

TAUNTON MUNICIPAL LIGHTING PLANT
Financial Statements
December 31, 2023 and 2022

TAUNTON MUNICIPAL LIGHTING PLANT
TABLE OF CONTENTS
DECEMBER 31, 2023 AND 2022

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-8
Financial Statements:	
Operating Fund:	
Statements of Net Position	9,10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12,13
Other Postemployment Benefits (OPEB) Trust Fund:	
Statements of Fiduciary Net Position	14
Statements of Changes in Fiduciary Net Position	14
Notes to the Financial Statements	15-41
Required Supplementary Information:	
Operating Fund:	
Required Supplementary Information - Net Pension Liability	42
Operating Fund and OPEB Trust Fund:	
Required Supplementary Information - Other Postemployment Benefits	43-44
Notes to the Required Supplementary Information	45

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

INDEPENDENT AUDITORS' REPORT

The Municipal Lighting Commission
Taunton Municipal Lighting Plant
Taunton, Massachusetts 02780

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Taunton Municipal Lighting Plant 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

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

324 Grove Street Worcester MA, 01605

Tel: 508.757.5957 • Fax: 1.508.422.0883 • Email: admin@gsamycpa.com • Web: www.gsamycpa.com

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plant's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plant'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 Taunton Municipal Lighting Plant and do not purport to, and do not present fairly the financial position of the City of Taunton, Massachusetts, as of December 31, 2023 and 2022, and the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Net Pension Liability, and Other Postemployment Benefits 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.

Predecessor Auditor

The financial statements of Taunton Municipal Light Plant as of and for the year ended December 31, 2022, was audited by a predecessor auditor whose report dated October 5, 2023, expressed an unmodified opinion on those statements.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
June 13, 2024

**TAUNTON MUNICIPAL LIGHTING PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Within this section of the City of Taunton, Massachusetts, Municipal Lighting Plant's annual financial report, management provides narrative discussion and analysis of the financial activities of the Municipal Lighting Plant for the years ended December 31, 2023 and 2022. The Plant'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 Statement of Net Position is designed to indicate the Plant's financial position as of a specific point in time. At December 31, 2023, it shows our net position of \$145,743,847 which is comprised of \$143,419,166 invested in capital assets net of related debt and \$2,324,681 unrestricted net position.

At December 31, 2022, it shows our net position of \$132,773,770 which is comprised of \$119,995,607 invested in capital assets net of related debt and \$12,778,163 unrestricted net position.

Our net position totaled \$145.7 million at December 31, 2023, an increase of \$13 million from December 31, 2022. The increase is due to net operating income of \$16 million and payment of \$3 million in lieu of taxes.

Our net position totaled \$132.8 million at December 31, 2022, an increase of \$1 million from December 31, 2021. The increase is due to net operating income of \$4 million and payment of \$3 million in lieu of taxes.

The Statements of Revenues, Expenses and Changes in Net Position summarizes our operating results for the years ended December 31, 2023 and 2022. As discussed in more detail below, the Plant's net income for 2023 and 2022, was \$15,965,077 and \$4,005,982, respectively, before payments in lieu of taxes (PILOT).

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of the Plant's Statements of Cash Flows indicates that the cash receipts from operating activities were sufficient to cover the operating expenses and capital projects, as well as contributions to the City.

**TAUNTON MUNICIPAL LIGHTING PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Summary of Net Position

	2023	2022	2021
Current Assets	\$ 48,191,141	\$ 36,063,298	\$ 29,801,600
Noncurrent Assets	<u>206,814,473</u>	<u>178,402,893</u>	<u>186,887,511</u>
Total Assets	255,005,614	214,466,191	216,689,111
Deferred Outflows of Resources	43,362,743	35,565,358	21,930,404
Total Assets and Deferred Outflows of Resources	<u>\$ 298,368,357</u>	<u>\$ 250,031,549</u>	<u>\$ 238,619,515</u>
Current Liabilities	\$ 11,353,068	\$ 11,242,907	\$ 11,757,580
Noncurrent Liabilities	<u>101,812,816</u>	<u>69,700,522</u>	<u>71,300,534</u>
Total Liabilities	113,165,884	80,943,429	83,058,114
Deferred Inflows of Resources	<u>39,458,626</u>	<u>36,314,350</u>	<u>23,798,613</u>
Net Investment in Capital Assets	143,419,166	119,995,607	119,088,292
Unrestricted	<u>2,324,681</u>	<u>12,778,163</u>	<u>12,674,496</u>
Total Net Position	<u>145,743,847</u>	<u>132,773,770</u>	<u>131,762,788</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 298,368,357</u>	<u>\$ 250,031,549</u>	<u>\$ 238,619,515</u>

Summary of Changes in Net Position

	2023	2022	2021
Operating Revenue	\$ 128,343,981	\$ 112,990,756	\$ 95,658,577
Operating Expenses	<u>114,700,928</u>	<u>108,955,427</u>	<u>89,189,500</u>
Operating Income	13,643,053	4,035,329	6,469,077
Nonoperating Revenue Less Nonoperating Expenses	<u>2,322,024</u>	<u>(29,347)</u>	<u>5,512,699</u>
Increase in Net Position before Transfers	15,965,077	4,005,982	11,981,776
Transfers Out - Payment in Lieu of Taxes	<u>(2,995,000)</u>	<u>(2,995,000)</u>	<u>(2,995,000)</u>
Increase in Net Position	<u>12,970,077</u>	<u>1,010,982</u>	<u>8,986,776</u>

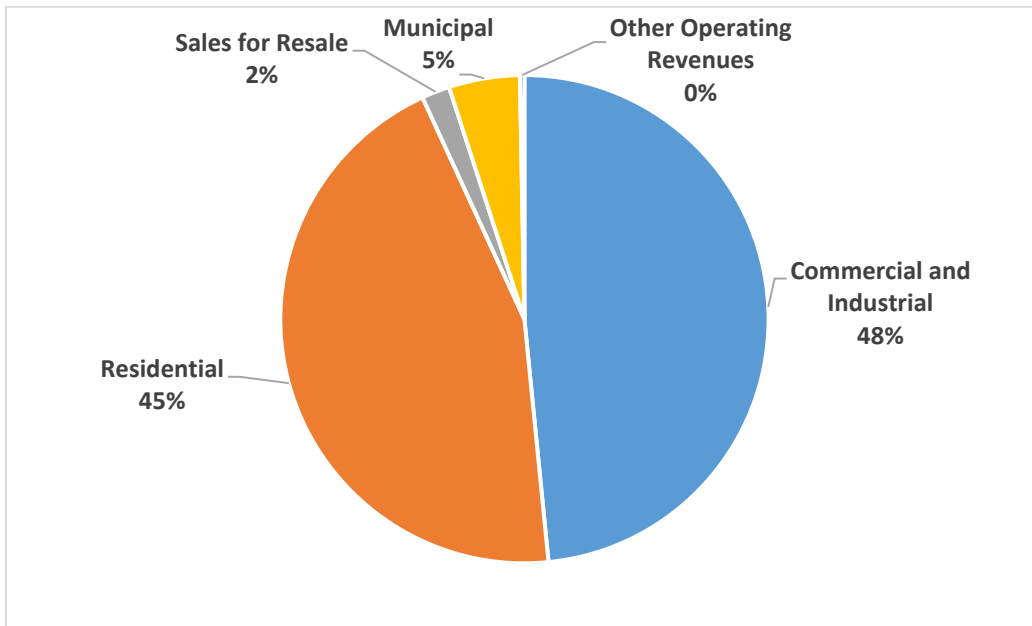
**TAUNTON MUNICIPAL LIGHTING PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Financial Highlights:

Operating revenues for 2023 increased by \$15,353,225 or 14% from 2022. Revenues from sales of Electricity increased in 2023 due to the impact of receiving a full year in revenue from increases to customer rates enacted in 2022. The Company increased base rates on July 1, 2022 by 15% for most rate classes. On Sept 1, 2022 the Company increased the PCA by 3 cents/kWh. These revenue increases were driven by the need to recover purchased power costs which experienced a significant run-up in 2022 due to global fuel commodities increasing following the Russian invasion of Ukraine. Operating revenues for 2022 increased by \$15,321,620 or 16% from 2021.

Operating expenses for 2023 increased by \$5.7 million or 5.3% from 2022. The increase in expense is primarily a result of an increase in Pension and OPEB liabilities, offset by lower power production and purchased power costs. In 2023 employee pension and benefits costs increased by \$15.8 million, this included an adjustment of \$5.7 million related to the Company's OPEB liability. The increase was determined from an actuarial analysis of the Company's liability performed in 2024. Power Production and Purchase Power costs were lower in 2023 after reaching historic highs in 2022. Operating expenses for 2022 increased by \$18.5 million or 20.8% from 2021. The increase in expenses is primarily a result of higher purchased power costs, which increased by \$14 million or 28% over the prior year.

