

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF NORTH ATTLEBOROUGH,  
MASSACHUSETTS**

Management Letter

Year Ended June 30, 2021



**TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS**

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2021

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Honorable Town Council  
North Attleborough, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Attleborough, Massachusetts (the "Town") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Town Council, and others within the Town, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Roselli, Clark &amp; Associates".

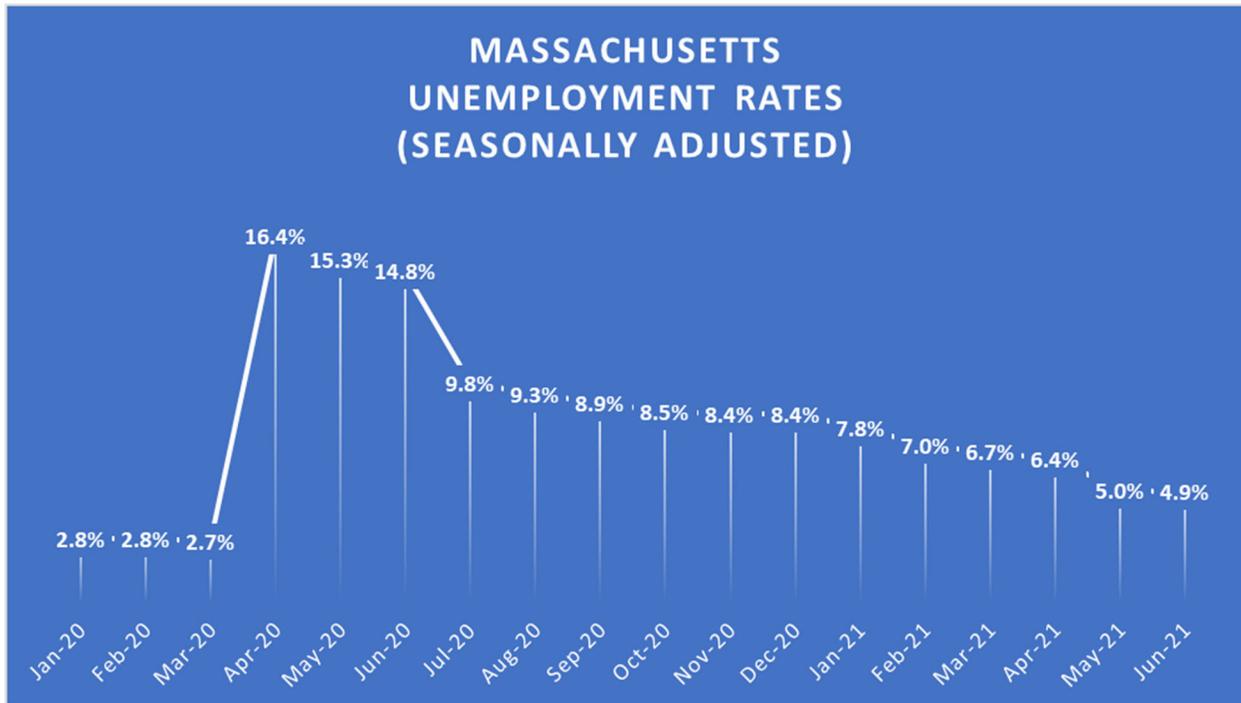
Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
February 24, 2022

## OVERVIEW

The COVID-19 outbreak continued to significantly affect nearly every aspect of the Town’s operations during fiscal year 2021. Massachusetts communities entered fiscal year 2021 with a number of uncertainties, not the least of which was the level of fiscal year 2021 state aid, employment and supply chain issues and the evolving workplace and community dynamics associated with vaccines, mask mandates, remote work/education and social distancing.

Federal assistance was offered in the form of the 2020 Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) funding, for which the Town was awarded up to approximately \$2.6 million. The CARES Act award was limited in its use; as a result, the Town expects to turn back a portion of this award. This federal assistance was supplemented by the 2021 American Rescue Plan Act (“ARPA”), for which the Town was awarded over \$8 million, for which over \$5 million is being directed, managed and passed-through by Bristol County. There is more flexibility in the ARPA award, including the ability to replace lost public sector revenues (subject to the limitations set forth by Bristol County). Currently, ARPA funds must be obligated by December 31, 2024 and expended by December 31, 2026.

