued vacation - excluding current portion	320,987	307,427
Net OPEB liability	33,891,271	32,478,846
Net pension liability	17,022,755	23,110,248
<b>Total Non-Current Liabilities</b>	69,629,649	71,300,534
<b>Current Liabilities</b>		
Bonds payable - current portion	1,230,000	1,000,000
Accounts payable	5,125,569	6,012,040
Customer deposits	2,561,181	2,498,888
Accrued liabilities:		
Vacation - current portion	1,266,184	1,250,285
Sick leave - current portion	391,860	412,363
Interest	106,754	87,744
Payroll	408,922	352,626
Other	223,310	143,634
<b>Total Current Liabilities</b>	11,313,780	11,757,580
<b>Total Liabilities</b>	80,943,429	83,058,114
<b>Deferred Inflows of Resources</b>		
Rate stabilization	--	2,300,000
Deferred inflows for pensions	11,937,992	9,922,946
Deferred inflows for OPEB	19,576,389	6,996,207
Contribution in aid of construction	4,799,969	4,579,460
<b>Total Deferred Inflows of Resources</b>	36,314,350	23,798,613
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	\$ 250,031,549	\$ 238,619,515

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

# TAUNTON MUNICIPAL LIGHTING PLANT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Operating Revenues</b>		
Sales of Electricity		
Commercial and industrial	\$ 54,056,859	\$ 47,097,494
Residential	49,429,676	43,840,365
Sales for resale	2,209,684	1,967,334
Municipal	5,043,564	4,748,294
Provision for rate stabilization	2,300,000	--
Discounts given	<u>(3,108,326)</u>	<u>(2,739,033)</u>
<b>Total Sales of Electricity</b>	109,931,457	94,914,454
Other Operating Revenues	<u>1,048,740</u>	<u>744,123</u>
<b>Total Operating Revenues</b>	<u>110,980,197</u>	<u>95,658,577</u>
<b>Operating Expenses</b>		
Power production and purchases	64,398,800	49,737,811
Transmission and distribution	24,764,544	22,023,742
Customer accounting	5,741,580	4,282,415
Administrative and general	4,685,500	4,743,591
Depreciation	7,966,904	8,399,272
Contribution in aid of construction amortization	(122,449)	(255,392)
Loss on disposal of property	--	2,046
Nuclear expense	<u>273,958</u>	<u>256,015</u>
<b>Total Operating Expenses</b>	<u>107,708,837</u>	<u>89,189,500</u>
<b>Earnings from Operations</b>	<u>3,271,360</u>	<u>6,469,077</u>
<b>Non-Operating Income (Expenses)</b>		
Interest expense	(178,597)	(217,950)
Interest income	52,383	3,070
Internet income, net of expenses of \$1,246,590 and \$1,370,613 for 2022 and 2021, respectively	763,969	877,026
Investment (loss) income - sick leave fund	(2,492,633)	2,593,674
Investment (loss) income - retirement fund	(1,699,703)	1,993,482
Bond issuance costs	(59,067)	--
Insurance proceeds	4,301,250	--
Other income	<u>47,020</u>	<u>263,397</u>
<b>Net Non-Operating Income</b>	<u>734,622</u>	<u>5,512,699</u>
<b>Income Before Transfers</b>	4,005,982	11,981,776
<b>Transfers Out</b>		
Payment in lieu of taxes	<u>(2,995,000)</u>	<u>(2,995,000)</u>
<b>Change in Net Position</b>	1,010,982	8,986,776
<b>Net Position - Beginning</b>	<u>131,762,788</u>	<u>122,776,012</u>
<b>Net Position - Ending</b>	<u>\$ 132,773,770</u>	<u>\$ 131,762,788</u>

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

# TAUNTON MUNICIPAL LIGHTING PLANT

## STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 110,316,039	\$ 103,125,469
Cash payments to employees	20,400,597	(19,741,243)
Cash payments to suppliers	<u>(129,476,669)</u>	<u>(72,533,823)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>1,239,967</u>	<u>10,850,403</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Payment to City in lieu of taxes	(2,995,000)	(2,995,000)
Transfer from sick leave fund	9,310,000	--
Transfer to the OPEB fund	<u>(1,500,000)</u>	<u>--</u>
<b>Net Cash Provided by (Used in) Non-Capital Financing Activities</b>	<u>4,815,000</u>	<u>(2,995,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Additions to utility plant, including construction in process	(12,533,144)	(17,058,392)
Proceeds from bond issuance	4,857,684	--
Principal paid on bonds	(1,000,000)	(1,005,000)
Bond issuance costs	(59,067)	--
Interest paid on bonds	<u>(278,786)</u>	<u>(323,119)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(9,013,313)</u>	<u>(18,386,511)</u>
<b>Cash Flows from Investing Activities</b>		
Interest and dividend income	52,383	3,070
Investment income - sick leave fund	791,453	1,480,786
Investment income - retirement fund	<u>663,852</u>	<u>1,133,232</u>
<b>Net Cash Provided by Investing Activities</b>	<u>1,507,688</u>	<u>2,617,088</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,450,658)	(7,914,020)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>26,967,472</u>	<u>34,881,492</u>
<b>Cash and Cash Equivalents - End of Year (Note D)</b>	<u>\$ 25,516,814</u>	<u>\$ 26,967,472</u>

Cash, certificates of deposit and short-term investments at December 31, are reflected on the statements of net position as follows:

	2022	2021
Cash	\$ 10,179,660	\$ 8,907,227
Customer deposits	2,128,336	2,033,789
Depreciation - designated funds	13,208,818	13,208,818
Rate stabilization - designated funds	--	2,300,000
Other post- employment benefits fund	<u>--</u>	<u>517,638</u>
	<u>\$ 25,516,814</u>	<u>\$ 26,967,472</u>

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

# TAUNTON MUNICIPAL LIGHTING PLANT

## STATEMENTS OF CASH FLOWS (CONTINUED)

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>Reconciliation of Operating Income to Net Cash Provided by</b>		
<b>Operating Activities:</b>		
Earnings from operations	\$ 3,271,360	\$ 6,469,077
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Internet income, net	763,969	877,026
Investment income on investments in associated companies	(31,115)	(16,653)
Depreciation	7,966,904	8,399,272
Amortization	(122,449)	(255,392)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(2,614,574)	868,239
Increase in sick leave fund	(791,453)	(1,480,786)
Increase in retirement fund	(663,852)	(1,133,232)
Increase in deposit	(46,160)	(91,393)
(Decrease) increase in prepaid expenses	286,374	(51,730)
(Increase) decrease in deferred outflows of resources	(13,634,954)	7,075,355
(Increase) decrease in materials and supplies inventory	(393,604)	419,357
Decrease in deferred inflows of resources for rate stabilization	(2,300,000)	--
Increase (decrease) in deferred inflows of resources for pensions	2,015,046	(1,246,957)
Increase (decrease) in deferred inflows of resources for OPEB	12,580,182	(5,124,411)
Increase in net OPEB liability	1,412,425	584,475
Decrease in net pension liability	(6,087,493)	(5,212,563)
(Decrease) increase in accounts payable	(886,471)	793,235
Increase in customer deposits	62,293	19,259
Increase (decrease) in sick leave liability	287,245	(69,219)
Increase in accrued liabilities	166,294	27,444
<b>Total Adjustments</b>	<b>(2,031,393)</b>	<b>4,381,326</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,239,967</b>	<b>\$ 10,850,403</b>
<b>Non-Cash Investing Activities:</b>		
Change in the fair value of investments - sick leave fund	\$ (3,284,086)	\$ 1,112,888
Change in the fair value of investments - retirement fund	\$ (2,363,555)	\$ 860,250

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

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *NATURE OF OPERATIONS*

The Taunton Municipal Lighting Plant (the "Plant") (a component unit of the City of Taunton, Massachusetts) is a regulated municipal electric utility located in Taunton, Massachusetts. The Plant produces, purchases and distributes electricity to approximately 39,000 customers in the City of Taunton and the surrounding areas.

