

Holden Municipal Light Department
Financial Statements
December 31, 2022 and 2021

HOLDEN MUNICIPAL LIGHT DEPARTMENT
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DECEMBER 31, 2022 AND 2021

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GOULET, SALVIDIO
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Holden Municipal Light Department
Holden, Massachusetts 01520

Qualified Opinion

We have audited the financial statements of Holden Municipal Light Department (the "Department") as of December 31, 2022 and 2021, and the related notes to the financial statements, which comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2022 and 2021, and the changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the 2022 Financial Statements

The Department has reported its December 31, 2022 portion of the NPL based on reports provided by the Worcester Regional Retirement System (WRRS) that are not in compliance with GASB standards. Government accounting standards require that the NPL be reported using actuarial data that is no more than 30 months and one day old. The WRRS provided NPL information using data from an actuarial valuation dated January 1, 2020. The amount by which this departure would affect the assets, liabilities, net position, and revenues of the Department has not been determined.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the 2022 financial statements.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial 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 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Holden Municipal Light Department and do not purport to, and do not, present fairly the financial position of the Town of Holden, Massachusetts, as of December 31, 2022 and 2021, and the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

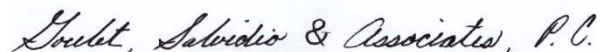
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits and Net Pension Liability information on pages four through eight and 42 through 45, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holden Municipal Light Department's basic financial statements. The Schedules of Sales of Electricity and Schedules of Operation and Maintenance Expenses on pages 46 and 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Goulet, Salvidio & Associates, P.C.



Worcester, Massachusetts

July 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Holden Municipal Light Department's annual financial report, management provides narrative discussion and analysis of the financial activities of the Department for the years ended December 31, 2022 and 2021. 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 statements of net position (2) the statements of revenues, expenses and changes in net position (3) the statements of cash flows and (4) notes to the financial statements.

The Statements of Net Position are designed to indicate the Department's financial position as of a specific point in time. As of December 31, 2022, net position totaled \$14,852,887 an increase of \$2,660,332 or 21.82% from 2021.

The Statements of Revenues, Expenses and Changes in Net Position, summarizes our operating results and reveals how much of a profit was earned for the year. As discussed in more detail below, income before contributions and transfers for the years ending December 31, 2022 and 2021 was \$2,817,115 and \$977,811, respectively.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the operating activities, investing activities and financing activities for the same period.

Summary of Net Position

	<u>2022</u>	<u>2021</u>
Current Assets	\$ 7,711,618	\$ 11,034,355
Noncurrent Assets	<u>24,482,082</u>	<u>19,997,197</u>
Total Assets	<u>32,193,700</u>	<u>31,031,552</u>
Deferred Outflows of Resources	<u>1,744,550</u>	<u>995,870</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 33,938,250</u>	<u>\$ 32,027,422</u>
Current Liabilities	\$ 2,831,021	\$ 2,498,014
Noncurrent Liabilities	<u>10,782,429</u>	<u>11,347,781</u>
Total Liabilities	<u>13,613,450</u>	<u>13,845,795</u>
Deferred Inflows of Resources	<u>5,471,913</u>	<u>5,989,072</u>

Summary of Net Position (Continued)

	<u>2022</u>	<u>2021</u>
Net Position		
Net Investment in Capital Assets	10,918,734	9,335,439
Net Position Restricted for Depreciation	3,700,514	4,536,319
Unrestricted Net Position	<u>233,639</u>	<u>(1,679,203)</u>
 Total Net Position	 <u>14,852,887</u>	 <u>12,192,555</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$ 33,938,250</u>	 <u>\$ 32,027,422</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 17,689,092	\$ 14,249,726
Operating Expenses	<u>14,613,922</u>	<u>13,465,136</u>
Operating Income	3,075,170	784,590
Nonoperating Revenues (Expenses)	<u>(258,055)</u>	<u>193,221</u>
Income Before Contributions and Transfers	2,817,115	977,811
Net Position, January 1	12,192,555	11,369,016
Transfers Out – Payment in Lieu of Taxes	<u>(156,783)</u>	<u>(154,272)</u>
Net Position, December 31	<u>\$ 14,852,887</u>	<u>\$ 12,192,555</u>

Financial Highlights:

Operating Revenues (Expenses)

Operating revenues increased by \$3,439,366 (24.14%) in 2022 compared to 2021. Overall kWh sales increased by approximately 1% during 2022. That kWh sale increase, along with an increase to the PCA rate due to drastically high costs of power led to an increase in sales of electricity of \$3,356,952. Operating expenses increased by \$1,148,786 (8.53%), primarily as a result of an increase in purchase power expenses.

As a result of the increase in power costs, offset by a greater increase in operating revenue, operating income increased \$2,290,580 from 2022 to 2021. Nonoperating revenue (expenses) decreased by \$451,276 primarily due to grant revenue received in 2021 and losses on investments.

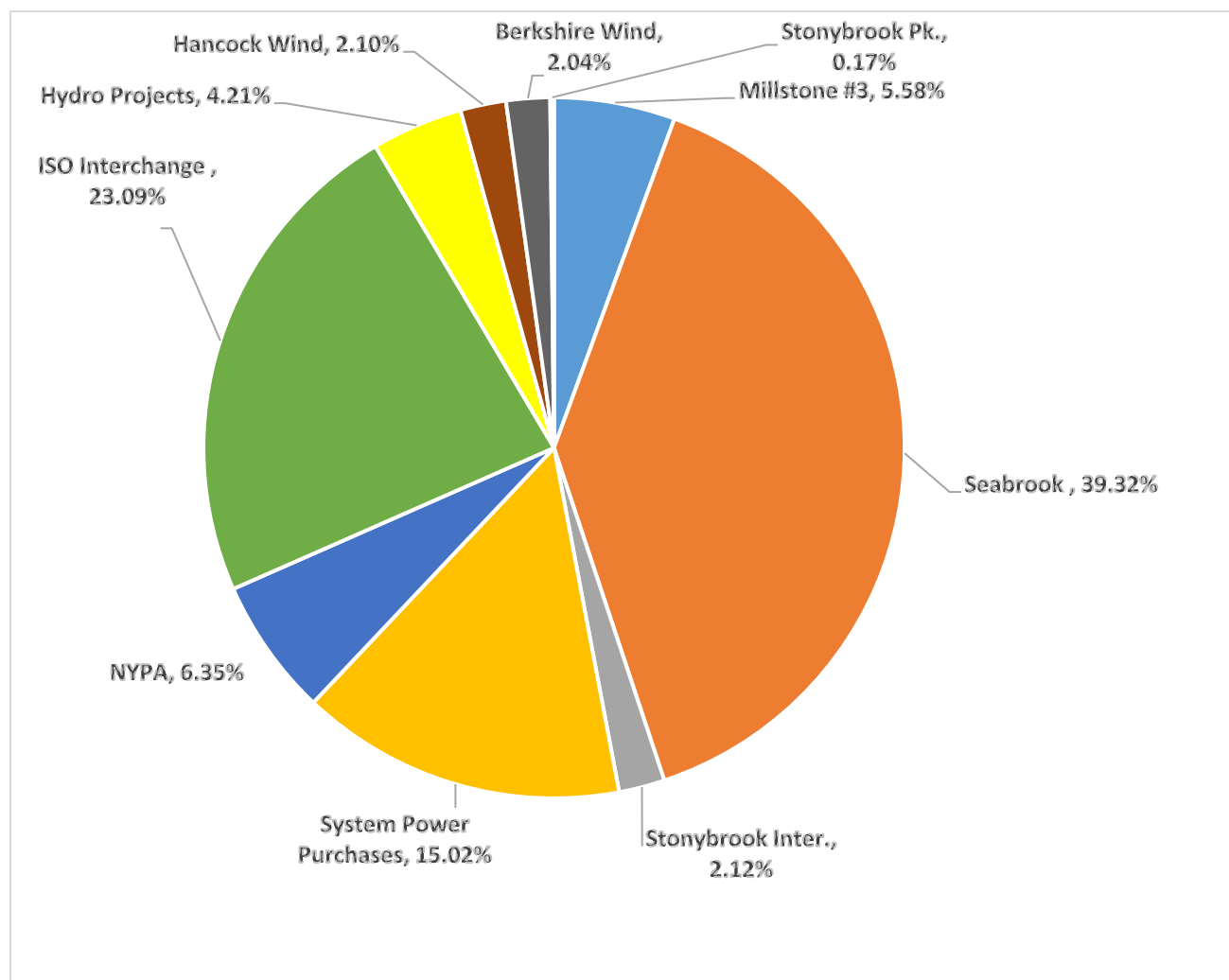
Power Portfolio

The Department has assembled an owned/contracted portfolio resource mix that is 60% non-emitting, including primarily wind, solar, hydro, and nuclear generating assets.