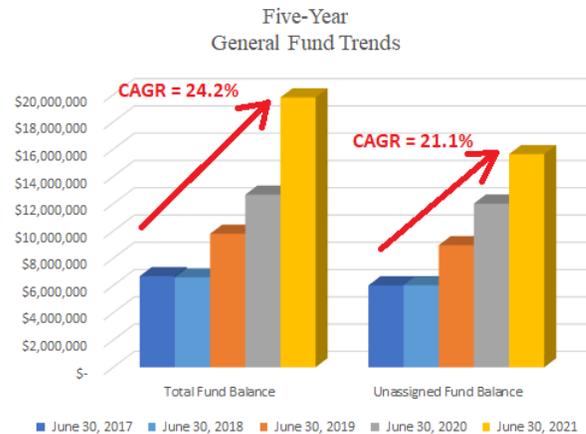
While there has been significant improvement in the Massachusetts labor market, employment levels have not returned to their pre-pandemic levels, as illustrated in the unemployment table below.



Employment in the food, leisure, travel and entertainment industries have been hit particularly hard and continue to struggle. Despite this steep increase in unemployment, residential real estate values continue to rise to historic highs.

The Town’s financial condition continues to improve. Budgetary flexibility in the Town’s general fund can be measured by comparing the assigned and unassigned fund balances in the general fund to the current year’s total general fund expenditures (inclusive of transfers out). Credit rating bureaus often refer to this as a “reserve ratio.” The Town’s reserve ratio was 17.5% at June 30, 2021, which is an improvement from the prior year’s ratio of 12.1%. Credit rating bureaus would generally consider the Town’s reserve ratio to be good, or very good. Currently, Standard & Poor’s assigns an AA credit rating to the Town’s general obligation bonds, which is its third highest rating and signifies that the Town has a very strong capacity to meet its financial commitments and its general obligation bonds are of “high grade.” This credit rating affords the Town to borrow funds for large capital projects at favorable interest rates.

In its governmental funds financial statements, which most closely resembles the Town’s statutory accounting records, the Town’s unassigned fund balance in its general fund exceeded \$15.6 million at June 30, 2021 and its total fund balance was nearly \$19.8 million. The table at right illustrates the five-year trend in fund balances for the Town’s general fund. The improvement in the general fund is primarily attributable to an approximate \$6.5 million Proposition 2 ½ override in April 2018, which has had significant positive financial impact for the past three fiscal years.



The largest future obligations affecting the Town pertain to its net pension and net other postemployment benefits, or OPEB, liabilities. The Town’s total net pension liability decreased approximately \$9.0 million to approximately \$29.5 million at June 30, 2021, while its net OPEB liability increased approximately \$19.5 million to over \$160.5 million at June 30, 2021.

- The net pension liability decrease was due primarily to continues strong investment performance at the North Attleborough Contributory Retirement System (the “Retirement System”). Actual investment returns exceeded the long-term investment rate used by the Retirement System’s actuary (the discount rate) in four of the last five years, in most cases by a significant margin.
- The net OPEB liability increase was due primarily to the effects of changes in the discount rate used in the Town’s actuarial valuation of its total OPEB liability in fiscal year 2021; the discount rate was reduced from 5.50% to 4.75%.

The Retirement System expects to be fully funded by June 30, 2035. The Town expects that its annual pension appropriations will decrease significantly once the retirement system is fully funded and currently plans to direct a significant portion of these savings to its OPEB Plan.

The remainder of the report reflects informational items and findings and recommendations. This discussion is intended to provide the Town and its management with recommendations for improvement in accounting and financial operations. The Town should review these recommendations and, if determined to be cost-effective, implement these improvements.