These financial statements present only the financial position, results of operations, and cash flows of the Plant and do not present the financial position, results of operations, and cash flows of the City of Taunton as a whole.

##### *BASIS OF ACCOUNTING*

The Plant presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Under the accrual basis revenues are recognized when earned and expenses when the related liability for goods and services is incurred regardless of the timing of cash flows.

The Plant's operations are reported as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### *USE OF ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *RATES*

The Plant is under the charge and control of the Municipal Lighting Plant Commissioners in accordance with Chapter 164, Section 55, of the General Laws of the Commonwealth of Massachusetts. Electric power is both produced and purchased and is distributed to customers within their service area.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *RATES (CONTINUED)*

The rates charged by the Plant to its customers are filed with the Department of Public Utilities (DPU) and are subject to Chapter 164, Section 58, of the General Laws, which provides that prices shall be fixed to yield not more than 8% per annum on the cost of the plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation.

The Plant's rates include a Purchased Power Cost Adjustment (“PPCA”) which allows an adjustment of rates charged to customers in order to recover all changes in power costs from stipulated base costs. The PPCA provides for a quarterly reconciliation of total power costs billed with the actual cost of power incurred.

##### *DEFERRED OUTFLOWS / INFLOWS OF RESOURCES*

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that later date. At December 31, 2022 and 2021, the Plant reported \$35,565,358 and \$21,930,404, respectively of deferred outflows of resources related to pension and OPEB (Other Post-Employment Benefits) in the statement of net position. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension/OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active employees and inactive employees).

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At December 31, 2022 and 2021, there was \$0 and \$2,300,000 in deferred inflows related to a rate stabilization adjustment. The Plant also reports a deferred inflow of resources related to pension plan and OPEB. At December 31, 2022 and 2021, there was \$31,514,381 and \$16,919,153, respectively, in deferred inflows due to changes of assumptions related to the pension plan and OPEB. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Additionally at December 31, 2022 and 2021, there was \$4,799,969 and \$4,579,460, respectively in deferred inflows due to contributions in aid of construction.



# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *UTILITY PLANT*

The provision for depreciation of the utility plant was computed in 2022 and 2021 at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. No depreciation is taken in the year of plant additions and a full year's depreciation is taken in the year of disposal.

Massachusetts law stipulates that the Plant may change its depreciation rate from the statutory 3% only with the approval of the DPU. Depreciation designated cash is used in accordance with state laws for replacements, enlargements and additions to the utility plant in service. The Plant capitalizes individual purchases of \$3,000 or more and groups of purchases of similar items of \$5,000 or more. Office furniture purchased for more than \$1,000 or office equipment, meters, transformers and vehicles purchased for more than \$500 are capitalized.

The carrying value of utility plant is reviewed for impairment on an annual basis or more frequently if circumstances indicate a potential impairment exists or has occurred. There were no impairment losses recognized during the years ended December 31, 2022 and 2021.

##### *INVESTMENT IN SEABROOK*

The Plant's Investment in Seabrook Plant represents a 0.10034% joint ownership share. The Plant records annual depreciation computed at 4% of the initial investment in Seabrook. The Plant's percentage share of new plant additions are capitalized and their share of operating and maintenance expenses, and decommissioning expenses (see Note C) are charged against earnings.

##### *SICK LEAVE FUND*

The Plant maintains a fully funded Sick Leave Fund for the financing of future sick leave payments. It is the Plant's intention that the Sick Leave Fund be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Sick Leave Fund. The assets of the Sick Leave Fund are shown in the financial statements to provide a more meaningful presentation, as the assets of the Sick Leave Fund are for the sole purpose of satisfying a liability of the Plant.

##### *PLANT EMPLOYEES' RETIREMENT FUND*

The Plant has established a separate Employees' Retirement Fund for the financing of future contributions to the City's pension plan (see Note H).

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *CASH EQUIVALENTS*

For purposes of the Statement of Cash Flows, the Plant considers all deposits with original maturities of three months or less when purchased to be cash equivalents.

##### *INVESTMENTS*

The Plant invests in various types of investments, which are stated at fair value in the statement of net position, based on quotations from applicable national securities exchanges. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Realized gains and losses, as well as changes in value of the invested funds, are included in the statement of revenues, expenses and changes in net position. The Plant investments are held in the Sick Leave Fund, Plant Employees' Retirement Fund and Other Post-Employment Benefits Fund. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net position and activities.

##### *ACCOUNTS RECEIVABLE*

The Plant carries its accounts receivable at net realizable value by way of an allowance for doubtful accounts. Collectability of receivables is determined based on historical write offs and collections, on knowledge of specific large accounts, and on current economic conditions.

##### *REVENUE RECOGNITION*

The Plant revenues are based on rates established by the Plant as authorized by the Board of Commissioners and filed with the Massachusetts Department of Public Utilities. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis. Revenues are stated net of discounts and any related bad debts.

##### *MATERIAL AND SUPPLIES INVENTORY*

Materials and supplies inventory is carried at cost, principally on the average cost method. The cost of inventory is expensed when consumed rather than purchased.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *PENSION PLAN*

Substantially all employees of the Plant are covered by a contributory defined benefit pension plan administered by the City of Taunton in conformity with State Retirement Board requirements (see Note H).

##### *OTHER POST-EMPLOYMENT BENEFITS*

The Plant participates in The Post-Retirement Benefits Plan of The City of Taunton, an agent multi-employer defined benefit healthcare plan administered by the City of Taunton. The Plant provides post-employment health care benefits to retirees that meet certain requirements (see Note I).

##### *TAXES*

The Plant is exempt from federal and state income taxes as well as local property taxes. The Plant pays an amount to the City of Taunton in lieu of taxes. The amount is voted annually by the Municipal Lighting Commission.

##### *OPERATING AND NON-OPERATING REVENUES AND EXPENSES*

The Plant distinguishes operating revenues and expenses from non-operating. Operating revenues result from charges to customers for electricity and related services. Operating expenses include the cost of operations, maintenance, sales and service, administrative expenses and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating income and expenses.

##### *RESTRICTED VERSUS UNRESTRICTED RESOURCES*

When both restricted and unrestricted amounts are available for use, the Plant's practice is to use restricted resources first.

##### *PREPAID EXPENSES*

Certain payments to vendors reflect costs applicable to future accounting periods and are reflected as prepaid expenses. Prepaid expenses are expensed when consumed rather than purchased.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS*

In fiscal year 2022, the Plant implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement enhances the relevance and consistency of information of the Plant’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The standard had no material impact on the Plant’s financial statements as the total operating lease obligations were \$22,280 as of December 31, 2022.