Source of 2023 Operating Revenues



**TAUNTON MUNICIPAL LIGHTING PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Utility Plant and Debt Administration:

Utility Plant

There was an increase in net utility plant in service of approximately \$22 million for 2023. This increase is the difference between the current year additions of \$31 million and the annual depreciation (3% of depreciable gross plant) expense of \$9 million. Additions to plant consisted principally of approximately \$9.4 million in production plant, \$10.5 million in transmission plant, \$8.0 million in distribution plant and \$2.8 million in general plant. Major items capitalized include a new 115KV Switching Station, a Cooling Tower Repair project, and general distribution infrastructure upgrades. There was an increase in net utility plant in service of approximately \$11.7 million for 2022. This increase is the difference between the 2022 additions of \$19.7 million and the annual depreciation (3% of depreciable gross plant) expense of \$8 million. Additions to plant consisted principally of approximately \$15.5 million in production plant, \$4.1 million in distribution plant and \$61,000 in general plant. Major items capitalized include a Major Outage project, a large Battery Storage project, general distribution infrastructure upgrades, and Phase One of the Company's Enterprise Resource Planning project.

Debt Administration

At December 31, 2023 and 2022, the Plant had outstanding general obligation bonds of approximately \$10.6 million and \$11.9 million, respectively. These general obligation bonds are guaranteed in full faith and credit of the City of Taunton. Additional information on the Plant's debt obligations can be found in Note 12 – LONG TERM DEBT to the financial statements.

Significant Balances and Transactions:

Funds on Deposit with Town Treasurer

TMLP maintains a depreciation fund to pay for capital investments and improvements. The depreciation fund is used for any capital investments or improvements in excess of ordinary repairs, extensions, reconstruction, enlargements or additions. Annual capital expenditures are paid from TMLP's operating fund, which if needed, can be replenished by funds transferred from the depreciation fund. The depreciation fund acts as a reserve for large capital investments and improvements that may not be anticipated. The depreciation fund is required by state statute. The Light Plant must set aside a minimum of 3% of its gross depreciable plant in the depreciation fund to be used principally as a reserve for large unforeseen capital expenditures.

TMLP maintains a rate stabilization fund to account for unexpected increases in costs that would impact customer rates. The main purpose of economic stabilization is to stabilize the cost of service so that customer bills remain relatively stable and grow over time without significant fluctuations. A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose.

**TAUNTON MUNICIPAL LIGHTING PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Significant Balances and Transactions (Continued):

Sick Leave Trust Fund

The Plant maintains a fully funded Sick Leave Trust Fund ("Trust") for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust.

Pension Plans

The employees of the Light Plant participate in the City of Taunton Retirement System. In addition to investments made by the System, a separate fiduciary fund (plant retirement trust) has been established by the Plant to provide funding of the Plant's past unfunded service costs. Each year the Light Plant is assessed by the City for its share of such pension costs.

Customer Deposits

The Plant collects deposits from residential and commercial accounts when they come into the system. Deposits can be refunded when a customer has demonstrated a good credit history or upon leaving the system. Interest is paid for as long as the Plant holds the deposit.

Request for Information:

This financial report is designed to provide a general overview of the City of Taunton, Massachusetts, Municipal Lighting Plant's finances for all those with an interest in the Plant's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Business Manager, 55 Weir Street, Taunton, MA 02780.

TAUNTON MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022
CURRENT ASSETS:		
Cash	\$ 24,768,776	\$ 10,179,660
Accounts Receivable, Net	10,255,863	9,940,507
Accounts Receivable - Internet, Net	193,083	148,991
Accounts Receivable - Other	0	4,301,250
Materials and Supplies Inventory	5,633,343	5,669,648
Prepaid Working Capital	6,499,586	5,090,890
Prepaid Expenses	840,490	732,352
 TOTAL CURRENT ASSETS	 48,191,141	 36,063,298
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	13,208,818	13,208,818
Rate Stabilization Fund	5,000,000	0
Customer Deposits	2,214,496	2,128,336
Sick Leave Fund	9,969,700	8,940,470
Sick Leave Annuities	3,361,688	3,405,023
Plant Employees Retirement Fund	15,887,741	14,247,257
Other Post Employment Benefit Fund	0	1,500,000
Investment in Hyrdro Quebec Project	148,663	148,663
Investment in Public Energy Insurance Company, LLC	91,392	137,553
Investment in Energy New England, LLC	2,524,855	2,524,855
Investment in Seabrook	357,120	294,500
Utility Plant Assets, Net	154,050,000	131,867,418
 TOTAL NONCURRENT ASSETS	 206,814,473	 178,402,893
 TOTAL ASSETS	 255,005,614	 214,466,191
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	20,184,944	15,802,978
Deferred Outflows of Resources Related to OPEB	23,177,799	19,762,380
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 43,362,743	 35,565,358
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 298,368,357	 \$ 250,031,549

See Accompanying Notes to the Financial Statements

TAUNTON MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
CURRENT LIABILITIES:		
Accounts Payable	\$ 5,597,595	\$ 5,125,569
Customer Deposits	2,433,608	2,561,181
Accrued Vacation	1,610,363	1,587,171
Accrued Interest	125,249	106,754
Accrued Payroll	364,690	408,922
Other Current Liabilities	221,563	223,310
Bond Payable - Current Portion	1,000,000	1,230,000
TOTAL CURRENT LIABILITIES	11,353,068	11,242,907
NONCURRENT LIABILITIES:		
Bonds Payable and Bonds Premium - Excluding Current	9,558,834	10,641,811
Accrued Sick Leave	4,903,804	4,739,662
Sick Leave Annuities - Obligation	3,361,688	3,405,023
Net OPEB Liability	46,176,023	33,891,271
Net Pension Liability	37,812,467	17,022,755
TOTAL NONCURRENT LIABILITIES	101,812,816	69,700,522
TOTAL LIABILITIES	113,165,884	80,943,429
DEFERRED INFLOWS OF RESOURCES:		
Contribution in Aid of Construction, Net	19,101,310	4,799,969
Rate Stabilization Reserve	5,000,000	0
Deferred Inflows of Resources Related to OPEB	14,892,313	19,576,389
Deferred Inflows of Resources Related to Pension	465,003	11,937,992
TOTAL DEFERRED INFLOWS OF RESOURCES	39,458,626	36,314,350
NET POSITION:		
Net Investment in Capital Assets	143,419,166	119,995,607
Unrestricted Net Position	2,324,681	12,778,163
TOTAL NET POSITION	145,743,847	132,773,770
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 298,368,357	\$ 250,031,549

See Accompanying Notes to the Financial Statements

TAUNTON MUNICIPAL LIGHTING PLANT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	2023	2022
OPERATING REVENUES:		
Commercial and Industrial	\$ 62,148,242	\$ 54,056,859
Residential	57,390,234	51,729,676
Sales for Resale	2,394,433	2,209,684
Municipal	6,030,364	5,043,564
Discounts Given	(3,687,661)	(3,108,326)
TOTAL SALES OF ELECTRICITY	124,275,612	109,931,457
Internet Revenue	2,171,409	2,010,559
Other Operating Revenues	1,896,960	1,048,740
TOTAL OPERATING REVENUES	128,343,981	112,990,756
OPERATING EXPENSES:		
Purchased Power	57,511,426	64,398,800
Distribution & Transmission	24,169,202	24,764,544
Internet Expenses	1,410,619	1,246,590
Customer Accounting	5,374,824	5,741,580
Administrative and General	19,803,880	4,685,500
Depreciation Expense, Net of Amortization	6,192,508	7,844,455
Nuclear Expense	238,469	273,958
TOTAL OPERATING EXPENSES	114,700,928	108,955,427
OPERATING INCOME	13,643,053	4,035,329
NONOPERATING REVENUES (EXPENSES):		
Interest Expense	(344,960)	(178,597)
Interest & Investment Income	0	52,383
Investment (Loss) Income - Sick Leave Fund	1,640,484	(1,699,703)
Investment (Loss) Income - Pension Fund	1,029,230	(2,492,633)
Insurance Proceeds	0	4,301,250
Other Income	(2,730)	47,020
Bond Issuance Costs	0	(59,067)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,322,024	(29,347)
Income Before Contributions and Transfers	15,965,077	4,005,982
NET POSITION - JANUARY 1	132,773,770	131,762,788
Transfers Out - Payment in Lieu of Taxes	(2,995,000)	(2,995,000)
NET POSITION - DECEMBER 31	\$ 145,743,847	\$ 132,773,770

