

**TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT**

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

RMLD



Reading Municipal Light Department
RELIABLE POWER

READING MUNICIPAL LIGHT DEPARTMENT

CONTENTS

FINANCIAL SECTION

Independent Auditors' Report 1-3

Management's Discussion and Analysis..... 4-7

Basic Financial Statements

Fund Financial Statements

Statement of Net Position – Proprietary Fund 8-9

Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Fund 10

Statement of Cash Flows – Proprietary Fund 11-12

Statement of Fiduciary Net Position – Fiduciary Fund 13

Statement of Changes in Fiduciary Net Position – Fiduciary Fund..... 14

Notes to Financial Statements..... 15-45

REQUIRED SUPPLEMENTARY INFORMATION

Pension

Schedule of Proportionate Share of the Net Pension Liability 46

Schedule of Pension Contributions 47

Notes to Required Supplementary Information – Pension 48

OPEB

Schedule of Changes in the Net OPEB Liability 49

Schedules of Net OPEB Liability, Contributions, and Investment Returns 50

Notes to Required Supplementary Information – OPEB..... 51-52

**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*** 53-54



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Independent Auditors' Report

To the Municipal Light Board
Town of Reading, Massachusetts
Reading Municipal Light Department

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Reading Municipal Light Department (the Department) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Department'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 respective financial position of the business-type activities and fiduciary activities of the Department as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 ("*Government Auditing Standards*"). 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 Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Department'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 an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department'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 Department's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and certain pension and OPEB schedules 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 evidence sufficient to express an opinion or provide any assurance.

Other Matter

Report on Summarized Comparative Information

The financial statements of the Reading Municipal Light Department as of and for the year ended December 31, 2023, were audited by Marcum, whose report dated May 22, 2024, expressed unmodified opinions on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2025 on our consideration of the Department'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 Department'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 the Department's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Boston, MA
September 18, 2025

READING MUNICIPAL LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Within this section of the Reading Municipal Light Department's (the Department) annual financial report, management provides a narrative discussion and analysis of the Department's financial activities for the year ended December 31, 2024. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

The basic financial statements include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, (4) the Statement of Fiduciary Net Position, (5) the Statement of Changes in Fiduciary Net Position, and (6) Notes to Financial Statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Proprietary Fund

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

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

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the Department.

Notes to Financial Statements

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

Financial Highlights

The Statement of Net Position is designed to indicate our financial position at a specific point in time. At December 31, 2024, it shows our net worth of \$159,663,814, which comprises \$103,690,531 invested in capital assets net of related debt, \$12,793,350 restricted for depreciation fund, and \$43,179,933 unrestricted.

READING MUNICIPAL LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

The Statement of Revenues, Expenses, and Changes in Net Position summarizes our operating results and reveals how much, if any, of a profit was earned for the year. As discussed in more detail below, our net profit for the year ended December 31, 2024 was \$13,173,143.

The Statement of Cash Flows provide information about the Department's cash receipts and cash payments during the accounting period. It also provides information about the Department's investing and financing activities for the same period. A review of our Statement of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in the year ended December 31, 2024.

The following is a summary of the Department's financial data for the current and prior year (in thousands).

Summary of Net Position

	2024	2023
Assets		
Current and other assets	\$ 88,918	\$ 82,580
Capital assets	103,691	95,631
Total Assets	192,609	178,211
Deferred Outflows of Resources	8,090	10,436
Liabilities		
Long-term liabilities	27,854	27,467
Other liabilities	9,271	11,702
Total Liabilities	37,125	39,169
Deferred Inflows of Resources	3,910	2,987
Net Position		
Net investment in capital assets	103,691	95,631
Restricted for depreciation fund	12,793	10,446
Unrestricted	43,180	40,414
Total Net Position	<u>\$ 159,664</u>	<u>\$ 146,491</u>

READING MUNICIPAL LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Summary of Changes in Net Position

	2024	2023
Operating Revenues	\$ 107,669	\$ 102,065
Operating Expenses	<u>(93,830)</u>	<u>(86,788)</u>
Operating Income	13,839	15,277
Nonoperating Revenues (Expenses), net	<u>1,865</u>	<u>1,818</u>
Income Before Transfers	15,704	17,095
Return on Investment (Transfer to Town of Reading)	<u>(2,531)</u>	<u>(2,533)</u>
Change in Net Position	13,173	14,562
Net Position, Beginning	<u>146,491</u>	<u>131,929</u>
Net Position, Ending	<u><u>\$ 159,664</u></u>	<u><u>\$ 146,491</u></u>

For the year ended December 31, 2024 electric sales (net of discounts) were \$105,606,896, an increase of 10.83% from the prior year. For the year ended December 31, 2024, kilowatt hours sold were 642,449,195, an increase of 0.58% from the prior year.

Operating expenses totaled \$93,830,426 for the year ended December 31, 2024, an increase of 8.11%. The largest portion of this total, \$61,705,301, was for purchase power costs. Other operating expenses included \$24,776,239 for general operating and maintenance costs, \$1,891,976 for voluntary payments to towns, and depreciation expense of \$5,456,910. For the year ended December 31, 2024 the depreciation rate was 3.00%. Change in net position of \$13,173,701 results primarily from rates and charges set at a level to fund future capital improvements.

In the year ended December 31, 2024, the Department contributed \$2,218,585 to the Town of Reading Contributory Retirement System on behalf of the Department's employees.

For the year ended December 31, 2024, the Department contributed \$300,000 to the Other Post-Employment Benefits (OPEB) Trust Fund in addition to the normal costs. Additional information on the Department's OPEB Trust Fund can be found in the corresponding note on page 35 of this report.

Capital Assets and Debt Administration

Capital Assets

Total investment in land and construction in progress at year end amounted to \$7,694,528, an increase of \$1,387,474 from the prior year. Total investment in depreciable capital assets at year-end amounted to \$95,996,003 (net of accumulated depreciation), an increase of \$6,672,478 from the prior year. This investment in depreciable capital assets includes structures and improvements, equipment and furnishings, and infrastructure assets.

READING MUNICIPAL LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Long-Term Debt

At the end of the current year, the Department had no outstanding bonded debt.

