Town of Reading
Meeting Minutes

Board - Committee - Commission - Council:

RMLD Audit Committee

Date: 2021-05-19 | Time: 5:30 PM

Building: | Location:

Address: | Session:

Purpose: General Business | Version: Final

Attendees: **Members - Present:**

Mr. Edward Ross, Chair, Finance Committee, Town of Reading; Mr. Shawn Brandt, School Committee, Town of Reading; Ms. Carla Nazzaro, School Committee, Town of Reading; Mr. Philip B. Pacino, Commissioner, RMLD; Mr. John Stempeck, Commissioner, RMLD.

Members - Not Present:

Mr. Eric Burkhart, Finance Committee, Town of Reading; Mr. Mark Dockser, Select Board, Town of Reading; Mr. Stephen Herrick, Select Board, Town of Reading.

Others Present:

Presenting: Mr. Zack Fentross, Melanson; Mr. Andrew Gordon, Melanson.

RMLD Staff: Ms. Coleen O'Brien, General Manager, RMLD; Ms. Wendy Markiewicz, Director of Business and Finance, RMLD; Mr. Greg Phipps, Director of Integrated Resources, RMLD; Ms. Janet Walsh, Director of Human Resources, RMLD; Ms. Kathleen Rybak, Operational Assistant to Engineering & Operations, RMLD; Ms. Erica Morse, Executive Assistant, RMLD.

Others: Mr. Christopher Haley, Select Board, Town of Reading; Ms. Sharon Angstrom, Finance Director / Town Accountant, Town of Reading; Mr. Mark Zarrow, Finance Committee, Town of Reading.

Minutes Respectfully Submitted By: Mr. Phil Pacino, Secretary Pro Team.

Topics of Discussion:

Due to the pandemic and the March 12, 2020, Governor's Executive Order Suspending the Certain Provisions of the Open Meeting Law, all participants attended remotely.

1. Call Meeting to Order
   Chair Ross called the Town of Reading Annual Audit Committee Meeting to order at 5:30PM.

   Sub Committee Chair Pacino called the RMLD Board of Commissioners Sub Committee to order at 5:35PM.

2. Opening Remarks
   Mr. Ross opened the meeting by restating the purpose and agenda: to review the RMLD 2020 Audit findings from Melanson.
3. Introductions

Mr. Pacino initiated attendee introductions. Ms. Markiewicz welcomed the group and introduced the presenters from Melanson: Mr. Zack Fentross, Audit Manager, and Andrew Gordon, Audit Supervisor.

4. Calendar Year 2020 Audit Findings – Melanson; Town of Reading's Audit Committee *Materials: Annual Financial Statements- December 31, 2020 (Draft, dated May 12, 2021)*
Presentation, PDF Document of Financial Report
Audit Findings Presentation: Mr. Fentross reported that the financial statements would be presented in a comparative basis. Mr. Fentross noted that this was a result of the department moving to a December 31 year end from a June 30 year end and the implementation of GASB 74 and 75, which do not allow comparative statements. The takeaway of the 2020 Audit Findings was that the department had positive operating results; a well-funded OPEB Trust Fund; and there was no management letter. Mr. Fentross reported that RMLD received a clean opinion; the best opinion you can receive from an Independent Audit, and there are no exceptions. This opinion is consistent with prior years (*Independent Auditor Report, Pages 1-2).*

Mr. Fentross noted that (*Management's Discussion and Analysis, Pages 3-7)* summarizes the results of operations and a few major financial areas; this section touches on the same topics found in *(Enterprise Fund-Statement of Net Position, Page 8).*

Mr. Fentross noted that the *(Statement of Net Position, Page 8)* is essentially a balance sheet, and highlighted the assets, liabilities, and fund balance. These items were consistent from CY19 to CY20. A few items had a decent swing from CY19 to CY20: capital assets; net pension liability; net OPEB liability; electrical sales and purchase power; and intergovernmental grants.

Mr. Fentross reported that the net of accumulated depreciation increased from CY19 ($2.4m). This increase was a result of additions to capital assets ($7.3m), which was softened by depreciation expense ($4.7m). Some major capital item additions in CY20 were pole and fixture distributions; overhead conductors; underground conductors and devices; and line transformers. *(Enterprise Fund-Statement of Net Position, Page 8)*

Mr. Fentross noted that net pension liability represents the department's portion of total unfunded liability for the Reading Contributory Retirement System as of December 31, 2019 and is being presented one year in arrears (allowable per GASB standards). There was a decrease in total net pension liability in CY20 ($2.5m to $2.6m). The primary reason for the decrease is due to the Retirement System's investment results for CY20 coming in greater than anticipated in CY19 ($10.1m); RMLD's benefit was about $2.9m. RMLD's proportionate share of total unfunded liability is about 28%.

The Reading Retirement System is funded higher (78%) than the average seen in the Commonwealth (66%). RMLD has money set aside ($6.6m) to help fund the net pension liability and make contributions to the retirement system in the future. These funds (Per GASB) cannot reduce the net pension liability. This is a strong financial position for RMLD to be in. *(Enterprise Fund-Statement of Net Position, Page 8)*

Mr. Fentross reported that the Net OPEB liability remains relatively unchanged from CY19. This liability is actuarially determined to understand the future liability and payments that RMLD will have to make for Health Insurance. RMLD has begun to fund this liability ($7.166m; 38.62% of the Total OPEB Liability). RMLD is in a favorable position compared to Towns in the Commonwealth (average 0-10% funded) and on the higher end compared to light departments (average 20%-40% funded). This data will be viewed favorably by users of the financial statements.

