

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**TOWN OF ROWLEY
MUNICIPAL LIGHTING PLANT**

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended December 31, 2023



TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Commissioners
Town of Rowley Municipal Lighting Plant
Rowley, Massachusetts

Opinions

We have audited the accompanying financial statements of the Rowley Municipal Lighting Plant (the "Plant"), of the Town of Rowley, Massachusetts, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plant as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
October 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the financial statements, the management of the Town of Rowley Municipal Lighting Plant (the Plant) provides a narrative discussion of the amounts that appear in the Plant's Statement of Net Position, Statement of Revenues, Expense and Changes in Net Position and Statement of Cash Flows. This discussion is provided to present an overview of the Plant's year-end financial position for December 31, 2023, and the results of operations for the year then ended.

Financial Highlights

- The Plant's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$11.9 million (*total net position*).
- The Plant's total net position increased by approximately \$1.5 million. Positive operations were primarily the result of interest income significantly exceeding anticipated budget amounts by nearly \$0.5 million and purchase power being over \$0.9 million lower than budgeted due to lower power rates than expected.
- The total unrestricted net position at December 31, 2023, represents approximately 92.6% of the total combined operating and nonoperating expenses for 2023.

Overview of the Financial Statements

The Plant's basic financial statements include two fund types, a proprietary fund type for all Plant activity except for the Other Postemployment Benefits (OPEB) Trust Fund, which is considered a fiduciary fund type. For both fund types, the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The proprietary fund includes a Statement of Net Position, Statement of Revenues, Expense and Changes in Net Position and Statement of Cash Flows. The fiduciary fund type presents a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Notes follow these financial statements to present additional information on some of the amounts in the financial statements. Financial highlights from these statements are presented below.

Proprietary: Business-Type Fund – This is the singular fund maintained by the Plant that accounts for and reports on the operations. The following statements and their applicable purposes are reported:

- The Statement of Net Position is designated to indicate our financial position as of a specific point in time.
- The Statement of Revenues, Expenses and Changes in Net Position shows our operating results and reveals how much, if any, profit was made for the year.
- The Statement of Cash Flows provides information about the cash receipts and cash payments during the year. A review of our Statement of Cash Flows indicates whether cash receipts from operating activities covered our operating expenses.

Fiduciary Fund – This consists solely of the Plant’s OPEB Trust Fund. As of December 31, 2023, the Plant had an accumulated OPEB net position held in trust balance of approximately \$0.9 million, an increase of over \$0.2 million resulting from Plant contributions and investment earnings. This balance consisted solely of cash and investment assets.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided within these financial statements.

Other Information – In addition, this report also presents certain required supplementary information which includes the schedules of the Plant’s proportionate share of the net pension liability, contributions to its pension plan, and the funding progress and contribution funding of its obligation to provide other postemployment benefits to its employees.

Financial Analysis

The condensed and comparative statement of net position is as follows:

	2023	2022
<u>Assets</u>		
Current and other assets	\$ 10,770,620	\$ 9,355,668
Noncurrent assets	4,754,434	4,572,511
Total assets	15,525,054	13,928,179
<u>Deferred Outflows of Resources</u>	1,064,808	846,140
<u>Liabilities</u>		
Current liabilities	788,900	842,718
Long-term liabilities	3,148,981	2,464,917
Total liabilities	3,937,881	3,307,635
<u>Deferred Inflows of Resources</u>	800,066	1,096,822
<u>Net Position</u>		
Net investment in capital assets	4,754,434	4,572,511
Unrestricted	7,097,481	5,797,351
Net position	<u>\$ 11,851,915</u>	<u>\$ 10,369,862</u>

Net position may serve over time as a useful indicator of the Plant’s financial positions. The assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by approximately \$11.9 million (*total net position*). Of the total net position, an amount of nearly \$7.1 million was reported as unrestricted, and therefore available for spending.

The Plant is reporting annual pension expenses on an actuarially determined basis and recognizes its share of the Essex Regional Retirement System’s unfunded liability in the financial statements. The Plant is reporting a net pension liability of under \$3.0 million (compared to under \$2.2 million last year), deferred outflows of resources related to pensions of nearly \$856 thousand and deferred inflows of resources related to pensions of nearly \$60 thousand.

The Plant recognizes annual OPEB financial activities on an actuarially determined basis and recognizes the net OPEB balance in the financial statements. The Plant is reporting a net OPEB asset of over \$380 thousand (compared to an approximate \$140 thousand net liability last year), deferred outflows of resources related to OPEB of approximately \$209 thousand and deferred inflows of resources related to OPEB of over \$740 thousand.

Nearly \$4.8 million of the Plant's overall net position reflects its net investment in capital assets (e.g. land, buildings, infrastructure, vehicles, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Plant uses these capital assets to provide services to users; consequently, these assets are not available for future spending. Although the Plant's investment in its capital assets is reported net of related debt.