#### NOTE B – PLANT IN SERVICE

Plant in service activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Production	\$ 114,754,090	\$ 15,510,930	\$ --	\$ 130,265,020
Transmission	7,809,272	--	--	7,809,272
Distribution	124,743,215	4,134,106	--	128,877,321
General	<u>46,146,985</u>	<u>60,885</u>	<u>(48,322)</u>	<u>46,159,548</u>
Total Plant in Service	<u>293,453,562</u>	<u>19,705,921</u>	<u>(48,322)</u>	<u>313,111,161</u>
Less Accumulated Depreciation for:				
Production	79,872,629	2,538,880	--	82,411,509
Transmission	7,137,142	29,351	--	7,166,493
Distribution	73,208,941	3,604,706	--	76,813,647
General	<u>33,634,412</u>	<u>1,790,634</u>	<u>(48,322)</u>	<u>35,376,724</u>
Total Accumulated Depreciation	<u>193,853,124</u>	<u>7,963,571</u>	<u>(48,322)</u>	<u>201,768,373</u>
Net Utility Plant in Service	<u>\$ 99,600,438</u>	<u>\$ 11,742,350</u>	<u>\$ --</u>	<u>\$ 111,342,788</u>

Depreciation expense for utility plant in service of \$7,963,571 and for the investment in Seabrook \$3,333 was charged to operating expenses for the year ended December 31, 2022.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE B – PLANT IN SERVICE (CONTINUED)

Plant in service activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Production	\$ 109,173,125	\$ 5,580,965	\$ --	\$ 114,754,090
Transmission	7,809,272	--	--	7,809,272
Distribution	120,799,146	3,944,069	--	124,743,215
General	<u>45,182,912</u>	<u>1,017,388</u>	<u>(53,315)</u>	<u>46,146,985</u>
Total plant in service	<u>282,964,455</u>	<u>10,542,422</u>	<u>(53,315)</u>	<u>293,453,562</u>
Less Accumulated Depreciation for:				
Production	77,416,953	2,455,676	--	79,872,629
Transmission	7,106,493	30,649	--	7,137,142
Distribution	69,352,911	3,856,030	--	73,208,941
General	<u>31,634,612</u>	<u>2,053,115</u>	<u>(53,315)</u>	<u>33,634,412</u>
Total Accumulated Depreciation	<u>185,510,969</u>	<u>8,395,470</u>	<u>(53,315)</u>	<u>193,853,124</u>
Net Utility Plant in Service	<u>\$ 97,453,486</u>	<u>\$ 2,146,952</u>	<u>\$ --</u>	<u>\$ 99,600,438</u>

Depreciation expense for utility plant in service of \$8,395,470 and for the investment in Seabrook of \$3,802 was charged to operating expenses for the year ended December 31, 2021.

#### NOTE C – INVESTMENTS

##### *SEABROOK*

The Plant is a 0.10034% joint owner of the Seabrook New Hampshire Unit 1.

The joint owners of Seabrook have established a Decommissioning Fund that is currently held by a Trustee. The Plant's share of the estimated decommissioning liability is \$1,196,887 as of December 31, 2022 (the most current valuation date).

Each joint owner is required to make monthly payments into the Nuclear Decommissioning Financing Fund in accordance with the Decommissioning Fund Funding Schedule. The cost is included in nuclear expense on the statement of revenues, expenses and changes in net position as it is paid. No payments into the Nuclear Decommissioning Financing Fund were required for the year ended December 31, 2022.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE C – INVESTMENTS (CONTINUED)

##### *ENERGY NEW ENGLAND*

Energy New England, LLC (“ENE”) is an energy services company 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. ENE functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. The Plant owns a 36.35% interest in ENE. Each of the six members has one seat on the Board of Directors along with three outside Directors. The Plant's initial investment in the company in 1998 was \$500,000. The Plant records this investment under the equity method.

Included in non-operating income is approximately \$47,000 and \$263,000 of gains for the years ended December 31, 2022 and 2021, respectively, representing the Plant's share of ENE's results of operations.

##### *HYDRO QUEBEC ELECTRIC COMPANY*

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities and Hydro-Quebec Electric Corporation (“Hydro Quebec”). In connection with the agreement, the Plant advanced approximately \$800,000 toward development of the project of which approximately \$450,000 was returned after the project obtained financing. In 1991, the Hydro Quebec project was completed. Upon completion of this project, each participant received stock in the New England Hydro Transmission Electric Company and the New England Hydro Transmission Corporation proportional to their advances. The investment is being accounted for on the cost basis. The stock received is not readily marketable, but gives the holder rights to purchase power at a percentage of the fossil fuel rate. During the years ended December 31, 2022 and 2021, the Plant received no dividends from the two companies.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE C – INVESTMENTS (CONTINUED)

##### *SICK LEAVE FUND, PLANT EMPLOYEES' RETIREMENT FUND AND OTHER POST-EMPLOYMENT BENEFITS FUND INVESTMENTS*

In determining fair value, the Plant uses various valuation approaches, as appropriate in the circumstances. GASB Statement No. 72 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

*Domestic Equities (excluding mutual funds):* Valued using prices quoted in active markets for those securities.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE C – INVESTMENTS (CONTINUED)

#### ***SICK LEAVE FUND, PLANT EMPLOYEES’ RETIREMENT FUND AND OTHER POST-EMPLOYMENT BENEFITS FUND INVESTMENTS (CONTINUED)***

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Plant are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plant are deemed to be actively traded.

*Fixed income securities:* Valued using active market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments, including matrix pricing based on quoted prices for securities with similar coupons, ratings and maturities. Accordingly, this class of investments is rated within Levels 1 and 2 of hierarchy.

Financial assets and liabilities carried at fair value as of December 31, 2022 are classified in the following tables in one of the three categories described above:

Sick Leave Fund				
Description	Level 1	Level 2	Level 3	Fair Value
Domestic Equities (excluding mutual funds)	\$ 3,082,926	\$ --	\$ --	\$ 3,082,926
Mutual Funds				
Domestic Equity	2,056,877	--	--	2,056,877
Domestic Fixed Income	361,851	--	--	361,851
International Fixed Income	364,420	--	--	364,420
Fixed Income Securities (excluding mutual funds)	--	2,963,175	--	2,963,175
	<u>\$ 5,866,074</u>	<u>\$ 2,963,175</u>	<u>\$ --</u>	8,829,249
Cash and cash equivalents				<u>111,221</u>
Total sick leave fund				<u>\$ 8,940,470</u>

Plant Employees’ Retirement Fund				
Description	Level 1	Level 2	Level 3	Fair Value
Domestic Equities (excluding mutual funds)	\$ 4,938,898	\$ --	\$ --	\$ 4,938,898
Mutual Funds				
Domestic Equity	3,277,964	--	--	3,277,964
Domestic Fixed Income	576,452	--	--	576,452
International Fixed Income	581,824	--	--	581,824
Fixed Income Securities (excluding mutual funds)	--	4,716,128	--	4,716,128
	<u>\$ 9,375,138</u>	<u>\$ 4,716,128</u>	<u>\$ --</u>	14,091,266
Cash and cash equivalents				<u>155,991</u>
Total Plant employees’ retirement fund				<u>\$ 14,247,257</u>



# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE C – INVESTMENTS (CONTINUED)

#### *SICK LEAVE FUND, PLANT EMPLOYEES’ RETIREMENT FUND AND OTHER POST-EMPLOYMENT BENEFITS FUND INVESTMENTS (CONTINUED)*

Plant Employees’ OPEB Fund				
Description	Level 1	Level 2	Level 3	Fair Value
Mutual Funds				
Domestic Equity	\$ 858,002	\$ --	\$ --	\$ 858,002
Domestic Fixed Income	574,567	--	--	574,567
International Fixed Income	<u>63,170</u>	<u>--</u>	<u>--</u>	<u>63,170</u>
	<u>\$ 1,495,739</u>	<u>\$ --</u>	<u>\$ --</u>	1,495,739
Cash and cash equivalents				<u>4,261</u>
Total Plant employees’ OPEB fund				<u>\$ 1,500,000</u>

Financial assets and liabilities carried at fair value as of December 31, 2021 are classified in the following tables in one of the three categories described above:

Sick Leave Fund				
Description	Level 1	Level 2	Level 3	Fair Value
Domestic Equities (excluding mutual funds)	\$ 7,515,059	\$ --	\$ --	\$ 7,515,059
Mutual Funds				
Domestic Equity	5,569,979	--	--	5,569,979
Domestic Fixed Income	1,187,302	--	--	1,187,302
International Fixed Income	1,164,650	--	--	1,164,650
Fixed Income Securities (excluding mutual funds)	<u>1,536,970</u>	<u>3,608,995</u>	<u>--</u>	<u>5,145,965</u>
	<u>\$ 16,973,960</u>	<u>\$ 3,608,995</u>	<u>\$ --</u>	20,582,955
Cash and cash equivalents				<u>161,192</u>
Total sick leave fund				<u>\$ 20,744,147</u>

