



South Hadley Electric Light D E P A R T M E N T

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2024 AND 2023

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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MeyersBrothersKalicka, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITORS' REPORT

To the General Manager and the Municipal Light Board of
South Hadley Electric Light Department

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the South Hadley Electric Light Department (the "Department"), which comprise the proprietary fund statement of net position as of December 31, 2024 and 2023, and the related proprietary fund statements of revenues, expenses and changes in net position and cash flows for the years then ended, the fiduciary fund statement of net position as of December 31, 2024 and 2023, and the related fiduciary fund statement of changes in net position for the years then ended and the related notes to the financial statements (the "financial statements" or the "basic financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Department as of December 31, 2024 and 2023, and the respective changes in financial position and its cash flows thereof for the years 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Department proprietary and fiduciary funds and do not purport to, and do not, present fairly the financial position of the Town of South Hadley, Massachusetts (the "Town") as of December 31, 2024 and 2023, and the changes in the Town's financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses for the years ended December 31, 2024 and 2023, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any form of assurance thereon.

Mayus Brothers Kalichka, P.C.

Holyoke, Massachusetts
June 26, 2025

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

Within this section of the South Hadley Electric Light Department's ("the Department") annual financial report, management provides a narrative discussion and analysis of the Department's financial activities as of and for the years ended December 31, 2024, 2023 and 2022. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures.

Overview of the Financial Statements

The Department is a self-supporting enterprise fund of the Town of South Hadley, Massachusetts that operates a retail electric power distribution system, subject to regulation by the Federal Energy Regulatory Commission ("FERC") and the Massachusetts Department of Public Utilities ("DPU"), and a retail telecommunications system. The Department's financial statements are presented in accordance with Accounting Principles Generally Accepted in the United States of America ("GAAP") using the economic resource measurement focus and the accrual basis of accounting. The Department operates and maintains its own sub-station, 200 miles of overhead and underground lines, 4,200 poles, 980 transformers, 1,900 streetlights, 200 miles of overhead and underground fiber optic cable, and services approximately 8,000 residential, commercial, industrial, and municipal customers.

The Statement of Net Position includes all the Department's assets, deferred outflows, liabilities, and deferred inflows at a certain point in time. It provides information about the nature and magnitude of the Department's investments in resources and its obligations to creditors. This statement provides a basis for evaluating the capital structure and liquidity of the utility.

The following is a summary of the Department's net position at December 31, 2024, 2023 and 2022.

CONDENSED COMBINED STATEMENT OF NET POSITION			
	2024	2023	2022
ASSETS AND DEFERRED OUTFLOWS			
Current	\$ 18,331,063	\$ 17,526,393	\$ 16,274,433
Restricted	9,922,035	9,817,533	12,511,829
Non-current	532,978	490,786	490,786
Capital - Net	16,525,940	15,490,716	12,005,655
Deferred Outflows	3,485,169	3,860,339	2,291,623
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 48,797,185	\$ 47,185,767	\$ 43,574,326
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current	\$ 2,405,785	\$ 2,427,289	\$ 2,380,760
Long-Term	16,155,261	16,761,926	15,133,301
Deferred Inflows	3,161,847	2,671,777	1,894,819
Net Position			
Net Investment in Capital Assets	6,409,456	5,153,688	4,093,391
Restricted	9,437,869	9,087,952	8,886,984
Unrestricted	11,226,967	11,083,135	11,185,071
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 48,797,185	\$ 47,185,767	\$ 43,574,326

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

Overview of the Financial Statements (continued)

The Statement of Revenues, Expenses and Changes in Net Position includes all the Department's revenues, expenses, capital contributions, and operating transfers for a discrete period in time. It provides information about the sources and magnitude of the Department's income and nature and magnitude of its expenses. This statement provides a basis for evaluating the financial performance of the utility.

The following is a summary of the Department's revenues, expenses, and changes in net position for the years ended December 31, 2024, 2023 and 2022.

CONDENSED COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
	2024	2023	2022
OPERATING REVENUES	\$ 21,340,211	\$ 19,516,780	\$ 19,011,917
OPERATING EXPENSES			
Cost of Power Sold	10,527,127	9,957,765	10,623,478
Distribution Expense	1,641,063	1,477,975	1,406,726
Customer Accounts Expense	674,623	678,150	676,463
General and Administrative Expense	5,630,225	5,322,217	3,161,848
Depreciation Expense	1,536,988	415,444	1,340,145
TOTAL OPERATING EXPENSES	20,010,026	17,851,551	17,208,660
OPERATING INCOME (LOSS)	1,330,185	1,665,229	1,803,257
NONOPERATING REVENUES (EXPENSES)	609,332	608,051	(1,152,134)
OTHER FINANCING SOURCES (USES)	(190,000)	(113,951)	(80,555)
CHANGE IN NET POSITION	\$ 1,749,517	\$ 2,159,329	\$ 570,568

The Statement of Cash Flows includes all the Department's cash receipts and cash expenditures for a discrete period in time. It provides information about the nature and magnitude of the Department's cash flows provided by and used in operating activities, financing activities, and investing activities. This statement also provides a basis for evaluating the financial performance of the utility as well as providing additional information necessary to explain the changes in the Department's net position.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

Overview of the Financial Statements (continued)

The following is a summary of the Department's sources and uses of cash for the years ended December 31, 2024, 2023 and 2022.

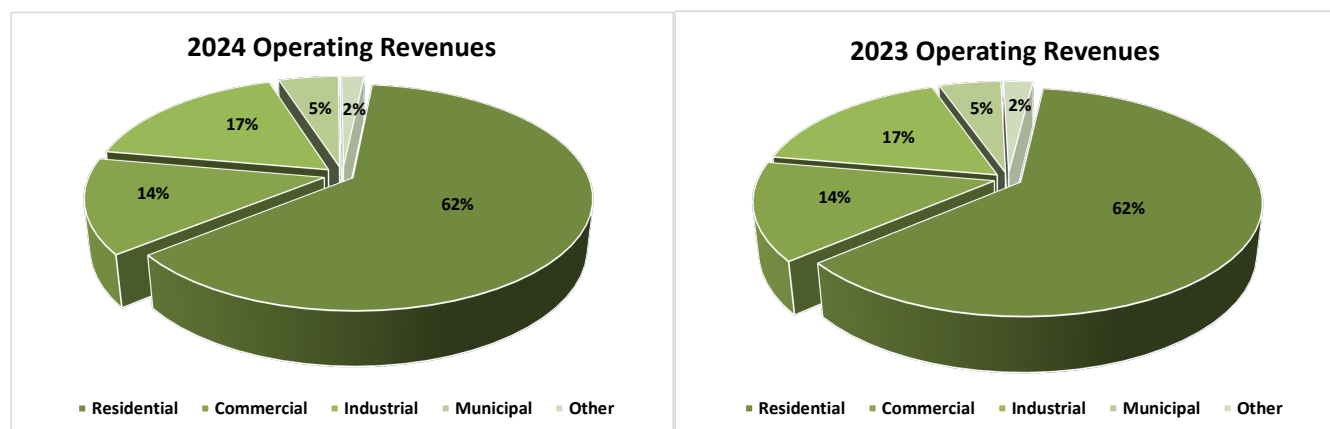
CONDENSED COMBINED STATEMENT OF CASH FLOWS			
	2024	2023	2022
CASH FLOW PROVIDED BY (USED IN):			
Operating Activities	\$ 3,650,837	\$ 3,450,222	\$ 732,640
Financing Activities	(3,471,420)	(5,737,859)	(4,125,225)
Investing Activities	317,633	2,698,891	3,134,115
NET INCREASE (DECREASE) IN CASH	497,050	411,254	(258,470)
CASH - BEGINNING	8,972,572	8,561,318	8,819,788
CASH - ENDING	<u>\$ 9,469,622</u>	<u>\$ 8,972,572</u>	<u>\$ 8,561,318</u>

Financial Highlights and Analysis

Sales of electricity for 2024 of \$17,126,156 increased by \$753,236 or 4.60% from the prior year. kWh sales for 2024 of 108,937,107 increased by 1,196,681, or 1.11% from the prior year. The increase in revenues was primarily due to an increase in power and operating costs passed on to our customers and the overall increase in kWh sold.