The condensed and comparative statement of revenues, expenses and changes in net position is as follows:

	2023	2022
<u>Revenues</u>		
Charges for services	\$ 8,347,858	\$ 7,998,190
Other revenues	222,818	439,011
Interest and investment income (loss)	574,223	(109,646)
Total revenues	9,144,899	8,327,555
<u>Expenses</u>		
Purchase power and production	5,194,321	5,620,306
Other expenses	2,145,322	1,933,089
Depreciation	323,203	306,690
Total expenses	7,662,846	7,860,085
Increase in net position	1,482,053	467,470
Net position, beginning of year	10,369,862	9,902,392
Net position, end of year	<u>\$ 11,851,915</u>	<u>\$ 10,369,862</u>

This statement shows a total increase in net position of nearly \$1.5 million for the year ended December 31, 2023, compared with an increase of approximately \$0.5 million for the year ended December 31, 2022.

Revenues for 2023 were over \$9.1 million, an increase of over \$0.8 million (9.8%). Overall revenues were consistent with the prior year, except for interest income, which increased significantly due to a stronger market. Positive operations were primarily the result of interest income significantly exceeding anticipated budget amounts by over \$0.4 million.

Expenses for 2023 were over \$7.6 million, a decrease of nearly \$0.2 million (-2.5%). The primary activity resulting in this change was a decrease in power costs. Total actual expenses were nearly \$1.0 million lower than approximated total budgeted amounts mostly due to the purchase power price decreasing from what was expected, which was also a reason for the strong increase in fund balance.

Capital Assets & Debt Administration

Capital Assets – Total net capital assets were nearly \$4.8 million at December 31, 2023 and nearly \$4.6 million at December 31, 2022, an increase of 4.0%. Capital assets include land, buildings, structures and improvements, equipment and furnishings and infrastructure. There were several significant additions in 2023; therefore, additions were more than depreciation for the year resulting in the increase in net capital assets. Reported depreciation for both 2023 and 2022 was approximately \$0.3 million.

Long-Term Debt – The Plant has no outstanding debt at December 31, 2023, nor was any debt outstanding during the year.

Economic Factors and Next Year's Budgets and Rates

- Inflation is showing signs of softening and stabilizing after near 40-year historic highs in 2023. However, costs for goods and services, resulting from price inflation, remain high and do have adverse impacts on the Plant. Wage inflation cannot guarantee that the Plant will be able to maintain employees without increasing wages. The construction building index is operating at historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Plant continues to monitor this situation.
- The cost to purchase or rent a home increased significantly to near record highs in 2023, which is a factor impacting the purchasing power from a household's income, even with household members being employed. This has made the future economic outlook challenging to anticipate and plan for.
- The Plant has established an appropriation budget of over \$8.29 million for 2024 which is less than the over \$8.46 million budgeted for 2023.
- The Plant did not increase the rates for the start of 2024, and the Board does not expect to increase them at any time later in 2024.

Requests for Information

This financial report is designed to provide a general overview of the Rowley Municipal Lighting Plant's finances for all those interested in the Plant's financial operations. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

Town of Rowley Municipal Lighting Plant
Attn: General Manager
47 Summer Street
Rowley, MA 01969

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

**STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Assets	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 5,431,120
Cash and cash equivalents - restricted	111,893
Investments	2,372,051
User charges receivable, net	691,168
Prepaid expenses	1,630,693
Inventory	153,079
Other assets	456
Net OPEB asset	380,160
	<hr/>
Total current assets	10,770,620
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Noncurrent assets:	
Capital assets, net	4,754,434
	<hr/>
Total noncurrent assets	4,754,434
	<hr/>
Total Assets	15,525,054
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Deferred Outflows of Resources	
Deferred outflows related to pensions	855,676
Deferred outflows related to OPEB	209,132
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Total Deferred Outflows of Resources	1,064,808
	<hr/>
Liabilities	
Current liabilities:	
Accounts payable	339,182
Accrued expenses	283,481
Customer deposits	111,893
Accrued compensated absences	54,344
	<hr/>
Total current liabilities	788,900
	<hr/>
Noncurrent liabilities:	
Accrued compensated absences	163,033
Net pension liability	2,985,948
	<hr/>
Total noncurrent liabilities	3,148,981
	<hr/>
Total Liabilities	3,937,881
	<hr/>
Deferred Inflows of Resources	
Deferred inflows related to pensions	59,667
Deferred inflows related to OPEB	740,399
	<hr/>
Total Deferred Inflows of Resources	800,066
	<hr/>
Net Position	
Net investment in capital assets	4,754,434
Unrestricted	7,097,481
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Total Net Position	\$ 11,851,915
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The notes to the financial statements are an integral part of this statement.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023**