See Accompanying Notes to the Financial Statements

TAUNTON MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 132,158,210	\$ 110,438,475
Cash Paid to Suppliers	(69,264,433)	(81,653,908)
Cash Paid to Employees	(20,699,423)	(20,400,597)
Cash Paid for Benefits	(4,394,927)	(4,324,900)
Payment in Lieu of Taxes	(2,995,000)	(2,995,000)
Net Cash Provided by Operating Activities	34,804,427	1,064,070
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Plant Assets	(20,211,975)	(12,753,653)
Contribution in Aid	6,676,292	220,509
Proceeds from Bond Issuance	0	4,857,684
Repayment of Bond	(1,230,000)	(1,000,000)
Bond Issuance Costs	0	(59,067)
Interest Paid	(409,629)	(278,786)
Net Cash Used by Capital and Related Financing Activities	(15,175,312)	(9,013,313)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest & Investment Income	0	52,383
Net Capital Contribution to Public Energy Insurance Company LLC	46,161	(46,160)
Transfer from Sick Leave Fund	0	9,310,000
Net Transfers to Rate Stabilization Fund	(5,000,000)	0
Net Cash Provided (Used) by Investing Activities	(4,953,839)	9,316,223
INCREASE IN CASH AND CASH EQUIVALENTS	14,675,276	1,366,980
CASH AND CASH EQUIVALENTS - JANUARY 1	12,307,996	10,941,016
CASH AND CASH EQUIVALENTS - DECEMBER 31	\$ 26,983,272	\$ 12,307,996

See Accompanying Notes to the Financial Statements

TAUNTON MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 13,643,053	\$ 4,035,329
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense, Net of Amortization	6,192,508	7,844,455
Payment in Lieu of Taxes	0	(2,995,000)
Investment Income on Seabrook	(62,620)	(31,115)
Pension Expense	7,684,033	3,203,379
OPEB (Income) Expense	6,865,906	(1,707,989)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	3,941,802	(2,614,574)
Materials and Supplies	36,305	(393,604)
Purchased Power Prepaid Working Capital	(1,408,696)	0
Prepaid Expenses	(108,138)	286,374
Deferred Outflows Related to Pension	(2,749,276)	(5,210,184)
Increase (Decrease) in:		
Accounts Payable	472,026	(886,471)
Accrued Liabilities	159,850	166,294
Net OPEB Liability	101,105	(982,362)
Sick Leave Liability	164,142	287,245
Customer Deposits	(127,573)	62,293
Net Cash Provided by Operating Activities	\$ 34,804,427	\$ 1,064,070

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following amounts are considered to be cash or cash equivalents for the purpose of the statements of cash flows:

	2023	2022
Operating Fund	\$ 24,768,776	\$ 10,179,660
Customer Deposit Fund	2,214,496	2,128,336
	\$ 26,983,272	\$ 12,307,996

See Accompanying Notes to the Financial Statements

TAUNTON MUNICIPAL LIGHTING PLANT
 STATEMENTS OF FIDUCIARY NET POSITION
 DECEMBER 31, 2023 AND 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

ASSETS

	2023
Funds on Deposit with Town Treasurer	
Cash and Investments	\$ 1,732,911

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION- Restricted	\$ 1,732,911
------------------------------------	--------------

TAUNTON MUNICIPAL LIGHTING PLANT
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2023
Net Investment Income	\$ 190,040
CHANGES IN FIDUCIARY NET POSITION	190,040
FIDUCIARY NET POSITION - JANUARY 1,	1,542,871
FIDUCIARY NET POSITION - DECEMBER 31,	\$ 1,732,911

See Accompanying Notes to the Consolidated Financial Statements

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Taunton Municipal Lighting Plant (the "Plant", "TMLP") (a component unit of the City of Taunton, Massachusetts) is a regulated municipal electric utility located in Taunton, Massachusetts. The Plant produces, purchases and distributes electricity to approximately 39,000 customers in the City of Taunton and the surrounding areas. The Plant also provides internet and telephone services to approximately 350 customers in the City of Taunton.

These financial statements present only the financial position, results of operations, and cash flows of the Plant and do not present the financial position, results of operations, and cash flows of the City of Taunton as a whole.

Regulation and Basis of Accounting

The Plant's financial statements are reported using the flow of economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Under the accrual basis revenues recognized when earned and expenses when the related liability for goods and services is incurred regardless of the timing of cash flows.

The Plant's operations are reported as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 reported period. Actual results could differ from those estimates.

Rate Matters

The Plant is under the charge and control of the Municipal Lighting Plant Commissioners in accordance with Chapter 164, Section 55, of the General Laws of the Commonwealth of Massachusetts. Electric power is both produced and purchased and is distributed to customers within their service area.

The rates charged by the Plant to its customers are filed with the Plant of Public Utilities (DPU) and are subject to Chapter 164, Section 58, of the General Laws, which provides that prices shall be fixed to yield not more than 8% per annum on the cost of the plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation.

The Plant's rates include a Purchased Power Cost Adjustment ("PPCA") which allows an adjustment of rates charged to customers in order to recover all changes in power costs from stipulated base costs. The PPCA provides for a quarterly reconciliation of total power costs billed with the actual cost of power incurred.

Sales for Resale

Sales for resale include (i) sales of the Plant's available generating or purchased power capacity to other utilities (the energy sales portion) and (ii) fixed capacity-related charges to cover operating expenses.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Utility Plant

The provision for depreciation of the utility plant was computed in 2023 and 2022 at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. No depreciation is taken in the year of plant additions and a full year's depreciation is taken in the year of disposal.

Massachusetts law stipulates that the Plant may change its depreciation rate from the statutory 3% only with the approval of the DPU. Depreciation designated cash is used in accordance with state laws for replacements, enlargements and additions to the utility plant in service. The Plant capitalizes individual purchases of \$3,000 or more and groups of purchases of similar items of \$5,000 or more. Office furniture purchased for more than \$1,000 or office equipment, meters, transformers and vehicles purchased for more than \$500 are capitalized.

The carrying value of utility plant is reviewed for impairment on an annual basis or more frequently if circumstances indicate a potential impairment exists or has occurred. There were no impairment losses recognized during the years ended December 31, 2023 and 2022.

Investment in Seabrook

The Plant's Investment in Seabrook Plant represents a 0.10034% joint ownership share. The Plant records annual depreciation computed at 4% of the initial investment in Seabrook. The Plant's percentage share of new plant additions are capitalized and their share of operating and maintenance expenses, and decommissioning expenses (see Note C) are charged against earnings.

Sick Leave Fund

The Plant maintains a fully funded Sick Leave Fund for the financing of future sick leave payments. It is the Plant's intention that the Sick Leave Fund be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Sick Leave Fund. The assets of the Sick Leave Fund are shown in the financial statements to provide a more meaningful presentation, as the assets of the Sick Leave Fund are for the sole purpose of satisfying a liability of the Plant.

Plant Employment Retirement Fund

The Plant has established a separate Employees' Retirement Fund for the financing of future contributions to the City's pension plan.

Taxes

The Plant is exempt from federal and state income taxes as well as local property taxes. The Plant pays an amount to the City of Taunton in lieu of taxes. The amount is voted annually by the Municipal Lighting Commission.

Reclassification

Certain prior year amounts, with no effect on previously stated net income, have been reclassified to conform to the 2023 presentation.

Accounts Receivable

The Plant carries its accounts receivable at net realizable value by way of an allowance for doubtful accounts. Collectability of receivables is determined based on historical write offs and collections, on knowledge of specific large accounts, and on current economic conditions.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Compensated Absences

Employees earn vacation pursuant to the Plant’s policy and collective bargaining agreements as the employees provide services to TMLP. Accrued vacation benefits not yet taken are accounted for as part of accrued compensated absences in the accompanying statements of net position. As of December 31, 2023 and 2022, TMLP recorded accrued vacation benefits of \$1,610,363 and \$1,587,171, respectively.

Under the terms of the collective bargaining agreement and TMLP policy, a portion of each employees unused sick pay benefits is payable upon retirement or death, subject to certain limitations. As of December 31, 2023 and 2022, TMLP recorded accrued sick time benefits of \$3,361,688 and \$3,405,023, respectively.

Allowance for Doubtful Accounts

Accounts Receivable is net of allowances for doubtful accounts of \$2,316,460 for 2023 and \$1,914,825 for 2022.

Cash and Cash Equivalents

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

Investments

The Plant invests in various types of investments, which are stated at fair value in the statement of net position, based on quotations from applicable national securities exchanges. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Realized gains and losses, as well as changes in value of the invested funds, are included in the statement of revenues, expenses and changes in net position. The Plant investments are held in the Sick Leave Fund, Plant Employees’ Retirement Fund. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net position and activities.

Materials and Supplies

Materials and supplies are valued using the average cost method.

Sales Tax

The Plant collects sales 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.

Depreciation Fund

Pursuant to provisions of the Commonwealth General Laws, TMLP is required to maintain a restricted cash fund to finance utility plant additions. An amount of cash equal to the annual depreciation provision is added to the fund each year. The interest earned on the balance of the fund must also remain in the Fund. Such cash may be used to pay for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and deferred costs related to such commitments which the municipal light board determines are above market value.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Rate Stabilization Fund

The Rate Stabilization Fund 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 on December 31, 2023 and 2022, was \$5,000,000 and zero, respectively. The balance in the fund is offset by a corresponding deferred inflow of resources for the accumulated provision for rate refund.