Financial Highlights (Continued):

Power Portfolio (continued)

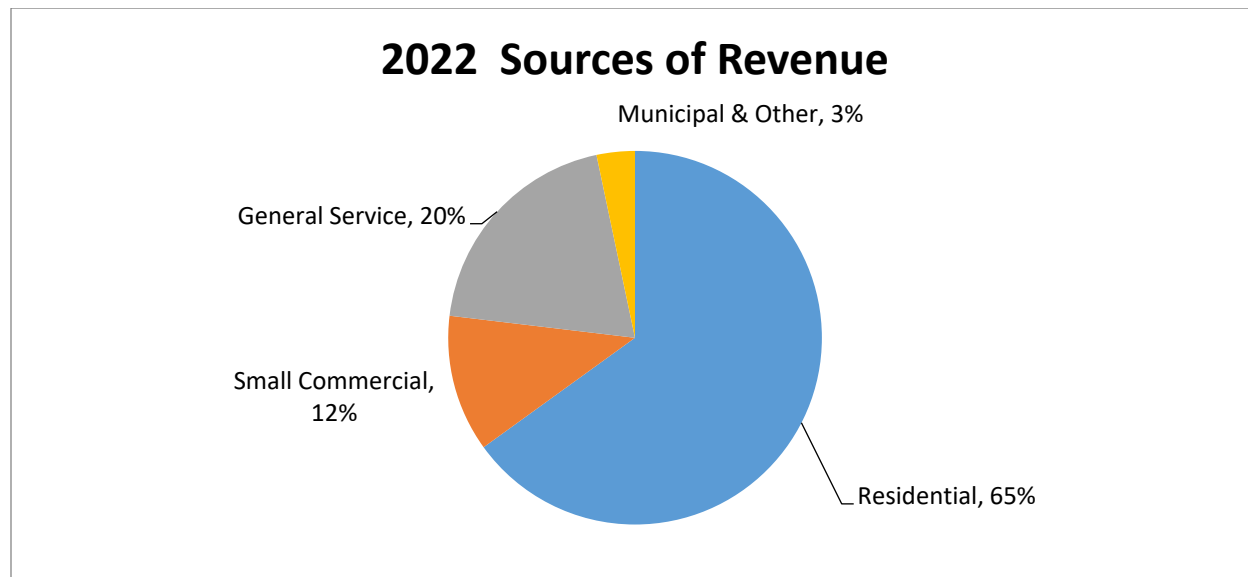
The Department's power portfolio by expense for 2022 is below. Major resources from which the Department purchases power are via long term project entitlements and the MMWEC-owned and operated natural gas fueled intermediate/ peaking plant, one year, or shorter, system power contracts, the ISO-New England power market wind, Berkshire Wind, Hancock wind and hydro power from the New York Power Authority and local sources. The Department's long-term generation contracts yield consistent and cost-effective power.



Financial Highlights (Continued):

Customer Portfolio

The majority (65%) of operating revenue comes from residential customers, with commercial and industrial customers representing 32% and municipal and other accounting for 3.%.



Utility and Debt Administration:

Utility Plant in Service

Total Utility Plant in Service at net book value for the end of 2022 was \$16,755,189. Of this amount \$10,603,817 represented distribution plant, \$2,995,628 represented general plant, \$72,500 represented land and \$3,083,244 represented construction in progress. During 2022, HMLD paid placed into service one of the new transformers for the Chaffins Substation as well as other expenses towards the Chaffins Substation project. During 2022, there were also upgrades to the Bullard Street Substation.

Debt Administration

The Town of Holden, through the 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 of its members and other utilities. 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 Department.

The Town of Holden, through the Department, is also a member of the Berkshire Wind Power Cooperative Corporation (BWPPC). BWPPC was formed by MMWEC and 14 municipal light departments. As of December 31, 2022, the Department's total future debt service requirement on outstanding bonds issued for the project was \$2,687,053. The debt service and interest has been and will continue to be paid with revenues received from the sales of electricity.

Utility and Debt Administration (Continued):

Debt Administration (continued)

On June 24, 2021 HMLD entered into a loan agreement with MMWEC to borrow \$6,500,000 to pay for the Chaffins Substation Upgrade Project. The \$6,500,000 was deposited into the Operating Fund and is used to pay the expenses incurred for the substation project. The loan will be paid in full in March 2031.

Significant Balances and Transactions:

Rate Stabilization Fund

The Department's Rate Stabilization Fund is managed by MMWEC. This fund was created following passage of the Massachusetts Restructuring Law of 1997 and is to be utilized for unexpected escalation in costs such as price spikes in energy prices, transmission cost increases and other cost increases. The Fund balance as of December 31, 2022 and 2021 was \$3,328,763 and \$4,520,342, respectively.

Depreciation Fund

The Department maintains a depreciation fund, which is managed by the Town of Holden Treasurer. This fund is used to pay for large capital investments such as new vehicles and other long-term assets. Items such as these would be purchased from the operating funds, which would then be replenished by funds transferred from the depreciation fund. The depreciation fund is required by state statute. The Department set aside 3% of gross cost of plant in 2022 and 2021 to be used for capital improvements and additions. The fund balance as of December 31, 2022 and 2021 was \$3,700,514 and \$4,536,319, respectively.

Purchased Power Working Capital

Purchased Power Working Capital is an amount held by MMWEC, which requires that it hold a set amount of capital from which it may pay the Department's power obligations when they are due. The fund is replenished as needed from the Department's monthly invoice payments. Income earned is applied as a credit to purchased power invoices from MMWEC. The balance as of the end of 2022 and 2021 was \$2,468,358 and \$1,165,356, respectively.

Other Postemployment Benefits

The Other Postemployment Benefits Liability Trust Fund was established in 2011. The Fund is held under the custodianship of the Town of Holden. Contributions are based on actuarial studies and have been made annually since 2013. The balance in the Trust as of December 31, 2022 and 2021 was \$1,883,855 and \$2,245,324, respectively.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2022	As Restated 2021
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 1,464,923	\$ 7,131,596
Accounts Receivable, Net	1,115,239	794,255
Other Receivables, Net	746,872	597,063
Materials and Supplies	403,708	362,361
Unbilled Revenue	1,394,768	871,620
Prepaid Expenses	117,750	112,104
Purchased Power Working Capital	2,468,358	1,165,356
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	7,711,618	11,034,355
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	3,700,514	4,536,319
Customer Deposits	284,746	269,651
Rate Stabilization Fund	3,328,763	4,520,342
Preliminary Investigations and Surveys	412,870	412,870
Other Postemployment Benefit Asset	0	156,165
Utility Plant Assets, Net	16,755,189	10,101,850
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TOTAL NONCURRENT ASSETS	24,482,082	19,997,197
	<hr/>	<hr/>
TOTAL ASSETS	32,193,700	31,031,552
	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	976,370	797,396
Deferred Outflows of Resources Related to OPEB	768,180	198,474
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,744,550	995,870
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 33,938,250	\$ 32,027,422
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See Accompanying Notes to the Financial Statements