Operating Revenues

Charges for services	\$ 8,347,858
Other operating revenues	222,818

Total operating revenues	<u>8,570,676</u>
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Operating Expenses

Purchased power and production	5,194,321
Other operating expenses	2,122,710
Depreciation	<u>323,203</u>

Total operating expenditures	<u>7,640,234</u>
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Operating Income (Loss)	<u>930,442</u>
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Nonoperating Revenues (Expenses)

Investment income (loss)	574,223
Payment in lieu of taxes	<u>(22,612)</u>

Total nonoperating revenues (expenses)	<u>551,611</u>
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Change in Net Position	1,482,053
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Net Position, Beginning of Year	<u>10,369,862</u>
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Net Position, End of Year	<u><u>\$ 11,851,915</u></u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

Cash Flows from Operating Activities	
Cash received from customers	\$ 8,571,192
Cash paid to suppliers	(6,792,931)
Cash paid to employees	(1,119,451)
Net Cash Provided by Operating Activities	<u>658,810</u>
Cash Flows from Noncapital Financing Activities	
Payment in lieu of taxes	(22,612)
Net Cash Used in Noncapital Financing Activities	<u>(22,612)</u>
Cash Flows from Investing Activities	
Interest and investment income (loss), net	574,223
Purchase and sales of investments, net	3,051,404
Net Cash Provided by Capital and Related Financing Activities	<u>3,625,627</u>
Cash Flows from Capital and Related Financing Activities	
Capital expenditures	(505,126)
Net Cash Used in Capital and Related Financing Activities	<u>(505,126)</u>
Net Change in Cash and Cash Equivalents	3,756,699
Cash and Cash Equivalents, Beginning of Year	<u>1,786,314</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,543,013</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Operating Income	\$ 930,442
Adjustments to reconcile Operating Income to net cash provided by (used in) operating activities:	
Depreciation	323,203
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables	1,363
Prepaid expenses	(258,594)
Inventory	(71,810)
Other asset	(456)
Net OPEB asset	(380,160)
Deferred outflows of resources	(218,668)
Accounts payable	(47,019)
Accrued expenses	(7,327)
Customer deposits	(847)
Compensated absences	5,503
Net pension liability	819,937
Net OPEB liability	(140,001)
Deferred inflows of resources	(296,756)
Net Cash Provided by Operating Activities	<u><u>\$ 658,810</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2023

	Other Postemployment Benefits Trust Fund
Assets	
Cash and cash equivalents	\$ 4,490
Mutual funds - fixed income	238,944
Mutual funds - equities	439,879
Fixed income ETF's	120,059
Equities	93,957
Total Assets	897,329
Liabilities	
	-
Total Liabilities	-
Net Position	
Held in trust for other postemployment benefits	897,329
Total Net Position	\$ 897,329

See accompanying notes to basic financial statements.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2023**

	Other Postemployment Benefits Trust Fund
Additions	
Contributions:	
Employer	\$ 166,487
Total contributions	166,487
Investment income (loss)	89,234
Total investment income (loss)	89,234
Total Additions	255,721
Deductions	
Benefits paid	26,486
Total Deductions	26,486
Change in Net Position	229,235
Net Position - Beginning of Year	668,094
Net Position - End of Year	\$ 897,329

The notes to the financial statements are an integral part of this statement.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

I. Summary of Significant Accounting Policies

The basic financial statements of the Town of Rowley Municipal Lighting Plant (the Plant) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities.

The Plant's accounting records are required to conform to the accounting standards set by the Commonwealth of Massachusetts Plant of Public Utilities (DPU), which differ from GAAP. Certain adjustments have been made to present the Plant's financial statements in accordance with GAAP.

The following is a summary of the more significant policies and practices used by the Plant:

A. Reporting Entity and Regulation

The Plant was incorporated in 1910. The Plant operates under the provisions of Chapter 164 of the Massachusetts General Laws with an elected three-person Board of Light Commissioners. The Plant is presented as an enterprise fund in the Town of Rowley, Massachusetts' financial statements; however, they do not purport to, and do not, present fairly the financial position of the Town of Rowley, Massachusetts as of December 31, 2023, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

The Plant provides electric light services for the territory within its boundaries. These services are funded almost entirely with user charges. Under Massachusetts law, electric rates of the Plant are set by the Board of Commissioners and may be changed once every three months. Rate schedules are filed with the DPU. While the DPU exercises general supervisory authority over the Plant, rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of utility plant unless prior year losses are being recaptured.

B. Fund Financial Statements

All of the non-fiduciary activities of the Plant are reported in proprietary fund type financial statements and include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. The OPEB Trust Fund is presented as a fiduciary fund and includes a statement of net position, a statement of revenues, expenses and changes in net position.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The Plant reports the following fiduciary funds:

Other Postemployment Benefits (OPEB) Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees such as health and life insurance.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments – The Plant's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Plant are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of its investments is recognized as an increase or decrease to investment assets and investment income.