## INFORMATIONAL ITEMS, FINDINGS AND RECOMMENDATIONS

### *ARPA*

*General* – The Town was awarded over \$8 million in federal awards through the Coronavirus State and Local Fiscal Recovery Funds established by the American Rescue Plan Act of 2021 (“ARPA”). The Town received its first round of funding in early fiscal year 2022. ARPA funds can be deployed in a less restrictive manner than the CARES Act funding the Town received in fiscal years 2020 and 2021. The use of direct ARPA funds will require periodic reporting to the United States Department of the Treasury (“U.S. Treasury”).

Of the Town’s total maximum federal award, over \$5 million is being passed-through from Bristol County. At the time of this report, Bristol County has not yet finalized its processes on these ARPA funds. We understand that Bristol County will view the Town as a subrecipient to its award from the federal government, which will likely require the Town to request funds from Bristol County using some type of reimbursement process. Furthermore, a portion of the passed-through award *may* be less restrictive as it may be used by the Town to replace lost revenue (see below).

In January 2022, the U.S. Treasury issued a final rule for ARPA; previously, communities were managing this award under an interim final rule. The final rule appears to be more flexible. Under the final rule, the Town may use ARPA funds to:

1. Replace lost public sector revenue.
2. Support the COVID-19 public health and economic response.
3. Provide premium pay for eligible workers.
4. Invest in water, sewer and broadband infrastructure.

The first statutory category is the federal government’s attempt to make whole communities that lost revenues due to government shutdowns and restrictions placed on it and its residents during the pandemic. Essentially, the calculated lost revenue can be used by a community for government services in a *near* unlimited manner. Under the final rule, the Town may elect a one-time “standard allowance” of up to \$10 million or complete a calculation of lost revenue using a U.S. Treasury formula that compares actual revenue to a counterfactual trend. This represents 100% of the Town’s *direct* award as the Town’s total *direct* award is less than this one-time standard allowance. We recommend that the Town elect the standard allowance for its *direct* award. The amount of ARPA funds that *pass-through* Bristol County to the Town for revenue replacement is currently unknown.

The Town may use these revenue replacement funds for any service it traditionally provides its residents, however the funds cannot be used for debt service, extraordinary pension contributions, replenishing rainy day funds, satisfying legal settlements or any use that violates ARPA, the Uniform Guidance and other federal, state and local laws and regulations.

*Interest Income* – U.S. Treasury guidance on ARPA permits ARPA funds to be invested in interest-bearing accounts. Furthermore, U.S. Treasury guidance do not require that such interest be retained for the four eligible statutory categories described above. Therefore, the Town may assign interest earned on ARPA funds to its general fund.

### ***Timeliness of OPEB Transfers***

The Town Council approved two separate measures in fiscal year 2021 to fund \$763,370 to the Town's OPEB trust fund. The first measure (2020-068) was incorporated as part of the fiscal year 2021 budget for the Town's enterprise funds (\$213,370). The second measure (2021-085) was approved on June 7, 2021 totaling \$550,000 from free cash. The Town recorded these OPEB contributions in their fiscal year 2021 accounting records. However, Town monies were not transferred into the OPEB trust investment account for these approved OPEB contributions until July 2021 (fiscal year 2022).

The untimeliness of the \$213,370 OPEB contributions transfer from the Town's enterprise funds resulted in over \$50,000 in lost investment income in the OPEB trust investment account based on the actual returns for this investment fund over fiscal year 2021. The actual transfer of monies for the second measure was approximately one month after Town Council approval.

We recommend that the Town develop a policy and procedure to better ensure that Town Council approved OPEB contributions are made in a timely manner.

### ***Network Security***

As previously reported, ransomware continues to affect municipal organization in the United States. Effective protection first requires a commitment from a municipality's leadership to dedicate the necessary resources to best protect the community. Technology personnel (internal and/or outsourced) must continuously exercise diligence in this area. Finally, this commitment then extends to all municipal employees who have a role in the Town's ransomware prevention/protection.

The U.S. FBI recommends that organizations provide ransomware training for their employees and employ robust technical prevention controls. The FBI also recommends developing a business continuity plan in the event of a ransomware attack. More detailed recommendations by the FBI Cyber Division can be found on the FBI's website.