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE C – INVESTMENTS (CONTINUED)

#### *SICK LEAVE FUND, PLANT EMPLOYEES’ RETIREMENT FUND AND OTHER POST-EMPLOYMENT BENEFITS FUND INVESTMENTS (CONTINUED)*

Plant Employees’ Retirement Fund				
Description	Level 1	Level 2	Level 3	Fair Value
Domestic Equities (excluding mutual funds)	\$ 5,776,675	\$ --	\$ --	\$ 5,776,675
Mutual Funds				
Domestic Equity	4,282,336	--	--	4,282,336
Domestic Fixed Income	912,696	--	--	912,696
International Fixed Income	895,160	--	--	895,160
Fixed Income Securities (excluding mutual funds)	1,113,237	2,830,905	--	3,944,142
	\$ 12,980,104	\$ 2,830,905	\$ --	15,811,009
Cash and cash equivalents				135,951
Total Plant employees’ retirement fund				\$ 15,946,960

The following are maturities of the Plant’s debt related securities, as of December 31, 2022:

Sick Leave Fund				
Type of Investment	Fair Value	0-3 Years	3-5 Years	Over 5 Years
Fixed Income Securities	\$ 2,963,175	\$ 549,208	\$ 487,488	\$ 1,926,479

Plant Employees’ Retirement Fund				
Type of Investment	Fair Value	0-3 Years	3-5 Years	Over 5 Years
Fixed Income Securities	\$ 4,716,128	\$ 910,476	\$ 747,299	\$ 3,058,353

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE C – INVESTMENTS (CONTINUED)

#### *SICK LEAVE FUND, PLANT EMPLOYEES’ RETIREMENT FUND AND OTHER POST-EMPLOYMENT BENEFITS FUND INVESTMENTS (CONTINUED)*

The following are maturities of the Plant’s debt related securities, as of December 31, 2021:

Sick Leave Fund				
Type of Investment	Fair Value	0-3 Years	3-5 Years	Over 5 Years
Fixed Income Securities	<u>\$ 5,145,965</u>	<u>\$ 1,187,689</u>	<u>\$ 1,398,673</u>	<u>\$ 2,559,603</u>

Plant Employees’ Retirement Fund				
Type of Investment	Fair Value	0-3 Years	3-5 Years	Over 5 Years
Fixed Income Securities	<u>\$ 3,944,142</u>	<u>\$ 854,301</u>	<u>\$ 1,173,777</u>	<u>\$ 1,916,064</u>

Average ratings of the investments comprising the debt related securities above, as determined by Standards & Poor’s as of December 31, 2022 are as follows:

	Sick Leave Fund	Plant Employees’ Retirement Fund
	Fixed Income Securities	
United States Treasury	\$ 991,182	\$ 1,375,152
Government Agencies	649,528	1,469,718
AAA	461,959	628,367
AA	31,706	65,180
A	292,169	460,769
BBB	536,631	714,224
BB	--	2,718
Total	<u>\$ 2,963,175</u>	<u>\$ 4,716,128</u>

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE C – INVESTMENTS (CONTINUED)

##### *SICK LEAVE FUND, PLANT EMPLOYEES' RETIREMENT FUND AND OTHER POST-EMPLOYMENT BENEFITS FUND INVESTMENTS (CONTINUED)*

Average ratings of the investments comprising the debt related securities above, as determined by Standards & Poor's as of December 31, 2021 are as follows:

	Sick Leave Fund	Plant Employees' Retirement Fund
	<u>Fixed Income Securities</u>	
United States Treasury	\$ 1,554,596	\$ 1,134,730
Government Agencies	1,161,959	911,097
AAA	770,866	621,203
AA	85,423	72,178
A	516,655	380,610
BBB	1,050,806	821,565
BB	<u>5,660</u>	<u>2,759</u>
Total	<u>\$ 5,145,965</u>	<u>\$ 3,944,142</u>

#### *Concentrations*

At December 31, 2022 and 2021, the Plant had a diversified portfolio in its Sick Leave, Plant Employees' Retirement and Other Post-Employment Benefits Funds, which was invested in various mutual funds and fixed income securities, as detailed above.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates and will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Plant minimizes its exposure to interest rate risk by investing in short-term, highly liquid investments.

#### *Custodial Credit Risk*

The Plant does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plant will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plant does not believe that it has a significant custodial credit risk as all the investments are registered and held in the name of the Plant.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE D – CASH AND CASH EQUIVALENTS

The Plant's cash is primarily deposited with the City of Taunton Treasurer who commingles it with other City funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Plant's deposits is not determinable because the limits of insurance are computed on a City-wide basis.

The City invests the cash and credits the Plant each year with interest earned on the cash deposits.

Cash and cash equivalents consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash - operating	\$ 10,179,660	\$ 8,907,227
Customer deposits	2,128,336	2,033,789
Depreciation - designated funds	13,208,818	13,208,818
Rate stabilization - designated funds	<u>--</u>	<u>2,300,000</u>
Cash Deposited with City of Taunton	25,516,814	26,449,834
Other post - employment benefits fund	<u>--</u>	<u>517,638</u>
Total Cash and Cash Equivalents	<u>\$ 25,516,814</u>	<u>\$ 26,967,472</u>

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE E – SHORT-TERM AND LONG-TERM DEBT

##### *LONG-TERM DEBT OUTSTANDING AND ACTIVITY*

Long-term debt consists of the following:

	2022	2021
\$2,251,000 general obligation bond, issued September 26, 2013, with interest rates ranging from 2% to 3% and annual principal and semi-annual interest payments through September 1, 2023.	\$ 225,000	\$ 450,000
\$1,425,000 general obligation bond, issued May 22, 2014, with interest rates ranging from 2% to 4% and annual principal and semi-annual interest payments through March 1, 2024.	280,000	420,000
\$9,075,500 general obligation bonds, issued September 28, 2017, with interest rates ranging from 2% to 5% and annual principal and semi-annual interest payments through September 15, 2037.	5,865,000	6,500,000
\$4,590,000 general obligation bonds, issued October 27, 2022, with interest rates ranging from 4.25% to 5% and annual principal and semi-annual interest payments through August 15, 2042.	4,590,000	--
Bond premiums, net of accumulated amortization	<u>911,811</u>	<u>763,313</u>
Balance of long-term debt, Ending	11,871,811	8,133,313
Less: current installments of long-term debt	<u>(1,230,000)</u>	<u>(1,000,000)</u>
Long-term debt, excluding current installments	<u>\$ 10,641,811</u>	<u>\$ 7,133,313</u>

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE E – SHORT-TERM AND LONG-TERM DEBT (CONTINUED)

##### *LONG-TERM DEBT OUTSTANDING AND ACTIVITY (CONTINUED)*

The future payments on the long-term debt are as follows:

Year	Principal	Interest	Total
2023	\$ 1,230,000	\$ 448,679	\$ 1,678,679
2024	1,000,000	437,519	1,437,519
2025	860,000	385,569	1,245,569
2026	860,000	350,006	1,210,006
2027	555,000	298,869	853,869
Thereafter	<u>6,455,000</u>	<u>1,753,866</u>	<u>8,208,866</u>
	10,960,000	<u>\$ 3,674,508</u>	<u>\$ 14,634,508</u>
Add bond premiums	<u>911,811</u>		
Total	<u>\$ 11,871,811</u>		

These general obligation bonds are guaranteed by the full faith and credit of the City of Taunton.