Additional operating revenues for 2024 of \$4,214,055, which consists of equipment rentals, pole attachment fees, and telecommunication income increased by \$1,070,195 from the prior year.

The following provides a comparative distribution of operating revenues for the years ended December 31, 2024 and 2023.



SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

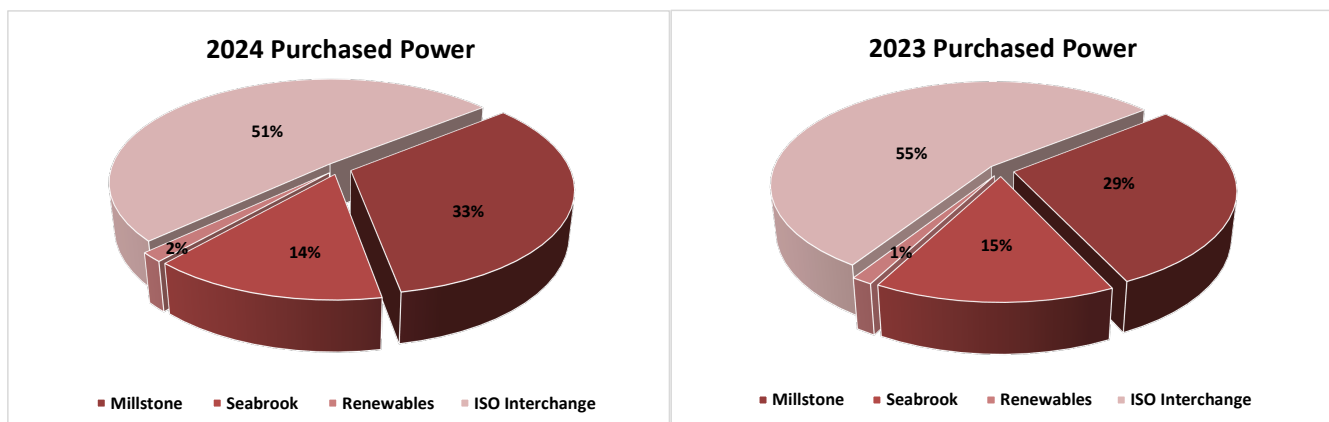
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

Financial Highlights and Analysis (Continued)

To stabilize power costs, the Department secures power for its customers through both purchased power agreements and open market acquisitions. The cost of power sold includes the costs associated with buying capacity, energy, and transmission.

The cost of power sold for 2024 of \$10,527,127, increased by \$569,362, or 5.72% from the prior year. kWh purchases for 2024 of 113,001,209 increased by 3,319,198 or 3.03% from the prior year. The increase in costs were primarily due to changes in the wholesale market price of electricity and the overall increase in kWh purchased.

The following provides a comparative distribution of the purchased power for the years ended December 31, 2024 and 2023.



Other operating expenses for 2024, excluding depreciation, of \$7,945,911 increased by \$467,549, or 6.25% from the prior year.

Nonoperating revenues (expenses) and other financing sources (uses), which consists of interest and investment earnings, other nonoperating income (expenses), gains or losses on capital assets dispositions, capital contributions and transfers to the Town, decreased by \$74,768 from the prior year.

Current assets, which consist of cash, the MLDM Reserve Trust, accounts receivable, inventory, and prepaid and other assets, increased by \$804,670 from the prior year. The increase was primarily due to normal fluctuations in cash, accounts receivable, inventory and prepaid and other assets and investments in capital assets.

Current liabilities, which consist of accounts payables, current portion of accrued compensated absences, customer deposits, and accrued liabilities, decreased by \$21,504 from the prior year. The decrease was primarily due to normal fluctuations in accounts payable, accrued liabilities and customer deposits.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

Financial Highlights and Analysis (Continued)

Restricted assets, which consist of customer deposits, the depreciation fund, the note payable escrow fund, the OPEB Liability Trust, and purchased power advances, increased by \$104,502 from the prior year. The increase was primarily due to investment earnings.

Non-current assets, which consist of preliminary survey and investigation charges, increased by \$42,192.

Deferred outflows, which consist of pension and OPEB related costs applicable to future reporting periods, decreased by \$375,170 over the prior year.

Long-term liabilities, which consist of notes payable, net pension liability, accrued compensated absences, other noncurrent liabilities, and other post-employment benefits, decreased by \$606,665 from the prior year. The decrease was primarily due a decrease in pension liability and payments on notes payable.

Deferred inflows, which consist of pension and OPEB related cost reductions and a rate stabilization reserve applicable to future reporting periods, increased by \$490,070 over the prior year.

Net capital assets increased by \$1,035,224 from the prior year due to capital improvements made which were greater than the current provision for depreciation.

The following is a summary of the Department's capital assets at December 31, 2024, 2023 and 2022.

SUMMARY OF CAPITAL ASSETS			
	2024	2023	2022
CAPITAL ASSETS			
Distribution Plant	\$ 35,066,348	\$ 34,853,807	\$ 33,219,180
General Plant	17,772,747	16,379,125	13,961,636
Land	503,349	503,349	503,349
TOTAL	53,342,444	51,736,281	47,684,165
ACCUMULATED DEPRECIATION	36,816,504	36,245,565	35,678,510
CAPITAL ASSETS - NET	<u>\$ 16,525,940</u>	<u>\$ 15,490,716</u>	<u>\$ 12,005,655</u>

The Department realized an overall increase in net position of \$1,749,517 and \$1,159,329 in 2024 and 2023, respectively. Cash flows from operating activities for both years were sufficient to cover operating expenses.

Additional information on matters included in this report can be found in the accompanying financial statements and notes.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

Requests for Information

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

Financial Manager

South Hadley Electric Light Department

85 Main Street

South Hadley, Massachusetts 01075

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
PROPRIETARY FUND

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2024 AND 2023

ASSETS AND DEFERRED OUTFLOWS

	2024	2023
CURRENT ASSETS		
Cash - operation fund	\$ 8,310,226	\$ 7,756,575
MLDM Reserve Trust	8,142,626	7,824,152
Accounts receivable - net of allowance for uncollectible accounts of \$302,755 in 2024 and \$406,696 in 2023	571,419	544,912
Inventory	1,246,780	1,280,383
Prepaid expenses and other assets	60,012	120,371
Total Current Assets	18,331,063	17,526,393
RESTRICTED ASSETS		
Depreciation fund	7,149,950	6,879,294
Cash - customer deposits	400,650	386,609
Notes payable escrow fund	83,516	342,972
Purchased power advances	1,081,138	1,122,465
Total Restricted Assets	8,715,254	8,731,340
NON-CURRENT ASSETS		
Preliminary survey and investigation charges	532,978	490,786
CAPITAL ASSETS		
Distribution plant	35,066,348	34,853,807
General plant	17,772,747	16,379,125
Land	503,349	503,349
Total	53,342,444	51,736,281
Less: accumulated depreciation	36,816,504	36,245,565
Capital Assets - Net	16,525,940	15,490,716
DEFERRED OUTFLOWS		
Pension and OPEB related deferrals	3,485,169	3,860,339
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 47,590,404	\$ 46,099,574

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

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

PROPRIETARY FUND

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2024 AND 2023

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

	2024	2023
CURRENT LIABILITIES		
Accounts payable	\$ 1,313,702	\$ 1,348,841
Current portion of notes payable	480,000	480,000
Current portion of accrued compensated absences	159,404	192,287
Customer deposits	400,650	386,609
Accrued liabilities	52,029	19,552
Total Current Liabilities	2,405,785	2,427,289
LONG-TERM LIABILITIES		
Notes payable	9,720,000	10,200,000
Net pension liability	5,299,754	5,488,551
Accrued compensated absences	234,672	181,415
Net other post-employment benefits	900,835	891,960
Total Long-Term Liabilities	16,155,261	16,761,926
TOTAL LIABILITIES	18,561,046	19,189,215
DEFERRED INFLOWS		
Pension and OPEB related deferrals	1,098,232	1,313,537
Rate stabilization reserve	2,063,615	1,358,240
Total Deferred Inflows	3,161,847	2,671,777
NET POSITION		
Net investment in capital assets	6,409,456	5,153,688
Restricted	8,231,088	8,001,759
Unrestricted	11,227,040	11,083,135
Total Net Position	25,867,584	24,238,582
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 47,590,477	\$ 46,099,574