HOLDEN MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2022	As Restated 2021
CURRENT LIABILITIES:		
Accounts Payable	\$ 2,041,448	\$ 1,526,866
Accrued Expenses	398,013	501,738
Current Portion of Pooled Loan Financing	391,560	469,410
	<u>2,831,021</u>	<u>2,498,014</u>
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES:		
Accrued Expenses	35,893	37,573
Customer Deposits	284,746	269,651
Customer Advances for Construction	86,278	62,494
Other Postemployment Benefit Liability	299,664	0
Net Pension Liability	4,630,953	5,141,608
Pooled Loan Financing, Net of Current Portion	5,444,895	5,836,455
	<u>10,782,429</u>	<u>11,347,781</u>
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES	<u>13,613,450</u>	<u>13,845,795</u>
DEFERRED INFLOWS OF RESOURCES:		
Contribution in Aid of Construction, Net	461,550	427,640
Deferred Inflows of Resources Related to Pensions	1,317,206	820,971
Deferred Inflows of Resources Related to OPEB	364,394	220,119
Rate Stabilization Reserve	3,328,763	4,520,342
	<u>5,471,913</u>	<u>5,989,072</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		
NET POSITION:		
Net Investment in Capital Assets, Net of Related Debt	10,918,734	9,335,439
Net Position Restricted for Depreciation	3,700,514	4,536,319
Unrestricted Net Position	233,639	(1,679,203)
	<u>14,852,887</u>	<u>12,192,555</u>
TOTAL NET POSITION		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 33,938,250</u>	<u>\$ 32,027,422</u>

See Accompanying Notes to the Financial Statements

HOLDEN MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND

	2022	As Restated 2021
OPERATING REVENUES:		
Sales of Electricity	\$ 17,424,581	\$ 14,067,629
Other Operating Revenues	264,511	182,097
	<u>17,689,092</u>	<u>14,249,726</u>
TOTAL OPERATING REVENUES	<u>17,689,092</u>	<u>14,249,726</u>
OPERATING EXPENSES:		
Operation and Maintenance	13,718,510	12,588,832
Depreciation	895,412	876,304
	<u>14,613,922</u>	<u>13,465,136</u>
TOTAL OPERATING EXPENSES	<u>14,613,922</u>	<u>13,465,136</u>
OPERATING INCOME	<u>3,075,170</u>	<u>784,590</u>
NONOPERATING REVENUES (EXPENSES):		
Net Investment Income	(137,422)	132,532
Grant Revenue	0	197,609
Pooled Loan Financing Costs	0	(66,414)
Interest Expense	(120,633)	(70,506)
	<u>(258,055)</u>	<u>193,221</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(258,055)</u>	<u>193,221</u>
Income Before Contributions and Transfers	2,817,115	977,811
NET POSITION - JANUARY 1	12,192,555	11,369,016
Transfers Out - Payment in Lieu of Taxes	(156,783)	(154,272)
NET POSITION - DECEMBER 31	<u><u>\$ 14,852,887</u></u>	<u><u>\$ 12,192,555</u></u>

See Accompanying Notes to the Financial Statements

HOLDEN MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND		
	2022	As Restated 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 16,734,030	\$ 14,002,491
Cash Paid to Suppliers	(12,006,492)	(10,155,314)
Cash Paid to Employees	(1,983,635)	(1,628,872)
Cash Paid for Benefits	(824,274)	(648,860)
Payment in Lieu of Taxes	(156,783)	(77,136)
	<u>1,762,846</u>	<u>1,492,309</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interest Expense	(2,182)	(1,144)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contribution in Aid of Construction	48,136	51,316
Net Transfers From (To) Depreciation Fund	690,460	(888,724)
Interest Expense	(118,451)	(69,360)
Pooled Financing Issuance Costs	0	(13,914)
Proceeds from Pooled Financing Loan	0	6,447,500
Repayments of Pooled Financing Loan	(469,410)	0
Additions to Plant Assets	(7,562,977)	(1,425,490)
	<u>(7,412,242)</u>	<u>4,101,328</u>
Net Cash Provided (Used) by Capital and Related Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,651,578)	5,592,493
CASH AND CASH EQUIVALENTS - Beginning	<u>7,401,247</u>	<u>1,808,754</u>
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 1,749,669</u></u>	<u><u>\$ 7,401,247</u></u>

See Accompanying Notes to the Financial Statements

HOLDEN MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND		
	2022	As Restated 2021
<hr/>		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 3,075,170	\$ 784,590
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	909,638	888,733
Contribution in Aid of Construction Amortization	(14,226)	(12,429)
Payment in Lieu of Taxes	(156,783)	(77,136)
Allowance for Doubtful Accounts	(1,108)	0
Purchase Power Expense	(1,041)	0
Rate Stabilization	(915,620)	0
Net Pension Expense	263,338	451,466
Other Postemployment Benefit Expense	157,169	57,296
(Increase) Decrease Assets:		
Accounts Receivable	(319,876)	(358,052)
Other Receivables	(149,809)	31,927
Materials and Supplies	(41,347)	13,509
Unbilled Revenue	(523,148)	85,765
Prepaid Expenses	(5,646)	(1,838)
Purchase Power Working Capital	(378,418)	0
Deferred Outflows Related to Pensions	(456,732)	(406,696)
Increase (Decrease) Liabilities:		
Accounts Payable	514,582	63,442
Accrued Expenses	(105,405)	104,303
Other Postemployment Benefit Obligation	(126,771)	(125,696)
Customer Advances for Construction	23,784	0
Customer Deposits	15,095	(6,875)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	<u>\$ 1,762,846</u>	<u>\$ 1,492,309</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following accounts are considered to be cash or cash equivalents for the statement of cash flows:

	2022	2021
	<hr/>	<hr/>
Operating Cash	\$ 1,464,923	\$ 7,131,596
Customer Deposits	284,746	269,651
	<hr/>	<hr/>
	<u>\$ 1,749,669</u>	<u>\$ 7,401,247</u>

Cash paid for interest during 2022 and 2021 was \$120,633 and \$70,504, respectively.

See Accompanying Notes to the Financial Statements

HOLDEN MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2022 AND 2021

OPEB TRUST FUND

ASSETS

	<u>2022</u>	<u>2021</u>
Funds on Deposit with Town Treasurer		
Cash and Investments	<u>\$ 1,883,855</u>	<u>\$ 2,245,324</u>

NET POSITION

FIDUCIARY NET POSITION - Restricted	<u>\$ 1,883,855</u>	<u>\$ 2,245,324</u>
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HOLDEN MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPEB TRUST FUND

	<u>2022</u>	<u>2021</u>
Net Investment Income/(Loss)	<u>\$ (361,469)</u>	<u>\$ 205,662</u>
CHANGES IN FIDUCIARY NET POSITION	(361,469)	205,662
FIDUCIARY NET POSITION - JANUARY 1	<u>2,245,324</u>	<u>2,039,662</u>
FIDUCIARY NET POSITION - DECEMBER 31	<u>\$ 1,883,855</u>	<u>\$ 2,245,324</u>

See Accompanying Notes to the Financial Statements

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Holden Municipal Light Department is a component unit of the Town of Holden, Massachusetts. The Department purchases power from various sources and sells it to the ultimate consumers at rates on file with the Massachusetts Department of Public Utilities (DPU). The Town Manager appoints the manager of the Department who shall be responsible for operation and management. Contractual obligations, rates and policies of the Department are approved by the Town Manager and Board of Selectmen, acting in their capacity as Light Commissioners.

Regulation and Basis of Accounting

The Department's financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The electric rates of the Department are proposed by the Municipal Electric Power Advisory Board, a volunteer group appointed by the Town Manager. The rates are approved by the Board of Selectmen acting in their capacity as Light Commissioners. These rates may be changed once every three months. Rate schedules are filed with the DPU. While the DPU exercises general supervisory authority over certain activities of the Department, 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 the utility plant.

Utility Plant

The statutory provision for depreciation of utility plant is computed on the straight-line method at three percent of cost of department assets in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of department additions. Massachusetts law stipulates that the Department may change from the statutory depreciation rate only with the approval of the DPU up to five percent. The Department used a rate of 3% for 2022 and 2021.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Department considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

During 2022, the Department had one non-cash transaction relating to the transfer of rate stabilization funds in the amount of \$915,620. During 2021, the department had one non-cash transaction relating to the issuance costs of the pooled loan financing in the amount \$52,500.

Taxes

The Department is exempt from federal income taxes. Although also exempt from property taxes, the Department pays amounts in lieu of taxes to the Town of Holden.

Reclassification

Certain prior year amounts, with no effect on previously stated net income, have been reclassified to conform to the 2022 presentation.

Use of Estimates

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

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Materials and Supplies

Materials and supplies are valued using the average cost method.