(Enterprise Fund-Statement of Net Position, Page 8), (Required Supplementary Information- OPEB Page 44)

Mr. Fentross stated that the Net OPEB Liability is based on an actuarial valuation reported June 30, 2018. GASB 74 and GASB 75 relate to this liability; GASB 75 states that the actuarial valuation must be within 30 months and one day from the date of the financial statements, where GASB 74 states the actuarial valuation must be within 24 months from the date of the financial statements. The presentation of this liability is in accordance with the GASB 75 standards but is not with GASB 74. Mr. Fentross consulted Segal and determined that this fact would not have a material impact on the company's financial statements. From this determination, Melanson concluded that it was not necessary to qualify their opinion or wait to receive an updated valuation in accordance with those standards. After bringing this point over to Ms. Kathy Riley, Senior VP and Actuary at Segal, Melanson formed the opinion that it was a simple oversight.

Mr. Fentross recommended that a discussion take place between the town, RMLD, the actuary, and Melanson to ensure that this situation does not reoccur and to find a decision best for all parties involved. One option worth discussion is to have a separate valuation for RMLD. He recounted a conversation with Ed Boyd, Principal for the Town of Reading's Audit, and stated that Mr. Boyd supported this option, which he felt would allow for ease of financial reporting on the Town's financial statements and provide clarification. Contrarily, Mr. Fentross recounted a conversation with Ms. Riley who was unsure if that would be in the best interest given certain factors. Mr. Fentross did not want to speak for Ms. Riley further in this meeting.

Mr. Fentross reported a decrease in electric sales, net of discounts, ($2.6m) in conjunction with a decrease of purchase power ($3.7m). In CY20 there was a decrease in cost of power; the cost savings that RMLD saw as a result passed through to the customer. These factors off set each other as they resulted in both the decrease in revenue and expense. *(Statement of Revenues, Expenses, and Changes in Net Position, Page 9)*

Mr. Fentross reported that the CY20 intergovernmental grant was primarily made up of a State Grant for a battery project ($445k) and the remaining balance ($7K) was CARES federal money. The department only received a small fraction of the funds that were out there to ensure proper social distancing within the building and did not receive any additional grants besides a small balance for COVID funding. *(Statement of Revenues, Expenses, and Changes in Net Position, Page 9)*

Mr. Fentross reported that RMLD had positive cash flows from their operating activities: RMLD used their operating activities on the acquisition and construction of capital assets ($2.3m). *(Statement of Cash Flows, Page 10)*

Mr. Brandt asked about RMLD's Pension liabilities, to which Mr. Fentross clarified are actuarially determined pension liabilities derived from the Retirement System (Not the Town). Mr. Brandt asked a follow up question: In the same way that the numbers here are not strictly in compliance with GASB 74, is that also true of the Retirement System? Mr. Fentross responded that the net pension liability shown here is governed by GASB 67 and 68 and is in line with no issues.

Mr. Brandt asked a follow up question: Is it safe to assume that part of the suggestion to separate out and do an actuary valuation of RMLD is rooted in the fact that the applicable GASB rules are not consistent with one another? Mr. Fentross responded that the recommendation is to ensure that this does not happen again; there may be a year where the actuary would say that it does have a material impact and is not in line and then we (Melanson) would have to qualify our opinion. The intent is to keep the department away from having to qualify their opinion over a small item such as a 20-month difference in an actuary valuation and date of the

financial statements. Ms. Markiewicz stated that RMLD has had separate valuations in the past (5-6 years ago) until it was decided to combine the valuation with the town.

Mr. Ross asked about the consistency of the financial statements; Has there ever been a time where the statements were inconsistent? Mr. Fentross responded that the statements have been consistent year after year with RMLD. The only swings that you will see year to year are the following: decrease in the cost of purchase power passed along to the customer as well as with net pensions and OPEB liabilities which can change dramatically depending on the market, which is outside the control of RMLD. *(Enterprise Fund-Statement of Net Position, Page 8)*

Mr. Ross asked about the intergovernmental grants: Is the portion of the Battery Project Grant (CY20) included in the CY19 balance? Mr. Fentross responded that the CY19 balance was primarily refunds from FEMA and MEMA for costs associated with natural disasters that the department was being reimbursed for. Typically, that line item does not carry over year to year, usually varies, and is not consistent with the same grant. Town financials will be consistent, but Light Departments vary with type of grants or dollar amount received. Ms. Markiewicz agreed that the most consistent items are FEMA and MEMA. Ms. Markiewicz noted that going forward it can be expected that RMLD will get another grant for the battery storage: Mr. Ross asked in addition to? Ms. Markiewicz responded yes as everything has a timeline.

Mr. Pacino made a **motion** that the Town of Reading Audit Committee recommend to the RMLD Board of Commissioners they accept the audit as performed and as presented by Melanson, seconded by Mr. Brant.
Motion Carried (4:0) (4 in favor, 0 opposed).

Mr. Pacino made a **motion** that the Audit Subcommittee of the RMLD Board of Commissioners recommend that the RMLD Board of Commissioners accept the Audit, seconded by Mr. Stempeck.
Motion Carried (2:0) (2 in favor, 0 opposed)

5. Motion to Adjourn.

At 6:00PM Mr. Pacino made a **motion** to adjourn the RMLD Audit Subcommittee, seconded by Mr. Stempeck.
Motion Carried (2:0) (2 in favor, 0 opposed)

At 6:02PM Mr. Pacino made a **motion** to adjourn the Regular Town of Reading Audit Committee Meeting, Mr. Ross, Chair, agreed, seconded by Mr. Brandt.
Motion Carried (4:0) (4 in favor, 0 opposed)

The RMLD Audit Committee Meeting adjourned at 6:02PM.

A true copy of the RMLD Board of Commissioners Sub- Committee minutes
As approved by a majority of the Commission.