Long-term debt activity for the years ended December 31, 2022 and 2021 were as follows:

Description	2022				
	Outstanding December 31, 2021	Additions	Retirements	Outstanding December 31, 2022	Due Within One Year
General obligation bonds	\$ 7,370,000	\$ 4,590,000	\$ (1,000,000)	\$ 10,960,000	\$ 1,230,000
Bond Premium	763,313	269,067	(120,569)	911,811	--
Compensated absences	6,010,129	1,979,352	(1,662,648)	6,326,833	1,658,044
Other post - employment benefits obligation	32,478,846	23,177,872	(21,765,447)	33,891,271	--
Net pension liability	23,110,248	19,364,612	(25,452,105)	17,022,755	--
Sick leave annuities - obligation	<u>4,230,646</u>	<u>--</u>	<u>(825,623)</u>	<u>3,405,023</u>	<u>--</u>
Long-Term Liabilities	<u>\$ 73,963,182</u>	<u>\$ 49,380,903</u>	<u>\$ (50,826,392)</u>	<u>\$ 72,517,693</u>	<u>\$ 2,888,044</u>
Description	2021				
	Outstanding December 31, 2020	Additions	Retirements	Outstanding December 31, 2021	Due Within One Year
General obligation bonds	\$ 8,375,000	\$ --	\$ (1,005,000)	\$ 7,370,000	\$ 1,000,000
Bond Premium	864,832	--	(101,519)	763,313	--
Compensated absences	6,109,711	1,572,536	(1,672,118)	6,010,129	1,662,648
Other post - employment benefits obligation	31,894,371	3,645,636	(3,061,161)	32,478,846	--
Net pension liability	28,322,811	12,204,151	(17,416,714)	23,110,248	--
Sick leave annuities - obligation	<u>4,228,769</u>	<u>1,877</u>	<u>--</u>	<u>4,230,646</u>	<u>--</u>
Long-Term Liabilities	<u>\$ 79,795,494</u>	<u>\$ 17,424,200</u>	<u>\$ (23,256,512)</u>	<u>\$ 73,963,182</u>	<u>\$ 2,662,648</u>

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE F – LEASE OBLIGATION

As described in Note A, the Plant implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* in fiscal year 2022. Due to the immaterial amount of the total lease obligations no adjustments were made to the Plant's financial statements as of December 31, 2022.

The Plant leases certain equipment under monthly operating leases. Rental expense was \$73,576 for the years ended December 31, 2022 and 2021. As of December 31, the remaining operating lease obligations are as follows:

2023	\$ 22,280
Total	<u>\$ 22,280</u>

#### NOTE G – COMMITMENTS AND CONTINGENCIES

##### *LITIGATION AND OTHER MATTERS*

The Plant is involved in various legal matters incident to its business, none of which is believed by management to be significant to the financial condition or the results of operations of the Plant.

The Plant is also involved in proceedings relating to environmental matters. Although it is not possible to estimate the liability, if any, of the Plant related to these environmental matters, the Plant believes that these matters will not have a material adverse effect upon its financial condition or the results of operations.

The Plant has a program for insurance coverage provided by the Massachusetts Municipal Utility Self-Insurance Trust Fund ("Trust"). The insurance coverage provided by the Trust is in excess of a \$50,000 self-retention up to a maximum of \$500,000 per occurrence. Additionally, coverage for certain environmental claims is provided by the Trust through a separate policy for which the plant is responsible for a \$50,000 self-retention and the Trust covers the next \$50,000. Above this combined \$100,000 self-retention, the separate pollution liability policy provides coverage for certain claims up to \$1 million per occurrence and \$10 million aggregate. There have been no settlements exceeding the insurance coverage in the past three years.



# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE G – COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### *OPTION CONTRACTS*

The Plant manages risk associated with power supply commitments and excess capacity by entering into forward contracts for the purchase and sale of electricity and fuel in the normal course of business. It also uses put and call option contracts to reduce the price risk associated with its power supply portfolio.

Put and call options are reflected at fair value as determined by actively quoted prices and are recorded on the statement of net position with changes in fair value included in purchased power and transmission expense. No option contracts were open as of December 31, 2022 and 2021.

Forward contracts to purchase electricity and fuel at set prices and other contracts to sell electricity at fixed prices qualify for the normal purchases and sales exception and are not accounted for as derivatives.

The objectives of the Plant's risk management procedures for option contract and power and fuel purchase and sale forward contract activities are to optimize power supply resources, control costs, and manage price volatility to customers while avoiding speculative positions in the commodities markets.

##### *POWER CONTRACTS*

The Plant has commitments under contracts for the purchase of electricity from various suppliers. These wholesale contracts are generally for fixed periods and require payment of demand and energy charges. The total costs under these contracts are included in purchased power in the statements of revenues, expenses and changes in net position and are normally recoverable in revenues under cost recovery mechanisms mandated by the Commonwealth of Massachusetts.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE G – COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### *POWER CONTRACTS (CONTINUED)*

The status of these contracts is as follows:

Counter Party	Fuel	Annual KW Entitlements	Contract End Date	Estimated Annual Minimum Payments
New York Power Authority	Hydro	3,840	2025	\$ 1,395,000
MM Taunton Energy, LLC	Methane	1,630-1,900	2025	1,824,000
Braintree Electric Light Department	Methane	10,000	2029	3,904,000
Granite Reliable Power LLC	Wind	1,000	2037	720,000
Southern Sky Renewable Energy County Street, LLC	Solar	3,000	2038	2,001,000
Manheim Remarketing, Inc.	Solar	3,000	2037	1,759,000
GLC-(MA) Taunton, LLC	Solar	3,000	2032	1,711,000
Berkley East Solar LLC	Solar	3,000	2036	1,728,000
GWE Taunton Solar RT, LLC	Solar	432	2035	248,000
Southern Sky Renewable Energy Berkley, LLC	Solar	3,000	2041	1,813,000
GSPR Raynham TMLP, LLC	Solar	2,280	2043	1,281,000
CNBE (New Bedford Land)	Unspecified	530	2023	187,000
Firstlight Power Resources Management, LLC	Unspecified	800-43,900	2030	9,897,000
Shell	Unspecified	10,000	2023	3,395,000
Gravel Pit Solar III, LLC	Solar	1,300	2047	604,000
NextEra Energy Power Marketing, LLC	Nuclear	56,700	2029	18,794,000
Macquarie Shaped Block	Unspecified	6,800	2022	2,091,000
Broadleaf Solar	Solar	3,200	2026	1,610,000
Great River Hydro	Hydro	2,900	2030	1,510,000
Total				<u>\$ 56,472,000</u>

#### NOTE H – PENSION PLAN

##### *DEFINED BENEFIT PLAN*

The Plant contributes to the City of Taunton Retirement System (the "System"), a public employee retirement system that acts as the investment and administrative agent for the City. The System is a contributory cost-sharing multiple employer defined benefit plan. All full-time employees participate in the System.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory upon the commencement of employment for all permanent, full-time employees.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE H – PENSION PLAN (CONTINUED)

##### *DEFINED BENEFIT PLAN (CONTINUED)*

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The System also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City's payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5%, 7%, 8%, 9% of their regular compensation or 2% of salary in excess of \$30,000, depending on the date upon which their membership began. The System also provides death and disability benefits.

The System assesses the City each fiscal year an amount determined in accordance with its current funding schedule. The City allocates a portion of its obligation to the Plant based on the relative number of participants and the amount of payroll. The Plant's contributions to the System for 2022, 2021 and 2020 were \$5,054,133, \$4,794,400 and \$4,439,358, respectively, and were equivalent to the required payments.

The current funding schedule includes the amount required to pay the employer normal cost (in addition to member contributions) plus the amortization of the prior unfunded actuarial accrued liability. The current funding schedule projects that the Plan will be fully funded in 2030. The funding schedule has been approved by the Public Employees Retirement Association.