Revenue Recognition

The Light Department owns and maintains an electric distribution network serving the Town of Holden, Massachusetts. Distribution revenues are primarily from the sale of electricity to residential, commercial, and industrial customers within the Town of Holden. The rates are designed to recover the costs incurred by the Department for products and services provided along with a return on investment.

The performance obligation for electricity sales is to provide electricity to the customer on demand. The electricity supplied represents a single performance obligation as it is a series of distinct goods and services that are substantially the same. The performance obligation is satisfied immediately as the customer simultaneously receives and consumes the electricity as the Department provides this service. The Department records revenues related to the electricity sales based upon the effective rates and the volume delivered to the customers, which corresponds with the amount the Department has the right to invoice.

Distribution revenue also includes estimated unbilled amounts, which represent the estimated amounts due from customers for electricity provided to customers by the Department, but not yet billed. Unbilled revenues are determined based on estimated unbilled sales volumes for the respective customer classes and then applying the applicable rate to those volumes.

Operating expenses are the costs of providing electricity and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Customer Discounts

The Department allows a discount on certain components of customer bills paid within 15 days of the billing date. Since the Department bills in defined batches throughout the month, some receivables outstanding at year end will be subject to a discount when paid. The Department posts revenue and receivables at gross, accounting for this discount when it is earned by early cash payment.

Compensated Absences

In accordance with Department policies, employees are allowed to accumulate sick days, up to a maximum of 180 days. Upon termination of employment with the Department, the employee will not be paid for any accumulated sick days. Upon retirement up to 30 days will be paid for accumulated sick time.

Employees are not permitted to carry over vacation time from one year to the next. Upon termination of employment with, or retirement from, the Department, the employee will be paid for unused and accrued vacation time based on the employee's base rate of pay at the time of termination.

Accounts Receivable Policy

The Department carries its accounts receivable at cost less an allowance for doubtful accounts of \$40,280 and \$41,387 for 2022 and 2021, respectively. The Department can place a lien against a property if payment is not made. For non-owners, the Department requires a deposit that can be applied to any unpaid amounts. In addition, the Department has the right to shut off service to customers, subject to certain state regulations, if the customer is not making payments. On a periodic basis, the Department does evaluate its account receivables to determine if any write-offs are necessary.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Sales Tax

The Department collects sales and use tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected, but not yet remitted.

Contribution in Aid of Construction

Contribution in Aid of Construction represents non-refundable payments received from consumers and developers for extension of electric services for assets owned and maintained by the Department. These amounts are recorded as a deferred inflow of resources net of amortization.

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 Worcester Regional Retirement System (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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the Department's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of Holden Municipal Light Department'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, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/expenditure) until then.

NOTE 2 - OTHER RECEIVABLES:

Other receivables consist of the following:

	<u>2022</u>	<u>2021</u>
Merchandise and Jobbing	\$ 155,166	\$ 82,315
Berkshire Wind RECs	80,665	62,863
Purchase Power Refund	44,627	0
Claims and Settlements	453,454	443,679
Liens	<u>12,960</u>	<u>8,206</u>
Total Other Receivables, Net	<u>\$ 746,872</u>	<u>\$ 597,063</u>

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 - PREPAID EXPENSES:

Prepayments consist of the following:

	<u>2022</u>	<u>2021</u>
Power Contracts, Net	\$ 78,771	\$ 80,332
Insurance Expense	<u>38,979</u>	<u>31,772</u>
Total Prepaid Expenses	<u>\$ 117,750</u>	<u>\$ 112,104</u>

NOTE 4 - FUNDS HELD AT MMWEC:

Purchased Power Working Capital Fund

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. The implementation of the Working Capital Program began August 1, 1985. MMWEC Participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that the Department hold a set amount of capital from which it may pay the Department's power obligations when they are due. MMWEC replenishes the fund as needed from the Department's monthly invoice payments. The income earned allocated to the Department will be applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2022 and 2021 was \$2,468,358 and \$1,165,356, respectively. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2022 and 2021 was \$38,085,022 and \$20,313,510, respectively, of which Holden Municipal Light Department's ownership was approximately 6.5% and 5.7%, respectively.

Rate Stabilization Fund

The Rate Stabilization Fund is held at MMWEC and was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The Rate Stabilization Fund balance at December 31, 2022 and 2021 was \$3,328,763 and \$4,520,342, respectively. The balance in the fund is offset by a deferred inflow of resources for the accumulated provision for rate refund.

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plant has the ability to access.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 - FUNDS HELD AT MMWEC (Continued):

Rate Stabilization Fund (continued)

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

- Level 1 - U.S. Government Securities:
Valued at closing price as reported on the active market on which the individual securities are traded.
- Level 2- Municipal Bonds and U.S. Government Securities:
Investments in debt securities are valued using interest rate curves and credit spreads applied to the terms of the debt instrument along with counterparty credit rating.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Department management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The chart on the following page sets forth, by level within the fair value hierarchy, the Department's rate stabilization investments at fair value at December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Department did not have any investments that were measured using Level 3 inputs.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 - FUNDS HELD AT MMWEC (Continued):

Rate Stabilization Fund (continued)

December 31, 2022			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Municipal Bonds			
AAA	\$ 0	\$ 91,076	\$ 91,076
AA	0	256,651	256,651
AA-	0	176,553	176,553
A+	0	44,741	44,741
US Government Securities	653,691	2,062,296	2,715,987
Total FMV Investments	653,691	2,631,317	3,285,008
<u>Other Securities</u>			
Money Market	43,755	0	43,755
Total	\$ 697,446	\$ 2,631,317	\$ 3,328,763

December 31, 2021			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Municipal Bonds			
AAA	\$ 0	\$ 105,052	\$ 105,052
AA	0	428,116	428,116
AA-	0	310,406	310,406
A+	0	53,963	53,963
US Government Securities	1,454,206	1,782,583	3,236,789
Total FMV Investments	1,454,206	2,680,120	4,134,326
<u>Other Securities</u>			
Money Market	386,016	0	386,016
Total	\$ 1,840,222	\$ 2,680,120	\$ 4,520,342

As of December 31, 2022, there were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represented 5% or more of total investments.

Prepaid PASNY Fund

The Power Authority of the State of New York (PASNY) is a New York State public-benefit corporation. It is commonly referred to as New York Power Authority (NYPA). The electricity generated from the NYPA hydro-facilities in New York provides a reduced rate for electricity specifically for residential customers in New York and New England. This is another account maintained by MMWEC from which they may pay our power obligation for the delivery of power and other obligations associated with NYPA's hydro projects. The NYPA fund balance at December 31, 2022 and 2021 was \$78,771.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 - FUNDS HELD AT MMWEC (Continued):

Prepaid PASNY Fund (continued)

These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2022 and 2021 was \$4,194,507 and \$4,185,076, respectively, of which Holden Municipal Light Department's ownership was approximately 1.9%.

NOTE 5 - DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments and deferred costs related to such commitments, which the board of selectmen determines are above market value.

NOTE 6 - RELATED PARTY:

The Department bills the Town of Holden for electric light usage and other projects. The amount included in revenue was approximately \$594,556 and \$484,768 for December 31, 2022 and 2021, respectively. Accounts receivable from the Town was \$45,305 and \$46,019 at December 31, 2022 and 2021, respectively.