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

Requests for Information

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

Director of Business & Finance
Reading Municipal Light Department
230 Ash Street
Reading, Massachusetts 01867

READING MUNICIPAL LIGHT DEPARTMENT
STATEMENT OF NET POSITION - PROPRIETARY FUND

DECEMBER 31, 2024
(with comparative totals as of December 31, 2023)

	2024	2023
Assets		
Current Assets		
Unrestricted cash and short-term investments	\$ 17,453,594	\$ 21,070,912
Receivables, net of allowance for uncollectable	12,915,503	10,723,770
Prepaid expenses	6,126,710	3,975,232
Inventory	3,785,907	3,161,604
Leases receivable	306,346	313,105
Total Current Assets	40,588,060	39,244,623
Noncurrent Assets		
Restricted cash and short-term investments	43,683,562	39,114,927
Restricted investments	189,602	1,438,579
Investment in associated companies	1,103,474	1,063,861
Leases receivable, net of current portion	3,353,204	1,718,448
Capital assets:		
Land and construction in progress	7,694,528	6,307,054
Capital assets, net of accumulated depreciation	95,996,003	89,323,525
Total Noncurrent Assets	152,020,373	138,966,394
Total Assets	192,608,433	178,211,017
Deferred Outflows of Resources		
Related to pension	6,560,391	9,253,051
Related to OPEB	1,529,798	1,182,578
Total Deferred Outflows of Resources	8,090,189	10,435,629

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

READING MUNICIPAL LIGHT DEPARTMENT

STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)

DECEMBER 31, 2024

(with comparative totals as of December 31, 2023)

	2024	2023
Liabilities		
Current Liabilities		
Accounts payable	8,021,300	10,850,158
Accrued liabilities	1,049,813	652,108
Other current liabilities	200,000	200,000
Current portion of long-term liabilities:		
Accrued employee compensated absences	424,423	48,210
Contributions in aid of construction	91,313	59,129
Total Current Liabilities	9,786,849	11,809,605
Noncurrent Liabilities		
Accrued employee compensated absences, net of current portion	1,063,175	915,983
Contributions in aid of construction, net of current portion	4,468,670	3,500,117
Customer deposits	1,836,841	1,790,684
Net pension liability	14,233,746	16,531,638
Net OPEB liability	5,736,013	4,620,985
Total Noncurrent Liabilities	27,338,445	27,359,407
Total Liabilities	37,125,294	39,169,012
Deferred Inflows of Resources		
Related to pension	249,964	527,217
Related to OPEB	--	428,193
Related to leases	3,659,550	2,031,553
Total Deferred Inflows of Resources	3,909,514	2,986,963
Net Position		
Net investment in capital assets	103,690,531	95,630,579
Restricted for depreciation fund	12,793,350	10,446,339
Unrestricted	43,179,933	40,413,753
Total Net Position	\$ 159,663,814	\$ 146,490,671

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

READING MUNICIPAL LIGHT DEPARTMENT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2024
(with comparative totals for the year ended December 31, 2023)

	2024	2023
Operating Revenues		
Electric sales, net of discounts of \$5,979,529 and \$5,448,812, in 2024 and 2023, respectively	\$ 105,606,896	\$ 95,290,024
Purchase power adjustments:		
Fuel charge adjustment	(505,380)	2,789,354
Capacity and transmission adjustment	<u>2,567,252</u>	<u>3,985,346</u>
Total Operating Revenues	107,668,768	102,064,724
Operating Expenses		
Cost of purchased electricity	61,705,301	56,128,361
Operating	22,153,256	21,333,133
Maintenance	2,622,983	2,273,300
Voluntary payments to towns	1,891,976	1,826,606
Depreciation	<u>5,456,910</u>	<u>5,226,535</u>
Total Operating Expenses	<u>93,830,426</u>	<u>86,787,935</u>
Operating Income	13,838,342	15,276,789
Nonoperating Revenues (Expenses)		
Investment income	1,054,499	959,522
Intergovernmental grants	2,294	52,294
Loss on disposal of assets	(50,039)	(67,540)
Other revenues	969,747	991,580
Other expenses	<u>(111,142)</u>	<u>(118,259)</u>
Total Nonoperating Revenues (Expenses), Net	<u>1,865,359</u>	<u>1,817,597</u>
Income Before Transfers	15,703,701	17,094,386
Return on Investment		
(Transfer to Town of Reading)	<u>(2,530,558)</u>	<u>(2,533,024)</u>
Change in Net Position	13,173,143	14,561,362
Net Position, Beginning of year	<u>146,490,671</u>	<u>131,929,309</u>
Net Position, End of year	<u>\$ 159,663,814</u>	<u>\$ 146,490,671</u>

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

READING MUNICIPAL LIGHT DEPARTMENT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024
(with comparative totals for the year ended December 31, 2023)

	2024	2023
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 103,461,320	\$ 93,962,968
Payments to vendors and employees	(92,599,915)	(83,400,718)
Customer purchase power adjustments	<u>2,061,872</u>	<u>6,774,700</u>
Net Cash Provided By Operating Activities	12,923,277	17,336,950
Cash Flows From Noncapital Financing Activities		
Return on investment to Town of Reading	(2,530,558)	(2,533,024)
Other revenues	969,747	991,580
Other expenses	<u>(161,181)</u>	<u>(127,713)</u>
Net Cash (Used For) Noncapital Financing Activities	(1,721,992)	(1,669,157)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(13,573,697)	(8,979,370)
Contributions in aid of construction	1,057,572	696,740
Intergovernmental revenues	<u>2,294</u>	<u>52,294</u>
Net Cash (Used For) Capital and Related Financing Activities	(12,513,831)	(8,230,336)
Cash Flows From Investing Activities		
Investment income	1,054,499	959,522
(Purchases) and sales of investments, net	<u>1,209,364</u>	<u>(732,006)</u>
Net Cash Provided By Investing Activities	<u>2,263,863</u>	<u>227,516</u>
Net Change	951,317	7,664,973
Cash, Restricted Cash, and Short-Term Investments, Beginning of Year	<u>60,185,839</u>	<u>52,520,866</u>
Cash, Restricted Cash, and Short-Term Investments, End of Year	<u>\$ 61,137,156</u>	<u>\$ 60,185,839</u>