Investment Income – All investment income is part of the Plant's proprietary fund except for fiduciary fund investment income which is retained in the trust fund.

Receivables – The Plant bills its customers for electric usage on a monthly basis. These are recorded as accounts receivable and revenue when billed.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Most of the prepaid expense amount represents deposit used to facilitate timely payments of power supply invoices.

Inventories – Inventories, which are not material to the basic financial statements, are considered expenditures at the time of purchase. The Plant has recorded an estimated amount of its materials and supplies inventory on hand at the end of the year in its financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, vehicles, machinery and equipment, and infrastructure (e.g., transformers, poles and other utility plant), are the other category reported as noncurrent assets on the statement of net position.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The DPU requires that the Plant depreciate its capital assets at a statutory rate of up to 3%; however, a rate up to 5% is allowed with prior year DPU approval. The Plant utilized a 2.9% rate for 2023. This depreciation method approximated GAAP.

Customer Deposits – The Plant retains a deposit from certain customers based on the ownership status of the customer’s property. Deposits are returned, with interest, once the customer no longer requires electric service and had fully paid its charges to the Plant.

Compensated Absences – Employees can carry over up to 40 hours of vacation time (unless additional time is approved by the General Manager prior to the end of the anniversary year) and 1,200 hours of sick time to the subsequent year. Employees who retire from the Plant are eligible to buy back 50% of their accumulated sick leave and all of their vacation. Compensated absence liabilities are accrued when incurred.

Long-Term Obligations – Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount. There was no such bond or notes payable items outstanding in 2023. The Plant does report long-term obligations for employee compensated absences and net pension liability.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Plant only has two types of items that qualify for reporting as deferred outflows of resources reported on the statement of net position that relates to outflows from changes in the net pension and net other postemployment benefits liabilities. These outflows will be recognized in pension and benefits expense in future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Plant has two types of items which qualify for reporting in this category. These relate to inflows from changes in the net pension and net other postemployment benefits liabilities which will be recognized in pension and benefits expense in future years.

Net Position – Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are legally restricted by outside parties for a specific use. The Plant has no restricted net position.

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

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plant’s OPEB Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Plant has contributed and earned sufficient investment income to accumulate an actuarially determined surplus based on estimated future needs for providing such benefits to employees. Accordingly, the surplus is categorized as noncurrent assets on the statement of net position.

Operating Revenues – Revenues are based on rates established by the Plant and are applied to customers’ consumption of electricity. The Plant utilizes a fuel cost adjustment, whereby fluctuations in the cost of power can be adjusted monthly on customer bills without a change to the basic rate structure. All customers are allowed a discount on a portion of their electric bill if paid within fifteen days which is recorded as revenue when forfeited. If the 15th day falls on a non-business day, this discount is extended to the next business day.

Taxes – The Plant is exempt from state and federal income taxes and local property taxes. The Plant pays an in lieu of tax payment to the Town of Rowley, Massachusetts based on an agreed pre-determined calculation. During the year, the Plant paid to the Town an amount of \$22,612 under this payment in lieu of tax agreement.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes

A. Deposits and Investments

State laws and regulations require the Plant to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Plant did not enter into any repurchase agreements.

Separate accounts are maintained for the Plant's depreciation fund and OPEB trust which are designations allowed per DPU regulations and state statutes. The depreciation fund is recorded as restricted cash and investments in the financial statements as it is available only to finance capital asset (utility plant) additions. Operating cash is pooled with Town funds in various Town bank accounts.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year-end, the carrying amount of the Plant's segregated bank deposits was \$2,167,921; and the bank balance was \$2,001,239. Of the Plant's bank balance \$1,688,817 of the deposit were covered by either federal depository insurance or by the depositors' insurance fund.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Plant may not be able to recover the full amount of its principal investment and/or investment earnings.

The Plant's investments are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

Fair Value of Investments – The Plant reports its investments at fair value. When actively quoted observable prices are not available, the Plant generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Plant categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Plant's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Plant's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2023:

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 772,148	\$ 646,043	\$ 126,105	\$ -
Corporate bonds	1,181,246	-	1,181,246	-
Exchange traded funds - fixed income	138,799	-	138,799	-
Mutual funds - fixed income	238,944	-	238,944	-
Total debt securities	2,331,137	646,043	1,685,094	-
Equity securities:				
Common stock	462,626	462,626	-	-
Mutual funds - equities	439,879	-	439,879	-
Total equity securities	902,505	462,626	439,879	-
Total investments by fair value level	3,233,642	<u>\$ 1,108,669</u>	<u>\$ 2,124,973</u>	<u>\$ -</u>
<u>Investments measured at amortized cost</u>				
State investment pool (MMDT)	3,379,582			
Mutual funds - money market	31,248			
Total investments measured at fair value	\$ 6,644,472			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Bonds are classified in Level 2 and are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. Bond and equity mutual funds are classified in Level 2 and are valued at the published fair value per share for each fund.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Such securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments, through fair value losses arising from increasing interest rates. The Plant does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At December 31, 2023, the Plant's investments had the following maturities:

Investments	Total	Time Until Maturity (Years)		
		<1	1 - 5	6 - 10
U.S. Government obligations	\$ 772,148	\$ 159,191	\$ 612,957	\$ -
Corporate bonds	1,181,246	313,727	770,152	97,367
Certificates of deposit	158,474	158,474	-	-
State investment pool (MMDT)	3,379,582	3,379,582	-	-
Total investments with maturities	5,491,450	<u>\$ 4,010,974</u>	<u>\$ 1,383,109</u>	<u>\$ 97,367</u>
<u>Other Investments</u>				
Equities	462,626			
ETF - fixed income	138,799			
Mutual funds - equities	439,879			
Mutual funds - fixed income	238,944			
Mutual funds - money market	31,248			
Total other investments	1,311,496			
Total investments	<u>\$6,802,946</u>			

Concentration of Credit Risk – The Plant does not place a limit on the amount that may be invested in any one issuer. The Plant does not maintain balances in any single investment that would represent more than 5% of the Plant's total investments.

Credit Risk – The Plant has not adopted a formal policy related to credit risk.

At December 31, 2023, the credit quality ratings of the Plant's investments were as follows:

Moody Bond Ratings	Investments				
	Government Obligations	Corporate Bonds	State Investment Pool	Certificate of Deposit	Totals
Aaa	\$ 772,148	\$ 98,500	\$ -	\$ -	\$ 870,648
A1	-	120,849	-	-	120,849
A2	-	313,217	-	-	313,217
A3	-	120,439	-	-	120,439
Baa1	-	328,354	-	-	328,354
Baa2	-	199,887	-	-	199,887
Not rated	-	-	3,379,582	158,474	3,538,056
Totals	<u>\$ 772,148</u>	<u>\$ 1,181,246</u>	<u>\$ 3,379,582</u>	<u>\$ 158,474</u>	<u>\$ 5,491,450</u>

B. Receivables

Plant receivables as of year-end, including the applicable allowance for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Customer user charges	\$ 716,168	\$ (25,000)	\$ 691,168
Total	<u>\$ 716,168</u>	<u>\$ (25,000)</u>	<u>\$ 691,168</u>

The Plant also records amounts related to power used by customers but not billed at year end. Total unbilled revenue was \$531,152 as of December 31, 2023, and has been included in the amount above.

C. Prepaid Expenses

The Plant reports amounts paid in advance to power providers and to service providing vendors as prepaid expenses. Most of these represent payments to facilitate timely payment of outside entities' power supply and facility development invoices. At December 31, 2023, prepaid expenses totaled \$1,630,693.

D. Capital Assets

Capital assets for the year ended December 31, 2023 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 282,335	\$ -	\$ -	\$ 282,335
Total capital assets not being depreciated	<u>282,335</u>	<u>-</u>	<u>-</u>	<u>282,335</u>
Capital assets being depreciated:				
Buildings	674,141	-	-	674,141
Infrastructure	8,143,146	204,478	(11,084)	8,336,540
Vehicles, machinery and equipment	1,956,629	300,648	-	2,257,277
Total capital assets being depreciated	<u>10,773,916</u>	<u>505,126</u>	<u>(11,084)</u>	<u>11,267,958</u>
Less accumulated depreciation for:				
Buildings	(578,698)	(20,224)	-	(598,922)
Infrastructure	(5,148,246)	(244,385)	11,084	(5,381,547)
Vehicles, machinery and equipment	(756,796)	(58,594)	-	(815,390)
Total accumulated depreciation	<u>(6,483,740)</u>	<u>(323,203)</u>	<u>11,084</u>	<u>(6,795,859)</u>
Total capital assets being depreciated, net	<u>4,290,176</u>	<u>181,923</u>	<u>-</u>	<u>4,472,099</u>
Total capital assets, net	<u>\$ 4,572,511</u>	<u>\$ 181,923</u>	<u>\$ -</u>	<u>\$ 4,754,434</u>

E. Temporary Debt

The Plant is authorized to borrow on a temporary basis to fund the following:

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

There was no temporary debt outstanding during 2023.

F. Long-Term Obligations

The Plant issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the Town. Additionally, the Plant incurs various other long-term obligations relative to associated personnel costs.

The following reflects the current year activity in the long-term liability accounts:

Long-Term Obligations	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Compensated absences	\$ 211,874	\$ 58,472	\$ (52,969)	\$ 217,377	\$ 54,344
Net pension liability	2,166,011	1,226,447	(406,510)	2,985,948	-
Net OPEB liability (asset)	140,001	479,748	(999,909)	(380,160)	-
Total	<u>\$ 2,517,886</u>	<u>\$ 1,764,667</u>	<u>\$ (1,459,388)</u>	<u>\$ 2,823,165</u>	<u>\$ 54,344</u>

The Plant had no bond or note debt outstanding during 2023.