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

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
PROPRIETARY FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSTION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Residential	\$ 13,342,407	\$ 12,062,813
Commercial	2,876,762	2,703,319
Industrial	3,681,302	3,297,087
Municipal	1,057,264	995,563
Other	382,549	457,998
Total Operating Revenues	21,340,284	19,516,780
OPERATING EXPENSES		
Cost of power sold	10,527,127	9,957,765
Distribution expense	1,641,063	1,477,975
Customer accounts expense	674,623	678,150
General and administrative expense	5,630,225	5,322,217
Depreciation expense	1,536,988	1,415,444
Total Operating Expenses	20,010,026	18,851,551
OPERATING INCOME (LOSS)	1,330,258	665,229
NONOPERATING REVENUES (EXPENSES)		
Interest and investment income (loss)	717,949	733,498
Gain (Loss) on disposition of capital assets	19,390	67,760
Interest expense	(298,595)	(311,163)
Other nonoperating income (expenses)	50,000	-
Net nonoperating revenues (expenses)	488,744	490,095
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS OUT	1,819,002	1,155,324
CAPITAL CONTRIBUTIONS	-	66,049
TRANSFER TO TOWN	(190,000)	(180,000)
CHANGE IN NET POSITION	1,629,002	1,041,373
NET POSITION - BEGINNING	24,238,582	23,197,209
NET POSITION - ENDING	\$ 25,867,584	\$ 24,238,582

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

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 21,313,777	\$ 19,461,171
Payments to power suppliers	(10,125,638)	(10,108,119)
Payments to employees	(2,881,331)	(2,534,784)
Payments for other operations	(4,655,898)	(3,368,046)
Net cash provided by operating activities	3,650,910	3,450,222
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Town	(190,000)	(180,000)
Other nonoperating income (expense)	50,000	-
Net cash used in noncapital financing activities	(140,000)	(180,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(2,572,215)	(4,900,505)
Payments on notes payable	(480,000)	(480,000)
Interest expense	(298,595)	(311,163)
Capital contributions	-	66,049
Proceeds from disposition of capital assets	19,390	67,760
Net cash provided by (used in) capital and related financing activities	(3,331,420)	(5,557,859)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment income (loss)	717,949	733,498
(Increase) decrease in investment - Note payable escrow	259,456	2,904,764
(Increase) decrease in investment - MLDM Reserve Trust	(318,474)	(367,133)
(Increase) decrease in investment - Depreciation fund	(341,298)	(572,238)
Net cash provided by (used in) investing activities	317,633	2,698,891
NET INCREASE (DECREASE) IN CASH	497,123	411,254
CASH - BEGINNING OF YEAR	8,972,572	8,561,318
CASH - END OF YEAR	\$ 9,469,695	\$ 8,972,572

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

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,330,258	\$ 665,229
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,536,988	1,415,444
Changes in assets and liabilities:		
Purchased power advances	41,327	(62,484)
Accounts receivable	(26,507)	(55,609)
Inventory	33,603	125,484
Prepaid expenses and other assets	60,359	(1,238)
Preliminary survey and investigation charges	(42,192)	-
Pension and OPEB related deferrals	159,868	(1,931,777)
Accounts payable	(35,139)	43,423
Customer deposits	14,041	9,500
Accrued liabilities	32,477	3,104
Net pension liability	(188,797)	2,290,727
Accrued compensated absences	20,374	(7,068)
Net other post-employment benefits	8,875	(184,532)
Rate stabilization reserve	705,375	1,140,019
Net cash provided by operating activities	<u>\$ 3,650,910</u>	<u>\$ 3,450,222</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

Depreciation fund (see Note 2)	\$ 758,746	\$ 829,388
Cash - customer deposits	400,650	386,609
Cash - operation fund	8,310,226	7,756,575
CASH - END OF YEAR	<u>\$ 9,469,622</u>	<u>\$ 8,972,572</u>

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

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
FIDUCIARY FUND
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
RESTRICTED ASSETS		
OPEB Liability Trust	\$ 1,206,781	\$ 1,086,193
TOTAL ASSETS	<u>\$ 1,206,781</u>	<u>\$ 1,086,193</u>

NET POSITION

NET POSITION		
Restricted for OPEB	\$ 1,206,781	\$ 1,086,193
TOTAL NET POSITION	<u>\$ 1,206,781</u>	<u>\$ 1,086,193</u>

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

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ADDITIONS		
Employer contributions	\$ 67,617	\$ 59,840
Interest and investment income (loss)	120,588	117,956
Total Additions	<u>188,205</u>	<u>177,796</u>
DEDUCTIONS		
Benefit payments	67,617	59,840
Total Deductions	<u>67,617</u>	<u>59,840</u>
CHANGE IN NET POSITION	120,588	117,956
TOTAL NET POSITION - BEGINNING	1,086,193	968,237
TOTAL NET POSITION - ENDING	<u><u>\$ 1,206,781</u></u>	<u><u>\$ 1,086,193</u></u>

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

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The South Hadley Electric Light Department (the "Department"), an enterprise fund of the Town of South Hadley, Massachusetts (the "Town"), provides electric and telecommunication services to residential, commercial, industrial, and municipal customers, substantially all of whom are located within the Town. The Department uses a proprietary fund to account for activities related to electric distribution and telecommunications operations and a fiduciary fund to account for activities related to other post-employment benefit funding.

Measurement Focus and Basis of Accounting

The Department's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Department's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America ("GAAP") for proprietary and fiduciary funds as promulgated by the Governmental Accounting Standards Board ("GASB") and generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the United States Federal Energy Regulatory Commission ("FERC").

Public Utility Regulation

Arrangements among the Department, outside agencies, and other utilities covering interconnections, interchange of electric power, and sales of utility property are subject to regulation by the FERC. The Department is subject to further regulation by the Massachusetts Department of Public Utilities ("DPU"). Under Massachusetts law, electric rates are set by the Municipal Light Board. While the DPU exercises general supervisory authority over the Department, rates are not subject to DPU approval.

Cash and Investments

Cash includes cash on hand, and cash on deposit with the Town, which is in the custody of and managed by the Town Treasurer, and cash held by Massachusetts Municipal Wholesale Electric Company ("MMWEC"). The Department considers all short-term investments with an original maturity date of 90 days or less to be cash. Cash, for purposes of the cash flow statement, consists of cash on hand and cash on deposit with the Town. Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Dividend and interest income is recorded when declared. Massachusetts General Laws place limitations on the nature of deposits and investments available to the Department. Cash and investments, which are subject to legislation, regulation, or agreement that limit the use of such funds, are reflected as restricted assets.

Municipal Light Departments of Massachusetts (MLDM) Reserve Trust

The Municipal Light Departments of Massachusetts Reserve Trust ("MLDM Reserve Trust") was established by Massachusetts Municipal Wholesale Electric Company ("MMWEC") in anticipation of deregulation of the electric industry in Massachusetts. The Trust was established to help maintain the competitive position of its member utilities, in the face of increasing competition from investor-owned utilities, by providing a source of funds to be accessed as needed for extraordinary or unanticipated expenses such as unit outages, loss of load, and retail wheeling.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. Management provides for uncollectable amounts through a charge against income based on its assessment of the status of individual accounts. Management is required to comply with the billing and termination procedures mandated by the DPU. No interest is charged on residential accounts. The Department obtains security interests as it deems appropriate.

Inventory

Inventory, which consists of poles and fixtures, conductors and devices, underground conduits, transformers, meters, streetlights, and telecommunications equipment is valued at the lower of cost or market using the first-in, first-out flow assumption.

Prepaid Expenses and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Other assets consist of a deposit maintained with the Department's insurance company.

Note Payable Escrow Fund

The note payable escrow fund was established by the Department pursuant to a pooled loan agreement with MMWEC. Under the terms of that agreement, funds equivalent to the amount of unexpended loan proceeds and 10% of the annual debt service obligations are held and invested by MMWEC for the benefit of the Department.