Philip B Pacino
Philip B Pacino (Apr 13, 2022 10:12 EDT)

Philip B. Pacino, Secretary Pro Tem
RMLD Board of Commissioners

DRAFT 5.12.2021

RMLD

Reading Municipal Light Department
RELIABLE POWER

TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT

Annual Financial Statements
For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Municipal Light Board
Town of Reading Municipal Light Department

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Reading Municipal Light Department (the Department) (an enterprise fund of the Town of Reading), and the aggregate remaining fund, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the Table of Contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Reading Municipal Light Department and the aggregate remaining fund information as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Department's 2019 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Andover, Massachusetts
_____, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of 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, 2020. 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 Proprietary Fund Statements of Net Position, (2) the Proprietary Fund Statements of Revenues, Expenses and Changes in Net Position, (3) the Proprietary Fund Statements of Cash Flows, (4) the Fiduciary Funds Statements of Fiduciary Net Position, (5) the Fiduciary Funds Statements of Changes in Fiduciary Net Position, and (6) Notes to Financial Statements.

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the business-type financial statements because the resources of those funds are not available to support the Department's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements

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

Other Information

In calendar year 2020, the Department implemented ASC 980, *Accounting for the Effects of Certain Types of Regulation*, which essentially adjusts for differences between how revenue/rates

are budgeted and how they are accounted for on a Generally Accepted Accounting Principles (GAAP) basis. In the Department's case, contributions in aid of construction (CIAC) are set aside (deferred) and are recognized equal to the annual depreciation expense on the related assets.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

The Proprietary Fund Statement of Net Position is designed to indicate our financial position at a specific point in time. At December 31, 2020, it shows our net worth of $119,334,812 which comprises $82,771,713 invested in capital assets, $8,224,591 and $6,585,203 restricted for depreciation fund and the pension trust, and $21,753,305 unrestricted.

The Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position summarize our operating results and reveal 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, 2020 was $2,625,867.

The Proprietary Fund Statement of Cash Flows provide information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our Proprietary Fund Statement of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in the year ended December 31, 2020.

The following is a summary of the Department's financial data for the year ended December 31, 2020 (in thousands).

Summary of Net Position

	2020	2019
Assets:		
Current and other assets	$ 66,333	$ 64,593
Capital assets	82,772	80,351
Total assets	149,105	144,944
Deferred outflows of resources	5,360	8,102
Total assets and deferred outflows	$ 154,465	$ 153,046
Liabilities:		
Long-term liabilities	$ 21,443	$ 24,176
Other liabilities	8,743	8,244
Total liabilities	30,186	32,420
Deferred inflows of resources	4,944	3,917
Net position:		
Net investment in capital assets	82,772	80,351
Restricted for depreciation fund	8,225	8,335
Restricted for pension trust	6,585	6,365
Unrestricted	21,753	21,658
Total net position	119,335	116,709
Total liabilities, deferred inflows, and net position	$ 154,465	$ 153,046

Summary of Change in Net Position

	2020	2019
Operating revenues	$ 85,572	$ 88,312
Operating expenses	(81,662)	(83,725)
Operating income	3,910	4,587
Non-operating revenues	1,197	1,874
Income Before Contributions and Other Items	5,107	6,461
Contributions in aid of construction	-	339
Return on investment to Town of Reading	(2,481)	(2,481)
Change in net position	2,626	4,319
Beginning net position	116,709	112,390
Ending net position	$ 119,335	$ 116,709

For the year ended December 31, 2020 electric sales (net of discounts) were $86,894,628, a decrease of 2.9% from the prior year. For the year ended December 31, 2020, kilowatt hours sold were 651,179,904, an increase of 0.6% from the prior year.

Operating expenses totaled $81,662,888 for the year ended December 31, 2020, a decrease of 2.5%. The largest portion of this total, $57,292,309, was for purchase power costs. Other operating expenses included $18,064,363 for general operating and maintenance costs, $1,607,009 for voluntary payments to Towns, and depreciation expense of $4,699,207. For the year ended December 31, 2020 the depreciation rate was 3.0%. Change in net position of $2,625,867 results primarily from rates and charges set at a level to fund future capital improvements.

In the year ended December 31, 2020, the Pension Trust contributed $2,039,462 to the Town of Reading Contributory Retirement System on behalf of the Department's employees.

For the year ended December 31, 2020, the Department contributed $386,854 to the Other Post-Employment Benefits Trust ("OPEB Trust"). Additional information on the Department's OPEB Trust Fund can be found in corresponding note on page 32 of this report.

Capital Asset and Debt Administration

Capital Assets

Total investment in land at year end amounted to $1,265,842. Total investment in depreciable capital assets at year-end amounted to $81,505,871 (net of accumulated depreciation), an

increase of $2,421,259 from the prior year. This investment in depreciable capital assets includes structures and improvements, equipment and furnishings, and infrastructure assets.