The Department reimburses the Town for various services and makes a payment in lieu of taxes. During the years ended December 31, 2022 and 2021, the total amount billed for these services and payment in lieu of taxes was \$1,232,281 and \$1,109,175, respectively. At year end 2022 and 2021, amounts payable to the Town was \$9,072 and \$152,136, respectively.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS:

	<u>2022</u>	<u>2021</u>
Cost of Capital Assets Acquired	\$ 36,978,360	\$ 31,546,773
Less: Accumulated Depreciation	(20,223,171)	(21,444,923)
Less: Pooled Financing Loan	<u>(5,836,455)</u>	<u>(766,411)</u>
Net Investment in Capital Assets	<u>\$ 10,918,734</u>	<u>\$ 9,335,439</u>

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 - UTILITY PLANT ASSETS:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
Capital Assets Not Being Depreciated:				
Land	\$ 72,500	\$ 0	\$ 0	\$ 72,500
Construction in Progress	<u>1,136,752</u>	<u>6,554,882</u>	<u>(4,608,390)</u>	<u>3,083,244</u>
Total Capital Assets Not Being Depreciated	<u>1,209,252</u>	<u>6,554,882</u>	<u>(4,608,390)</u>	<u>3,155,744</u>
Capital Assets Being Depreciated:				
Distribution Plant	23,168,390	5,101,347	(2,131,390)	26,138,347
General Plant	<u>7,169,131</u>	<u>515,138</u>	<u>0</u>	<u>7,684,269</u>
Total Capital Assets Being Depreciated	<u>30,337,521</u>	<u>5,616,485</u>	<u>(2,131,390)</u>	<u>33,822,616</u>
Less Accumulated Depreciation for:				
Distribution Plant	(16,970,161)	(695,759)	2,131,390	(15,534,530)
General Plant	<u>(4,474,762)</u>	<u>(213,879)</u>	<u>0</u>	<u>(4,688,641)</u>
Total Accumulated Depreciation	<u>(21,444,923)</u>	<u>(909,638)</u>	<u>2,131,390</u>	<u>(20,223,171)</u>
Capital Assets Being Depreciated, Net	<u>8,892,598</u>	<u>4,706,847</u>	<u>0</u>	<u>13,599,445</u>
Utility Plant Assets, Net	<u>\$ 10,101,850</u>	<u>\$ 11,261,729</u>	<u>\$ (4,608,390)</u>	<u>\$ 16,755,189</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$909,638 and \$888,733, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$14,226 and \$12,429 related to contribution in aid of construction for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 - CASH AND INVESTMENTS:

A cash and investment pool is maintained by the Town Treasurer and available for use for depreciation and operating funds of the Department. The Town has established a separate cash and investment pool for the OPEB funds.

Investment policies authorize the investment in obligations of the U.S. Treasury, certificates of deposit, money market accounts and bank deposits. The investments that are held to maturity and mature within one year are recorded at cost or amortized cost. The investments that mature outside of one year are recorded at fair value. The Treasurer may also invest trust funds in securities which are legal for the investment of funds under the laws of the Commonwealth. These investments that don't have a maturity date are recorded at fair value.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 - CASH AND INVESTMENTS (Continued):

Custodial Credit Risk - Deposits

The HMLD's deposits with the Town Treasurer are commingled and invested with deposits from other Town funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Department. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Department deposits is not determinable because the limits of insurance are computed on a town-wide basis.

Custodial Credit Risk – Depreciation Investments

Investment custodial risk is the risk that, in the event of a failure by the counterparty, the Department will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Department does not have custodial risk exposure at December 31, 2022 and 2021. The Department's account is with Commonwealth Financial Network LLC, which is protected in accordance with the Securities Investor Protection Corporation ("SIPC") up to \$500,000 including cash claims up to \$250,000.

They have also arranged for additional insurance protection for cash and investments to supplement its SIPC coverage. The additional insurance protection covers total account net equity in excess of \$500,000/\$100,000. The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Depreciation Investments

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, provides a definition of fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

Inputs to valuation methodology are unobservable and significant to the fair value measurement.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 - CASH AND INVESTMENTS (Continued):

Depreciation Investments (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

- Equities, Corporate Bonds, Mutual Funds, Certificate of Deposits and U.S. Government Securities:
Valued at closing price as reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Department management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below sets forth, by level within the fair value hierarchy, the Department's investments in the Depreciation Fund at fair value at December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Department did not have any investments that were measured using Level 2 or Level 3 inputs.

Description	December 31, 2022 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2021 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
Corporate Bonds:		
Credit Rating		
AAA	\$ 162,320	\$ 0
A+	548,915	737,636
A	157,651	205,734
A-	133,456	155,676
BBB+	245,777	162,570
BBB	392,122	506,842
US Government Securities	1,490,673	1,193,212
Mutual Funds	29,377	333,091
Equities	<u>455,085</u>	<u>596,433</u>
Total FMV Investments	3,615,376	3,891,194
<u>Other Securities</u>		
Money Market	74,771	246,578
Certificates of Deposit	0	390,533
Accrued Interest	<u>10,367</u>	<u>8,014</u>
Total Other Securities	<u>85,138</u>	<u>645,125</u>
Total	<u>\$ 3,700,514</u>	<u>\$ 4,536,319</u>

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 - CASH AND INVESTMENTS (Continued):

Depreciation Investments (continued)

Maturities of Certificate Deposits are as follows:

	Ratings As of Year End	2022 Fair Value	2022 Under 1 Year	2022 1-5 Years	2021 Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	\$ 0	\$ 0	\$ 0	\$ 390,533

As of December 31, 2022, the investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represented 5% or more of total investments are listed on the table below.

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of total Investments</u>
Emerson Electric Co.	\$ 197,009	5.3%
Johnson & Johnson Co.	\$ 185,924	5.0%
Merk & Co. Inc.	\$ 203,351	5.5%
Pfizer Co.	\$ 207,626	5.6%

NOTE 10 - POOLED FINANCING LOAN:

On June 24, 2021, the Department termed out a portion of the Pooled Loan Financing Loan Agreement through MMWEC. Principal and interest are payable monthly. The interest rate is fixed at 1.93% and the loan matures March 2031. The outstanding principal balance as of December 31, 2022 and 2021 was \$5,836,455 and \$6,305,865, respectively. Total interest expense relating to this loan was \$118,451 and \$69,361 for the years ended December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Note Payable with Pooled Loan with MMWEC payable in monthly installments including a fixed interest rate of 1.93%. Due March 2031.	\$ 5,836,455	\$ 6,305,865
Less: Current Maturities	<u>(391,560)</u>	<u>(469,410)</u>
Long-Term Notes Payable, Less Current Portion	<u>\$ 5,444,895</u>	<u>\$ 5,836,455</u>

Maturities of the note payable are shown as follows:

For the year ended December 31,	2023	\$ 391,560
	2024	399,365
	2025	406,723
	2026	414,528
	2027	422,486
	Thereafter	<u>3,801,793</u>
	Total	<u>\$ 5,836,455</u>

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND:

The Other Postemployment Benefits Liability Trust Fund was authorized at the Annual Town Meeting on May 18, 2009 and the fund was established on April 20, 2011. The Trust Fund was established to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The Fund is held under the custodianship of the Town of Holden. The Department's investments are classified as held to maturity and are recorded at the estimated fair market value. Fair values are based on the quoted market price of the investments. The balance in the Trust as of December 31, 2022 and 2021 was \$1,883,855 and \$2,245,324, respectively.

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, provides a definition of fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below.

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

- Equities and Mutual Funds:
Valued at closing price as reported on the active market on which the individual securities are traded.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND (Continued):

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Department management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below sets forth, by level within the fair value hierarchy, the Department's OPEB Trust Fund investments at fair value at December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Department did not have any investments that were measured using Level 2 or Level 3 inputs.

Description	December 31, 2022 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2021 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>Investments at FMV:</u>		
Equities	\$ 65,716	\$ 75,862
Mutual Funds	<u>1,808,767</u>	<u>2,164,893</u>
Total Investments	1,874,483	2,240,755
<u>Other Securities:</u>		
Money Market	<u>9,372</u>	<u>4,569</u>
Total	<u>\$ 1,883,855</u>	<u>\$ 2,245,324</u>

As of December 31, 2022 and 2021, there were no investments in any one issuer (excluding U.S. Treasury securities and mutual funds) that represented 5% or more of the total investments.

Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other than Pensions Plans, provides an actuarial cost method and discount rate as well as disclosures and methodologies for reporting Plan liabilities and OPEB expenses.

Plan Administration

The Town of Holden administers the retiree health care benefits program-a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees.

Plan Membership

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

Inactive plan members or beneficiaries currently receiving benefits payments	17
Active plan members	<u>10</u>
	<u>27</u>

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND (Continued):

Benefits provided

The Town provides health care, dental and life insurance benefits for retirees and their dependents. Benefits are provided through the Group Insurance Commission the full cost of benefits is shared between the Town and retirees.

Contributions

The Town annual contributes an actuarially determined contribution based on the results of the most recent actuarial valuation.