Other Post-Employment Benefit (OPEB) Liability Trust

The Other Post-Employment Benefit Liability Trust (OPEB Liability Trust") was established by the Department pursuant to Chapter 32B, Section 20 of the General Laws of the Commonwealth of Massachusetts. The Trust was established to maintain and accumulate funds for the payment of benefits related to the Department's other post-employment benefit obligations.

Purchased Power Advances

Under the terms of the Department's member agreement with Massachusetts Municipal Wholesale Electric Company, the Department is required to prepay various operating expenses and provide for certain working capital requirements for various projects that are operational. The Department charges items to expense when MMWEC indicates that an expense has been incurred.

Preliminary Survey and Investigation Charges

Preliminary survey and investigation charges represent costs related to capital asset construction and will be capitalized upon commencement of the project.

Capital Assets

Additions to and replacements of capital assets are recorded at cost. The estimated cost, less accumulated depreciation of capital assets retired, is charged against revenue in the year of disposition. The cost of repairs and minor renewals is charged to expense as incurred. The fair market value of capital assets is evaluated annually and no adjustment for impairment was deemed necessary.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflow of Resources

The deferred outflow of resources, which consists of pension and OPEB deferred amounts, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Accounts Payable

Accounts payable include liabilities incurred in conjunction with purchased power costs, supplier payables, and unremitted sales tax collections.

Accrued Compensated Absences

The Department recognizes sick and vacation leave costs as they are earned. Employees earn 15 sick days per year and 10 to 30 vacation days per year depending on date of hire and length of service. Earned days not taken accumulate, subject to certain limitations.

Customer Deposits

The Department requires security deposits from certain residential, commercial, and industrial customers. These deposits, including accrued interest, are held in escrow and reflected as a liability in the financial statements.

Other Noncurrent Liabilities

Other noncurrent liabilities consist of claims or other liabilities payable in greater than one year.

Deferred Inflow of Resources

The deferred inflow of resources, which consist of pension and OPEB deferred amounts and a rate stabilization reserve, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time.

Net Position

The Department classifies net position into three components as follows:

Net Investment in Capital Assets – This component consists of capital assets net of accumulated depreciation, reduced by any related outstanding debt balance.

Restricted – This component consists of assets required to be segregated by bond agreement and or external parties. Such segregated assets are presented net of any related liabilities.

Unrestricted – This component consists of all assets and liabilities that do not meet the criteria for “Net Investment in Capital Assets” or “Restricted.”

When both restricted and unrestricted resources are available for use, it is the Department’s policy to use restricted resources first, then unrestricted resources as they are needed.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses

The Department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the sale of electricity and telecommunication services. Electric revenues are based on authorized rates applied to each customer's consumption of energy. They are recognized based on cycle billings, net of discounts, rendered monthly and are not accrued for services delivered beyond such cycle billing dates. Telecommunication revenues are based on fixed monthly rates. They are recognized based on monthly billings, net of discounts. Discounts for the years ended December 31, 2024 and 2023 were \$398,006 and \$390,128, respectively. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Depreciation

Depreciation of capital assets is recorded on a straight-line basis using an annual rate of 3% of depreciable assets in accordance with DPU regulations.

Capital Contributions

Developer and customer funds received for system development and asset acquisitions are recorded as capital contributions in the period in which they are received.

Benefit Plans

The Department provides pension benefits through participation in the Hampshire County Contributory Retirement System and post-employment health and life insurance benefits through participation in the Town of South Hadley's Other Postemployment Benefit Plan.

Use of Estimates

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

Effect of New Accounting Standards on Current and Future Period Financial Statements

GASB has approved GASB Statement 102, *Certain Risk Disclosures*, GASB Statement 103, *Financial Reporting Model Improvements*, and GASB Statement 104, *Disclosure of Certain Capital Assets*. When these statements (or portions thereof) become effective, application of these standards may restate portions of these financial statements.

Comparative Data

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation. The reclassifications had no effect on the reported net position or change in net position.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

2. CASH and INVESTMENTS

The Department's cash and investments are segregated by purpose, recorded at fair value, and consist of both restricted and unrestricted assets.

The cash and investment balances at December 31, 2024 consisted of the following:

	<u>Cash</u>	<u>Investments</u>	<u>Statement Balance</u>
PROPRIETARY FUND			
Unrestricted			
Cash - operation fund	\$ 8,310,226	\$ -	\$ 8,310,226
MLDM Reserve Trust	64,619	8,078,007	8,142,626
Restricted			
Depreciation fund	758,746	6,391,204	7,149,950
Cash - customer deposits	400,650	-	400,650
Note Payable Escrow Fund	83,516	-	83,516
Purchased power advances	591,314	489,824	1,081,138
FIDUCIARY FUND			
OPEB Liability Trust	64,392	1,142,389	1,206,781
TOTAL	<u>\$ 10,273,463</u>	<u>\$ 16,101,424</u>	<u>\$ 26,374,887</u>

The investment balances at December 31, 2024 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
PROPRIETARY FUND			
U.S Treasury Securities	\$ 2,689,871	\$ 2,708,439	\$ 18,568
U.S Agency Securities - Implicitly Guaranteed	7,132,322	7,014,855	(117,467)
Municipal Bonds	1,020,911	935,147	(85,764)
Mutual Funds - Bond Types	55,871	49,719	(6,152)
Corporate Bonds	2,943,939	2,988,927	44,988
Common Stock	1,020,353	1,261,948	241,595
FIDUCIARY FUND			
U.S Agency Securities - Implicitly Guaranteed	573,525	574,308	783
Mutual Funds - Equity Types	362,849	568,081	205,232
TOTAL	<u>\$ 15,799,641</u>	<u>\$ 16,101,424</u>	<u>\$ 301,783</u>

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

2. CASH and INVESTMENTS (CONTINUED)

The cash and investment balances at December 31, 2023 consisted of the following:

	<u>Cash</u>	<u>Investments</u>	<u>Statement Balance</u>
PROPRIETARY FUND			
Unrestricted			
Cash - operation fund	\$ 7,756,575	\$ -	\$ 7,756,575
MLDM Reserve Trust	207,507	7,616,645	7,824,152
Restricted			
Depreciation fund	829,388	6,049,906	6,879,294
Cash - customer deposits	386,609	-	386,609
Note Payable Escrow Fund	149,273	193,699	342,972
Purchased power advances	751,998	370,467	1,122,465
FIDUCIARY FUND			
OPEB Liability Trust	11,859	1,074,334	1,086,193
TOTAL	<u>\$ 10,093,209</u>	<u>\$ 15,305,051</u>	<u>\$ 25,398,260</u>

The investment balances at December 31, 2023 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
PROPRIETARY FUND			
U.S Treasury Securities	\$ 2,548,765	\$ 2,508,123	\$ (40,642)
U.S Agency Securities - Implicitly Guaranteed	6,756,316	6,555,276	(201,040)
Municipal Bonds	1,261,327	1,150,037	(111,290)
Mutual Funds - Bond Types	46,770	41,191	(5,579)
Corporate Bonds	2,686,396	2,683,766	(2,630)
Common Stock	1,074,284	1,292,324	218,040
FIDUCIARY FUND			
U.S Agency Securities - Implicitly Guaranteed	423,502	423,621	119
Corporate Bonds	49,925	50,046	121
Mutual Funds - Bond Types	54,605	49,705	(4,900)
Mutual Funds - Equity Types	396,544	550,962	154,418
TOTAL	<u>\$ 15,298,434</u>	<u>\$ 15,305,051</u>	<u>\$ 6,617</u>

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

2. CASH and INVESTMENTS (CONTINUED)

Fair Value

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy are valued using interest rate curves and credit spreads applied to the terms of the underlying instruments and consider the credit rating of the counterparty.