III. Other Information

A. Retirement System

Plan Description – The Plant contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2022, were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the System as of December 31, 2022, was as follows:

Retired, beneficiary, and survivor	2,096
Inactive members entitled to a return of contributions	1,087
Active members	<u>3,210</u>
Total	<u><u>6,393</u></u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform, with certain exceptions, from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040 (the System’s current funding schedule allows for full funding by June 30, 2035). Under the provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Plant contributed \$286,337 to the System in 2023, which was the actuarially determined contribution requirement for the year. The Plant’s contributions as a percentage of covered payroll were approximately 27.8%.

Net Pension Liability – At December 31, 2023, the Plant reported a liability of \$2,985,948 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. These figures were updated by the independent actuary as of December 31, 2022. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System’s benefit terms since the actuarial valuation.

The Plant’s proportion of the net pension liability is based on a projection of the Plant’s long-term share of contributions to the System relative to the projected contributions of all employers. The Plant’s proportion was approximately 0.6435% at December 31, 2023.

Pension Expense – The Plant recognized \$330,200 in pension expense in the statement of revenues, expenses and changes in net position in fiscal year 2023.

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2023, the Plant 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
Contributions made subsequent to measurement date	\$ 283,481	\$ -
Changes in assumptions	162,947	-
Differences between expected and actual earnings	276,879	-
Changes in proportion differences	132,276	8,386
Differences between expected and actual experience	93	51,280
Totals	<u>\$ 855,676</u>	<u>\$ 59,667</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Plant's pension expense as follows:

Year Ended December 31,	Amount
2024	\$ 377,451
2025	104,565
2026	133,134
2027	180,859
Total	<u>\$ 796,009</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022, and used the following significant actuarial assumptions:

Investment Rate of Return	Full prefunding: 7.00% per year, net of investment expenses
Discount Rate	7.00%
Wage Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Cost of Living Adjustment	3% of first \$16,000 in 2022 and thereafter
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP-2021
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2021
Disabled Retiree Mortality	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP-2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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. The target allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	21.20%	7.10%
International Developed Markets Equity	12.20%	6.90%
International Emerging Markets Equity	4.70%	9.60%
Core Fixed Income	13.80%	4.70%
High-Yield Fixed Income	7.00%	3.80%
Private Equity	17.70%	10.20%
Real Estate	11.20%	5.70%
Timberland	3.20%	7.00%
Hedge Funds, PCS	9.00%	6.50%
	<u>100.00%</u>	

Sensitivity Analysis – The following presents the Plant’s proportionate share of the net pension liability calculated using the current discount rate as well as using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net Pension Liability - Discount Rate			
Current Rate	1% lower	Current	1% greater
7.00%	\$ 3,793,028	\$ 2,985,948	\$ 2,308,277

B. Risk Financing

The Plant is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Plant carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Plant participates in a health insurance risk pool sponsored by the Town and administered by Group Insurance Commission of the Commonwealth of Massachusetts (GIC) (the Group). The Town offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. In the event the Group is terminated, the Plant would be obligated to pay its proportionate share of a deficit through the Town, should a deficit exist.

C. Other Postemployment Benefits (OPEB)

The Plant administers a single employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Plant ordinances. All benefits are provided through Plant’s premium-based insurance program. The OPEB Plan does not issue an audited stand-alone financial report and is presented as a fiduciary fund in the Plant’s financial statements.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of December 31, 2023:

Active employees	7
Inactive employees	<u>6</u>
Total	<u><u>13</u></u>

Contributions – The contribution requirements of OPEB Plan members and the Plant are established and may be amended by the Plant. Retirees contribute 47.5% of the set premium for medical insurance depending on the plan chosen and contribute 50% to life insurance. The remainder of the cost is funded by general revenues of the Plant.

The Plant currently contributes enough money to the Plan to exceed the annual required contribution. The costs of administering the OPEB Plan are paid by the Plant. For the year ended December 31, 2023, the Plant’s average contribution rate was approximately 18.80% of covered payroll.

Net OPEB Liability (Asset) – The Plant’s net OPEB liability (asset) was measured as of December 31, 2023, using an actuarial valuation as of January 1, 2023. The components of the net OPEB liability (asset) of the Plant as of December 31, 2023, were as follows:

Total OPEB Liability	\$ 517,169
Plan fiduciary net position	<u>(897,329)</u>
Net OPEB liability (asset)	<u>\$ (380,160)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	173.51%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment Rate of Return	6.57%
Single Equivalent Discount Rate	6.57%
Inflation	2.00% annually
Health Care Trend Rate	8.0% for 2023, decreasing 0.5% per year to 5.0%
Salary Increases	3.50% annually
Mortality Table	RPH-2014 total dataset headcount-weighted fully generational table with projection Scale MP-2021
Actuarial Cost Method	Individual entry age normal
Actuarial Value of Assets	Market value

Discount Rate – The discount rate used to measure the total OPEB liability was 6.57%, which remained unchanged from the previous year.