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

READING MUNICIPAL LIGHT DEPARTMENT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

(with comparative totals for the year ended December 31, 2023)

	2024	2023
Reconciliation of Operating Income to Net Cash		
Provided By Operating Activities		
Operating income	\$ 13,838,342	\$ 15,276,789
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	5,456,910	5,226,535
Changes in assets, liabilities, and deferred outflows/inflows:		
Receivables	(2,191,733)	(1,436,681)
Prepaid expenses and other assets	(2,151,478)	(1,630,111)
Inventory	(624,303)	(866,382)
Accounts payable and accrued liabilities	(1,907,748)	582,580
Customer deposits	46,157	109,625
Due to fiduciary fund	--	(274,087)
Net pension liability and related deferrals	117,515	461,260
Net OPEB liability and related deferrals	339,615	(112,578)
Net Cash Provided By Operating Activities	<u>\$ 12,923,277</u>	<u>\$ 17,336,950</u>

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

READING MUNICIPAL LIGHT DEPARTMENT
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

DECEMBER 31, 2024
(with comparative totals as of December 31, 2023)

	2024	2023
Assets		
Cash	\$ 300,527	\$ 300,635
Investments:		
External investment pool	6,108,205	5,297,919
Total Assets	6,408,732	5,598,554
Net Position		
Restricted for OPEB	\$ 6,408,732	\$ 5,598,554

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

READING MUNICIPAL LIGHT DEPARTMENT
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024
(with comparative totals for the year ended December 31, 2023)

	2024	2023
Additions		
Employer contributions	\$ 978,974	916,164
Investment income (loss). Net	<u>510,178</u>	<u>521,476</u>
Total Additions	1,489,152	1,437,640
Deductions		
Benefit payments to plan members and beneficiaries	<u>678,974</u>	<u>616,164</u>
Total Deductions	<u>678,974</u>	<u>616,164</u>
Change in Net Position	810,178	821,476
Net Position Restricted for OPEB, Beginning of year	<u>5,598,554</u>	<u>4,777,078</u>
Net Position Restricted for OPEB, End of year	<u><u>\$ 6,408,732</u></u>	<u><u>\$ 5,598,554</u></u>

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

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Reading Municipal Light Department (the Department) (a blended component unit of the Town of Reading, Massachusetts (the Town)) conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies of the Department:

ACTIVITIES

The Department purchases electricity for distribution to more than 70,000 residents within the towns of Reading, North Reading, Wilmington, and Lynnfield Center.

REGULATION AND BASIS OF ACCOUNTING

Under Massachusetts General Laws, the Department's electric rates are set by the Municipal Light Board. Electric rates, excluding the purchase power fuel charge and the purchase power capacity and transmission charge, cannot be changed more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, the Department's rates are not subject to DPU approval.

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

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS

The Department operates within the electric utility industry, which has undergone significant restructuring and deregulation. Legislation was enacted by the Commonwealth of Massachusetts in 1998, which changed the electric industry. The law introduced competition and provided customers with choices while assuring continued reliable service. Municipal utilities are not currently subject to this legislation.

OTHER POST-EMPLOYMENT BENEFITS TRUST

The Other Post-Employment Benefits Trust Fund (the OPEB Trust) was established by the Reading Municipal Light Board pursuant to Chapter 32B, Section 20 of the General Laws of the Commonwealth of Massachusetts.

The OPEB Trust Fund constitutes the principal instrument of a plan established by the Municipal Light Board to fund the Department's annual actuarially determined OPEB contribution for future retirees.

REVENUES

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

CASH AND SHORT-TERM INVESTMENTS

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

INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued or unconditionally guaranteed by the U.S. government or its agencies that have a maturity date of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

Investments for the Department consist of domestic and foreign fixed income bonds and equity mutual funds which the Department intends to hold to maturity. These investments are reported at fair market value.

INVENTORY

Inventory consists of parts and for accessories purchased for use in construction, operation, and maintenance purposes and is stated at average cost. Meters and transformers are capitalized when purchased.

LEASES

The Department recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the Department initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the effective interest method. The following key assumptions are made:

- The Department uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee.

CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, and infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value, and any cash proceeds, is charged to the Department's unrestricted net position.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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

ACCRUED COMPENSATED ABSENCES

Employee vacation leave is vested annually but may only be carried forward to the succeeding year with supervisor approval and, if appropriate, within the terms of the applicable Department policy or union contract. Generally, sick leave may accumulate according to union and Department contracts and policy and is paid upon normal termination at the current rate of pay. The Department's policy is to recognize vacation costs at the time payments are made. The Department records accumulated, unused, vested sick pay as a liability. The amount recorded is the amount to be paid upon normal termination at the current rate of pay.

RATE OF RETURN

In accordance with Massachusetts General Laws Chapter 164 Section 58 the Department's rates must be set such that earnings attributable to electric operations do not exceed eight percent of the gross cost of plant. To determine the net income subject to the rate of return limitations, the Department performs the following calculation. Using the net income per the audited financial statements, the pension and OPEB accruals are added or deducted, miscellaneous debits/credits (i.e., gain/loss on disposal of fixed assets, etc.) are added or deducted, leaving an adjusted net income figure for rate of return purposes. Investment income is then deducted from this figure to determine the net income subject to the rate of return. The net income subject to the rate of return is then subtracted from the allowable 8% rate of return, which is calculated by adding the book value of net plant and the investment in associated companies multiplied by 8%. Based on this calculation, the Department did exceed this threshold for calendar year 2024.