The Department's recurring fair value measurements as of December 31, 2024 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
PROPRIETARY FUND				
U.S Treasury Securities	\$ 2,708,439	\$ -	\$ -	\$ 2,708,439
U.S Agency Securities - Implicitly Guaranteed	-	7,014,855	-	7,014,855
Municipal Bonds	-	935,147	-	935,147
Mutual Funds - Bond Types	49,719	-	-	49,719
Corporate Bonds	-	2,988,927	-	2,988,927
Common Stock	1,261,948	-	-	1,261,948
FIDUCIARY FUND				
U.S Agency Securities - Implicitly Guaranteed	-	574,308	-	574,308
Mutual Funds - Equity Types	568,081	-	-	568,081
Total	<u>\$ 4,588,187</u>	<u>\$ 11,513,237</u>	<u>\$ -</u>	<u>\$ 16,101,424</u>

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

2. CASH and INVESTMENTS (CONTINUED)

Fair Value (Continued)

The Department's recurring fair value measurements as of December 31, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
PROPRIETARY FUND				
U.S Treasury Securities	\$ 2,508,123	\$ -	\$ -	\$ 2,508,123
U.S Agency Securities -				
Implicitly Guaranteed	-	6,555,276	-	6,555,276
Municipal Bonds	-	1,150,037	-	1,150,037
Mutual Funds - Bond Types	41,191	-	-	41,191
Corporate Bonds	-	2,683,766	-	2,683,766
Common Stock	1,292,324	-	-	1,292,324
FIDUCIARY FUND				
U.S Agency Securities -				
Implicitly Guaranteed	-	423,621	-	423,621
Corporate Bonds	-	50,046	-	50,046
Mutual Funds - Bond Types	49,705	-	-	49,705
Mutual Funds - Equity Types	550,962	-	-	550,962
Total	<u>\$ 4,442,305</u>	<u>\$ 10,862,746</u>	<u>\$ -</u>	<u>\$ 15,305,051</u>

Custodial Credit Risk - Cash

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the Department's deposits may not be returned. The Department does not have a deposit policy for custodial risk. The Department, through the Town, maintains cash balances at various financial institutions located in Massachusetts. These balances are insured, subject to certain limitations, by the Federal Deposit Insurance Corporation. At certain times during the year, these cash balances may exceed the insurance limit. The amount by which the Department's cash balances may exceed the insurance limits at December 31, 2024 and 2023, has not been determined. The Department has not experienced any loss on such accounts and monitors the credit worthiness of the financial institutions through the Town Treasurer's Office.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a failure by a counterparty to the transaction, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Department does not have a policy for custodial credit risk, however, none of the Department's investments are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the Department's name.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

2. CASH and INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the fair value of an investment will be adversely affected by changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. While the Department does not have a formal policy for interest rate risk, it does vary the duration of investments within its portfolio as a means of managing the effects of this risk. Maturities of the Department's investments in U.S. Securities and Municipal and Corporate Bonds at December 31, 2024 were as follows:

	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S Treasury Securities	\$ 2,708,439	\$ 1,212,028	\$ 1,496,411	\$ -	\$ -
U.S Agency Securities - Implicitly Guaranteed	7,589,163	43,251	5,078,251	2,417,739	49,922
Municipal Bonds	935,147	49,609	875,094	10,444	-
Corporate Bonds	2,988,927	583,469	2,405,458	-	-
Total	<u>\$ 14,221,676</u>	<u>\$ 1,888,357</u>	<u>\$ 9,855,214</u>	<u>\$ 2,428,183</u>	<u>\$ 49,922</u>

Maturities of the Department's investments in U.S. Securities and Municipal and Corporate Bonds at December 31, 2023 were as follows:

	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S Treasury Securities	\$ 2,508,123	\$ 842,262	\$ 1,665,861	\$ -	\$ -
U.S Agency Securities - Implicitly Guaranteed	6,978,897	2,455,831	4,423,616	99,450	-
Municipal Bonds	1,150,037	99,397	680,598	370,042	-
Corporate Bonds	2,733,812	195,911	1,982,660	555,241	-
Total	<u>\$ 13,370,869</u>	<u>\$ 3,593,401</u>	<u>\$ 8,752,735</u>	<u>\$ 1,024,733</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigning of a rating by a nationally recognized statistical rating organization. The Department's investment policies require the investments within its portfolio to be investment grade.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

2. CASH and INVESTMENTS (CONTINUED)

Credit Risk (Continued)

The Department's investments at December 31, 2024 and 2023 were rated as follows:

	2024			2023		
	Fair Value	Moody's Rating	S&P Rating	Fair Value	Moody's Rating	S&P Rating
U.S Agency Securities - Implicitly Guaranteed	\$ 7,589,163	Aaa	AA+	\$ 6,978,897	Aaa	AA+
Municipal Bonds	935,147	Aa1 to Aa3	AAA to A+	1,150,037	Aa1 to A2	AAA to A+
Mutual Funds - Bond Types	49,719	NR	NR	90,896	NR	NR
Corporate Bonds	2,988,927	Aaa to Baa2	AAA to BBB	2,733,812	Aaa to Baa2	AAA to BBB
Total	<u>\$ 11,562,956</u>			<u>\$ 10,953,642</u>		

NR – not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Department's investment in a single issuer. The Department's investment policies limit the magnitude of investment with any one single issuer (with the exception of the United States Government and its Agencies) to 5% of the portfolio value. The Department diversifies the investments within its portfolio as a means of managing the effects of this risk.

Investments in any one issuer that represent greater than 5% of total investments at December 31, 2024 include the U.S. Treasury (17%), Federal Home Loan Bank (32%), and Federal Home Loan Mortgage Corporation (9%).

Investments in any one issuer that represent greater than 5% of total investments at December 31, 2023 include the U.S. Treasury (16%), Federal Home Loan Bank (25%), and Federal Home Loan Mortgage Corporation (16%).

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

3. CAPITAL ASSETS

Capital asset activity as of and for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
CAPITAL ASSETS BEING DEPRECIATED				
Distribution plant	\$ 34,853,807	\$ 1,178,590	\$ (966,049)	\$ 35,066,348
General plant	16,379,125	1,393,622	-	17,772,747
Totals	51,232,932	2,572,212	(966,049)	52,839,095
Less accumulated depreciation	(36,245,565)	(1,536,988)	966,049	(36,816,504)
Total Capital Assets Being Depreciated - Net	14,987,367	1,035,224	-	16,022,591
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	503,349	-	-	503,349
Total Capital Assets Not Being Depreciated	503,349	-	-	503,349
CAPITAL ASSETS - NET	\$ 15,490,716	\$ 1,035,224	\$ -	\$ 16,525,940

Capital asset activity as of and for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
CAPITAL ASSETS BEING DEPRECIATED				
Distribution plant	\$ 33,219,180	\$ 2,406,514	\$ (771,887)	\$ 34,853,807
General plant	13,961,636	2,493,991	(76,502)	16,379,125
Totals	47,180,816	4,900,505	(848,389)	51,232,932
Less accumulated depreciation	(35,678,510)	(1,415,444)	848,389	(36,245,565)
Total Capital Assets Being Depreciated - Net	11,502,306	3,485,061	-	14,987,367
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	503,349	-	-	503,349
Total Capital Assets Not Being Depreciated	503,349	-	-	503,349
CAPITAL ASSETS - NET	\$ 12,005,655	\$ 3,485,061	\$ -	\$ 15,490,716

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

4. RETIREMENT PLAN

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

Plan Description

The Department participates in the Hampshire County Contributory Retirement System (the "System"), a cost sharing, multiple-employer, defined benefit public employee retirement system ("PERS"). Eligible employees must participate in the System. As of January 1, 2024, the most recent actuarial valuation date, approximately 18 retirees and 27 active and inactive employees met the eligibility requirements. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The authority for amending these provisions rests with the Massachusetts Legislature. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 99 Industrial Drive, Northampton, Massachusetts 01060-2326.

Benefits Provided

The retirement plan provides pension benefits, deferred allowances, and death and disability benefits. 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 become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan 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 Department payroll on January 1, 1978, (3) voluntarily left Department employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity. Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

4. RETIREMENT PLAN (CONTINUED)

Benefits Provided (Continued)

less than 10 years of service get credited interest each year at a rate of 3.00% and do not forfeit any interest previously earned on contributions.

Funding Policy

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

Before January 1, 1975	5.00%
January 1, 1975 - December 31, 1983	7.00%
January 1, 1984 - June 30, 1996	8.00%
Beginning July 1, 1996	9.00%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission ("PERAC"). The Department's contributions to the System for the years ended December 31, 2024 and 2023 were \$945,888 and \$850,787, respectively, which were equal to its annual required contributions.