Long Term Expected Rate of Return – 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 OPEB 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.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	39.50%	3.90%
International Equity	20.94%	5.75%
Domestic Bond	18.35%	1.39%
International Bond	4.08%	1.21%
Alternatives	16.64%	3.14%
Cash and Equivalents	0.49%	0.00%
	<u>100.00%</u>	
Real rate of return		4.57%
Inflation assumption		<u>2.00%</u>
Net investment return		<u>6.57%</u>

Sensitivity Analyses – The following presents the Plant’s net OPEB liability (asset) as well as what the Plant’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

Net OPEB Liability (Asset) - Discount Rate			
Current	1% Decrease	Current Rate	1% Increase
6.57%	\$ (298,946)	\$ (380,160)	\$ (445,365)

Net OPEB Liability (Asset) - Healthcare Trend Rate			
Current	1% Decrease	Current Rate	1% Increase
8.0% then decreasing to 5%	\$ (455,587)	\$ (380,160)	\$ (283,191)

Changes in the Net OPEB Liability (Asset) – The following table summarizes the changes in the net OPEB liability (asset) for the year ended December 31, 2023:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at December 31, 2022	\$ 808,095	\$ 668,094	\$ 140,001
Changes for the year:			
Service cost	14,908	-	14,908
Interest	31,766	-	31,766
Change in assumptions	(127,598)	-	(127,598)
Difference between expected and actual experience	(183,516)	-	(183,516)
Employer contributions	-	166,487	(166,487)
Net investment income (loss)	-	89,234	(89,234)
Benefit payments withdrawn	-	(26,486)	26,486
Benefit payments	(26,486)	-	(26,486)
Net changes	<u>(290,926)</u>	<u>229,235</u>	<u>(520,161)</u>
Balances at December 31, 2023	<u>\$ 517,169</u>	<u>\$ 897,329</u>	<u>\$ (380,160)</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended December 31, 2023, the Plant recognized OPEB income of \$93,023. Deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2023, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 106,949	\$ 263,033
Differences between expected and actual earnings	102,183	66,186
Differences between actual and expected experience	-	411,180
Totals	<u>\$ 209,132</u>	<u>\$ 740,399</u>

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

December 31,	Amount
2024	\$ (99,528)
2025	(87,817)
2026	(82,914)
2027	(116,972)
2028	(94,525)
Thereafter	(49,511)
Total	<u>\$ (531,267)</u>

Investment Custody – In accordance with Massachusetts General Laws, the Plant Treasurer is the custodian of the OPEB Plan and since the Plant has not designated a Board of Trustees, the Plant Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Plant.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Plant Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended December 31, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 12.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Commitments and Contingencies

The Plant is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at December 31, 2023, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Plant at December 31, 2023.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Plant expects such amounts, if any, to be immaterial.

The Plant is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties.

Other

The Plant purchases its power through contracts with various power suppliers, including Energy New England and MMWEC. These contracts are subject to certain market factors. Based on current market conditions, the Plant anticipates some stability to its power cost expenses over the next few years.

IV. Implementation of New GASB Pronouncements

Current Year Implementations

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Plant's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement was to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Plant's financial statements.

Future Year Implementations

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Plant is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Plant is currently evaluating whether adoption will have a material impact on the financial statements.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2024 (fiscal year 2025). The Plant is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED DECEMBER 31, 2023

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended December 31,	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 as a Percentage of the Total Pension Liability
2023	0.644%	\$ 2,985,948	\$ 1,030,633	289.72%	57.57%
2022	0.624%	2,166,011	999,310	216.75%	67.01%
2021	0.596%	2,364,312	919,540	257.12%	59.73%
2020	0.606%	2,553,908	904,725	282.29%	55.46%
2019	0.567%	2,512,239	784,656	320.17%	51.87%
2018	0.589%	2,251,386	772,273	291.53%	55.40%
2017	0.579%	2,232,711	739,222	302.04%	51.12%
2016	0.579%	2,232,711	739,222	302.04%	51.12%
2015	0.540%	1,845,572	823,935	223.99%	52.27%

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS TO PENSION PLAN

Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 286,337	\$ 286,337	\$ -	\$ 1,030,633	27.78%
2022	232,816	232,816	-	999,310	23.30%
2021	229,982	229,982	-	919,540	25.01%
2020	217,711	217,711	-	904,725	24.06%
2019	198,724	198,724	-	784,656	25.33%
2018	186,294	186,294	-	772,273	24.12%
2017	167,905	167,905	-	739,222	22.71%
2016	167,905	167,905	-	739,222	22.71%
2015	139,552	139,552	-	823,935	16.94%

These schedules are presented to illustrate the requirement to show information for ten years.