Debt and Other Long-Term Obligations

At the end of the current fiscal 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 Town of 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

Town of Reading Municipal Light Department

230 Ash Street

Reading, Massachusetts 01867

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

Enterprise Fund
Statements of Net Position
December 31, 2020
(With Comparative Totals as of December 31, 2019)

	2020	2019
Assets		
Current:		
Unrestricted cash and short-term investments	$ 20,158,534	$ 20,028,398
Receivables, net of allowance for uncollectable	7,768,519	7,114,247
Prepaid expenses	2,438,307	2,433,739
Inventory	1,880,288	1,822,376
Total current assets	32,245,648	31,398,760
Noncurrent:		
Restricted cash and short-term investments	30,350,390	29,569,761
Restricted investments	2,734,900	2,659,416
Investment in associated companies	822,083	802,212
Land	1,265,842	1,265,842
Capital assets, net of accumulated depreciation	81,505,871	79,084,612
Other	180,071	162,451
Total noncurrent assets	116,859,157	113,544,294
Total Assets	149,104,805	144,943,054
Deferred Outflows of Resources		
Related to pensions	4,826,866	7,652,907
Related to OPEB	533,543	449,209
Total Deferred Outflows of Resources	5,360,409	8,102,116
Liabilities		
Current:		
Accounts payable	6,740,339	6,400,929
Accrued liabilities	396,465	334,184
Customer deposits	1,406,058	1,308,651
Other liabilities	200,000	200,000
Current portion of long-term liabilities:		
Compensated absences	361,669	24,227
Total current liabilities	9,104,531	8,267,991
Noncurrent:		
Net pension liability	12,054,935	14,610,001
Net OPEB liability	7,166,506	7,094,569
Compensated absences	1,860,068	2,447,147
Total noncurrent liabilities	21,081,509	24,151,717
Total Liabilities	30,186,040	32,419,708
Deferred Inflows of Resources		
Related to pensions	2,526,025	1,775,159
Related to OPEB	126,078	189,117
Contributions in aid of construction	2,292,259	1,952,241
Total Deferred Inflows of Resources	4,944,362	3,916,517
Net Position		
Net investment in capital assets	82,771,713	80,350,454
Restricted for:		
Depreciation fund	8,224,591	8,334,981
Pension trust	6,585,203	6,365,431
Unrestricted	21,753,305	21,658,079
Total Net Position	$ 119,334,812	$ 116,708,945

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

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

Enterprise Fund
Statements Of Revenues, Expenses, And Changes In Net Position
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Operating Revenues		
Electric sales, net of discounts of $4,015,220 and $3,938,532, respectively	$ 86,894,628	$ 89,475,079
Purchase power adjustments:		
Fuel charge adjustment	(1,033,746)	(1,117,760)
Capacity and transmission adjustment	(288,550)	(45,342)
Total Operating Revenues	85,572,332	88,311,977
Operating Expenses		
Purchase power	57,292,309	61,027,184
Operating	15,642,969	14,529,908
Maintenance	2,421,394	2,072,112
Voluntary payments to towns	1,607,009	1,569,667
Depreciation	4,699,207	4,525,997
Total Operating Expenses	81,662,888	83,724,868
Operating Income	3,909,444	4,587,109
Nonoperating Revenues (Expenses)		
Interest income	390,425	969,188
Intergovernmental grants	451,761	173,550
Loss on disposal of assets	(163,530)	(81,563)
Other	518,273	812,910
Total Nonoperating Revenues	1,196,929	1,874,085
Income Before Capital Contributions and Transfers	5,106,373	6,461,194
Capital contributions	-	338,448
Return on investment transfer to Town of Reading	(2,480,506)	(2,480,506)
Change in Net Position	2,625,867	4,319,136
Net Position at Beginning of Year	116,708,945	112,389,809
Net Position at End of Year	$ 119,334,812	$ 116,708,945

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

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

Enterprise Fund
Statements of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash Flows From Operating Activities		
Receipts from customers and users	$ 83,693,173	$ 91,177,144
Payments to vendors and employees	(75,945,319)	(82,622,371)
Customer purchase power adjustments	1,322,296	(1,163,102)
Net Cash Provided By Operating Activities	9,070,150	7,391,671
Cash Flows From Noncapital Financing Activities		
Return on investment to Town of Reading	(2,480,506)	(2,480,506)
Other	518,271	834,149
Net Cash (Used For) Noncapital Financing Activities	(1,962,235)	(1,646,357)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(7,283,998)	(6,474,699)
Contributions in aid of construction	340,018	227,971
Intergovernmental revenues	451,761	152,312
Net Cash (Used For) Capital and Related Financing Activities	(6,492,219)	(6,094,416)
Cash Flows From Investing Activities		
Investment income	390,425	969,188
Increase in investments	(95,356)	(681,944)
Net Cash Provided By Investing Activities	295,069	287,244
Net Change in Cash and Short-Term Investments	910,765	(61,858)
Cash and Short-Term Investments, Beginning of Period	49,598,159	49,660,017
Cash and Short-Term Investments, End of Period	$ 50,508,924	$ 49,598,159
Reconciliation of Operating Income (Loss) to Net Cash		
Operating income	$ 3,909,444	$ 4,587,109
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	4,699,207	4,525,997
Changes in assets, liabilities, and deferred outflows/inflows		
Accounts receivable	(654,272)	1,591,167
Prepaid and other assets	(22,186)	(380,792)
Inventory	(57,912)	(335,906)
Deferred outflows - related to pensions	2,826,041	(2,613,517)
Deferred outflows - related to OPEB	(84,334)	291,259
Accounts payable and accrued liabilities	152,055	(3,791,765)
Net pension liability	(2,555,066)	3,828,182
Net OPEB liability	71,937	(279,677)
Deferred inflows - related to pensions	750,866	(330,401)
Deferred inflows - related to OPEB	(63,039)	189,117
Other	97,409	110,898
Net Cash Provided By Operating Activities	$ 9,070,150	$ 7,391,671

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

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

Fiduciary Fund – Other Post-Employment Benefits Trust
Statements of Fiduciary Net Position
December 31, 2020
(With Comparative Totals as of December 31, 2019)

	Other Post Employment Benefits Trust Fund	
	2020	2019
Assets		
Cash and short-term investments	$ 4,508,256	$ 4,087,576
Total Assets	4,508,256	4,087,576
Net Position		
Total net position held in trust for other post employment benefits	$ 4,508,256	$ 4,087,576

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

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

Fiduciary Funds
Statement Of Changes In Fiduciary Net Position
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Other Post Employment Benefits Trust Fund	
	2020	2019
Additions		
Contributions:		
Employers	$ 1,042,087	$ 1,012,408
Investment Income:		
Interest	33,826	90,920
Total additions	1,075,913	1,103,328
Deductions		
Benefit payments to plan members, beneficiaries and other systems	655,233	577,471
Net increase	420,680	525,857
Net position restricted for OPEB purposes		
Beginning of year	4,087,576	3,561,719
End of year	$ 4,508,256	$ 4,087,576

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

TOWN OF READING, MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The significant accounting policies of the Town of Reading Municipal Light Department (the Department) (an enterprise fund of the Town of Reading, Massachusetts) are as follows:

Business Activity

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. The Department's policy is to prepare its financial statements in conformity with generally accepted accounting principles.