Actuarial Methods and Assumptions

The Department's net pension liability at December 31, 2024 was measured as of December 31, 2023 as determined by an actuarial valuation dated January 1, 2024. The Department's net pension liability at December 31, 2023 was measured as of December 31, 2022 as determined by an actuarial valuation dated January 1, 2022. The measurement dates for the total pension liability and valuation dates for the fiduciary net position were the same.

The measurement of the net pension liability for 2024 was determined by an independent actuary using the entry age normal cost method. The assumptions used to measure the total pension liability included an inflation assumption of 2.50% per year, salary increases of 4.25% - 4.75% per year, and no post-retirement cost of living adjustment. The mortality assumptions were based on the RP-2014 Blue Collar table projected generationally with Scale MP-2021, for non-disabled members. The forgoing table was set forward one year for disabled members.

The measurement of the net pension liability for 2023 was determined by an independent actuary using the entry age normal cost method. The assumptions used to measure the total pension liability included an inflation assumption of 2.40% per year, salary increases of 4.25% - 4.75% per year, and no post-retirement cost of living adjustment. The mortality assumptions were based on the RP-2014 Blue Collar table projected generationally with Scale MP-2020, for non-disabled members. The forgoing table was set forward one year for disabled members.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

4. RETIREMENT PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

GASB 68 requires an actuarial valuation as of the measurement date or the use of roll forward procedures to the measurement date of no more than 30 months and 1 day from the current fiscal year-end. The actuarial valuation report for the Hampshire County Retirement Plan used for the financial statements falls within the allowable date range.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return 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 percentages and by adding expected inflation. These best estimate ranges are combined to produce the long-term expected rate of return of 6.90% for 2024 and 2023.

The target allocation and best estimate of real rates of return for each major asset class for 2024 and 2023 is summarized in the following table:

Asset Class	2024		2023	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Cash	2.00%	0.00%	2.00%	0.00%
Domestic Equity	22.00%	3.90%	22.00%	4.50%
International Equities - Developed Markets	11.00%	4.00%	11.00%	4.30%
International Equities - Emerging Markets	6.00%	6.30%	6.00%	7.00%
Core Bonds	11.00%	0.70%	11.00%	2.10%
Private Equity	18.00%	7.70%	18.00%	7.60%
Value Added Fixed Income - Public	12.00%	4.00%	12.00%	5.20%
Real Estate	18.00%	3.60%	18.00%	3.10%
Totals	<u>100.00%</u>		<u>100.00%</u>	

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

4. RETIREMENT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.80% for 2024 and 6.90% for 2023. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Proportionate Share of Net Pension Liability

The following presents the Department's proportionate share of the Hampshire County Retirement System's net pension liability at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Proportionate share of net pension liability for the most recent measurement rate	\$ 5,299,754	\$ 5,488,551
Proportion of net pension liability for the most recent measurement date	2.8919%	2.7406%

The Department's proportionate share was determined based on covered payrolls. The period used to amortize the change in proportionate share was 7.13 years and 7.08 years in 2024 and 2023, respectively.

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

The following presents the Department's proportionate share of the net pension liability at December 31, 2024 and 2023, calculated using a current discount rate of 6.80% for 2024 and 6.90% for 2023, as well as what it would be if it were calculated using a one percent lower and one percent higher rate:

	<u>2024</u>		<u>2023</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability</u>	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease	5.80%	\$ 7,467,632	5.90%	\$ 7,419,340
Current Rate	6.80%	\$ 5,299,754	6.90%	\$ 5,488,551
1% Increase	7.80%	\$ 3,456,294	7.90%	\$ 3,783,455

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

4. RETIREMENT PLAN (CONTINUED)

Net Pension Liability

The following presents the changes in net pension liability at December 31:

	2024	2023
Total Pension Liability		
Service cost	\$ 475,465	\$ 436,404
Interest	1,248,566	1,143,173
Differences between expected and actual experience	15,066	-
Changes in assumptions	240,177	115,745
Benefit payments, including refunds	(1,113,790)	(970,685)
Net Change in Total Liability	865,484	724,637
Total Pension Liability - Beginning of Year	18,142,974	16,469,058
Total Pension Liability - End of Year	\$ 19,008,458	\$ 17,193,695
Plan Fiduciary Net Position		
Contributions - employer	\$ 945,888	\$ 850,787
Contributions - employees	292,144	254,932
Net investment income	1,257,649	(1,436,128)
Benefit payments	(1,113,790)	(970,685)
Administrative expenses	(24,582)	(21,488)
Net Change in Fiduciary Net Position	1,357,309	(1,322,582)
Plan Fiduciary Net Position - Beginning of Year	12,351,395	13,027,726
Plan Fiduciary Net Position - End of Year	\$ 13,708,704	\$ 11,705,144
Net Pension Liability		
Beginning of year - based on prior year proportions	\$ 5,488,551	\$ 3,197,824
Change in proportionate share	303,028	243,508
Beginning of year - based on current year proportions	5,791,579	3,441,332
Net Pension Liability - End of Year	\$ 5,299,754	\$ 5,488,551

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

4. RETIREMENT PLAN (CONTINUED)

Pension Expense, Deferred Outflows and Deferred Inflows

For the years ended December 31, 2024 and 2023, the Department recognized pension expense of \$889,728 and \$942,819, respectively.

The following schedule presents information about the pension related deferred outflows and deferred inflows at December 31:

	<u>2024</u>	<u>2023</u>
DEFERRED OUTFLOWS		
Contributions subsequent to the measurement date	\$ 478,954	\$ 466,934
Differences between expected and actual experience rate	46,399	41,643
Changes in assumptions	605,357	523,978
Changes in proportionate share	793,062	704,493
Difference between expected and actual earnings on pension plan investments	1,385,529	1,847,371
Total Deferred Outflows	<u><u>\$ 3,309,301</u></u>	<u><u>\$ 3,584,419</u></u>
DEFERRED INFLOWS		
Differences between expected and actual experience rate	\$ (47,143)	\$ (69,381)
Difference between expected and actual earnings on pension plan investments	(841,528)	(973,791)
Total Deferred Inflows	<u><u>\$ (888,671)</u></u>	<u><u>\$ (1,043,172)</u></u>

Amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

2025	\$ 916,331
2026	515,161
2027	627,300
2028	133,853
2029	135,436
Thereafter	92,549
Total	<u><u>\$ 2,420,630</u></u>

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

5. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Department participates in the Town of South Hadley's Other Postemployment Benefit Plan, a single employer defined benefit plan. As of January 1, 2023, the most recent actuarial valuation date, approximately 20 retirees and 25 active and inactive employees met the eligibility requirements. Benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Laws, Chapter 32. The Plan does not issue a separate financial report.

Benefits Provided

The Plan offers medical, dental, and life insurance coverage to all eligible retired employees. A retired employee hired on or after April 2, 2012 becomes eligible upon reaching age 60 with ten years of service. A retired employee hired before April 2, 2012 becomes eligible upon reaching age 55 with 10 years of service or upon completing 20 years of service.

Contributions

As of December 31, 2024 and 2023, a retired employee contributes 26% to 50% of stated premiums for their chosen medical plan, 100% of stated premiums for their chosen dental plan, and 40% of the premiums for a \$5,000 group term life insurance benefit. The Department contributes the remainder of the medical, dental and life insurance plan costs on a pay-as-you-go basis.

Rate of Return

For the years ended December 31, 2024 and 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.10% and 12.18%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Methods and Assumptions

The Department's net OPEB liability at December 31, 2024 was measured as of December 31, 2024, as determined by an actuarial study dated January 1, 2023. The Department's net OPEB liability at December 31, 2023 was measured as of December 31, 2023, as determined by an actuarial study dated January 1, 2023. The measurement date for the total OPEB liability and valuation date for the fiduciary net position were the same.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

5. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The measurement of the total OPEB liability for 2024 and 2023 was determined by an independent actuary using the entry age normal cost method. The assumptions used to measure the total OPEB liability included an inflation assumption of 2.50% in 2024 and 2023 and salary increases of 3.00% per year. Healthcare coverage assumptions include acceptance rates which were consistent with elections made by retiring employees in recent years. Mortality assumptions were based on the RP-2014 Mortality Table for Blue Collar Employees projected generationally using scale MP-2016. The forgoing table was set forward one year for females and disabled members. The healthcare cost trend assumptions are based on trend rates that approximate 4.40% in 2024 and 4.50% in 2023.