However until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	December 31,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 14,908	\$ 11,459	\$ 11,179	\$ 13,316	\$ 12,415	\$ 50,726	\$ 49,489
Interest	31,766	39,908	38,575	39,107	37,724	62,751	59,044
Change in assumptions	(127,598)	117,746	20,658	13,240	(15,388)	(319,995)	-
Difference between expected and actual plan experience	(183,516)	-	(51,632)	-	(405,245)	-	-
Benefit payments	(26,486)	(28,987)	(26,635)	(28,528)	(26,694)	(33,487)	(31,267)
Net change in total OPEB liability	(290,926)	140,126	(7,855)	37,135	(397,188)	(240,005)	77,266
Total OPEB liability - beginning of year	808,095	667,969	675,824	638,689	1,035,877	1,275,882	1,198,616
Total OPEB liability - end of year (a)	<u>\$ 517,169</u>	<u>\$ 808,095</u>	<u>\$ 667,969</u>	<u>\$ 675,824</u>	<u>\$ 638,689</u>	<u>\$ 1,035,877</u>	<u>\$ 1,275,882</u>
Plan fiduciary net position:							
Contributions - employer	\$ 166,487	\$ 28,987	\$ 26,635	\$ 246,342	\$ 26,694	\$ 183,487	\$ 131,267
Net investment income	89,234	(122,850)	67,914	84,341	56,772	(17,028)	18,998
Benefit payments	(26,486)	(28,987)	(26,635)	(28,528)	(26,694)	(33,487)	(31,267)
Net change in Plan fiduciary net position	229,235	(122,850)	67,914	302,155	56,772	132,972	118,998
Plan fiduciary net position - beginning of year	668,094	790,944	723,030	420,875	364,103	231,131	112,133
Plan fiduciary net position - end of year (b)	<u>\$ 897,329</u>	<u>\$ 668,094</u>	<u>\$ 790,944</u>	<u>\$ 723,030</u>	<u>\$ 420,875</u>	<u>\$ 364,103</u>	<u>\$ 231,131</u>
Net OPEB (asset) liability - end of year (a) - (b)	<u>\$ (380,160)</u>	<u>\$ 140,001</u>	<u>\$ (122,975)</u>	<u>\$ (47,206)</u>	<u>\$ 217,814</u>	<u>\$ 671,774</u>	<u>\$ 1,044,751</u>
Plan fiduciary net position as a percentage of the total OPEB liability	173.51%	82.68%	118.41%	106.98%	65.90%	35.15%	18.12%
Covered-employee payroll	\$ 885,487	\$ 872,238	\$ 850,964	\$ 972,754	\$ 949,028	\$ 957,970	\$ 934,605
Net OPEB liability as a percentage of covered-employee payroll	-42.93%	16.05%	-14.45%	-4.85%	22.95%	70.12%	111.79%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF ROWLEY MUNICIPAL LIGHTING PLANT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023

SCHEDULE OF CONTRIBUTIONS - OPEB PLAN

	December 31,						
	2023	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ -	\$ 15,090	\$ 7,259	\$ 29,171	\$ 29,062	\$ 80,712	\$ 108,533
Contributions in relation to the actuarially-determined contribution	166,487	28,987	26,635	246,342	26,694	150,000	131,267
Contribution deficiency (excess)	<u>\$ (166,487)</u>	<u>\$ (13,897)</u>	<u>\$ (19,376)</u>	<u>\$ (217,171)</u>	<u>\$ 2,368</u>	<u>\$ (69,288)</u>	<u>\$ (22,734)</u>
Covered-employee payroll	\$ 885,487	\$ 872,238	\$ 850,964	\$ 972,754	\$ 949,028	\$ 957,970	\$ 934,605
Contribution as a percentage of covered-employee payroll	18.80%	3.32%	3.13%	25.32%	2.81%	15.66%	14.05%
Valuation date	January 1, 2023						
Investment rate of return	6.57%						
Single equivalent discount rate	6.57%						
Inflation	2.00% Annually						
Healthcare cost trend rates	8.00% Decreasing 0.5% annually until 5.00%						
Salary increases	3.50% Annually						
Actuarial cost method	Individual Entry Age Normal						
Asset valuation method	Market Value of Assets as of Reporting Date						

SCHEDULE OF INVESTMENT RETURNS - OPEB PLAN

	December 31,						
	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted average rate of return	12.71%	-15.53%	9.39%	17.87%	15.59%	-5.32%	13.92%

Note: This schedules are presented to illustrate the requirement to show information for 10 years.
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