Revenue Recognition

The Light Plant owns and maintains an electric distribution network serving the City of Taunton, Massachusetts. Distribution revenues are primarily from the sale of electricity to residential, commercial, and industrial customers within the City of Taunton. The rates are designed to recover the costs incurred by the Plant 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 Plant provides this service. The Plant 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 Plant has the right to invoice.

Revenues are recognized for energy service provided on a monthly billing cycle basis. No recognition is given to the amount of sales to customers, which are unbilled at the end of the accounting period.

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.

Customers are offered Internet and voice services primarily on a subscription basis. Internet customers receive data download and upload services with speeds dependent on the selected tier of service. Customers are also offered a security suite and in-home WiFi products. Internet revenues consisted primarily of data services, WiFi service fees and Internet installation fees. Telephone service customers received unlimited local and long distance calling to United States, Canada, Mexico, and Puerto Rico, voicemail, call waiting, caller ID, call forward and other features. Telephone service consisted primarily of voice services and regulatory fees.

Customers had the option to cancel their subscriptions at any time without penalty. Each subscription service provided was accounted for as a distinct performance obligation and revenue was recognized ratably over a one month service period as the subscription services were delivered. Each optional service purchased was generally accounted for as a distinct performance obligation when purchased and revenue was recognized when the service is provided.

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 Plant. These amounts are recorded as a deferred inflow of resources net of amortization.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Pensions

Substantially all employees of the Plant are covered by a contributory defined benefit pension plan administered by the City of Taunton in conformity with State Retirement Board requirements.

Postemployment Benefits Other Than Pensions (OPEB)

The Plant participates in The Post-Retirement Benefits Plan of The City of Taunton, an agent multi-employer defined benefit healthcare plan administered by the City of Taunton. The Plant provides post-employment health care benefits to retirees that meet certain requirements

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reflected as prepaid expenses. Prepaid expenses are expensed when consumed rather than purchased.

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 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 – CONCENTRATION OF CREDIT RISK:

The Plant's cash is primarily deposited with the City of Taunton Treasurer who commingles and invested it with other City funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Plant. 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 Light Plant deposits is not determinable because the limits of insurance are computed on a City-Wide basis.

NOTE 3 – PURCHASED POWER WORKING CAPITAL:

TMLP made an advance deposit in 1999 to Energy New England for fees and service charges. The deposit approximates three months of fees and is required by the service agreement. Purchased power advance deposit on the accompanying statements of net position includes \$5,891,823 and \$4,500,104, representing TMLP's deposit held by Energy New England as of December 31, 2023 and 2022, respectively. TMLP also made an advance deposit to Braintree Electric Light Plant - Watson requires that they hold a set amount of capital from which it may pay power obligations when they are due. They replenish the funds as needed from monthly invoice payments. The balance in the funds as of December 31, 2023 and 2022 amounted to \$258,184 and \$241,207, respectively.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 – 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, 2023 and 2022 was \$349,579 which is included in prepaid expenses. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2023 and 2022 was \$3,739,038 and \$4,194,507, respectively, of which TMLP's ownership was approximately 9.35% and 8.33%, respectively.

NOTE 5 – RELATED PARTY TRANSACTIONS:

TMLP provides electrical service to the City for all schools, municipal buildings and street lighting at average rates per kilowatt-hour, which approximate those billed to other customers. Revenues from billings to the City were approximately \$1,075,714 in 2023 and \$2,009,502 in 2022. Included in the accompanying statement of net position as of December 31, 2023 and 2022 is zero and \$141,984, respectively, of amounts due from the City.

The City provides to TMLP police detail, various insurance and other expenses, which amounted to approximately \$5,196,488 in 2023 and \$5,626,457 in 2022. Included in the accompanying statement of net position as of December 31, 2023 and 2022 is \$24,643 and \$684,393, respectively, of amounts due to the City.

In 2023 and 2022, TMLP made payments in lieu of property taxes of \$2,995,000 respectively, to the City.

NOTE 6 – INTERNET ACCESS BUSINESS UNIT:

The Plant also operates an internet access business unit and provides services to approximately 350 customers. Internet services generated revenues of \$2,171,409 and \$2,010,559 for the years ended December 31, 2023 and 2022, respectively. Internet operation generated expenses of \$1,410,619 and \$1,246,590 for the same periods, respectively.

The business unit utilizes certain assets of the Plant. For the years ended December 31, 2023 and 2022, other operating revenue for the Plant and internet expense includes approximately \$135,000 and \$133,000, relating to this cost allocation, respectively.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – INVESTMENTS:

Seabrook

The Plant is a 0.10034% joint owner of the Seabrook New Hampshire Unit 1.

The joint owners of Seabrook have established a Decommissioning Fund that is currently held by a Trustee. The Plant's share of the estimated decommissioning liability is \$1,196,887 as of December 31, 2023 (the most current valuation date).

Each joint owner is required to make monthly payments into the Nuclear Decommissioning Financing Fund in accordance with the Decommissioning Fund Funding Schedule. The cost is included in nuclear expense on the statement of revenues, expenses and changes in net position as it is paid. No payments into the Nuclear Decommissioning Financing Fund were required for the year ended December 31, 2023.

Energy New England LLC

As of December 31, 2023, and 2022, TMLP's ownership interest in Energy New England LLC was 33.33%. Energy New England LLC, is an energy and energy services cooperative formed to aggregate the resources and collective buying power of municipal electric systems. Products and services include power supply/power brokering, risk management, all requirements contracts, total system resource management, consolidated wholesale billing, report preparation and filing and energy market services. For the years ended December 31, 2023 and 2022, TMLP has recorded its share of Energy New England LLC's income in the amounts of zero and \$47,208, respectively, which are included in nonoperating revenues in the statements of revenues, expenses and changes in net assets. During 2023 and 2022 the Plant received dividends of zero and \$34,010, respectively.

PEIC

The Plant owns 37% ownership in Public Energy Insurance Company (PEIC). PEIC is a company set up by 22 municipalities to help defer rising insurance costs. The investment is stated at cost.

Hydro Quebec Electric Company

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities and Hydro-Quebec Electric Corporation ("Hydro Quebec"). In connection with the agreement, the Plant advanced approximately \$800,000 toward development of the project of which approximately \$450,000 was returned after the project obtained financing. In 1991, the Hydro Quebec project was completed. Upon completion of this project, each participant received stock in the New England Hydro Transmission Electric Company and the New England Hydro Transmission Corporation proportional to their advances. The investment is being accounted for on the cost basis. The stock received is not readily marketable, but gives the holder rights to purchase power at a percentage of the fossil fuel rate. During the years ended December 31, 2023 and 2022, the Plant received no dividends from the two companies.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – INVESTMENTS (Continued):

Sick Leave Fund, Plant Employees' Retirement Fund

In determining fair value, the Plant uses various valuation approaches, as appropriate in the circumstances. GASB Statement No. 72 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

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 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Domestic Equities (excluding mutual funds): Valued using prices quoted in active markets for those securities.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plant are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plant are deemed to be actively traded.

Fixed income securities: Valued using active market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments, including matrix pricing based on quoted prices for securities with similar coupons, ratings and maturities. Accordingly, this class of investments is rated within Levels 1 and 2 of hierarchy.

Financial assets and liabilities carried at fair value as of December 31, 2023 are classified in the following tables in one of the three categories described on the following pages.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – INVESTMENTS (Continued):

Sick Leave Fund December 31, 2023			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Corporate Bonds:			
Credit Rating			
AAA	\$ 4,277	\$ 0	\$ 4,277
AA	5,716	0	5,716
AA-	11,301	0	11,301
A+	10,144	0	10,144
A	75,834	0	75,834
A-	162,812	0	162,812
BBB+	168,362	0	168,362
BBB	123,885	0	123,885
BBB-	110,366	0	110,366
BB+	5,463	0	5,463
NR	14,767	0	14,767
Municipal Bonds:			
Credit Rating			
AA+	0	9,971	9,971
AA	0	22,614	22,614
AA-	0	6,105	6,105
A-	0	5,487	5,487
Equities	3,265,402	0	3,265,402
Mutual Funds	3,690,050	0	3,690,050
Fixed Income Securities (Excluding Mutual Funds)	0	2,104,299	2,104,299
Total FMV Investments	7,648,379	2,148,474	9,796,855
<u>Other Securities:</u>			
Money Market	159,678	0	159,678
Accrued Interest	13,167	0	13,167
Total Other Securities	172,845	0	172,845
Total Sick Leave Fund			\$ 9,969,700

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – INVESTMENTS (Continued):

Sick Leave Fund, Plant Employees’ Retirement Fund and Other Post Employment (continued)