The Town's technology plans incorporate a number of prevention and protection measures including deploying anti-virus and anti-malware software, managing network permissions and access, regularly backing up digital data and requiring users to rotate passwords regularly. In fiscal year 2021, the Town implemented a number of enhancements to its technology, many of which assist it in this area, such as upgrading its email system to Office 365 and implementing employee training on cyber security. The Town also began subscribing to cyber security insurance beginning in 2021.

We continue to recommend that the Town perform an in-depth risk assessment surrounding its network security for not only its critical financial functions, but also in areas such as police, fire and library; attacks within one of these remote departments can penetrate into the Town's critical financial systems.

### ***Increased Frequency of Phishing Scams Throughout the Commonwealth***

As previously reported, phishing scams of municipalities throughout the nation have been increasing in frequency and success over the past several years. One of the more common and successful strategies involves fraudsters creating email accounts that appear to belong to legitimate vendors (or even a municipal employee) a community does business with. Over a series of email communications, the fraudster will coerce sensitive information from a community or initiate a change to payment method (i.e., new mailing address or direct deposit/wiring instructions).

We've provided some guidance to the Town's treasury personnel surrounding these issues, including how to spot some "red flags" that may reveal these scams via email communications. We understand that the Town has implemented some policy enhancements like requiring changes in direct deposit information to be completed by employees in person and changes to payment methods to vendors to be confirmed independently over the phone or in person if possible.

Finally, we cannot stress enough the need to have up-to-date network security tools and protocols and the need to regularly educate employees on these scams and threats.

### ***New Lease Accounting Standard***

As previously reported, the Town will be required to adopt a new accounting standard relative to leases beginning in fiscal year 2022. The Town should evaluate all *material* recurring transactions with outside vendors and/or customers to identify potential lease arrangements. Once identified, the Town should gather the pertinent lease agreements and create a database or spreadsheet of the key lease terms, which will include the lessor's name, payment terms, description of the lease and renewal options, if any.

A similar lease accounting standard was recently adopted for nongovernment accounting with public companies adopting this lease standard beginning in calendar year 2019. There are numerous publications on the difficulties public companies experienced in this implementation. One of the most common problems many public companies faced was not starting this process early enough.

### ***Previously Reported Items We Continue to Highlight***

#### ***Accounting and Financial Policies and Procedures Manual***

As previously reported, the Town has a series of accounting and financial policies put together from a variety of different departments, some of which were initially approved in the early 2000's. A comprehensive, current accounting and financial policies manual does not exist.

Formal policies and procedures play a critical role in any internal control system. Furthermore, in periods of personnel transition for which the Town has experienced over the past several years, such policies and procedures can prove invaluable and assist in these often-difficult transitions. Furthermore, as the Town's governing format changed effective July 1, 2019, this is a good time to develop an up-to-date manual.

We understand that the Town Accountant is currently working on an updated policies and procedures manual.

***Assignment of Delinquent Accounts***

The Town maintains approximately \$99,000 in personal property tax receivables aged over five years, some of which date back as far as 1999. Additionally, there are nearly \$415,000 in outstanding motor vehicle excises taxes receivable going as far as 1991. In the audited financial statements, allowances for uncollectible accounts have been reported that cover these amounts as the likelihood of collection is low.

In our letter to management dated January 23, 2020, we cited specific sections within Massachusetts General Law that provide the Town with legal remedies to address these old, delinquent balances. We refer you to that letter for additional details.

***Ambulance Receivables***

In our previous letters to management, we reported that the gross receivable for the Town's ambulance service has been steadily increasing over the past several years. The Town's fire department indicated that it been over ten years since it last performed a comprehensive analysis of outstanding receivables with its third-party ambulance billing and collections agency. Furthermore, the fire department was unaware of the existence of a formal ambulance receivable write off policy.

We continue to recommend that the Town develop an ambulance receivable review and write off policy, which includes a requirement for annual (at a minimum) reviews of past due balances and a process by which uncollectible accounts can be written off.

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