USE OF ESTIMATES

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

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 2 - CASH AND INVESTMENTS

DEPOSITS

Total deposits and investments as of December 31, 2024 are classified in the accompanying financial statements as follows:

Proprietary Fund:	<u>Amount</u>
Unrestricted cash and short-term investments	\$ 17,453,594
Restricted cash and short-term investments	43,683,562
Restricted investments	189,602
Fiduciary Fund:	
External investment pool	<u>6,108,205</u>
	<u>\$ 67,434,963</u>

INVESTMENTS

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates 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 market interest rates. The Department manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of December 31, 2024, the Department (including the OPEB Trust Fund) held cash and short-term investments in pooled investments with the Massachusetts Municipal Depository Trust (MMDT), FDIC-insured savings accounts, and 90-day FDIC-insured bank certificates of deposit. Because of their immediate liquidity and/or short-term maturity, these funds are classified as cash and short-term investments in the accompanying financial statements and are not considered to be exposed to significant interest rate risk.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2024, the Department held the following investment with a maturity date as follows:

Investment Type	Amount	Maturity Date
Corporate Bonds:		
Simon Property Group	\$ 189,602	06/15/27
	<u>\$ 189,602</u>	

Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigning of a rating by a nationally recognized statistical rating organization. As of December 31, 2024, the Department held investment with a rating as follows:

Investment Type	Amount	Moody's Rating
Corporate Bonds:		
Simon Property Group	\$ 189,602	A3
Total	<u>\$ 189,602</u>	

Concentration of Credit Risk

The Department follows the Town's investment policy, which does not limit the amount that can be invested in any one issuer beyond that stipulated by Massachusetts General Laws. At December 31, 2024, the Department's investment is detailed in the sections above.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Massachusetts General Laws, Chapter 44, Section 55, limits deposits “in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Department follows the Massachusetts statute as written, as well as the Town’s deposit policy for custodial credit risk.

Because the Department pools its cash and short-term investments with the Town of Reading, and bank accounts are maintained in the name of the Town, the amount of the Department’s balance exposed to custodial credit risk at December 31, 2024, cannot be reasonably determined.

As of December 31, 2024, none of the Department investments were exposed to custodial credit risk because the related securities were registered in the Department’s name.

Fair Value

The Department categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or a liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Fair Value (Continued)

- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Department’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Department had the following fair value measurements as of December 31, 2024:

Description	Amount	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments measured using fair value:				
Debt securities:				
Corporate bonds	\$ 189,602	\$ --	\$ 189,602	\$ --
	\$ 189,602	\$ --	\$ 189,602	\$ --
Description	Amount	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Investments measured at the net asset value (NAV):				
External investment pool	\$ 6,108,205	\$ --	Quarterly	30 days

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

The Department maintained the following restricted cash and investments in its proprietary fund at December 31, 2024:

	Cash	Investments
Depreciation fund	\$ 12,793,350	\$ --
Construction fund	8,000,000	--
Deferred fuel reserve	5,992,729	--
Deferred energy conservation reserve	3,434,898	--
Operating fund payable to Town	2,211,267	
Rate stabilization	7,502,642	--
Reserve for uncollectible accounts	200,000	--
Sick leave benefits	961,835	189,602
Hazardous waste fund	750,000	--
Customer deposits	1,836,841	--
	<u>\$ 43,683,562</u>	<u>\$ 189,602</u>

The Department maintains the following reserves:

- Depreciation fund - The Department is normally required to reserve 3.0% of capital assets each year to fund capital improvements. This amount is reported as restricted net position as the requirements to restrict/reserve are external to the Department.
- Construction fund - This account represents amounts set aside by the Department for construction-related projects.
- Deferred fuel reserve - The Department transfers the difference between the customers' monthly fuel charge adjustment and actual fuel costs into this account to be used in the event of a sudden increase in fuel costs.
- Deferred energy conservation reserve - This account is used to reserve monies collected from a special energy charge added to customer bills. Customers who undertake measures to conserve and improve energy efficiency can apply for rebates that are paid from this account.
- Operating fund payable to Town - This account represents amounts set aside by the Department
- Rate stabilization - This represents amounts set aside to help stabilize cost increases resulting from fluctuations in purchase power costs.
- Reserve for uncollectible accounts - This account was set up to offset a portion of the Department's bad debt reserve.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 3 - RESTRICTED CASH AND INVESTMENTS (CONTINUED)

- Sick leave benefits - This account is used to offset the Department's compensated absence liability.
- Hazardous waste fund - This reserve was set up by the Municipal Light Board to cover the Department's insurance deductible in the event of a major hazardous materials incident.
- Customer deposits - Customer deposits that are held in escrow.
- Pension trust - The principal instrument of a plan established by the Municipal Light Board to fund the Department's annual required contribution to the Town of Reading Contributory Retirement System (the System), a cost-sharing, multi-employer public employee retirement system.

NOTE 4 - RECEIVABLES

Receivables consisted of the following at December 31, 2024:

Customer Accounts:		
Billed	\$	5,667,845
Less allowances:		
Uncollectible accounts		(200,000)
Sales discounts		(393,273)
		<hr/>
Total billed		5,074,572
Unbilled, net of sales discounts		<hr/> 6,509,141
Total customer accounts		11,583,713
Other accounts		<hr/> 1,331,790
Total Net Receivables	\$	<hr/> <hr/> 12,915,503

NOTE 5 - PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31, 2024:

Wilmington substation transformers	\$	3,476,469
Town of Reading	\$	1,261,255
NYPA prepayment fund		307,573
WC Fuel - Watson		539,643
Other		541,770
		<hr/>
	\$	<hr/> <hr/> 6,126,710

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 6 - INVESTMENT IN ASSOCIATED COMPANIES

Investment in associated companies consisted of the following, at December 31, 2024:

New England Hydro-Transmission (NEH & NHH)	\$	418,011
Energy New England		580,280
Black Rock Funding - Saddleback Ridge		53,974
Roxwind Capacity Deposit		51,209
		<u>51,209</u>
	\$	<u>1,103,474</u>

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Department has made the advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Department's equity position in the project is less than one-half of one percent. This investment is valued using the cost method.

In April 2019, the Department invested in 8.334% shares of Energy New England (ENE). The Department's equity position at December 31, 2023 is based on ENE's capital, retained earnings, and the net profit from April 2019 through December of 2024. This investment is valued using the cost method.

In December 2013, the Department signed a purchase power agreement with Saddleback Ridge Wind, LLC for the output of Saddleback Ridge Wind located in Carthage, Maine. The contract for Saddleback Ridge Wind is effective from January 1, 2015 through December 31, 2035. The Department receives energy plus all attributes for this contract. The average annual generation is estimated to be approximately 15,820 megawatt-hours per year. This investment is valued using the cost method.