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

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's proprietary fund are charges to customers for electric sales and services. Operating expenses for the Department's proprietary fund 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 non-operating revenues and expenses.

Concentrations

The Department operates within the electric utility industry. In 1998, the Commonwealth of Massachusetts enacted energy deregulation legislation that restructured the Commonwealth's electricity industry to foster competition and promote reduced electric rates. Energy deregulation created a separation between the supply and delivery portions

of electricity service and enabled consumers to purchase their energy from a retail supplier of their choice. Municipal utilities are not currently subject to this legislation.

Retirement Trust

The Reading Municipal Light Department Employees' Retirement Trust (the "Pension Trust") was established by the Reading Municipal Light Board on December 30, 1966, pursuant to Chapter 64 of the General Laws of the Commonwealth of Massachusetts.

The Pension Trust constitutes 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.

In accordance with Government Accounting Standards Board Statement 68 (GASB 68), the Retirement Trust was consolidated into the Proprietary Fund and is reflected in net position as "restricted for pension trust."

Other Post-Employment Benefits Trust

The Other Post-Employment Benefits Liability 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 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 discounts. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal year.

Cash and Short-term Investments

For the purposes of the Statements of Cash Flows, the Department considers unrestricted cash on deposit with the Town Treasurer to be cash or short-term investments. For purposes of the Statements of Net Position, both the proprietary funds and fiduciary funds consider unrestricted and restricted 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 agencies that have a

maturity 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 date of purchase.

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

Inventory

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

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at 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. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the constructed asset. 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.

Massachusetts General Laws require utility plant in service to be depreciated at a minimum 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 factors 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.

Long-Term Obligations

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

Rate of Return

The Department's rates must be set such that earnings attributable to electric operations do not exceed 8% of the net cost of plant. The Department's audited financial statements are prepared in accordance with auditing standards generally accepted in the United States of America. 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 return on investment to the Town of Reading is added back, the fuel charge, capacity and transmission adjustments are added or deducted, and 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 interest 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%. From this calculation, the Department will determine what cash transfers need to be made at the end of the fiscal year.

2. Cash and Investments

Total cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Proprietary Fund:		
Unrestricted cash and short-term investments	$	20,158,534
Restricted cash and short-term investments		30,350,390
Restricted investments		2,734,900
Fiduciary Funds:		
Cash and short-term investments - OPEB Trust		4,508,256
Total cash and investments	$	57,752,080

Total cash and investments at December 31, 2020 consist of the following:

Deposits with financial institutions	$ 57,752,080
Total cash and investments	$ 57,752,080

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, 2020, the Department (including the Pension Trust and OPEB Trust) 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.

As of December 31, 2020, the Department and Pension Trust held investments in domestic and foreign fixed income bonds with varying maturity dates as follows:

	Proprietary Fund	
Corporate Bonds		Maturity Date
AT&T Inc	$ 458,478	12/01/22
General Electric Cap Corp	435,176	01/09/23
Wells Fargo & Co	436,916	08/15/23
Simon Property	433,013	06/15/27
Rabobank Nederland Bank	531,360	11/09/22
BNP Paribas	439,957	03/03/23
Total	$ 2,734,900	

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, 2020, the Department and Pension Trust held investments in domestic and foreign fixed income bonds with varying ratings as follows:

Investment Type	Proprietary Fund Restricted Investments	Moody's Rating
Corporate bonds:		
AT&T Inc	$ 458,478	Baa2
General Electric Cap Corp	435,176	Baa1
Wells Fargo & Co	436,916	A3
Simon Property	433,013	A3
Rabobank Nederland Bank	531,360	Baa1
BNP Paribas	439,957	Aa3
Total	$ 2,734,900	

Concentration of Credit Risk

The Department follows the Town of Reading'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, 2020, the Department and Pension Trust investments were held in domestic and foreign fixed income bonds, as detailed in the sections above. Five of the bonds each individually represent approximately 16% of the Department's and System's total investments, while the investment in Rabobank Nederland Bank represents approximately 19%.

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 per cent 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 of Reading'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, 2020, cannot be reasonably determined.

As of December 31, 2020, none of the Department or Pension Trust investments were exposed to custodial credit risk because the related securities are 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 (GASB 72).* The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Reading Municipal Light 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 (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset 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 the fund has the ability to access at the measurement date.
- 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 of capital stock outstanding at the close of the period. Investments measured at the 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 pension Plan'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 Reading Municipal Light Department has the following fair value measurements as of December 31, 2020:

		Fair Value Measurements Using:		
Description	Value	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Debt securities				
Corporate bonds	$ 2,734,900	$ -	$ 2,734,900	$ -
Total	$ 2,734,900			

3. Restricted Cash and Investments

The Department's proprietary fund restricted cash and investment balances represent the following reserves:

	12/31/20	
	Cash	Investments
Depreciation fund	$ 8,224,591	$ -
Construction fund	2,103,969	-
Deferred fuel reserve	3,127,002	-
Deferred energy conservation reserve	33,417	-
Rate stabilization	8,433,313	-
Reserve for uncollectible accounts	200,000	-
Sick leave benefits	854,287	1,367,450
Hazardous waste fund	750,000	-
Customer deposits	1,406,058	-
Pension trust	5,217,753	1,367,450
Total	$ 30,350,390	$ 2,734,900

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.
- 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.
- 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.
- 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 Board of Commissioners 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.