Investment Policy

The Trust has a long-term approach which enables the Town of Holden to purchase certain investments which are limited to: Cash 0-10%, Alternative Investments 0-20%, Fixed Income 30-50% and Equities 30-70%. The Trust has also adopted the M.G.L. Chapter 203C section Massachusetts Prudent Investor Act which allows the trustee to invest and manage Trust assets as a prudent investor would, considering the purposes, terms and other circumstances of the Trust.

Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the OPEB plan investments to the ending fair value of OPEB plan investments.

Net OPEB Liability of the Plan

The components of the net OPEB liability at December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Total OPEB Liability	\$ 2,183,519	\$ 2,089,159
Fiduciary Net Position	<u>(1,883,855)</u>	<u>(2,245,324)</u>
Net OPEB Liability (Asset)	<u>\$ 299,664</u>	<u>\$ (156,165)</u>

Fiduciary net position as a percentage of the total OPEB liability was 86.28% and 107.48% for the years ending December 31, 2022 and 2021, respectively.

Actuarial Assumptions

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

Inflation	2.50%
Investment rate of return	5.49%, net of investment expenses, including inflation
Discount Rate	5.38%, net of OPEB plan investment expense, including inflation

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND (Continued):

Actuarial Assumptions (continued)

Salary Increases	3.00% annually as December 31, 2022 and for future periods
Asset- Valuation Method	Market Value of Assets as of the Measurement Date, December 31, 2022.
Healthcare cost trend rate	8% for 2022, decreasing to an ultimate rate of 3.63%, utilizing the society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2060.
Pre-Retirement Mortality-	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Post-Retirement Mortality-	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Disabled Mortality-	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2022 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity- Large Cap	22.50%	4.10%
Domestic Equity- Small/Mid Cap	14.00%	4.55%
International Equity- Developed Market	11.25%	4.64%
International Equity- Emerging Market	7.25%	5.45%
Domestic Fixed Income	31.50%	1.05%
International Fixed Income	6.75%	.96%
Alternatives	6.25%	5.95%
Real Estate	0.00%	6.25%
Cash	.50%	0.00%
Total	100.00%	

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND (Continued):

Discount Rate

The discount rate used to measure the total OPEB liability was 5.38%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the discount rate of 5.38%, as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (4.38%) or 1-percentage point higher (6.38%) than the current rate:

	1% Decrease 4.38%	Current Discount Rate 5.38%	1% Increase 6.38%
Net OPEB Liability	\$ 603,880	\$ 299,664	\$ 54,622

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability calculated using current healthcare cost trend rates as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (7% year 1 decreasing to 3.63%) or 1-percentage point higher (9% year 1 decreasing to 4.63%) than the current healthcare cost trend rates:

	1% Decrease 7% Year 1 Decreasing to 2.63%	Current Healthcare Cost Trend Rates 8% Year 1 Decreasing to 3.63%	1% Increase 9% Year 1 Decreasing to 4.63%
Net OPEB Liability	\$ 31,728	\$ 299,664	\$ 632,803

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS LIABILITY:

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, provides an actuarial cost method and discount rate as well as disclosures and methodologies for reporting employer liabilities and OPEB expenses.

Plan Description

The Department participates in the Town sponsored single employer defined benefit health plan. The Department provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued):

Plan Membership

At the measurement date of December 31, 2022, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits payments	17
Active plan members	<u>10</u>
	<u><u>27</u></u>

Contributions

The Department's Actuarial Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The contribution requirements of plan members and the Department are established and may be amended through Department ordinances. For the years ending on and the measurement date of December 31, 2022 and 2021, total premiums plus implicit costs for the retiree medical program were \$126,771 and \$125,696, respectively.

OPEB Liabilities

At December 31, 2022 and 2021, the Department reported a liability/(asset) of \$299,664 and (\$156,165), respectively, for its net OPEB liability(asset). The 2022 and 2021 net OPEB liability(asset) was measured as of December 31, 2022 and 2021, and was determined by an actuarial valuation as of January 1, 2022 and January 1, 2020, respectively.

OPEB Expense

For the years ended December 31, 2022 and 2021, the Department recognized OPEB Expense of \$157,169 and \$57,296, respectively. At December 31, 2022 and 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2022</u>	<u>2021</u>
Difference between projected and actual earnings on OPEB plan investments	\$ 395,459	\$ 34,958
Difference between expected and actual Experiences	50,812	69,700
Changes of Assumptions	<u>321,909</u>	<u>93,816</u>
Total Deferred Outflows of Resources	<u>\$ 768,180</u>	<u>\$ 198,474</u>
 <u>Deferred Inflows of Resources Related to OPEB</u>		
Difference between expected and actual experiences	\$ 244,029	\$ 35,364
Difference between projected and actual earnings on OPEB plan investments	<u>120,365</u>	<u>184,755</u>
Total Deferred Outflows of Resources	<u>\$ 364,394</u>	<u>\$ 220,119</u>

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued):

OPEB Expense (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Department's OPEB expense as follows:

<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
Year Ended December 31:			Year Ended December 31:		
	2023	\$ 210,923		2023	\$ 130,355
	2024	203,062		2024	98,348
	2025	189,830		2025	76,336
	2026	<u>164,365</u>		2026	<u>59,355</u>
	Total	\$ <u>768,180</u>		Total	\$ <u>364,394</u>

GASB 75 requires the disclosure of actuarial assumptions, the discount rate, and sensitivity of the net OPEB liability to the changes in the discount rate and healthcare cost trend rates. Refer to the previous note, "Other Postemployment Benefit Trust Fund" for these disclosures.

NOTE 13 - PENSION PLAN:

Plan Description

The Light Department, through the Town of Holden, is a member of the Worcester Regional Retirement System which, in turn, is a member of the Massachusetts Contributory Retirement System which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a cost-sharing multiple-employer contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by teachers' retirement board. The Plan's separately issued financial statements can be obtained by contacting Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Benefits Provided

The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of member's highest three-year average annual rate of regular compensation. For members who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the retirement system: Group 1, Group 2, and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - PENSION PLAN (Continued):

Benefits Provided (continued)

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service if hired after 1978 and if classified in group 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 55 years of age with 10 years of service if in group 2, and 55 years of age if classified in group 4 or hired prior to 1978. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors: including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Employees who resign from state service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. The Department is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study.

The actuarially determined Department contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Department's required contribution to the System for the years ended December 31, 2022 and 2021 were \$406,696 and \$389,319, respectively, which were paid during calendar year 2021 and 2020, respectively.

Pension Liabilities

At December 31, 2022 and 2021, the Light Department reported a liability of \$4,630,953 and \$5,141,608, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021 and 2020, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At the measured date of December 31, 2021 and 2020, the Town's proportion was 3.639028% and 3.554444%, respectively.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - PENSION PLAN (Continued):

Pension Liabilities (continued)

The Department's portion of the net pension liability was based on the percentage of the Department's contributions to the total Town's contributions as of the measured date of December 31, 2021 and 2020. At the measured date of December 31, 2021 and 2020, the Department's portion was 15.113540% and 16.282413% of the Town's total contributions, respectively.

Pension Expense

For the years ended December 31, 2022 and 2021, the Department recognized a pension expense of \$263,338 and \$451,466, respectively. For the years ended December 31, 2022 and 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2022</u>	<u>2021</u>
Differences between expected and actual experience	\$ 0	\$ 6,995
Changes of assumptions	398,205	318,299
Changes in proportion and differences between employer contributions and Department proportionate share	121,433	65,406
Department contributions subsequent to the measurement date	<u>456,732</u>	<u>406,696</u>
Total	<u>\$ 976,370</u>	<u>\$ 797,396</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between expected and actual experience	\$ 96,856	\$ 133,444
Net difference between projected and actual earnings on Pension plan investments	653,352	265,647
Changes in proportion and differences between employer contributions and Department proportionate share	<u>566,998</u>	<u>421,880</u>
Total	<u>\$ 1,317,206</u>	<u>\$ 820,971</u>

Of the total amount reported as deferred outflows of resources related to pension, \$456,732 resulting from Department contributions paid 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 amount of \$430,697 for the year ended December 31, 2023 and \$25,765 for the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the Department's pension expense on the table on the following page.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - PENSION PLAN (Continued):

Deferred Inflows of Resources Related to Pension (continued)

For the Years Ended December 31:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2023	\$ 129,910	\$ 356,413
2024	129,909	356,412
2025	129,910	302,192
2026	<u>129,909</u>	<u>302,189</u>
Total	<u>\$ 519,638</u>	<u>\$ 1,317,206</u>

Actuarial Assumptions

The total pension liability as of December 31, 2022, was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.4% per year
Projected Salary Increases	Group 1: 4.25%-6.00%, based on Service Group 4: 4.75%-7.00%, based on Service
Cost of Living Allowance	Assumed to be 3% of the pension amount, capped at \$480 per year.
Amortization Method	<i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2036. The annual increase in appropriation is further limited to 9.95%. <i>Early Retirement Incentive Programs (ERI) for 2002, 2003 and 2010:</i> Increasing dollar amount at 4.5% to reduce the 2002 and 2003 ERI Actuarial Accrued Liability to zero on or before June 30, 2028.
Remaining Amortization Period	15 years, except for ERI for 2002 and 2003 (6 years).