In February 2020, the Department signed a purchase power agreement with RoxWind, LLC for the output of the North Twin Mountain projected located in Roxbury, Maine. The contract with RoxWind, LLC is effective from February 1, 2022 through January 31, 2042. The Department receives energy plus all attributes for the contract. The average annual generation is estimated to be approximately 25,150 megawatt-hours per year. This investment is valued using the cost method.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 7 - LEASES RECEIVABLE

The Department has entered into various lease agreements with Light Tower Fiber LLC for the lease of Department owned fiber cable. Based on the agreements, the Department is receiving monthly payments through 2036. These lease agreements include an extension clause for 5 three-year renewal terms, that are expected to be exercised for each individual agreement.

As of December 31, 2024, leases receivable and the deferred inflow of resources for lease payments totaled \$3,659,550. The Department recognized lease revenue of \$407,402 in calendar year 2024.

NOTE 8 - CAPITAL ASSETS

The following is a summary of the year ended December 31, 2024 activity in capital assets (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Structures and improvements	\$ 21,695	\$ 342	\$ --	\$ 22,037
Equipment and furnishings	38,211	1,752	(486)	39,477
Infrastructure	<u>123,887</u>	<u>10,119</u>	<u>(770)</u>	<u>133,236</u>
Total capital assets, being depreciated	183,793	12,213	(1,256)	194,750
Less accumulated depreciation for:				
Structures and improvements	(13,035)	(571)	--	(13,606)
Equipment and furnishings	(26,502)	(1,048)	486	(27,064)
Infrastructure	<u>(54,932)</u>	<u>(3,895)</u>	<u>743</u>	<u>(58,084)</u>
Total accumulated depreciation	<u>(94,469)</u>	<u>(5,514)</u>	<u>1,229</u>	<u>(98,754)</u>
Total capital assets, being depreciated, net	89,324	6,699	(27)	95,996
Capital assets, not being depreciated:				
Land	5,275	--	--	5,275
Construction in progress	<u>1,032</u>	<u>1,431</u>	<u>(43)</u>	<u>2,420</u>
Total capital assets, not being depreciated	<u>6,307</u>	<u>1,431</u>	<u>(43)</u>	<u>7,695</u>
Capital assets, net	<u>\$ 95,631</u>	<u>\$ 8,130</u>	<u>\$ (70)</u>	<u>\$ 103,691</u>

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 9 - DEFERRED OUTFLOWS OF RESOURCES

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

NOTE 10 - ACCOUNTS PAYABLE

Accounts payable represent calendar year 2024 expenses that were paid after December 31, 2024.

NOTE 11 - ACCRUED LIABILITIES

Accrued liabilities were comprised of the following at December 31, 2024:

Accrued payroll	\$ 561,211
Customer refunds owed	303,843
Accrued sales tax	99,429
Other	<u>85,330</u>
	<u>\$ 1,049,813</u>

NOTE 12 - CUSTOMER DEPOSITS

This balance represents deposits received from customers that are held in escrow.

NOTE 13 - CONTRIBUTIONS IN AID OF CONSTRUCTION

The Department receives prepayment to connect new rate payers to the Departments infrastructure. When the Department receives the prepayment, it is recognized as a liability. Once the work is complete the liability will be amortized over the life of the corresponding capital assets.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2024, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Accrued employee compensated absences	\$ 964	\$ 523	\$ --	\$ 1,487	\$ (424)	\$ 1,063
Contributions in aid of construction	3,559	1,391	(390)	4,560	(91)	4,469
Customer deposits	1,791	46	--	1,837	--	1,837
Net pension liability	16,532	--	(2,298)	14,234	--	14,234
Net OPEB liability	4,621	1,115	--	5,736	--	5,736
	<u>\$ 27,467</u>	<u>\$ 3,075</u>	<u>\$ (2,688)</u>	<u>\$ 27,854</u>	<u>\$ (515)</u>	<u>\$ 27,339</u>

NOTE 15 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent the acquisition of net assets by the Department that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Deferred inflows related to leases, in accordance with GASB Statement No. 87, have been recognized in 2024 and are offset with leases receivable.

NOTE 16 - READING CONTRIBUTORY RETIREMENT SYSTEM

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

PLAN DESCRIPTION

Substantially all employees of the Department are members of the Reading Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16 - READING CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports, which are publicly available from the System's administrative offices located at Reading Town Hall, 16 Lowell Street, Reading, Massachusetts, 01867.

PARTICIPANT CONTRIBUTIONS

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

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

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

PARTICIPANT RETIREMENT BENEFITS

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

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

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16 - READING CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PARTICIPANT RETIREMENT BENEFITS (CONTINUED)

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

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

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

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

METHODS OF PAYMENT

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16 - READING CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

METHODS OF PAYMENT (CONTINUED)

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

PARTICIPANT REFUNDS

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

EMPLOYER CONTRIBUTIONS

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

The Department’s contribution to the System for the year ended December 31, 2024 was \$2,218,585, which was equal to its actuarially determined contribution.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16 - READING CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION

At December 31, 2024, the Department reported a liability of \$14,233,746 for its proportionate share of the System's net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023, rolled forward to the measurement date. The Department's proportion of the net pension liability was based on an actuarially determined projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2023, the Department's proportion was 27.46%, which increased by 0.08% compared to its proportion measured as of December 31, 2022.

For the year ended December 31, 2024, the Department recognized pension expense of \$2,336,101. In addition, the Department reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 796,885	\$ 31,225
Changes of assumptions	1,770,718	--
Net difference between projected and actual investment earnings on pension plan investments	1,558,485	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	215,718	218,739
Contributions subsequent to the measurement date	2,218,585	--
	\$ 6,560,391	\$ 249,964

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16 - READING CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION (CONTINUED)

The amount reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as increases in pension expense (benefit) as follows:

Year Ended December 31:	
2025	\$ 1,004,121
2026	1,013,298
2027	2,110,456
2028	(56,881)
2029	<u>20,848</u>
	<u>\$ 4,091,842</u>

ACTUARIAL ASSUMPTIONS

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

Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	6.75%
Projected salary increases	4.25%-6.00% for Groups 1 and 2
Inflation rate	2.40% Annually
Post-retirement cost-of-living adjustment	3.00% of first \$14,000