At December 31, 2022, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	178
Inactive members entitled to but not yet receiving benefits	6
Active plan members	<u>142</u>
Total	<u><u>326</u></u>

Copies of the System's audited financial statements can be obtained by writing to The City of Taunton Retirement System, 104 Dean Street, Suite 203, Taunton, MA 02780.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE H – PENSION PLAN (CONTINUED)

##### *DEFINED BENEFIT PLAN (CONTINUED)*

The Plan's investment policy in regard to the allocation of invested assets is established by the Retirement System Pension Board of Trustees. To diversify plan assets so as to minimize the risk associated with dependence of the success on one enterprise, the Board of Trustees decided to employ a multi-manager team approach to investing plan assets. Investment managers are employed to utilize individual expertise within their area of responsibility. Each manager is governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to this Policy. Commingled funds will be governed by the guidelines adopted by said fund and reviewed during the contract negotiation process.

The following was the asset allocation as of December 31, 2022:

<u>Asset Class</u>	<u>Asset Allocation</u>
Equity	60.00%
Fixed income	20.00%
Alternative Assets	5.00%
Real Estate	<u>15.00%</u>
Total	<u>100.00%</u>

For the year ended December 31, 2022 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 16.95 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary increases	4.0 Percent
Investment rate of return	7.6 Percent, net of pension plan investment expense

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE H – PENSION PLAN (CONTINUED)

##### *DEFINED BENEFIT PLAN (CONTINUED)*

Plan liabilities as of January 1, 2022 were valued using rates taken from Pub-2010 Public Retirement Plans Mortality Tables Report from the Society of Actuaries dated January 2019. These rates are applied as follows:

Participant Group	Non-disabled	Disabled
General Employees	PubG-2010 Healthy	PubG-2010 Disabled
Contingent survivors	Contingent survivors table (total dataset)	N/A

All rates are amount-weighted and projected from 2010 to 2025 with Scale MP-2021. Separate annuitant and non-annuitant rate tables were used.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of December 31, 2022 are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	9.03%
Fixed income	2.93%
Alternative Assets	6.61%
Real Estate	6.71%

The discount rate used to measure the total pension liability was 7.6%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made as the current contribution rate and that the Plant's contributions will be made as the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE H – PENSION PLAN (CONTINUED)

##### *NET PENSION LIABILITY*

The Plant’s net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022.

The Plant reported a net pension liability of \$17,022,755 and \$23,110,248 as of December 31, 2022 and 2021, respectively, for its proportionate share of the Plan’s net pension liability. The components of the net pension liability at December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Total pension liability	\$ 136,707,660	\$ 130,390,892
Plan fiduciary net position	119,684,905	107,280,644
Net pension liability	\$ 17,022,755	\$ 23,110,248

Plan fiduciary net position as a percentage of the total pension liability	87.5%	82.3%
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##### *SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN DISCOUNT RATE*

The following presents the net pension liability of the System calculated using the discount rate of 7.6 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6 percent) or 1 percentage point higher (8.6 percent) than the current rate:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Net pension liability	\$ 31,813,922	\$ 17,022,755	\$ 4,421,904

Changes of Assumptions – The discount rate was lowered from 7.75% to 7.60%. The mortality improvement assumption was updated to Scale MP-2021 to reflect more recently available information, and the salary scale was updated from 3.5% to 4.0%.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE H – PENSION PLAN (CONTINUED)

***PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS***

For the years ended December 31, 2022 and 2021, the Plant recognized pension expenses of \$4,293,856 and \$3,890,388, respectively. At December 31, 2022 and 2021, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to December 31, 2021	\$ 5,054,133	\$ --
Difference Between Projected and Actual Earnings	--	11,277,310
Changes in proportion and difference between employer contributions and proportionate share of contributions	399,077	660,682
Current year amortization of changes in proportion	--	--
Changes of assumptions	4,961,867	--
Difference between expected and actual experience	5,387,901	--
Total	\$ 15,802,978	\$ 11,937,992
	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to December 31, 2020	\$ 4,794,400	\$ --
Difference Between Projected and Actual Earnings	4,214,276	9,664,826
Employer contributions and proportionate share of contributions	--	258,120
Changes in proportion and difference between employer contributions and proportionate share of contributions	596,642	--
Current year amortization of changes in proportion	(338,509)	--
Changes of assumptions	4,270,316	--
Difference between expected and actual experience	4,331,495	--
Total	\$ 17,868,620	\$ 9,922,946

At December 31, 2022, amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2023	\$ 6,324,758
2024	(734,285)
2025	(1,052,084)
2026	(673,403)
	\$ 3,864,986

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE H – PENSION PLAN (CONTINUED)

##### *RETIREMENT FUND*

The Plant has established a separate Plant Employees' Retirement Fund for the financing of future pension plan contributions. Net position at December 31, 2022 and 2021, was approximately \$14,247,000 and \$15,947,000, respectively. These funds are invested in money market funds, fixed income securities including government and corporate bonds and other equity securities. The Plant made no contributions to the Plant Employees' Retirement Fund in 2022 and 2021.

#### NOTE I – OTHER POST-EMPLOYMENT BENEFITS

##### *PLAN DESCRIPTION*

The Plant participates in The Post-Retirement Benefits Plan of The City of Taunton, an agent multi-employer defined benefit healthcare plan administered by the City of Taunton. The Plant provides post-employment health care benefits to retirees that meet certain requirements. Retirees of the Plant under age 65 are eligible for the same health benefits as active employees, while retirees over the age of 65 are eligible for MEDEX. Chapter 32B of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the Plan. The Plan does not issue a publicly available financial report.

At June 30, 2022, the most recent actuarial valuation date, the Plant's membership consisted of the following:

At June 30, 2022 the Plant's membership consisted of the following:

Current active members	145
Current retirees and beneficiaries	<u>157</u>
Total	<u><u>302</u></u>

##### *FUNDING POLICY*

The contribution requirements of the Plan members and the Plant are established and may be amended through collective bargaining. The cost of the benefits provided to retirees are borne 75% by the Plant, and 25% by the retiree. The Plant currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.



# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE I – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

##### *ACTUARIAL METHODS AND ASSUMPTIONS*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation Date: Actuarially Determined Contribution was calculated as of June 30, 2022.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method

Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2022.

Investment Rate of Return: 3.5%, net of OPEB plan investment expense

Discount Rate 4.09% as of June 30, 2022 and for future periods

Medical Inflation 4.50% as of June 30, 2022 and for future periods

Dental Trend Rate 4.00% as of June 30, 2022 and for future periods

Mortality: For active employees and healthy annuitants in Groups 1 & 2, PubG-2010 Amount Weighted General Mortality projected to 2025 with Mortality Improvement Scale MP-2021. For healthy annuitants in Group 4, PubS-2010 Amount Weighted Safety Mortality projected to 2025 with MP-2021.

For disabled annuitants in Groups 1 & 2, PubG-2010 Amount Weighted General Disability Mortality Table, projected to 2025 with MP-2021. For disabled annuitants in Group 4, PubS-2010 Amount Weighted Safety Disability Mortality Table projected to 2025 with MP-2021.

For survivors and beneficiaries, Pub-2010 Amount Weighted Contingent Survivor Mortality Table projected to 2025 with MP-2021.

##### *INVESTMENT POLICY*

The Plant's policy in regard to the allocation of invested assets is established and may be amended by the committee by a majority vote of its members. It is the policy of the Plant to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE I – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

##### *INVESTMENT POLICY (CONTINUED)*

The following was the asset allocation as of December 31, 2022.