Plant Employees’ Retirement Fund			
December 31, 2023			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Corporate Bonds:			
Credit Rating			
AAA	\$ 2,712	\$ 0	\$ 2,712
AA	9,527	0	9,527
AA-	10,744	0	10,744
A+	15,578	0	15,578
A	120,963	0	120,963
A-	264,982	0	264,982
BBB+	280,075	0	280,075
BBB	209,054	0	209,054
BBB-	180,547	0	180,547
BB+	2,732	0	2,732
NR	24,610	0	24,610
Municipal Bonds:			
Credit Rating			
AA+	0	9,971	9,971
AA	0	18,091	18,091
AA-	0	6,105	6,105
A	0	5,487	5,487
Mutual Funds	5,881,711	0	5,881,711
Equities	5,238,541	0	5,238,541
Fixed Income Securities (Excluding Mutual Funds)	0	3,359,231	3,359,231
	12,241,776	3,398,885	15,640,661
<u>Other Securities:</u>			
Money Market	225,018	0	225,018
Accrued Interest	22,062	0	22,062
Total Other Securities	247,080	0	247,080
Total Retirement Fund			\$ 15,887,741

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – INVESTMENTS (Continued):

Sick Leave Fund, Plant Employees’ Retirement Fund and Other Post Employment (continued)

Financial assets and liabilities carried at fair value as of December 31, 2022 are classified in the following tables in one of the three categories described above:

Sick Leave Fund December 31, 2022			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Corporate Bonds:			
Credit Rating			
AAA	\$ 10,678	\$ 0	\$ 10,678
AA+	3,341	0	3,341
AA	15,211	0	15,211
AA-	8,624	0	8,624
A+	20,050	0	20,050
A	79,744	0	79,744
A-	171,572	0	171,572
BBB+	206,660	0	206,660
BBB	125,713	0	125,173
BBB-	99,652	0	99,652
BB+	5,415	0	5,415
NR	19,273	0	19,273
Municipal Bonds:			
Credit Rating			
AAA	0	4,980	4,980
AA	0	25,790	25,790
AA-	0	6,029	6,029
BBB+	0	5,168	5,168
NR	0	13,279	13,279
Equities	3,082,926	0	3,082,926
Mutual Funds	2,783,148	0	2,783,148
Fixed Income Securities (Excluding Mutual Funds)	0	2,141,997	2,141,997
Total FMV Investments	6,632,007	2,197,243	8,829,250
<u>Other Securities:</u>			
Money Market	99,823	0	99,823
Accrued Interest	11,397	0	11,397
Total Other Securities	111,220	0	111,220
 Total Sick Leave Fund			 \$ 8,940,470

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – INVESTMENTS (Continued):

Plant Employees' Retirement Fund			
December 31, 2022			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Corporate Bonds:			
Credit Rating			
AAA	\$ 12,875	\$ 0	\$ 12,875
AA+	2,673		2,673
AA	20,779	0	20,779
AA-	7,056	0	7,056
A+	38,457	0	38,457
A	111,472	0	111,472
A-	273,307	0	273,307
BBB+	321,503	0	321,503
BBB	202,033	0	202,033
BBB-	173,823	0	173,823
BB+	2,708	0	2,708
NR	36,508	0	36,508
Municipal Bonds:			
Credit Rating			
AAA	0	4,980	4,980
AA	0	21,468	21,468
AA-	0	6,029	6,029
BBB+	0	5,168	5,168
NR	0	13,279	13,279
Mutual Funds	4,436,241	0	4,436,241
Equities	4,938,898	0	4,938,898
Fixed Income Securities (Excluding Mutual Funds)	0	3,462,009	3,462,009
	10,578,333	3,512,933	14,091,266
<u>Other Securities:</u>			
Money Market	136,886	0	136,886
Accrued Interest	19,106	0	19,106
Total Other Securities	155,991	0	155,991
Total Retirement Fund			\$ 14,247,257

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – INVESTMENTS (Continued):

Concentrations

At December 31, 2023 and 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates and will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Plant minimizes its exposure to interest rate risk by investing in short-term, highly liquid investments.

Custodial Credit Risk

The Plant does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plant will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plant does not believe that it has a significant custodial credit risk as all the investments are registered and held in the name of the Plant.

NOTE 8 – SALE OF EMISSION ALLOWANCES:

The Plant receives emission allowances in connection with the operation of its generation facilities. The Plant may from time to time purchase or sell excess emission allowances on the open market. The income from the sale or the expense from the expiration of allowances are recorded as non-operating income or expense on the statement of revenues, expenses and changes in net position.

NOTE 9 – SICK ANNUITIES:

If an employee is terminated for any reason, other than for cause, the Taunton Municipal Lighting Plant purchases a single premium annuity for the employees benefit. The value of the annuity is the value of the employee's unused sick leave at the time of termination. The Taunton Municipal Lighting Plant retains ownership of said annuity with the terminated employee being the designated annuitant on the policy. The total amount of sick annuities as of December 31, 2023 and 2022 was \$3,361,688 and \$3,405,023, respectively.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS:

	<u>2023</u>	<u>2022</u>
Cost of Capital Assets Acquired	\$ 370,658,402	\$ 333,635,790
Less: Accumulated Depreciation	(216,680,402)	(201,768,374)
Less: Outstanding Debt Related to Capital Assets	<u>(10,558,834)</u>	<u>(11,871,809)</u>
Net Investment in Capital Assets	<u>\$ 143,491,166</u>	<u>\$ 119,995,607</u>

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 – UTILITY PLANT ASSETS:

Plant in service activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Total Capital Assets Not Being Depreciated:				
Land	\$ 1,953,010	\$ 0	\$ 0	\$ 1,953,010
Construction in Progress	<u>20,524,630</u>	<u>22,196,488</u>	<u>(32,691,233)</u>	<u>10,009,673</u>
 Total Capital Assets Not Being Depreciated	 <u>22,477,640</u>	 <u>22,196,488</u>	 <u>(32,691,233)</u>	 <u>11,962,683</u>
 Capital Assets Being Depreciated:				
Intangible Plant	5,040,951	0	0	5,040,951
Production Plant	124,452,188	14,673,948	(72,070)	139,054,066
Transmission Plant	7,628,209	10,521,672	(2,327,696)	15,822,185
Distribution Plant	128,432,531	16,635,352	(238,004)	144,829,882
General Plant	<u>45,604,271</u>	<u>8,346,529</u>	<u>(2,165)</u>	<u>53,948,635</u>
 Total Capital Assets Being Depreciated	 <u>311,158,150</u>	 <u>50,177,492</u>	 <u>(2,639,935)</u>	 <u>358,695,719</u>
 Less Accumulated Depreciation for:				
Intangible Plant	(34,674)	(333,752)	0	(368,426)
Production Plant	(82,376,834)	(5,383,546)	72,070	(87,688,310)
Transmission Plant	(7,166,493)	(236,402)	2,327,696	(5,075,199)
Distribution Plant	(76,813,647)	(7,468,697)	238,004	(84,044,340)
General Plant	<u>(35,376,724)</u>	<u>(4,057,568)</u>	<u>2,165</u>	<u>(39,432,127)</u>
 Total Accumulated Depreciation	 <u>(201,768,372)</u>	 <u>(17,479,965)</u>	 <u>2,639,935</u>	 <u>(216,608,402)</u>
 Utility Plant Assets, Net	 <u>\$ 131,867,418</u>	 <u>\$ 54,894,015</u>	 <u>\$ 0</u>	 <u>\$ 154,050,000</u>

Depreciation for the years ended December 31, 2023 and 2022 was \$9,521,541 and \$7,963,571, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$3,329,033 and \$37,480, related to contribution in aid of construction for the years ended December 31, 2023 and 2022, respectively.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 12 – LONG TERM DEBT:

Long Term Debt Consist of the following:	2023	2022
\$2,251,000 general obligation bond, issued September 26, 2013, with interest rates ranging from 2% to 3% and annual principal and semi-annual interest payments through September 1, 2023.	\$ 0	\$ 255,000
\$1,425,000 general obligation bond, issued May 22, 2014, with interest rates ranging from 2% to 4% and annual principal and semi-annual interest payments through March 1, 2024.	140,000	280,000
\$9,075,500 general obligation bonds, issued September 28, 2017, with interest rates ranging from 2% to 5% and annual principal and semi-annual interest payments through September 15, 2037.	5,230,000	5,865,000
\$4,590,000 general obligation bonds, issued October 27, 2022, with interest rates ranging from 4.25% to 5% and annual principal and semi-annual interest payments through August 15, 2042.	4,360,000	4,590,000
Bond premiums, net of accumulated amortization	828,834	911,811
Balance of long-term debt, Ending	10,558,834	11,871,811
Less: current installments of long-term debt	(1,000,000)	(1,230,000)
Long-term debt, excluding current installments	\$ 9,558,834	\$ 10,641,811

Interest expense relating to these bonds approximated \$344,960 and \$178,597 for December 31, 2023 and 2022, respectively.