Mortality rates were based on the RP-2014 Blue Collar Mortality Table, with full generational mortality improvement using Scale MP-2018. For disabled members, RP-2014 Blue Collar Mortality Table, set forward one year with full generational mortality improvement using MP-2018.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16 - READING CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

TARGET ALLOCATIONS

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

Asset Class	Target Asset Allocation	Long-Term Expected Rates of Return
Global equity	36.00%	4.58%
Private equity	16.00%	7.70%
Core fixed income	15.00%	2.40%
Portfolio completion (PCS)	10.00%	3.90%
Real estate	10.00%	4.10%
Value-added fixed income	9.00%	6.30%
Timberland	4.00%	4.60%
	<u>100.00%</u>	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16 - READING CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the Department’s proportionate share of the net pension liability calculated using the current discount rate of 6.75%, as well as what the Department’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 21,754,381	\$ 14,233,746	\$ 7,887,745

PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2010, the Department established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of December 31, 2024.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description

The Department provides post-employment healthcare benefits for retired employees through the Department's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

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

Funding Policy

The Department's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are generally based on actuarially determined amounts.

Plan Membership

At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	108
Active employees	<u>55</u>
	<u>163</u>

INVESTMENTS

The OPEB Trust Fund's assets were invested with the State Retiree Benefit Trust Fund (SRBTF) in the Pension Reserves Investment Trust (PRIT), an external investment pool.

Rate of Return

For the year ended December 31, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 8.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The net OPEB liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to the measurement date, and used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	6.00% decreasing to 4.25% based on service for Group 1 and Group 2
Investment rate of return	7.00%
Healthcare cost trend rates	Medical/Prescription Drug: 9.00% decreasing to an ultimate level of 4.50% per year. Contributions: Retiree contributions are expected to increase with medical trend.
Participation rate	100% of active employees

Mortality rates were based on:

- Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2018
- Healthy: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2018
- Disabled: RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2018

TARGET ALLOCATIONS

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2024 are summarized in the following table.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TARGET ALLOCATIONS (CONTINUED)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.00%	5.82%
International developed markets equity	9.50%	5.91%
International emerging markets equity	4.50%	7.06%
Core fixed income	15.00%	1.81%
High yield fixed income	9.00%	3.34%
Real estate	10.00%	3.34%
Commodities	4.00%	3.82%
Hedge fund, GTAA, risk parity	10.00%	2.77%
Private equity	16.00%	9.20%
	100.00%	

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

NET OPEB LIABILITY

The components of the net OPEB liability, measured as of December 31, 2024, were as follows:

Total OPEB liability	\$ 12,144,745
Plan fiduciary net position	6,408,732
Net OPEB liability	\$ 5,736,013
Plan fiduciary net position as a percentage of the total OPEB liability	52.77%

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

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY

The following summarizes the changes in the net OPEB liability for the year ended December 31, 2024.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	Net OPEB Liability (a) - (b)
		Fiduciary Net Position (b)	
Balances, beginning of year	\$ 10,219,539	\$ 5,598,554	\$ 4,620,985
Changes for the year:			
Service cost	343,026	--	343,026
Interest	716,017	--	716,017
Contributions - employer	--	978,974	(978,974)
Net investment income	--	510,178	(510,178)
Differences between expected and actual experience	353,748	--	353,748
Changes in assumptions or other inputs	1,191,389	--	1,191,389
Benefit payments	(678,974)	(678,974)	--
Net changes	1,925,206	810,178	1,115,028
Balances, end of year	\$ 12,144,745	\$ 6,408,732	\$ 5,736,013

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

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

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 7,189,992	\$ 5,736,013	\$ 4,517,710

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

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

1% Decrease (8.00%)	Current Healthcare Cost Trend Rates (9.00%)	1% Increase (10.00%)
\$ 4,373,805	\$ 5,736,013	\$ 7,394,564

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2024, the Department recognized an OPEB expense of \$1,318,589. At December 31, 2024, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 235,832	\$ --
Changes in assumptions	1,076,931	--
Net difference between projected and actual earnings on OPEB investment	217,035	--
	\$ 1,529,798	\$ --

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

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

<u>Year Ended December 31:</u>	
2025	\$ 960,695
2026	647,531
2027	(56,872)
2028	<u>(21,556)</u>
	<u>\$ 1,529,798</u>

NOTE 18 - PARTICIPATION IN MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

The Town of Reading, acting through the Reading Municipal Light Department is a participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

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

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 18 - PARTICIPATION IN MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY (CONTINUED)

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

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

MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department's Project Capability of the Projects in which it participates for the years ended December 31, 2024 and 2023, respectively are listed in the table below.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 18 - PARTICIPATION IN MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY (CONTINUED)

Projects	Percentage Share	Total Capital Expenditures 2024	Total Capital Expenditures 2023	Capacity, Fuel & Transmission Billed 2024	Capacity, Fuel & Transmission Billed 2023
Stony Brook Peaking Project	19.5163%	\$ 12,457,984	\$ 12,316,311	\$ 1,390,566	\$ 1,127,997
Stony Brook Intermediate Project	15.9249%	29,228,301	29,223,154	2,567,708	2,463,803
Nuclear Mix No. 1-Seabrook	14.7191%	1,548,451	1,532,039	76,970	71,192
Nuclear Mix No. 1-Millstone	14.7191%	9,582,094	9,493,591	1,015,827	842,187
Nuclear Project No. 3-Millstone	5.2617%	8,267,613	8,204,536	721,097	597,122
Nuclear Project No. 4-Seabrook	12.5560%	38,964,717	38,592,042	1,724,754	1,595,089
Nuclear Project No. 5-Seabrook	6.1186%	5,131,695	5,085,727	217,146	201,211
		<u>\$ 105,180,855</u>	<u>\$ 104,447,400</u>	<u>\$ 7,714,068</u>	<u>\$ 6,898,601</u>

NOTE 19 - NON-CARBON CERTIFICATES

In April of 2021, the Commonwealth of Massachusetts put the 2021 Climate Law into effect. For the first time, Massachusetts municipal light plants are under emission compliance standards. Emission compliance targets were set for 2030, 2040, and 2050. Specifically, Massachusetts municipal light plants must source energy from non-carbon sources equal to or above a percentage of kwh sales, set as 50% of annual kwh sales in 2030, 75% of annual kwh sales in 2040, net-zero of annual kwh sales in 2050, with a 2020 baseline of 20% of annual kwh sales.