<u>Asset Class</u>	<u>Asset Allocation</u>
Domestic Equity	31.00%
International Equity	21.00%
Domestic Bond	22.00%
International Bond	6.00%
Alternatives	10.00%
Private Equity	6.50%
Real Estate	<u>3.50%</u>
Total	<u>100.00%</u>

##### *RATE OF RETURN*

For the year ended December 31, 2022, the annual money-weighted rate of return on investment, net of investment expense, was -13.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	4.66%
International Equity	5.88%
Domestic Bond	1.30%
International Bond	1.33%
Alternatives	5.28%
Private Equity	9.83%
Real Estate	1.32%

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE I – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

##### *NET OPEB LIABILITY*

The Plant reported a net OPEB liability of \$33,891,271 and \$32,478,846 as of December 31, 2022 and 2021, respectively, for its proportionate share of the Plan’s net OPEB liability. The components of the net OPEB liability of the Plant at December 31, 2022 and 2021, were as follows:

	2022	2021
Total OPEB liability	\$ 34,247,136	\$ 32,714,407
Plans fiduciary net position	355,865	235,561
Plant's net OPEB liability	\$ 33,891,271	\$ 32,478,846
Plan net position as a percentage of the total OPEB liability	1.05%	0.73%

##### *SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE*

The following presents the net OPEB liability of the system calculated using the discount rate of 4.09%, as well as what the system’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate. The Plan Fiduciary Net Position as a percentage of the Total OPEB Liability is 0.1%.

	Impact of 1% Change in Discount Rate		
	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
Net OPEB liability	\$ 38,989,400	\$ 33,891,271	\$ 29,729,087

The following presents the net OPEB liability of the system calculated using the current trend rates, as well as what the system’s net OPEB liability would be if it were calculated using trend rates 1-percentage-point lower for all years or 1-percentage-point higher than the current rates:

	Impact of 1% Change in Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB liability	\$ 29,126,668	\$ 33,891,271	\$ 39,934,482

# TAUNTON MUNICIPAL LIGHTING PLANT

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### NOTE I – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

##### *OPEB FUND*

In March 2015, the Plant established an OPEB Trust Fund for the purpose of accumulating assets to fund future payments of OPEB obligations. The initial funding of the Trust was \$500,000 made in February 2016. Net position at December 31, 2022 and 2021, was \$1,500,000 and \$517,638, respectively. These funds are invested in money market funds, fixed income securities including government and corporate bonds and other equity securities.

#### NOTE J – INTERNET ACCESS BUSINESS UNIT

The Plant also operates an internet access business unit and provides services to approximately 1,000 customers. Revenue and expense for this business unit are combined and presented as a single line item in non-operating income (expense) in the statement of revenues, expenses and changes in net position, as this activity is not the Plant's primary operating activity. Internet services generated revenues of approximately \$2,011,000 and \$2,248,000 for the years ended December 31, 2022 and 2021, respectively. Expenses were approximately \$1,247,000 and \$1,371,000 for the same periods, respectively.

The business unit utilizes certain assets of the Plant. For the years ended December 31, 2022 and 2021, other operating revenue for the Plant and internet expense includes approximately \$133,000, relating to this cost allocation.

#### NOTE K – SALE OF EMISSION ALLOWANCES

The Plant receives emission allowances in connection with the operation of its generation facilities. The Plant may from time to time purchase or sell excess emission allowances on the open market. The income from the sale or the expense from the expiration of allowances are recorded as non-operating income or expense on the statement of revenues, expenses and changes in net position.

#### NOTE L – SICK LEAVE ANNUITIES

If an employee is terminated for any reason, other than for cause, the Taunton Municipal Lighting Plant purchases a single premium annuity for the employees benefit. The value of the annuity is the value of the employee's unused sick leave at the time of termination. The Taunton Municipal Lighting Plant retains ownership of said annuity with the terminated employee being the designated annuitant on the policy.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# TAUNTON MUNICIPAL LIGHTING PLANT

## SCHEDULE OF CONTRIBUTIONS

### OTHER POST-EMPLOYMENT BENEFITS PLAN

#### LAST SIX FISCAL YEARS

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 1,136,729	\$ 1,240,825	\$ 1,244,045	\$ 2,125,775	\$ 2,168,581	\$ 2,220,423
Contributions in relation to the actuarially determined contribution	1,539,780	1,542,848	1,553,512	1,132,224	1,071,674	1,524,129
Contribution deficiency (excess)	<u>\$ (403,051)</u>	<u>\$ (302,023)</u>	<u>\$ (309,467)</u>	<u>\$ 993,551</u>	<u>\$ 1,096,907</u>	<u>\$ 696,294</u>
Covered-employee payroll	<u>\$ 20,400,597</u>	<u>\$ 19,741,243</u>	<u>\$ 19,389,590</u>	<u>\$ 18,665,559</u>	<u>\$ 18,773,557</u>	<u>\$ 18,314,060</u>
Contributions as a percentage of covered-employee payroll	7.55%	7.82%	8.01%	6.07%	5.71%	8.32%

#### Notes to Schedule

Valuation Date: Actuarially Determined Contribution was calculated as of June 30, 2022.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method.

Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2022.

Investment Rate of Return: 3.5%, net of OPEB plan investment expense.

Discount Rate: 4.09% as of June 30, 2022 and for future periods.

Medical Inflation: 4.50% as of June 30, 2022 and for future periods.

Dental Trend Rate: 4.00% as of June 30, 2022 and for future periods.

Mortality: For active employees and healthy annuitants in Groups 1 & 2, PubG-2010 Amount Weighted General Mortality projected to 2025 with Mortality Improvement Scale MP-2021. For healthy annuitants in Group 4, PubS-2010 Amount Weighted Safety Mortality projected to 2025 with MP-2021.

For disabled annuitants in Groups 1 & 2, PubG-2010 Amount Weighted General Disability Mortality Table, projected to 2025 with MP-2021. For disabled annuitants in Group 4, PubS-2010 Amount Weighted Safety Disability Mortality Table projected to 2025 with MP-2021.

For survivors and beneficiaries, Pub-2010 Amount Weighted Contingent Survivor Mortality Table projected to 2025 with MP-2021.

**TAUNTON MUNICIPAL LIGHTING PLANT**  
**SCHEDULE OF CHANGES IN THE PLANT'S NET OPEB LIABILITY**

**AND RELATED RATIOS**

**LAST SIX FISCAL YEARS**

	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 1,689,196	\$ 1,036,539	\$ 729,537	\$ 901,684	\$ 984,013	\$ 1,119,811
Interest on net OPEB liability and service cost	1,352,384	810,125	944,626	1,340,907	1,693,987	1,647,602
Differences between expected and actual experience	(12,199,105)	--	890,330	--	(10,716,777)	--
Change in Assumptions	(8,429,612)	--	5,440,976	--	--	--
Change in allocation	20,110,738	1,503	(11,407,857)	--	--	--
Benefit payments, including refunds	<u>(1,085,620)</u>	<u>(1,117,744)</u>	<u>(954,966)</u>	<u>(1,453,748)</u>	<u>(1,163,103)</u>	<u>(1,633,318)</u>
<b>Net Change in Total OPEB Liability</b>	<b>1,437,981</b>	<b>730,423</b>	<b>(4,357,354)</b>	<b>788,843</b>	<b>(9,201,880)</b>	<b>1,134,095</b>
<b>Total OPEB Liability - Beginning</b>	<b>32,714,407</b>	<b>31,983,984</b>	<b>36,341,338</b>	<b>35,552,495</b>	<b>44,754,375</b>	<b>43,620,280</b>
<b>Total OPEB Liability - Ending (a)</b>	<b><u>\$ 34,152,388</u></b>	<b><u>\$ 32,714,407</u></b>	<b><u>\$ 31,983,984</u></b>	<b><u>\$ 36,341,338</u></b>	<b><u>\$ 35,552,495</u></b>	<b><u>\$ 44,754,375</u></b>
<b>OPEB Fiduciary Net Position</b>						
Benefit payments, including refund	\$ (1,539,780)	\$ (1,422,412)	\$ (1,543,284)	\$ (1,096,431)	\$ (1,060,013)	\$ (1,512,864)
Contributions - employer	1,539,780	1,542,848	1,553,512	1,132,224	1,071,674	1,524,129
Net investment income	<u>25,556</u>	<u>25,512</u>	<u>1,696</u>	<u>5,993</u>	<u>1,810</u>	<u>188</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>25,556</b>	<b>145,948</b>	<b>11,924</b>	<b>41,786</b>	<b>13,471</b>	<b>11,453</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>235,561</b>	<b>89,613</b>	<b>77,689</b>	<b>35,903</b>	<b>22,432</b>	<b>10,979</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><u>\$ 261,117</u></b>	<b><u>\$ 235,561</u></b>	<b><u>\$ 89,613</u></b>	<b><u>\$ 77,689</u></b>	<b><u>\$ 35,903</u></b>	<b><u>\$ 22,432</u></b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b><u>\$ 33,891,271</u></b>	<b><u>\$ 32,478,846</u></b>	<b><u>\$ 31,894,371</u></b>	<b><u>\$ 36,263,649</u></b>	<b><u>\$ 35,516,592</u></b>	<b><u>\$ 44,731,943</u></b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	0.76%	0.72%	0.28%	0.21%	0.10%	0.05%
<b>Covered Employee Payroll</b>	\$ 20,400,597	\$ 19,741,243	\$ 19,389,590	\$ 18,665,559	\$ 18,773,557	\$ 18,314,060
<b>Net OPEB Liability as a Percentage of Covered-Employee Payroll</b>	166.13%	164.52%	164.49%	194.28%	189.18%	244.25%