4. Accounts Receivable

Accounts receivable consists of the following at December 31, 2020:

Customer Accounts:		
Billed	$ 2,621,522	
Less allowances:		
Uncollectible accounts	(200,000)	
Sales discounts	(112,792)	
Total billed		2,308,730
Unbilled, net of sales discounts		5,086,505
Total customer accounts		7,395,235
Other Accounts:		
Liens and other	373,284	
Total other accounts		373,284
Total net receivables		$ 7,768,519

5. Prepaid Expenses

Prepaid expenses consist of the following:

Insurance and other	$ 1,742,663
Purchase power	20,708
NYPA prepayment fund	307,573
WC Fuel - Watson	367,363
Total	$ 2,438,307

6. Inventory

Inventory comprises supplies and materials at December 31, 2020, and is valued using the average cost method.

7. Investment in Associated Companies

Investment in associated companies consists of the following, at December 31, 2020:

New England Hydro-Transmission (NEH & NHH)	$ 285,822
Energy New England	488,233
Black Rock Funding - Saddleback Ridge	48,028
Total	$ 822,083

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 is carrying its investment at fair value, reduced by shares repurchased. The Department's equity position in the Project is less than one-half of one percent.

In April 2019, the Department invested in 8.334% shares of Energy New England (ENE). The Department's equity position at December 31, 2020 is based on ENE's capital, retained earnings, and the net profit from April through December of 2020.

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.

8. Capital Assets

The following is a summary of the year ended December 31, 2020 activity in capital assets (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Structures and improvements	$ 20,633	$ 328	$ -	$ 20,961
Equipment and furnishings	35,502	902	(253)	36,151
Infrastructure	100,505	6,036	(860)	105,681
Total capital assets, being depreciated	156,640	7,266	(1,113)	162,793
Less accumulated depreciation for:				
Structures and improvements	(10,783)	(562)	-	(11,345)
Equipment and furnishings	(23,671)	(804)	253	(24,222)
Infrastructure	(43,102)	(3,333)	715	(45,720)
Total accumulated depreciation	(77,556)	(4,699)	968	(81,287)
Total capital assets, being depreciated, net	79,084	2,567	(145)	81,506
Capital assets, not being depreciated:				
Land	1,266	-	-	1,266
Total capital assets, not being depreciated	1,266	-	-	1,266
Capital assets, net	$ 80,350	$ 2,567	$ (145)	$ 82,772

9. Deferred Outflows of Resources

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

10. Accounts Payable

Accounts payable represent fiscal 2020 expenses that were paid after December 31, 2020.

11. Accrued Liabilities

Accrued liabilities consist of the following at December 31, 2020:

Accrued payroll	$ 292,246
Accrued sales tax	74,549
Other	29,670
Total	$ 396,465

12. Customer Deposits

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

13. Accrued Employee Compensated Absences

Department employees are granted sick leave in varying amounts. Upon retirement, normal termination, or death, employees are compensated for unused sick leave (subject to certain limitations) at their then current rates of pay.

14. Long-Term Debt

Changes in General Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Net pension liability	$ 14,610	$ -	$ (2,555)	$ 12,055	$ -	$ 12,055
Net OPEB liability	7,095	72	-	7,167	-	7,167
Compensated absences	2,471	-	(249)	2,222	(362)	1,860
Totals	$ 24,176	$ 72	$ (2,804)	$ 21,444	$ (362)	$ 21,082

15. Deferred Inflows of Resources

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

The application of ASC 980 results in certain revenues and expenses being removed from the Statement of Revenues, Expenses and Changes in Fund Net Position and reflected in the Statement of Net Position as deferred outflows or deferred inflows. The revenues that have been removed from the Statement of Revenues, Expenses, and Changes in Fund Net Position and added to the Statement of Net Position as deferred inflows of resources are the Department's contributions in aid of construction. These deferred inflows will be amortized over the life of the corresponding capital assets.

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 the employees' retirement funds.

Plan Description

Substantially all employees of the Department are members of the Town of 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. Chapter 32 of the Massachusetts General Laws establishes the authority of the

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

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

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

Participant Retirement Benefits

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

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

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

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

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left 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.
- 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, 2020 was $2,039,462 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 pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions
At December 31, 2020, the Department reported a liability of $12,054,935 for its proportionate share of the System's net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. 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, 2019, the Department's proportion was 28.35%.

For the year ended December 31, 2020, the Department recognized pension expense of $3,061,302 In addition, the Department reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$ 2,342,274	$ (122,257)
Changes of assumptions	406,031	(963,893)
Net difference between projected and actual investment earnings on pension plan	-	(1,272,480)
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,099	(167,395)
Contributions subsequent to the measurement date	2,039,462	-
Total	$ 4,826,866	$ (2,526,025)

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2021.