The projected long-term real rate of return on OPEB plan investments was determined using a building block method, which considers historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions. These best estimate ranges, net of long-term inflation are combined to produce the long-term expected rate of return for 2024 and 2023 were 5.63% and 5.98%, respectively.

The target allocation and best estimate of arithmetic real rates of return for each major asset classes for 2024 and 2023 are summarized in the following table:

Asset Class	2024		2023	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Cash	6.00%	0.00%	1.00%	0.00%
Domestic Equity - Large Cap	31.75%	4.52%	28.75%	4.91%
Domestic Equity - Small/Mid Cap	6.25%	5.06%	12.25%	5.29%
International Equities - Developed Markets	4.25%	5.08%	5.00%	5.32%
International Equities - Emerging Markets	4.50%	5.80%	4.75%	6.13%
Domestic Fixed Income	47.25%	2.44%	48.25%	2.30%
International Fixed Income	0.00%	2.13%	0.00%	2.02%
Real Estate	0.00%	3.73%	0.00%	6.25%
Alternatives	0.00%	6.09%	0.00%	6.35%
Totals	100.00%		100.00%	

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

5. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 5.62% in 2024 and 5.97% in 2023. The projection of cash flows used to determine the discount rate assumed that future employee and employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan employees. 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 OPEB liability.

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

The following presents the Department's net OPEB liability at December 31, 2024 and 2023, calculated using a current discount rate of 5.62% and 5.97%, respectively as well as what it would be if it were calculated using a one percent lower and one percent higher rate.

	2024		2023	
	Discount Rate	Net OPEB Liability	Discount Rate	Net OPEB Liability
1% Decrease	4.62%	\$ 1,166,360	4.97%	\$ 1,132,910
Current Rate	5.62%	\$ 900,835	5.97%	\$ 891,960
1% Increase	6.62%	\$ 682,963	6.97%	\$ 693,596

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

The following presents the Department's net OPEB liability at December 31, 2024 and 2023, calculated using a current healthcare cost trend rate, developed using the SOA Getzen Model of Long-Run Medical Cost Trends which approximate 4.40% and 4.50%, respectively as well as what it would be if it were calculated using a one percent lower and one percent higher rate.

	2024		2023	
	Healthcare Cost Trend Rate	Net OPEB Liability	Healthcare Cost Trend Rate	Net OPEB Liability
1% Decrease	3.40%	\$ 665,978	3.50%	\$ 677,226
Current Rate	4.40%	\$ 900,835	4.50%	\$ 891,960
1% Increase	5.40%	\$ 1,186,911	5.50%	\$ 1,152,367

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

5. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Net OPEB Liability

The following presents the changes in net OPEB liability for the year ended December 31:

	2024	2023
Total OPEB Liability		
Service cost	\$ 50,711	\$ 50,797
Interest	119,134	102,472
Differences between expected and actual experience	-	113,689
Changes in assumptions	27,235	(273,694)
Benefit payments, including refunds	(67,617)	(59,840)
Net Change in Total Liability	129,463	(66,576)
Total OPEB Liability - Beginning of Year	1,978,153	2,044,729
Total OPEB Liability - End of Year	\$ 2,107,616	\$ 1,978,153
Plan Fiduciary Net Position		
Employer contributions to the Trust	\$ 67,617	\$ 59,840
Benefit payments withdrawn from the Trust	(67,617)	(59,840)
Net investment income (loss)	120,588	117,956
Net Change in Fiduciary Net Position	120,588	117,956
Plan Fiduciary Net Position - Beginning of Year	1,086,193	968,237
Plan Fiduciary Net Position - End of Year	\$ 1,206,781	\$ 1,086,193
Net OPEB Liability - Beginning of Year	\$ 891,960	\$ 1,076,492
Net OPEB Liability - End of Year	\$ 900,835	\$ 891,960

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

5. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense, Deferred Outflows and Deferred Inflows

For the years ended December 31, 2024 and 2023, the Department recognized OPEB expense of \$115,740 and \$152,238, respectively.

The following presents information about the OPEB related deferred outflows and deferred inflows at December 31:

	2024	2023
DEFERRED OUTFLOWS		
Difference between expected and actual experience	\$ 69,453	\$ 91,571
Changes in assumptions	106,415	156,831
Difference between projected and actual earnings on OPEB plan investments	-	27,518
Total Deferred Outflows	\$ 175,868	\$ 275,920
DEFERRED INFLOWS		
Difference between expected and actual experience	\$ (25,875)	\$ (49,918)
Changes in assumptions	(167,200)	(220,447)
Difference between projected and actual earnings on OPEB plan investments	(16,486)	-
Total Deferred Inflows	\$ (209,561)	\$ (270,365)

Amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized in the OPEB expense as follows:

2025	\$ 30,445
2026	(3,806)
2027	(50,880)
2028	(10,197)
2029	745
Thereafter	-
Total	\$ (33,693)

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

6. NOTES PAYABLE

Notes payable at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Note payable to MMWEC, secured by the revenues of the Department. Payable in monthly installments of \$40,000 plus interest at 2.75% for the first 10 years and at the FHLB amortizing rate plus 2.5% multiplied by a tax-exempt factor of 68.86% for the next 10 years, matures March 2041.	\$ 10,200,000	\$ 10,680,000
Less: current portion	(480,000)	(480,000)
Long-term notes payable	<u>\$ 9,720,000</u>	<u>\$ 10,200,000</u>

Future principal and interest payments on long-term notes payable are as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 480,000	\$ 284,396	\$ 764,396
2026	480,000	271,013	751,013
2027	480,000	257,629	737,629
2028	480,000	244,915	724,915
2029	480,000	230,863	710,863
2030-2034	2,400,000	954,085	3,354,085
2035-2039	2,400,000	619,355	3,019,355
2040-2041	3,000,000	101,296	3,101,296
Total	<u>\$ 10,200,000</u>	<u>\$ 2,963,552</u>	<u>\$ 13,163,552</u>

Interest maturities are calculated based on 2.75%, the interest rate in effect at December 31, 2024.

7. RATE STABILIZATION RESERVE

The Department established a rate stabilization reserve to mitigate the effects of timing inherent in the operation of rate adjustment charges / credits. The Department added \$705,375 in 2024 and \$1,140,019 in 2023 to the reserve, which decreased recognized revenue. An amount equal to the rate stabilization reserve balance, which was \$2,063,615 and \$1,358,240 at December 31, 2024 and 2023 respectively, is maintained in the Department's operation fund cash.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

8. COMMITMENTS AND CONTINGENCIES

Massachusetts Municipal Wholesale Electric Company

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

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

The Light Department is also a participant in the Northeast Reliability Center (formerly known as Project 2015A), a capacity reliability resource in Peabody, Massachusetts, which began commercial operations effective June 29, 2024.

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

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

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Massachusetts Municipal Wholesale Electric Company (Continued)

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

Total capital expenditures and annual capacity, fuel, and transmission costs (which include debt service, operations and maintenance, and decommissioning expenses as discussed above), and the amount of required debt service payments (if applicable) under the PSAs, associated with the Department's Project Capability of the Projects in which it participates for the years ended December 31, 2024 and 2023 are as follows:

Projects	Share	Total Capital Expenditures 2024	Annual Capacity, Fuel and Transmission Costs 2024	2023
Nuclear Project No. 3 - Millstone	18.01%	\$ 28,295,485	\$ 2,467,916	\$ 2,043,621
Nuclear Project No. 4 - Seabrook	7.40%	22,964,233	1,016,500	940,081
Nuclear Project No. 5 - Seabrook	1.88%	1,574,164	66,610	61,722
Northeast Reliability Center	10.91%	9,055,865	973,778	246,724
		<u>\$ 61,889,747</u>	<u>\$ 4,524,804</u>	<u>\$ 3,292,148</u>

Years Ending	NE Reliability Center Debt Service
2025	\$ 466,490
2026	465,995
2027	465,893
2028	465,303
2029	464,779
2030-2034	2,320,322
2035-2039	2,321,878
2040-2044	2,314,702
2045-2049	2,308,619
2050-2051	920,953
TOTAL	<u>\$ 12,514,934</u>

Claims and Judgements

From time to time, the Department is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Department's legal counsel that the likelihood is remote that any such claim or proceeding will have a materially adverse effect on the Department's financial position or results of operations.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

9. CONCENTRATIONS

Source of Labor Supply

Forty percent of the Department's labor force is covered under a collective bargaining agreement between the South Hadley Electric Light Department and the International Brotherhood of Electrical Workers Local Union 455. The agreement expires June 30, 2027.