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**TAUNTON MUNICIPAL LIGHTING PLANT**  
**SCHEDULE OF INVESTMENT RETURNS**  
**FOR OTHER POST-EMPLOYMENT BENEFITS PLAN**

**LAST SIX FISCAL YEARS**

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	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	-13.97%	9.52%	4.82%	5.85%	5.44%	1.71%

*1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*



# TAUNTON MUNICIPAL LIGHTING PLANT

## SCHEDULE OF PLANT'S CONTRIBUTIONS

### DEFINED BENEFIT PENSION PLAN

#### LAST EIGHT FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,054,133	\$ 4,794,400	\$ 4,439,358	\$ 4,242,252	\$ 4,181,168	\$ 4,086,064	\$ 3,996,685	\$ 3,913,709
Contributions in relation to the actuarially determined contribution	<u>5,054,133</u>	<u>4,794,400</u>	<u>4,439,358</u>	<u>4,242,252</u>	<u>4,181,168</u>	<u>4,086,064</u>	<u>3,996,685</u>	<u>3,913,709</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered-employee payroll	<u>\$ 20,400,597</u>	<u>\$ 19,741,243</u>	<u>\$ 19,389,590</u>	<u>\$ 18,665,559</u>	<u>\$ 18,773,557</u>	<u>\$ 18,314,060</u>	<u>\$ 17,055,663</u>	<u>\$ 17,416,747</u>
Contributions as a percentage of covered-employee payroll	24.77%	24.29%	22.90%	22.73%	22.27%	22.31%	23.43%	22.47%

#### Notes to Schedule

Valuation date: January 1, 2022

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age normal cost method
Asset valuation method	The difference between the expected return and the actual investment return on a fair value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Member data	The member data used in the determination of cost estimates consist of pertinent information with respect to the active, inactive, retired, and disabled members of the employer as supplied by the employer to the actuary.
Salary increases	4.0%
Investment rate of return	7.60%, net of pension plan investment expenses.
Cost of living adjustments	3.00% of the first \$16,000 of the annual retirement allowance.
Mortality Rates:	
General Employees	Non-disabled: PubG2010 Healthy Disabled: PubG-2010 Disabled
Contingent survivors	Non-disabled: Contingent survivors table (total data set) Disabled: N/A

# TAUNTON MUNICIPAL LIGHTING PLANT

## SCHEDULE OF INVESTMENT RETURNS

### DEFINED BENEFIT PENSION PLAN

#### LAST EIGHT FISCAL YEARS

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	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	16.95%	11.70%	21.50%	10.11%	14.97%	6.10%	0.79%	5.88%

*1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

## TAUNTON MUNICIPAL LIGHTING PLANT

### SCHEDULE OF CHANGES IN PLANT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

#### DEFINED BENEFIT PENSION PLAN

#### LAST EIGHT FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015
Plant's proportion of the net pension liability (asset)	26.35%	27.24%	27.24%	25.95%	25.95%	26.37%	26.37%	26.14%
Plant's proportionate share of the net pension liability (asset)	\$ 17,022,755	\$ 23,110,248	\$ 28,322,811	\$ 27,291,293	\$ 19,777,637	\$ 22,649,304	\$ 23,420,399	\$ 28,259,887
Plant's covered-employee payroll	\$ 20,400,597	\$ 19,741,243	\$ 19,389,590	\$ 18,665,559	\$ 18,773,557	\$ 18,314,060	\$ 17,055,663	\$ 17,416,747
Plant's proportionate share of the net pension liability (asset) as a percentage of it's covered employee payroll	83%	117%	146%	146%	105%	124%	137%	162%
Plan fiduciary net position as a percentage of the total pension liability	88%	82%	78%	74%	81%	77%	75%	71%

*1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

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

To the Municipal Lighting Commission  
**Taunton Municipal Lighting Plant**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Taunton Municipal Lighting Plant (the "Plant") (a component unit of the City of Taunton, Massachusetts) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements, and have issued our report thereon dated October 5, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plant's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plant's internal control. Accordingly, we do not express an opinion on the effectiveness of the Taunton Municipal Lighting Plant's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified one deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

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

### **Taunton Municipal Lighting Plant's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Plant's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Plant's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Providence, RI  
October 5, 2023

# TAUNTON MUNICIPAL LIGHTING PLANT

## SCHEDULE OF FINDINGS AND RESPONSES

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### **CURRENT YEAR FINDING:**

#### **2022-001 Maintenance of General Ledger**

##### ***Criteria***

In order to make the financial reports generated by the accounting system as meaningful as possible, the Plant should reconcile the general ledger accounts to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified, attributed to a particular period and corrected, which makes it easier to perform future reconciliations.

##### ***Condition***

We noted a significant number of general ledger accounts (cash, investments, accounts receivable, capital assets) were not reconciled on a timely basis. This is an indication of a weakness in controls and procedures over the maintenance and review of the general ledger accounting records.

##### ***Context***

Not having timely reconciliations completed on significant account balances.

##### ***Effect***

This deficiency could result in material misstatements relating to the financial statements.

##### ***Prior Year Finding – No***

##### ***Recommendation***

We recommend that the Taunton Municipal Lighting Plant develop and implement a detailed set of internal control policies and procedures which will include provisions requiring the general ledger accounting records to be reviewed on a monthly basis by qualified personnel. When reviewing the general ledger trial balance reports Plant personnel should ensure that account balances are in agreement with subsidiary ledgers, records, and applicable source documents.

##### ***View of Responsible Officials and Planned Corrective Actions***

The company acknowledges that during the transition to a new general ledger and financial reporting system in 2022, maintaining monthly reconciliations of all accounts was not accomplished. In 2023 the company will still be operating financially in 2 separate systems, SAP and Microsoft Dynamic GP. In order to maintain accurate general ledger records on a monthly reporting basis the company proposes the following:

- Balances in the General Ledger for Cash, Accounts Receivable, Accounts Payable and Revenues will be reviewed on a monthly basis by the Accounting Supervisor and Financial Manager. In addition, the Cash Receipts, Accounts Receivable and Revenues maintained in SAP and uploaded into Microsoft Dynamic GP will be trued-up on a monthly basis between the 2 systems to ensure that no transactions are either missing or duplicated in the general ledger.