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

Asset Valuation Method

The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:

- a. 80% of gains and losses of the prior year,
- b. 60% of gains and losses of the second prior year,
- c. 40% of gains and losses of the third prior year and
- d. 20% of gains and losses of the fourth prior year

Rates of Retirement

Varies based upon age for general employees, police and fire employees.

Mortality Rates:

Healthy Retirees

RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.

Disabled Retirees

RP-2014 Blue Collar Mortality Table set forward with full generational mortality improvement using Scale MP-2020.

Investment Rate of Return

7.25%, net of pension plan investment expense, including inflation

Annuity Savings Fund Interest Rate

2.00% per year

Investment Policy

The Plan's asset allocation policies are established by the Public Reserve Investment Trust (PRIT). Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the Plan. 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 category 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 pensions plan's target asset allocation as of the measured date of December 31, 2021 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	38%	4.22%
Core Fixed Income	15%	0.70%
Value-Added Fixed Income	8%	4.00%
Private Equity	15%	7.70%
Real Estate	10%	3.60%
Timber/Natural Resources	4%	4.20%
Portfolio Completion Strategies	10%	3.00%
Total	100%	

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - PENSION PLAN (Continued):

Discount Rate

The discount rate used to measure the total pension 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 rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

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

The table below presents the net pension liability calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the Net Pension Liability	\$ 5,841,602	\$ 4,630,953	\$ 3,607,986

Pension Plan Fiduciary Net Position

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

Legal and Environmental Matters

The Department is not party to any pending legal proceedings. The Department is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment. These standards affect the siting of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on the Department's operations in the past and they will continue to have an impact on future operations, capital costs and construction.

Berkshire Wind Cooperative Contingencies and Liabilities

The Holden Municipal Light Department (Department) is a Member of the Berkshire Wind Cooperative Corporation (Cooperative).

The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 16 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Contingencies and Liabilities (continued)

The Berkshire Wind Facility is comprised of two Phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines which have been commercially operating since 2011, and Phase 2 is comprised of two 2.3-megawatt wind turbines which began commercial operations in November 2019.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its pro rata share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, and its pro rata share of Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount. Additionally, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility.

The total capital expenditures, debt service and operation and maintenance (O&M) costs associated with the Department's pro rata share of the Phases in which it participates for the years ended December 31, 2022 and 2021, respectively are listed in the table below:

Phase	Percentage Share	Total Capital Expenditures 2022	Debt Service Billed 2022	Debt Service Billed 2021	Operations and Maintenance Billed 2022	Operations and Maintenance Billed 2021
Berkshire Phase 1	6.938%	\$ 3,838,141	\$ 335,799	\$ 335,782	\$ 148,589	\$ 119,802

In addition, the estimated aggregate amount of the required payments for future years for the Department's pro rata share of the Phases in which it participates is shown in the table below:

		Total Phase 1 Debt Service
For years ended December 31,	2023	\$ 335,765
	2024	336,198
	2025	335,695
	2026	336,007
	2027	336,025
	2028 to 2030	<u>1,007,363</u>
	TOTAL	<u>\$ 2,687,053</u>

Other Power Supply

The Department has entered into a Service Agreement with MMWEC, under which MMWEC performs bulk power supply services to the Department, including services related to owned generation, purchased power contracts or other power supply arrangements.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued):

Other Power Supply (continued)

Under the terms of the Service Agreement, the Department is committed to purchase additional power through MMWEC in future years for the amounts listed below.

For years ended December 31,	2023	\$	1,545,207
	2024		606,297
	2025		<u>140,429</u>
	TOTAL	\$	<u>2,291,933</u>

MMWEC Contingencies and Liabilities

Town of Holden 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.

The Light Department is also a Participant in MMWEC Project 2015A, a capacity reliability resource in Peabody, Massachusetts. Project 2015A is under construction as of December 31, 2022. As of December 31, 2022, the Light Department has contributed \$470,163 for design and construction costs for Project 2015A.

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).

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies and Liabilities (continued)

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

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

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above), and amount of required debt service payments (if applicable) under the PSAs associated with the Department's Project Capability of the Projects in which it participates for the years ended December 31, 2022 and 2021, respectively are listed in the tables below and on the following page.

<u>Projects</u>	<u>Percentage Share</u>	<u>Total Capital Expenditures 2022</u>	<u>Capacity, Fuel and Transmission Billed 2022</u>	<u>Capacity, Fuel and Transmission Billed 2021</u>
Stony Brook Peaking	3.1984%	\$ 1,981,580	\$ 171,406	\$ 127,645
Stony Brook Int.	2.4979%	4,576,535	575,687	363,906
Nuclear Mix 1-SBK	2.7392%	283,960	13,135	11,747
Nuclear Mix 1-MLS	2.7392%	1,750,177	162,742	182,026
Nuclear Project 3-MLS	0.8978%	1,389,110	106,000	118,868
Nuclear Project 4-SBK	2.6400%	8,084,773	333,157	302,462
Nuclear Project 5-SBK	1.0403%	861,745	34,041	30,667
Project No. 6-SBK	4.4477%	25,184,829	780,189	715,360
2015A Capacity Resources	4.8160%	<u>3,121,267</u>	<u>0</u>	<u>0</u>
		<u>\$ 47,233,976</u>	<u>\$ 2,176,357</u>	<u>\$ 1,852,681</u>

HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies and Liabilities (continued)

Years Ended	Total Project 2015A Debt Service 5.61%
2023	\$ 142,051
2024	206,427
2025	206,064
2026	205,845
2027	205,800
2028-2032	1,026,223
2033-2037	1,025,383
2038-2042	1,023,713
2043-2047	1,020,958
2048-2051	<u>814,263</u>
	<u>\$ 5,876,727</u>

NOTE 15 - RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS:

During preparation of the 2022 financial statements, the Department discovered an error relating to a discount being applied to a customer when they were ineligible for that discount. The Department has restated the 2021 financial statements to reflect this correction. The impact of these modifications on the 2021 financial statements was to increase Other Accounts Receivable, Net by \$443,679, increase the Net Income by \$18,970 and increase the January 1, 2021 Net Position by \$424,709.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

OPERATING FUND

For the Year Ending December 31,	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2020	1/1/2020	1/1/2018	1/1/2018	1/1/2016	1/1/2016	1/1/2014	1/1/2014
Measurement Date	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014

**Schedule of the Department's Proportionate Share
of the Net Pension Liability (NPL):**

Department's Portion of the NPL	0.5500%	0.5788%	0.5757%	0.6360%	0.6387%	0.6813%	0.6531%	0.6746%
Department's Proportionate Share of the NPL	\$ 4,630,953	\$ 5,141,608	\$ 5,124,755	\$ 5,767,516	\$ 5,207,978	\$ 5,706,796	\$ 4,635,736	\$ 4,014,395
Department's Total Employee Payroll	\$ 1,983,635	\$ 1,527,906	\$ 1,628,872	\$ 1,608,702	\$ 1,604,049	\$ 1,730,037	\$ 1,417,111	\$ 1,341,783
NPL as a Percentage of Total Employee Payroll	233.46%	336.51%	314.62%	358.52%	324.68%	329.87%	327.13%	299.18%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	50.19%	50.30%	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

Schedule of Contributions:

Actuarially Determined Contributions	\$ 406,696	\$ 389,319	\$ 350,551	\$ 354,121	\$ 336,433	\$ 330,956	\$ 293,803	\$ 266,600
Less: Contributions in Relation to the Actuarially Determined Contribution	(406,696)	(389,319)	(350,551)	(354,121)	(336,433)	(330,956)	(293,803)	(266,600)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Department's Total Employee Payroll	\$ 1,983,635	\$ 1,527,906	\$ 1,628,872	\$ 1,608,702	\$ 1,604,049	\$ 1,730,037	\$ 1,417,111	\$ 1,341,783
Contributions as a Percentage of the Department's Total Employee Payroll	20.50%	25.48%	21.52%	22.01%	20.97%	19.13%	20.73%	19.87%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Pension plans should present information for those years for which information is available.