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

Year ended December 31:	
2021	$ 313,252
2022	(25,960)
2023	499,148
2024	(525,044)
2025	(17)
Total	$ 261,379

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2019
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
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 $12,000

Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled members, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

Target Allocations

The long-term expected rate of return on pension 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 pension plan 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 pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Rates of Return
Global equity	39.00%	4.68%
Fixed income	15.00%	59.00%
Private equity	13.00%	8.50%
Portfolio completion	11.00%	3.40%
Real estate	10.00%	3.70%
Value-added fixed income	8.00%	4.40%
Timberland	4.00%	4.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Department's proportionate share of the net pension liability (asset) calculated using the current discount rate of 7.50%, 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 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
$18,138,213	$12,054,935	$6,890,006

Pension Plan Fiduciary Net Position

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

Town of Reading Municipal Light Department Employees Retirement Trust ("Pension Trust")

The Department has established an irrevocable trust for the purpose of currently funding its annual required contribution to the Town of Reading Contributory Retirement System (RCRS). Annual contributions to the trust are actuarially determined to be the net normal cost for funding the Department's liability for pension benefits for covered employees, and both the principal and income of the trust is restricted for the exclusive benefit of Department employees and their beneficiaries. This Pension Trust is included in the proprietary fund statements in the Department's basic financial statements.

As noted in the first paragraph of this section, the Department's proportionate share of the RCRS net pension liability was determined by an actuarial valuation as of January 1, 2019. However, the actuarial valuation does not take into account the fiduciary net

position of the Department's Pension Trust at December 31, 2019 (the measurement date). As of December 31, 2019, the value of the pension trust was $6,365,431.

17. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *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 *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The 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, 2020.

General Information about the OPEB Plan

Plan Description

The Department provides post-employment healthcare benefits for retired employees through the Department's plan. The Department provides health insurance coverage through Blue Cross Blue Shield. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the 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 based on actuarially determined amounts.

Plan Membership
At June 30, 2018 (Actuarial Valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	95
Active employees	56
Total	151

Investments
The OPEB trust fund assets consist of cash and short-term investments. The plan expects to invest with the State Retiree Benefit Trust Fund (SRBTF) in the Pension Reserves Investment Trust (PRIT).

Rate of return. For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs
The net OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward June 30, 2020 to using 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	7.25%
Municipal bond rate	Unknown
Discount rate	7.25%
Healthcare cost trend rates	Medical/Prescription Drug: 7.00% decreasing by 0.25% for 10 years 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 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2018

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 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 June 30, 2018 are summarized in the following table.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	21.00%	6.15%
Core fixed income	15.00%	1.11%
International developed markets equity	13.00%	6.78%
Private equity	13.00%	9.99%
Hedge fund, GTAA, risk parity	11.00%	3.19%
Real estate	10.00%	4.33%
High-yield fixed income	8.00%	3.51%
International emerging markets equity	5.00%	8.65%
Commodities	4.00%	4.13%
Total	100.00%	

Contributions

In addition to the implicit subsidy contribution, the Department's policy is to contribute the ADC.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.25%. 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, 2020, were as follows:

Total OPEB liability	$ 11,674,762
Plan fiduciary net position	4,508,256
Net OPEB liability	$ 7,166,506
Plan fiduciary net position as a percentage of the total OPEB liability	38.62%

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

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	$ 11,182,145	$ 4,087,576	$ 7,094,569
Changes for the year:			
Service cost	336,113	-	336,113
Interest	811,737	-	811,737
Contributions - employer	-	1,042,087	(1,042,087)
Net investment income	-	33,826	(33,826)
Benefit payments	(655,233)	(655,233)	-
Net Changes	492,617	420,680	71,937
Balances, end of year	$ 11,674,762	$ 4,508,256	$ 7,166,506

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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 8,454,414	$ 7,166,506	$ 6,030,023

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 (6.00%)	Current Healthcare Cost Trend Rates (7.00%)	1% Increase (8.00%)
$ 5,728,921	$ 7,166,506	$ 8,836,014

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

For the year ended December 31, 2020, the Department recognized an OPEB expense of $966,651. At December 31, 2020, the Department reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ 130,124	$ -
Changes in assumptions	-	(126,078)
Net difference between projected and actual earnings on OPEB investment	403,419	-
Total	$ 533,543	$ (126,078)

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

Year Ended December 31:	
2021	$ 129,172
2022	129,171
2023	93,813
2024	55,309
Total	$ 407,465

18. Participation in Massachusetts Municipal Wholesale Electric Company

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

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

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

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

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

		Reading Municipal Light Department Years Ended			
Projects	Percentage Share	Total Capital Expenditures 2020	Total Capital Expenditures 2019	Capacity, Fuel & Transmission Billed 2020	Capacity, Fuel & Transmission Billed 2019
Stony Brook Peaking Project	19.5163%	$ 11,804,463	$ 11,655,859	$ 737,155	$ 712,108
Stony Brook Intermediate Project	15.9249%	28,760,974	28,510,622	2,211,613	2,065,782
Nuclear Mix No. 1-Seabrook	14.7191%	1,498,043	1,487,536	69,035	80,366
Nuclear Mix No. 1-Millstone	14.7191%	9,042,897	8,911,367	874,492	863,083
Nuclear Project No. 3-Millstone	5.2617%	7,883,321	7,789,578	626,561	620,134
Nuclear Project No. 4-Seabrook	12.5560%	37,820,072	37,581,471	1,572,540	1,835,491
Nuclear Project No. 5-Seabrook	6.1186%	4,990,509	4,961,078	196,683	229,475
		$ 101,800,279	$ 100,897,511	$ 6,288,079	$ 6,406,439

19. Renewable Energy Certificates

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

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

As part of its ongoing commitment to Green Energy, the Department has entered into Purchase Power Agreements (PPAs) with Swift River Hydro LLC and Concord Steam Corporation to purchase power generated from renewable energy resources. These PPAs include the Department taking title to RECs, which certify that the energy produced was the product of a renewable resource. Because the Department is exempt from the RPS provisions, it has the option of holding these RECs until they expire or selling them through the NEPOOL GIS.