Compliance is recognized as retiring non-carbon certificates. Hence, the new metric is non-carbon certificates where renewable energy certificates are a subset of non-carbon certificates. Emissions Free Energy Certificates (EFECs) are classified as non-carbon certificates and are valid for compliance. Nuclear facilities can register EFECs with the NEPOOL GIS regional tracking system. Seabrook and Millstone nuclear facilities create EFEC's as part of the Departments' contracts and NYPA certificates are also EFECs.

In anticipation of the 2021 Climate Law, the Department updated its Policy no. 30 in February 2021. In an effort to avoid rate shocks in 2030, 2040, and 2050, the updated Department policy requires the retirement of non-carbon certificates at a level of 23% of annual 2021 kwh sales. The retirement level will increase 3% annually, such that the 50% compliance target is met in 2030, then 2.5% annual retirement increases thereafter.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 19 - NON-CARBON CERTIFICATES (CONTINUED)

The Department typically purchases non-carbon certificates bundled with energy, as an associated purchase of energy plus environmental attributes (certificates), and historically has not purchased non-carbon certificates in the open market.

The Department's power supply portfolio currently provides non-carbon certificates in excess of the retirement levels required by policy no. 30 and the certificates in excess of retirement targets are sold. Accounting for the 3 to 6 month minting process, the Department retires or sells non-carbon certificates on a quarterly basis.

The table below summarizes Department's non-carbon certificate holdings as of December 31, 2024. The table includes certificates acquired as part of power supply contracts, regardless of the timing of minting where minting is a prerequisite to the Department's ability to transact (retire or sell) these certificates.

The table reflects certificates acquired during 2024, actual certificate retirements in the 1st and 2nd quarters of 2024 and estimated certificate retirements in the 3rd and 4th quarters of 2024. The year-end certificate pricing reflects average certificate prices transacted during the 1st and 2nd quarters of 2024, and is sourced from Energy New England that conducted the transactions on behalf of the Department.

Information regarding the Department's year ending December 31, 2024 non-carbon certificate balances was as follows:

Non-Carbon Certificates Holdings at December 31, 2024

	Projected Certificates	Estimated Value
MA Class I	\$ 22,742	\$ 892,674
ME Class I	5,693	223,131
ME Class II	46,079	127,455
EFECs	81,635	243,786
CES-E	49,100	454,176
Total	<u>\$ 205,249</u>	<u>\$ 1,941,222</u>

Currently, there is no formal accounting guidance under GAAP for non-carbon certificates, including renewable energy certificates. As a result, the Department's non-carbon certificate holdings at December 31, 2024 are not recognized as an asset in the Statement of Net Position.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 20 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2025 which is the date the financial statements were available to be issued.

NOTE 21 - COMMITMENTS AND CONTINGENCIES

OUTSTANDING LEGAL ISSUES

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

NOTE 22 - NEW PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) pronouncements will be implemented in the future:

- GASB Statement No. 102, *Certain Risk Disclosures*, effective for the Department beginning in fiscal year ending December 31, 2025.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the Department beginning in fiscal year ending December 31, 2026.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the Department beginning in fiscal year ending December 31, 2026.

These statements establish new reporting and disclosure requirements about risks related to concentrations or constraints, improving key components of the financial reporting model to enhance effectiveness, and requiring certain capital assets to be disclosed separately in the note disclosures. Management is currently evaluating the impact of implementing these GASB pronouncements.

READING MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Unaudited)

Reading Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
December 31, 2024	December 31, 2023	27.46%	\$ 14,233,746	\$ 8,824,025	161.31%	78.62%
December 31, 2023	December 31, 2022	27.54%	\$ 16,531,638	\$ 6,461,018	255.87%	74.49%
December 31, 2022	December 31, 2021	26.56%	\$ 5,358,701	\$ 6,949,555	77.11%	90.81%
December 31, 2021	December 31, 2020	26.82%	\$ 11,954,138	\$ 6,758,995	176.86%	79.07%
December 31, 2020	December 31, 2019	28.35%	\$ 12,054,935	\$ 6,754,079	178.48%	78.24%
December 31, 2019	December 31, 2018	28.35%	\$ 14,610,001	\$ 6,513,347	224.31%	72.56%
December 31, 2018	December 31, 2017	29.15%	\$ 10,781,819	\$ 6,938,057	155.40%	79.32%
June 30, 2018	December 31, 2017	29.15%	\$ 10,781,819	\$ 6,938,057	155.40%	79.32%
June 30, 2017	December 31, 2016	29.15%	\$ 13,076,538	\$ 6,393,765	204.52%	73.43%
June 30, 2016	December 31, 2015	28.25%	\$ 12,862,732	\$ 6,147,851	209.22%	72.17%
June 30, 2015	December 31, 2014	28.25%	\$ 8,464,663	\$ 5,908,694	143.26%	79.89%

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

See notes to required supplementary information.

READING MUNICIPAL LIGHT DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

Reading Contributory Retirement System						
Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	
December 31, 2024	\$ 2,218,585	\$ 2,218,585	\$ --	\$ 9,044,626	24.53%	
December 31, 2023	\$ 2,486,536	\$ 2,486,536	\$ --	\$ 8,824,025	28.18%	
December 31, 2022	\$ 2,352,753	\$ 2,352,753	\$ --	\$ 6,461,018	36.41%	
December 31, 2021	\$ 2,140,461	\$ 2,140,461	\$ --	\$ 7,449,572	28.73%	
December 31, 2020	\$ 2,039,462	\$ 2,039,462	\$ --	\$ 6,758,995	30.17%	
December 31, 2019	\$ 1,781,345	\$ 1,781,345	\$ --	\$ 6,754,079	26.37%	
December 31, 2018	\$ 1,691,058	\$ 1,691,058	\$ --	\$ 6,513,347	25.96%	
June 30, 2018	\$ 1,650,416	\$ 1,650,416	\$ --	\$ 6,938,057	23.79%	
June 30, 2017	\$ 1,579,345	\$ 1,579,345	\$ --	\$ 6,938,057	22.76%	
June 30, 2016	\$ 1,461,650	\$ 1,461,650	\$ --	\$ 6,393,765	22.86%	

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

See notes to required supplementary information.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

FOR THE YEAR ENDED DECEMBER 31, 2024

PENSION PLAN SCHEDULES

A. Schedule of the Department's Proportionate Share of the Net Pension Liability

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

B. Schedule of the Department's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Department may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Department based on covered payroll.