Future maturities of long term debt payable are as follows:

		Principal	Interest	Total
For The Years Ending December 31,	2024	\$ 1,000,000	\$ 398,469	\$ 1,398,469
	2025	860,000	353,369	1,213,369
	2026	860,000	310,369	1,170,369
	2027	555,000	267,369	822,369
	2028	555,000	239,618	794,618
	2029-2033	2,775,000	863,797	3,638,797
	2034-2039	2,215,000	365,375	2,580,375
	2040-2043	910,000	76,638	986,638
		9,730,000	\$ 2,985,813	\$ 12,715,813
Plus: Unamortized Net Premiums		828,834		
Total		\$ 10,558,834		

These general obligation bonds are guaranteed by the full faith and credit of the City of Taunton.

TAUNTON MUNICIPAL LIGHTING PLANT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE 13 – PENSION PLAN:

Plan Description

The Plant contributes to the City of Taunton Retirement System (the "System"), a public employee retirement system that acts as the investment and administrative agent for the City. The System is a contributory cost-sharing multiple employer defined benefit plan. All fulltime employees participate in the System.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory upon the commencement of employment for all permanent, full-time employees. 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.

Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The System also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City's payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5%, 7%, 8%, 9% of their regular compensation or 2% of salary in excess of \$30,000, depending on the date upon which their membership began. The System also provides death and disability benefits.

The current funding schedule includes the amount required to pay the employer normal cost (in addition to member contributions) plus the amortization of the prior unfunded actuarial accrued liability. The current funding schedule projects that the Plan will be fully funded in 2030. The funding schedule has been approved by the Public Employees Retirement Association.

At December 31, 2023, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	975
Inactive members entitled to but not yet receiving benefits	231
Active plan members	1,054
Total	2,260

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 13 – PENSION PLAN (Continued):

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 1979 contribute an additional 2% of annual pay above \$30,000. The Plant 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 Plant 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 Plant’s required contribution to the System for the years ended December 31, 2023 and 2022 were \$5,155,930 and \$5,054,133, respectively, which were paid during calendar year 2022 and 2021, respectively.

Pension Liabilities

At December 31, 2023 and 2022, the Lighting Plant reported a liability of \$37,812,467 and \$17,022,755, respectively for its proportionate share of the net pension liability. The 2023 and 2022 net pension liability was measured as of December 31, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022.

The Plant’s portion of the net pension liability was based on the percentage of the Plant’s contributions to the total City’s contributions as of the measured date of December 31, 2022 and 2021. At the measured date of December 31, 2022 and 2021, the Lighting Plant’s portion was 26.35% of the City’s total contributions.

Pension Expense

For the years ended December 31, 2023 and 2022, the Plant recognized pension expenses of \$7,684,033 and \$3,203,379, respectively. At December 31, 2023 and 2022, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2023</u>	<u>2022</u>
Contributions Made Subsequent to Year End	\$ 2,647,479	\$ 5,054,133
Difference Between Projected and Actual Earnings	10,949,925	0
Changes in proportion and differences between employer contributions and Plant proportionate share	203,870	399,077
Changes of Assumptions	3,042,113	4,961,867
Difference between expected and actual experience	<u>3,341,557</u>	<u>5,387,901</u>
Total	<u>\$ 20,184,944</u>	<u>\$ 15,802,978</u>
<u>Deferred Inflows of Resources Related to Pension</u>	<u>2023</u>	<u>2022</u>
Difference Between Projected and Actual Earnings	\$ 0	\$ 11,277,310
Changes in proportion and differences between employer contributions and Plant proportionate share	<u>465,003</u>	<u>660,682</u>
Total	<u>\$ 465,003</u>	<u>\$ 11,937,992</u>

TAUNTON MUNICIPAL LIGHTING PLANT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE 13 – PENSION PLAN (Continued):

Pension Expense (continued)

Of the total amount reported as deferred outflows of resources related to pension, \$2,647,479 resulting from Plant 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 year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the Plant’s pension expense in the table below.

Net Deferred Outflows and Inflows of Resources Related to Pensions

For the Years Ended December 31:		2024	\$	4,239,269
		2025		3,727,805
		2026		4,156,367
		2027		<u>4,949,021</u>
		Total	\$	<u>17,072,462</u>

Retirement Fund

The Plant has established a separate Plant Employees’ Retirement Fund for the financing of future pension plan contributions. Net position at December 31, 2023 and 2022, were \$15,887,741 and \$14,247,257, respectively. These funds are invested in money market funds, fixed income securities including government and corporate bonds and other equity securities. The Plant made no contributions to the Plant Employees’ Retirement Fund in 2023 and 2022.

Actuarial Assumptions

The total pension liability as of the measured date December 31, 2023 and 2022 was determined by an actuarial valuation as of January 1, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	<i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4% to reduce the UAAL to zero on or before June 30, 2033. The annual increase in appropriation is further limited to 7.38%.
Remaining Amortization Period	Difference between projected and actual earnings: 5 year straight-line amortization. All other amounts: Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

TAUNTON MUNICIPAL LIGHTING PLANT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE 13 – PENSION PLAN (Continued):

Actuarial Assumptions (continued)

Asset Valuation Method	The difference between the expected return and the actual investment return on a fair value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Member data	The member data used in the determination of cost estimates consist of pertinent information with respect to the active, inactive, retired, and disabled members of the employer as supplied by the employer to the actuary.
Inflation Rate	3.00%
Salary Increases	4.0%
Mortality Rates:	
General Employees	Non-disabled: PubG-2010 Healthy Disabled: PubG-2010 Disabled
Contingent Survivors	Non-disabled: Contingent survivors table (total data set) Disabled: N/A
	All rates are amount-weighted and projected from 2010 to 2025 with Scale MP-2021. Separate annuitant and non-annuitant rate tables were used.
Investment Rate of Return	7.60%, net of pension plan investment expense.

Investment Policy

The Plan’s investment policy in regard to the allocation of invested assets is established by the Retirement System Pension Board of Trustees. To diversify plan assets so as to minimize the risk associated with dependence of the success on one enterprise, the Board of Trustees decided to employ a multi-manager team approach to investing plan assets. Investment managers are employed to utilize individual expertise within their area of responsibility. Each manager is governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to this Policy. Commingled funds will be governed by the guidelines adopted by said fund and reviewed during the contract negotiation process.

The long-term expected rate of return on Plan investments was determined using best estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 13 – PENSION PLAN (Continued):

Investment Policy

The following was the asset rate of return as of December 31, 2023:

Asset Class	Long-Term Expected Rate of Return
Equity	10.15%
Fixed Income	4.25%
Alternative Assets	6.85%
Real Estate	9.52%

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made as the current contribution rate and that the Plant’s contributions will be made as the actuarially determined contribution rates. Based on those assumptions, the pension 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 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 following presents the net pension liability calculated using the discount rate of 7.60%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.60%) or 1-percentage point higher (8.60%) than the current rate:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Net Pension Liability	\$ 25,058,744	\$ 37,812,467	\$ 52,760,861

Pension Plan Fiduciary Net Position

Copies of the System's audited financial statements can be obtained by writing to The City of Taunton Retirement System, 104 Dean Street, Suite 203, Taunton, MA 02780.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND:

The Other Postemployment Benefits Liability Trust Fund was established by vote of the Board of Light Commissioners in March of 2015. The Board voted to accept the provisions of MGL Chapter 32B, Section 20 which establishes a separate Fund and a funding schedule for the Fund. The schedule and any future updates shall be designed, consistent with standards issued by the Governmental Accounting Standards Board, 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.

TAUNTON MUNICIPAL LIGHTING PLANT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND (Continued):

The Fund is held under the custodianship of the Treasurer of the City of Taunton. The fund is held under the custodianship of Columbia Threadneedle Investments. The balance in the trust as of December 31, 2023 and 2022 is \$1,732,911 and \$1,547,132, respectively.

Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension 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 City of Taunton 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.

The Trust shall be administered by a Board of Trustees consisting of the following members (1) The City Treasurer or his designee, (2) person with investment experience as determined by TMLP board. (3) 1 or more Taunton citizens, (4) a TMLP employee, (5) 1 or more TMLP retirees (6) one or more TMLP officers (General Manger or TMLP Board members). Terms of office for trustees are 5 years.

Plan Membership

At June 1, 2023, OPEB plan membership consisted of the following:

Active plan members	136
Inactive plan members or beneficiaries currently receiving benefits payments	149
	285

Benefits provided

The Plant provides health care benefits for retirees and their dependents. Benefits are provided through the City, and the full cost of benefits is shared between the City and retirees.

Contributions

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

Investment Policy

The OPEB plan’s investment policy in regard to the allocation of invested assets is established by the State Retirement Benefits Trust (SRBT) and may be amended at any time. SRBT invests its OPEB trust funds in the Pension Reserve Investment Trust (PRIT) along with the state employees, state teachers’ retirement systems and other Massachusetts public pension boards. The policy of the SRBT is to pursue investment strategy that reduces risk through the diversification of the portfolio across a broad selection of distinct asset classes.