See Independent Auditors' Report

HOLDEN MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY

OPERATING AND OPEB TRUST FUND

	2022	2021	2020	2019	2018	2017
Total OPEB Liability:						
Service Cost	\$ 64,927	\$ 61,584	\$ 54,056	\$ 57,072	\$ 51,162	\$ 57,336
Interest	125,497	121,864	114,807	112,904	115,925	114,771
Changes of Assumptions	327,478	0	102,540	40,774	42,224	0
Differences Between Actual and Expected Experiences	(296,771)	0	107,476	0	(150,372)	0
Benefit Payments	(126,771)	(125,696)	(117,510)	(110,777)	(108,490)	(68,333)
Net Change in Total OPEB Liability	94,360	57,752	261,369	99,973	(49,551)	103,774
Total OPEB Liability - Beginning	2,089,159	2,031,407	1,770,038	1,670,065	1,719,616	1,615,842
Total OPEB Liability - Ending	<u>\$ 2,183,519</u>	<u>\$ 2,089,159</u>	<u>\$ 2,031,407</u>	<u>\$ 1,770,038</u>	<u>\$ 1,670,065</u>	<u>\$ 1,719,616</u>
Plan Fiduciary Net Position:						
Contributions-Employer	\$ 126,771	\$ 125,696	\$ 225,197	\$ 216,580	\$ 210,490	\$ 194,158
Contributions-Employee	0	0	2,988	0	0	0
Net Investment Income	(361,469)	205,662	215,596	220,797	(80,791)	105,867
Benefit Payments	(126,771)	(125,696)	(117,510)	(110,777)	(108,490)	(68,333)
Net Change in Plan Fiduciary Net Position	(361,469)	205,662	326,271	326,600	21,209	231,692
Plan Fiduciary Net Position - Beginning	2,245,324	2,039,662	1,713,391	1,386,791	1,365,582	1,133,890
Plan Fiduciary Net Position - Ending	<u>\$ 1,883,855</u>	<u>\$ 2,245,324</u>	<u>\$ 2,039,662</u>	<u>\$ 1,713,391</u>	<u>\$ 1,386,791</u>	<u>\$ 1,365,582</u>
Net OPEB Liability - Ending	<u>\$ 299,664</u>	<u>\$ (156,165)</u>	<u>\$ (8,255)</u>	<u>\$ 56,647</u>	<u>\$ 283,274</u>	<u>\$ 354,034</u>

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, OPEB plans should present information for those years for which information is available.

See Independent Auditors' Report

HOLDEN MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

OPERATING AND OPEB TRUST FUND

	2022	2021	2020	2019	2018	2017
Schedules of Net OPEB Liability:						
Total OPEB Liability	\$ 2,183,519	\$ 2,089,159	\$ 2,031,407	\$ 1,770,038	\$ 1,670,065	\$ 1,719,616
Plan Fiduciary Net Position	<u>(1,883,855)</u>	<u>(2,245,324)</u>	<u>(2,039,662)</u>	<u>(1,713,391)</u>	<u>(1,386,791)</u>	<u>(1,365,582)</u>
Net OPEB Liability	<u>\$ 299,664</u>	<u>\$ (156,165)</u>	<u>\$ (8,255)</u>	<u>\$ 56,647</u>	<u>\$ 283,274</u>	<u>\$ 354,034</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	86.28%	107.48%	100.41%	96.80%	83.04%	79.41%
Covered Payroll	\$ 1,936,309	\$ 1,677,738	\$ 1,628,872	\$ 1,658,037	\$ 1,609,745	\$ 1,730,037
Net OPEB Liability as a Percentage of Covered Payroll	15.48%	-9.31%	-0.51%	3.42%	17.60%	20.46%
Schedules of Employer Contributions:						
Actuarially Determined Contributions	\$ 78,570	\$ 61,584	\$ 53,651	\$ 61,145	\$ 72,012	\$ 93,634
Less: Contributions in relation to the actuarially determined contribution	<u>(126,771)</u>	<u>(125,696)</u>	<u>(228,185)</u>	<u>(216,580)</u>	<u>(210,490)</u>	<u>(194,158)</u>
Contribution Deficiency (Excess)	<u>\$ (48,201)</u>	<u>\$ (64,112)</u>	<u>\$ (174,534)</u>	<u>\$ (155,435)</u>	<u>\$ (138,478)</u>	<u>\$ (100,524)</u>
Covered Payroll	\$ 1,936,309	\$ 1,677,738	\$ 1,628,872	\$ 1,658,037	\$ 1,609,745	\$ 1,730,037
Contributions as a percentage of covered payroll	6.55%	7.49%	14.01%	13.06%	13.08%	11.22%
Schedules of Investment Returns:						
Annual Money-Weighted rate of Return, net of investment expenses	-16.10%	10.08%	12.52%	15.73%	-5.73%	8.63%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, OPEB plans should present information for those years for which information is available.

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HOLDEN MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
OPERATING AND OPEB TRUST FUND

NOTE A - PENSION PLAN:

Changes in Assumptions

The discount rate was decreased from 7.5% as of the measured date December 31, 2020 to 7.25% as of the measured date December 31, 2021.

NOTE B - OTHER POSTEMPLOYMENT BENEFITS:

Changes in Assumptions

The discount rate was decreased from 6.0% as of the measured date December 31, 2021 to 5.38% as of the measured date December 31, 2022.

As of the measurement date December 31, 2022 the plan adopted the Getzen model for future projected healthcare costs.

HOLDEN MUNICIPAL LIGHT DEPARTMENT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND

	<u>2022</u>	<u>As Restated 2021</u>
SALES OF ELECTRICITY:		
Residential	\$ 11,523,653	\$ 9,412,362
Commercial	2,112,169	1,718,192
General Service	3,256,259	2,512,993
Municipal	421,573	314,529
Private Lighting	48,261	47,529
Street Lights	<u>62,666</u>	<u>62,024</u>
TOTAL SALES OF ELECTRICITY	<u><u>\$ 17,424,581</u></u>	<u><u>\$ 14,067,629</u></u>

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HOLDEN MUNICIPAL LIGHT DEPARTMENT
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND

	2022	As Restated 2021
Power Production Expenses:		
Purchased Power	\$ 10,654,879	\$ 9,700,660
Distribution Expenses:		
Station Expenses	209,249	164,023
Customer Installation Expenses	46,160	37,753
Transportation Expenses	126,011	73,850
Miscellaneous Distribution Expenses	237,874	227,536
Maintenance of Overhead Lines	262,817	282,607
Maintenance of Street Lights and Signal Systems	2,797	17,172
Total Distribution Expenses	884,908	802,941
Customer Account Expenses:		
Meter Reading Expenses	29,917	28,403
Customer Records and Collection	308,057	317,663
Total Customer Account Expenses	337,974	346,066
Administrative and General Expenses:		
Administrative and General Salaries	603,749	605,879
Office Supplies and Expenses	147,409	126,956
Outside Services Employed	185,172	191,313
Injuries and Damages	57,251	40,945
Employees' Pensions and Benefits	661,278	648,860
Miscellaneous General Expenses	170,380	119,651
Maintenance of General Plant	15,510	5,561
Total Administrative and General Expenses	1,840,749	1,739,165
TOTAL OPERATION AND MAINTENANCE EXPENSES	\$ 13,718,510	\$ 12,588,832

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