C. Changes in Assumptions – None.

D. Changes in Plan Provisions – None.

READING MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	\$ 343,026	\$ 307,937	\$ 281,106	\$ 346,715	\$ 336,113	\$ 245,905	\$ 238,384	\$ 230,880
Interest	716,017	633,586	646,679	851,982	811,737	799,729	766,539	733,280
Changes of benefit terms	--	--	11,777	(2,404,503)	--	--	--	--
Differences between expected and actual experience	353,748	--	(53,878)	296,537	--	260,248	--	--
Changes of assumptions	1,191,389	848,013	(501,039)	(972,882)	--	(252,156)	--	--
Benefit payments, including refunds of member contributions	(678,974)	(616,164)	(581,460)	(549,629)	(655,233)	(577,471)	(552,351)	(504,917)
Net Change in Total OPEB Liability	1,925,206	1,173,372	(196,815)	(2,431,780)	492,617	476,255	452,572	459,243
Total OPEB Liability - Beginning	10,219,539	9,046,167	9,242,982	11,674,762	11,182,145	10,705,890	10,253,318	9,794,075
Total OPEB Liability - Ending (a)	12,144,745	10,219,539	9,046,167	9,242,982	11,674,762	11,182,145	10,705,890	10,253,318
Plan Fiduciary Net Position								
Contributions - employer	978,974	916,164	855,547	937,222	1,042,087	1,012,408	1,159,476	813,663
Net investment income	510,178	521,476	(581,293)	188,435	33,826	90,920	75,522	35,045
Benefit payments, including refunds of member contributions	(678,974)	(616,164)	(581,460)	(549,629)	(655,233)	(577,471)	(552,351)	(504,917)
Net Change in Plan Fiduciary Net Position	810,178	821,476	(307,206)	576,028	420,680	525,857	682,647	343,791
Plan Fiduciary Net Position - Beginning	5,598,554	4,777,078	5,084,284	4,508,256	4,087,576	3,561,719	2,879,072	2,535,281
Plan Fiduciary Net Position - Ending (B)	6,408,732	5,598,554	4,777,078	5,084,284	4,508,256	4,087,576	3,561,719	2,879,072
Net OPEB liability - Ending (a-b)	\$ 5,736,013	\$ 4,620,985	\$ 4,269,089	\$ 4,158,698	\$ 7,166,506	\$ 7,094,569	\$ 7,144,171	\$ 7,374,246

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

See notes to required supplementary information.

READING MUNICIPAL LIGHT DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017
Schedule of Net OPEB Liability								
Total OPEB liability	\$ 12,144,745	\$ 10,219,539	\$ 9,046,167	\$ 9,242,982	\$ 11,674,762	\$ 11,182,145	\$ 10,705,890	\$ 10,253,318
Plan fiduciary net position	<u>6,408,732</u>	<u>5,598,554</u>	<u>4,777,078</u>	<u>5,084,284</u>	<u>4,508,256</u>	<u>4,087,576</u>	<u>3,561,719</u>	<u>2,879,072</u>
Net OPEB liability	<u>\$ 5,736,013</u>	<u>\$ 4,620,985</u>	<u>\$ 4,269,089</u>	<u>\$ 4,158,698</u>	<u>\$ 7,166,506</u>	<u>\$ 7,094,569</u>	<u>\$ 7,144,171</u>	<u>\$ 7,374,246</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.77%	54.78%	52.81%	55.01%	38.62%	36.55%	33.27%	28.08%
Covered employee payroll	\$ 9,044,626	\$ 8,824,025	\$ 6,461,018	\$ 7,449,572	\$ 6,758,995	\$ 6,754,079	\$ 6,513,347	\$ 6,323,638
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	63.42%	52.37%	66.07%	55.82%	106.03%	105.04%	109.69%	116.61%
Schedule of Contributions								
Actuarially determined contribution	\$ 1,070,196	\$ 979,835	\$ 954,088	\$ 848,942	\$ 1,136,780	\$ 1,146,987	\$ 991,048	\$ 932,387
Contributions in relation to the actuarially determined contribution	<u>978,974</u>	<u>916,164</u>	<u>855,547</u>	<u>937,222</u>	<u>1,042,087</u>	<u>1,012,408</u>	<u>1,159,476</u>	<u>813,663</u>
Contribution deficiency (excess)	\$ 91,222	\$ 63,671	\$ 98,541	\$ (88,280)	\$ 94,693	\$ 134,579	\$ (168,428)	\$ 118,724
Schedule of Investment Returns								
Annual money weighted rate of return, net of investment expense	8.44%	unavailable						

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

See notes to required supplementary information.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

FOR THE YEAR ENDED DECEMBER 31, 2024

The Department administers a single-employer defined benefit healthcare plan (“Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Department’s group health insurance plan, which covers both active and retired members.

A. Schedule of Changes in the Department’s Net Other Postemployment Benefit Liability and Related Ratios

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

B. Schedule of the Department’s Contributions

The Schedule of the Department’s Contributions includes the Department’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Department is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered employee payroll. Methods and assumptions used to determine contribution rates are presented on the following page.

READING MUNICIPAL LIGHT DEPARTMENT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

Valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Inflation	3.00%
Investment rate of return	7.00%
Participation rate	100% of active employees
Healthcare cost trend rates	Medical/Prescription Drug: 9.00% decreasing to an ultimate level of 4.50% per year. Contributions: Retiree contributions are expected to increase with medical trend.
Mortality rates	Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2018 Healthy: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2018 Disabled: RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2018

**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 Light Board
Town of Reading, Massachusetts
Reading Municipal Light Department

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 business-type activities and the fiduciary type activities of the Reading Municipal Light Department (the Department), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 a 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. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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*.

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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

Boston, MA
September 18, 2025