Funding Policy

The contribution requirements of the Plan members and the Plant are established and maybe amended through collective bargaining. The cost of the benefits provided to retirees are borne 75% by the Plant, and 25% by retirees. The plant currently contributions enough money to the Plan to satisfy current obligations on the pay as you go basis.

TAUNTON MUNICIPAL LIGHTING PLANT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND (Continued):

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 at the ending fair value of OPEB plan investments.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Asset-Valuation Method	Market Value of Assets
Investment Rate of Return	6.5% net of OPEB plan investment expense
Discount Rate	3.28%
Inflation	2.50%
Medical Trend Rate	Currently 8.00%, decreasing to an ultimate rate of 4.10% in 2075
Mortality	4.31% as of December 31, 2022 (source: S&P Municipal Bond 20-Year High Grade Index-SAPIHG)
Pre-Retirement Mortality-	Post-retirement mortality rates for general and public safety employees are based on the RP-2014 blue collar healthy annuitant table projected generationally with scale MP-2021
Post-Retirement Mortality-	Post-retirement mortality rates for general and public safety employees are based on the RP-2014 blue collar healthy annuitant table projected generationally with scale MP-2021
Disabled Mortality-	Post-retirement mortality rates for general and public safety employees are based on the RP-2014 blue collar mortality table set forward one year with full generational mortality improvement using scale MP-2021

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND (Continued):

Actuarial Assumptions (continued)

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 the measured date of December 31, 2023 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US High Dividend Equities	35.00%	4.91%
Large Cap Equities	10.00%	4.91%
Small Cap Equities	8.00%	5.29%
International Value Equities	8.00%	5.32%
Core Fixed Income	30.00%	2.30%
US High Yield Fixed Income	5.00%	4.08%
Emerging Markets Fixed Income	5.00%	3.94%
Total	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.28%. The projection of cash flows used to determine the discount rate assumed that contributions from the City 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.

Net OPEB Liability of the Plan

The components of the net OPEB liability at December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Total OPEB Liability	\$ 47,908,827	\$ 34,247,136
Fiduciary Net Position	<u>(1,732,804)</u>	<u>(355,865)</u>
Net OPEB Liability	<u>\$ 46,176,023</u>	<u>\$ 33,891,271</u>

Fiduciary net position as a percentage of the total OPEB liability was 3.6% and 4.50% as of December 31, 2023 and 2022, respectively.

TAUNTON MUNICIPAL LIGHTING PLANT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND (Continued):

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

The following presents the net OPEB liability of the system calculated using the discount rate of 3.28%, as well as what the system’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.28%) or 1-percentage-point higher (4.28%) than the current rate.

	<u>1% Decrease</u> <u>2.28%</u>	<u>Current</u> <u>Discount Rate</u> <u>3.28%</u>	<u>1% Increase</u> <u>4.28%</u>
Net OPEB Liability	\$ 54,209,375	\$ 46,176,023	\$ 39,812,941

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

The following presents the net OPEB liability of the system calculated using the current trend rates, as well as what the system’s net OPEB liability would be if it were calculated using trend rates 1-percentage-point lower for all years or 1-percentage-point higher than the current rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 38,893,461	\$ 46,176,023	\$ 55,579,008

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY:

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

Plan Description

The City of Taunton 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.

Contributions

The Plant’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 Plant are established and may be amended through Department ordinances. For the years ending on and the measurement date of December 31, 2023 and 2022, total premiums plus implicit costs for the retiree medical program were \$1,971,390 and \$1,085,620, respectively. The Plant did not make contributions to an OPEB Trust in each year ended December 31, 2023 and 2022.

OPEB Liabilities

At December 31, 2023 and 2022, the Department reported a liability of \$46,176,023 and \$33,891,271, respectively, for its net OPEB liability. The 2023 and 2022 net OPEB liability was measured as of December 31, 2023 and 2022, respectively, and was determined by an actuarial valuation as of January 1, 2023 and January 1, 2021, respectively.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (Continued):

OPEB Expense

For the years ended December 31, 2023 and 2022, the Plant recognized OPEB Expense of \$6,865,906 and income (\$1,707,989), respectively. At December 31, 2023 and 2022, the Plant 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>2023</u>	<u>2022</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ 0	\$ 82,504
Changes of assumptions	10,567,638	1,320,973
Changes in proportion and differences between employer contributions and Plant proportionate share	12,066,443	0
Net difference between expected and actual experience	<u>543,718</u>	<u>113,970</u>
Total	<u>\$ 23,177,799</u>	<u>\$ 1,517,447</u>
<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2023</u>	<u>2022</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ 99,160	\$ 1,158,600
Changes of assumptions	6,044,998	0
Net difference between expected and actual experience	<u>8,748,155</u>	<u>128,295</u>
Total	<u>\$ 14,892,313</u>	<u>\$ 1,286,895</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Plant’s OPEB expense as shown in the table below:

<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
Year Ended December 31:		Year Ended December 31:	
2024	\$ 6,858,136	2024	\$ 2,928,332
2025	6,488,204	2025	2,952,020
2026	6,488,202	2026	2,944,969
2027	2,458,275	2027	2,944,967
2028	860,961	2028	2,917,782
Thereafter	<u>0</u>	Thereafter	<u>204,243</u>
Total	<u>\$ 23,177,799</u>	Total	<u>\$ 14,892,313</u>

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

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 16 – COMMITMENTS AND CONTINGENCIES:

Legal and Environmental Matters

TMLP is not party to any pending legal proceedings other than ordinary routine litigation incidental to the business. In management's opinion, adverse decisions on those legal proceedings, in the aggregate, would not have a materially adverse impact on the Plant's results of operations or financial position.

TMLP 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 TMLP's operations in the past and they will continue to have an impact on future operations, capital costs and construction schedules.

Self-Insurance Trust

TMLP participates in Massachusetts Municipal Self-Insurance Trust Fund (the Trust) with 17 other municipalities for the purpose of sharing excess liability and officers' liability risks. General liability coverage provides for \$500,000 per occurrence, with a \$50,000 deductible that would be paid by the Plant. Environmental insurance coverage provides for \$1,500,000 per occurrence, with a \$100,000 deductible that would be paid by the Plant and the Trust Fund. Each participating municipality contributes an annual premium to the Trust based on frequency and severity of claims and share of the group's total kilowatt-hour sales. Payments for claims under the deductible limit are funded by trust assets or, if required, additional contributions from the participants.

Generally accepted accounting principles requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2023 and 2022, the Light Plant considers it's pro rata share of these losses to be immaterial to its financial statements.

Option Contracts

The Plant manages risk associated with power supply commitments and excess capacity by entering into forward contracts for the purchase and sale of electricity and fuel in the normal course of business. It also uses put and call option contracts to reduce the price risk associated with its power supply portfolio.

Put and call options are reflected at fair value as determined by actively quoted prices and are recorded on the statement of net position with changes in fair value included in purchased power and transmission expense. No option contracts were open as of December 31, 2023 and 2022.

Forward contracts to purchase electricity and fuel at set prices and other contracts to sell electricity at fixed prices qualify for the normal purchases and sales exception and are not accounted for as derivatives.

The objectives of the Plant's risk management procedures for option contract and power and fuel purchase and sale forward contract activities are to optimize power supply resources, control costs, and manage price volatility to customers while avoiding speculative positions in the commodities markets.

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 16 – COMMITMENTS AND CONTINGENCIES:

Power Contracts

The Plant has commitments under contracts for the purchase of electricity from various suppliers. These wholesale contracts are generally for fixed periods and require payment of demand and energy charges. The total costs under these contracts are included in purchased power in the statements of revenues, expenses and changes in net position and are normally recoverable in revenues under cost recovery mechanisms mandated by the Commonwealth of Massachusetts. The status of these contracts is listed in the table below:

Counter Party	Fuel	Annual KW Entitlements	Contract End Date	Estimated Annual Minimum Payments
Great River Hydro	Hydro	2,400	2027	\$ 1,429,632
New York Power Authority	Hydro	3,840	2025	1,354,282
Firstlight Power Resources Management	Hydro	5,000-20,000	2030	3,881,768
Brown Bear II	Hydro	2,212	2025	965,954
Braintree Electric Light Dept	Methane	1,900	2029	3,981,634
MM Taunton Energy, LLC	Methane	1,630-1,900	2025	981,996
Seabrook	Nuclear	1,150	2028	239,772
NextEra (Seabrook)	Nuclear	10,000	2024	4,064,357
Southern Sky	Solar	3,000	2038	1,922,119
Cox Manheim	Solar	3,000	2037	1,759,183
Coned Solutions	Solar	3,000	2032	1,677,648
Berkley East	Solar	3,000	2036	1,605,445
NER Solar	Solar	432	2035	241,061
Berkley Landfill Solar	Solar	3,000	2041	1,756,030
GSPP Raynham Landfill	Solar	2,280	2043	1,245,867
CNBE (New Bedford Land)	Methane	498	2023	3,530,280
Shell	Unspecified	10,000	2023	3,392,748
Granite Reliable Power LLC	Wind	1,000	2028	638,341
Maquarie	Unspecified	6,754	2023	2,091,341
NextEra (Wholesale shaped block)	Unspecified	8,815	2023	7,903,405
NextEra (Wholesale shaped block)	Unspecified	8,090	2026	<u>5,726,166</u>
				<u>\$50,389,032</u>

NOTE 17 – CASH FLOWS:

Cash paid for interest was \$344,960 in 2023 and \$178,597 in 2022.