Information regarding the Department's year ending December 31, 2020 REC activity and balances is as follows:

REC Holdings at December 31, 2020	Projected Certificates	Estimated Value
ME Class I	$ 4,206	$ 4,206
MA/CT/RI/NH I	4,149	190,854
MA Class I & II	3,094	97,593
MA/RI/NH I/ME	2,380	109,480
CT/RI Class I	857	39,422
CT Class I	538	24,748
VT Class I	201	201
Total	$ 15,425	$ 466,504

A projected REC is the Department's estimate of what will be received based on invoices generated by REC-producing projects that the Department has entitlements to.

Because there is no formal accounting guidance under GAAP or IFRS for RECs and the Department does not have a formal policy for the future disposition of RECs, the estimated fair value of the Department's REC holdings at December 31, 2020 are not recognized as an asset on the proprietary fund Statements of Net Position.

20. Leases

Related Party Transaction - Property Sub-Lease

The Department is the lessor of facilities that are currently sub-leased to the Reading Town Employees Federal Credit Union. The original sub-lease agreement commenced in December 2000 and was extended by various amendments through November 30, 2021. Following is the future minimum rental income to be received by the Department under the terms of this lease for the year ending December 31:

2021	$ 8,984
Total	$ 8,984

Operating Lease - Warehouse

The Department is the lessee of a warehouse facility owned by JCM Real Estate Trust. The original lease agreement for this facility commenced in December 1998 and was extended by various amendments through May 31, 2018. Under the terms of the most recent lease amendment, the Department has exercised the option to extend the lease for an

additional 60 months until May 31, 2025. Following is the future minimum rental expense to be paid by the Department for the year ending December 31:

2021	$ 161,347
2022	161,347
2023	161,347
2024	161,347
2025	67,228
Total	$ 712,616

21. Subsequent Events

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

22. Commitments and Contingencies

COVID-19

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

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.

23. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases,* effective for the Department beginning with its calendar year ending December 31, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF READING, MASSACHUSETTS, MUNICIPAL LIGHT DEPARTMENT

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

December 31, 2020
(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, 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 Independent Auditors' Report.

TOWN OF READING, MASSACHUSETTS, MUNICIPAL LIGHT DEPARTMENT

Required Supplementary Information
Schedule of Pension Contributions

December 31, 2020
(Unaudited)

Reading Contributory Retirement System

Fiscal Year	Measurement Date	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, 2020	December 31, 2019	$ 2,039,462	$ 2,039,462	$ -	$ 6,754,079	30.20%
December 31, 2019	December 31, 2018	$ 1,781,345	$ 1,781,345	$ -	$ 6,513,347	27.35%
December 31, 2018	December 31, 2017	$ 1,691,058	$ 1,691,058	$ -	$ 6,938,057	24.37%
June 30, 2018	December 31, 2017	$ 1,650,416	$ 1,650,416	$ -	$ 6,938,057	23.79%
June 30, 2017	December 31, 2016	$ 1,579,345	$ 1,579,345	$ -	$ 6,393,765	24.70%
June 30, 2016	December 31, 2015	$ 1,461,650	$ 1,461,650	$ -	$ 6,147,851	23.77%
June 30, 2015	December 31, 2014	$ 1,401,638	$ 1,401,638	$ -	$ 5,908,694	23.72%

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

See Independent Auditors' Report.

TOWN OF READING, MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT

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

(Unaudited)

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 336,113	$ 245,905	$ 238,384	$ 230,880
Interest	811,737	799,729	766,539	733,280
Differences between expected and actual experience	-	260,248	-	-
Changes of assumptions	-	(252,156)	-	-
Benefit payments, including refunds of member contributions	(655,233)	(577,471)	(552,351)	(504,917)
Net change in total OPEB liability	492,617	476,255	452,572	459,243
Total OPEB liability - beginning	11,182,145	10,705,890	10,253,318	9,794,075
Total OPEB liability - ending (a)	11,674,762	11,182,145	10,705,890	10,253,318
Plan Fiduciary Net Position				
Contributions - employer	1,042,087	1,012,408	1,159,476	813,663
Net investment income	33,826	90,920	75,522	35,045
Benefit payments, including refunds of member contributions	(655,233)	(577,471)	(552,351)	(504,917)
Net change in plan fiduciary net position	420,680	525,857	682,647	343,791
Plan fiduciary net position - beginning	4,087,576	3,561,719	2,879,072	2,535,281
Plan fiduciary net position - ending (b)	4,508,256	4,087,576	3,561,719	2,879,072
Net OPEB liability - ending (a-b)	$ 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 the Department's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

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

(Unaudited)

	2020	2019	2018	2017
Schedule of Net OPEB Liability				
Total OPEB liability	$ 11,674,762	$ 11,182,145	$ 10,705,890	$ 10,253,318
Plan fiduciary net position	4,508,256	4,087,576	3,561,719	2,879,072
Net OPEB liability	$ 7,166,506	$ 7,094,569	$ 7,144,171	$ 7,374,246
Plan fiduciary net position as a percentage of the total OPEB liability	38.62%	36.55%	33.27%	28.08%
Covered employee payroll	$ unavailable	unavailable	$ unavailable	unavailable
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	$ unavailable	unavailable	$ unavailable	unavailable

	2020	2019	2018	2017
Schedule of Contributions				
Actuarially determined contribution	$ 1,136,780	$ 1,146,987	$ 991,048	$ 932,387
Contributions in relation to the actuarially determined contribution	1,042,087	1,012,408	1,159,476	813,663
Contribution deficiency (excess)	$ 94,693	$ 134,579	$ (168,428)	$ 118,724

	2020	2019	2018	2017
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	unavailable	unavailable	unavailable	unavailable

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

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

See Independent Auditors' Report.