NOTE 18 – SUBSEQUENT EVENT:

Management has evaluated subsequent events through June 13, 2024 the date of which the financial statements were available to be issued. In April 2024, the Plant received bond proceeds in the amount of \$12,000,000, relating to the construction of a new substation.

TAUNTON MUNICIPAL LIGHTING PLANT
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

OPERATING FUND

For the Year Ending December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Valuation Date	1/1/2022	1/1/2022	1/1/2020	1/1/2020	1/1/2018	1/1/2018	1/1/2016	1/1/2016	1/1/2014
Measurement Date	12/31/2022	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	26.35%	26.35%	26.35%	27.24%	27.24%	25.95%	25.95%	26.37%	26.14%
Department's Proportionate Share of the NPL	\$ 37,812,467	\$ 17,022,755	\$ 23,110,248	\$ 28,322,811	\$ 27,291,293	\$ 27,446,641	\$ 22,649,304	\$ 23,420,399	\$ 28,259,887
Department's Covered Payroll	\$ 20,699,423	\$ 20,400,597	\$ 19,741,243	\$ 19,389,590	\$ 18,665,559	\$ 18,773,557	\$ 18,314,060	\$ 17,055,663	\$ 17,416,747
NPL as a Percentage of Covered Payroll	182.67%	83.44%	117.07%	146.07%	146.21%	146.20%	123.67%	137.32%	162.26%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	73%	88%	82%	78%	74%	81%	77%	75%	71%
Schedule of Contributions:									
Actuarially Determined Contributions	\$ 5,155,930	\$ 5,054,133	\$ 4,794,400	\$ 4,439,358	\$ 4,242,252	\$ 4,181,168	\$ 4,086,064	\$ 3,996,685	\$ 3,913,709
Contributions in Relation to the Actuarially Determined Contribution	<u>5,155,930</u>	<u>5,054,133</u>	<u>4,794,400</u>	<u>4,439,358</u>	<u>4,242,252</u>	<u>4,181,168</u>	<u>4,086,064</u>	<u>3,996,685</u>	<u>3,913,709</u>
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>	<u>\$ 0</u>
Department's Covered Payroll	\$ 20,699,423	\$ 20,400,597	\$ 19,741,243	\$ 19,389,590	\$ 18,665,559	\$ 18,773,557	\$ 18,314,060	\$ 17,055,663	\$ 17,416,747
Contributions as a Percentage of the Department's Covered Payroll	24.91%	24.77%	24.29%	22.90%	22.73%	22.27%	22.31%	23.43%	22.47%

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

See Independent Auditors' Report

TAUNTON MUNICIPAL LIGHTING PLANT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY

OPERATING FUND & OPEB TRUST FUND

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:							
Service Cost	\$ 1,148,000	\$ 1,689,196	\$ 1,036,539	\$ 729,537	\$ 901,684	\$ 984,013	\$ 1,119,811
Interest	1,403,471	1,352,384	810,125	944,626	1,340,907	1,693,987	1,647,602
Changes in Assumptions	12,575,923	(12,199,105)	0	890,330	0	(10,716,777)	0
Changes in Benefit Terms	0	(8,429,612)	0	5,440,976	0	0	0
Differences Between Actual and Expected Experience	600,435	20,110,738	1,503	(11,407,857)	0	0	0
Benefit Payments	(1,971,390)	(1,085,620)	(1,117,744)	(954,966)	(1,453,748)	(1,163,103)	(1,633,318)
Net Change in Total OPEB Liability	<u>13,756,439</u>	<u>1,437,981</u>	<u>730,423</u>	<u>(4,357,354)</u>	<u>788,843</u>	<u>(9,201,880)</u>	<u>1,134,095</u>
Total OPEB Liability - Beginning	34,152,388	32,714,407	31,983,984	36,341,338	35,552,495	44,754,375	43,620,280
Total OPEB Liability - Ending	<u>\$ 47,908,827</u>	<u>\$ 34,152,388</u>	<u>\$ 32,714,407</u>	<u>\$ 31,983,984</u>	<u>\$ 36,341,338</u>	<u>\$ 35,552,495</u>	<u>\$ 44,754,375</u>
Plan Fiduciary Net Position:							
Contributions-Employer	\$ 3,253,144	\$ 1,539,780	\$ 1,542,848	\$ 1,553,512	\$ 1,132,224	\$ 1,071,674	\$ 1,524,129
Net Investment Income	190,040	25,556	25,512	1,696	5,993	1,810	188
Benefit Payments	(1,971,497)	(1,539,780)	(1,422,412)	(1,543,284)	(1,096,431)	(1,060,013)	(1,512,864)
Net Change in Plan Fiduciary Net Position	<u>1,471,687</u>	<u>25,556</u>	<u>145,948</u>	<u>11,924</u>	<u>41,786</u>	<u>13,471</u>	<u>11,453</u>
Plan Fiduciary Net Position - Beginning	261,117	235,561	89,613	77,689	35,903	22,432	10,979
Plan Fiduciary Net Position - Ending	<u>\$ 1,732,804</u>	<u>\$ 261,117</u>	<u>\$ 235,561</u>	<u>\$ 89,613</u>	<u>\$ 77,689</u>	<u>\$ 35,903</u>	<u>\$ 22,432</u>
Net OPEB Liability - Ending	<u>\$ 46,176,023</u>	<u>\$ 33,891,271</u>	<u>\$ 32,478,846</u>	<u>\$ 31,894,371</u>	<u>\$ 36,263,649</u>	<u>\$ 35,516,592</u>	<u>\$ 44,731,943</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

TAUNTON MUNICIPAL LIGHTING PLANT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF NET OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

OPERATING FUND & OPEB TRUST FUND

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedules of Net OPEB Liability:							
Total OPEB Liability	\$ 47,908,827	\$ 34,152,388	\$ 32,714,407	\$ 31,983,984	\$ 36,341,338	\$ 35,552,495	\$ 44,754,375
Plan Fiduciary Net Position	1,732,804	261,117	235,561	89,613	77,689	35,903	22,432
Net OPEB Liability	<u>\$ 46,176,023</u>	<u>\$ 33,891,271</u>	<u>\$ 32,478,846</u>	<u>\$ 31,894,371</u>	<u>\$ 36,263,649</u>	<u>\$ 35,516,592</u>	<u>\$ 44,731,943</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	3.62%	0.76%	0.72%	0.28%	0.21%	0.10%	0.05%
Covered Payroll	\$ 16,355,206	\$ 20,400,597	\$ 19,741,243	\$ 19,389,590	\$ 18,665,559	\$ 18,773,557	\$ 18,314,060
Net OPEB Liability as a Percentage of Covered Payroll	282.33%	166.13%	164.52%	164.49%	194.28%	189.18%	244.25%
Schedules of Employer Contributions:							
Actuarially Determined Contributions	\$ 3,101,877	\$ 1,136,729	\$ 1,240,825	\$ 1,244,045	\$ 2,125,775	\$ 2,168,581	\$ 2,220,423
Contributions in relation to the actuarially determined contribution	<u>3,253,144</u>	<u>1,539,780</u>	<u>1,542,848</u>	<u>1,553,512</u>	<u>1,132,224</u>	<u>1,071,674</u>	<u>1,524,129</u>
Contribution Deficiency (Excess)	<u>\$ (151,267)</u>	<u>\$ (403,051)</u>	<u>\$ (302,023)</u>	<u>\$ (309,467)</u>	<u>\$ 993,551</u>	<u>\$ 1,096,907</u>	<u>\$ 696,294</u>
Covered Payroll	\$ 16,355,206	\$ 20,400,597	\$ 19,741,243	\$ 19,389,590	\$ 18,665,559	\$ 18,773,557	\$ 18,314,060
Contributions as a percentage of covered payroll	19.89%	7.55%	7.82%	8.01%	6.07%	5.71%	8.32%
Schedules of Investment Returns:							
Annual Money-Weighted rate of Return, net of investment expenses	12.31%	-11.41%	19.99%	12.74%	16.18%	-2.79%	17.23%

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

TAUNTON MUNICIPAL LIGHTING PLANT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
OPERATING FUND & OPEB TRUST FUND

NOTE A – PENSION PLAN:

Changes in Assumptions

The investment rate of return was lowered from 7.75% for the year ended December 31, 2022 to 7.60% for the year ended December 31, 2023.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS:

Changes in Assumptions

The discount rate was raised from 3.28% for the year ended December 31, 2022 to 4.09% for the year ended December 31, 2023.