Major Customer

The Department had one customer whose revenue individually represented 10% of the total revenue in 2024. Amounts due from this customer at December 31, 2024 was \$1,226.

10. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters, for which the Department carries commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of coverage in 2024, 2023, and 2022.

Pursuant to the Global Warnings Solutions Act, in 2020, the Commonwealth of Massachusetts established a 2050 statewide limit for greenhouse gas emissions of net zero. The Department continues to monitor changes in the legislation and the potential impact to operations.

11. RELATED PARTY TRANSACTIONS

The Department provides electric and telecommunications services to the Town. Total sales to the Town for the years ended December 31, 2024 and 2023 were \$811,468 and \$780,431, respectively. Amounts due from the Town related to sales included in accounts receivable at December 31, 2024 and 2023 were \$6,056 and \$4,896, respectively.

The Department reimburses the Town for the cost of employee health and life insurance and for the estimated cost of administrative and other services rendered by the Town. The cost of employee health and life insurance is reflected as an administrative expense and the estimated cost of administrative services is reflected as a Transfer to Town. Amounts due to the Town related to reimbursements included in accounts payable at December 31, 2024 and 2023 were \$5,565 and \$5,205, respectively.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 26, 2025, the date of which the financial statements were available to be issued.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

RETIREMENT PLAN

Schedule of Changes in Net Pension Liability and Related Ratios

Changes in assumptions – As part of the January 1, 2024 valuation, the discount rate was changed from 6.90% to 6.80%.

Schedule of Proportionate Share of Net Pension Liability

The following schedules present the multi-year trend information regarding the Department's proportionate share of the Hampshire County Retirement System's net pension liability for the years ending December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability for the most recent measurement date	2.8919%	2.7406%	2.5530%	2.4299%	2.3916%	2.0822%	2.0416%	2.3129%	1.8110%	1.5959%
Proportionate share of net pension liability for the most recent measurement rate	\$ 5,299,754	\$ 5,488,551	\$ 3,197,824	\$ 4,325,890	\$ 4,777,168	\$ 4,490,427	\$ 3,741,794	\$ 4,058,779	\$ 3,761,021	\$ 2,976,687
Covered payroll for the most recent measurement date	\$ 2,951,331	\$ 2,651,966	\$ 2,310,478	\$ 2,131,511	\$ 2,043,090	\$ 1,753,088	\$ 1,546,557	\$ 1,457,146	\$ 1,465,393	\$ 1,274,741
Proportionate share of net pension liability (asset) as a percentage of covered payroll	179.57%	206.96%	138.41%	202.95%	233.82%	256.14%	241.94%	278.54%	256.66%	233.51%
Plan fiduciary net position as a percentage of the total pension liability	72.12%	68.08%	79.19%	69.34%	64.25%	58.89%	63.15%	55.61%	55.29%	58.08%

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

RETIREMENT PLAN (CONTINUED)

Schedule of Employer Contributions to the Pension Plan

The following schedules present the multi-year trend information regarding employer contributions to the plan for the years ending December 31:

	<u>2024</u>	<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>
Actuarially determined contribution	\$ 945,888	\$ 850,787	\$ 742,462	\$ 784,378	\$ 558,770	\$ 463,027	\$ 429,738	\$ 363,635	\$ 337,338	\$ 278,338
Contribution in relation to the actuarially determined contribution	945,888	850,787	742,462	784,378	558,770	463,027	429,738	363,635	337,338	278,338
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,951,331	\$ 2,651,966	\$ 2,310,478	\$ 2,131,511	\$ 2,043,090	\$ 1,753,088	\$ 1,546,557	\$ 1,457,146	\$ 1,465,393	\$ 1,274,741
Contribution as a percentage of covered employee payroll	32.05%	32.08%	32.13%	36.80%	27.35%	26.41%	27.79%	24.96%	23.02%	21.83%

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

OTHER POST-EMPLOYMENT BENEFIT PLANS

Schedule of Changes in Net OPEB Liability and Related Ratios:

The following schedules present the multi-year trend information that demonstrates the components of change in the net OPEB liability from year to year, as well as trends in related statistical information. Information is presented related to all periods for which the required data is available. Amounts presented are determined as of the measurement date of December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability									
Service cost	\$ 50,711	\$ 50,797	\$ 47,561	\$ 43,772	\$ 41,792	\$ 40,166	\$ 34,695	\$ 30,944	\$ 30,942
Interest	119,134	102,472	102,459	93,233	90,622	72,368	68,019	67,503	71,255
Differences between expected and actual experience	-	113,689	(39,937)	(49,487)	(30,795)	133,260	-	(120,349)	-
Changes in assumptions	27,235	(273,694)	60,607	301,162	-	122,045	47,800	-	-
Benefit payments, including refunds	(67,617)	(59,840)	(59,256)	(65,193)	(51,401)	(52,567)	(61,941)	(58,106)	(45,495)
Net Change in Total Liability	129,463	(66,576)	111,434	323,487	50,218	315,272	88,573	(80,008)	56,702
Total OPEB Liability - Beginning of Year	1,978,153	2,044,729	1,933,295	1,609,808	1,559,590	1,244,318	1,155,745	1,235,753	1,179,051
Total OPEB Liability - End of Year	\$ 2,107,616	\$ 1,978,153	\$ 2,044,729	\$ 1,933,295	\$ 1,609,808	\$ 1,559,590	\$ 1,244,318	\$ 1,155,745	\$ 1,235,753
Plan Fiduciary Net Position									
Employer contributions to the Trust	\$ 67,617	\$ 59,840	\$ 59,256	\$ 65,193	\$ 51,401	\$ 52,567	\$ 61,941	\$ 58,106	\$ 45,495
Benefit payments withdrawn from the Trust	(67,617)	(59,840)	(59,256)	(65,193)	(51,401)	(52,567)	(61,941)	(58,106)	(45,495)
Net investment income (loss)	120,588	117,956	(156,474)	130,268	117,524	143,406	(31,929)	99,231	50,403
Net Change in Fiduciary Net Position	120,588	117,956	(156,474)	130,268	117,524	143,406	(31,929)	99,231	50,403
Plan Fiduciary Net Position - Beginning of Year	1,086,193	968,237	1,124,711	994,443	876,919	733,513	765,442	666,211	615,808
Plan Fiduciary Net Position - End of Year	\$ 1,206,781	\$ 1,086,193	\$ 968,237	\$ 1,124,711	\$ 994,443	\$ 876,919	\$ 733,513	\$ 765,442	\$ 666,211
Net OPEB Liability - Beginning of Year	\$ 891,960	\$ 1,076,492	\$ 808,584	\$ 615,365	\$ 682,671	\$ 510,805	\$ 390,303	\$ 569,542	\$ 563,243
Net OPEB Liability - End of Year	\$ 900,835	\$ 891,960	\$ 1,076,492	\$ 808,584	\$ 615,365	\$ 682,671	\$ 510,805	\$ 390,303	\$ 569,542

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Schedule of Changes in Net OPEB Liability and Related Ratios (continued):

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	57.26%	54.91%	47.35%	58.18%	61.77%	56.23%	58.95%	66.23%	53.91%
Covered Employee Payroll	\$ 3,039,871	\$ 2,951,331	\$ 2,651,966	\$ 2,310,478	\$ 2,131,511	\$ 2,043,090	\$ 1,753,088	\$ 1,546,557	\$ 1,457,146
Net OPEB Liability as a Percentage of Covered Employee Payroll	29.63%	30.22%	40.59%	35.00%	28.87%	33.41%	29.14%	25.24%	39.09%
Annual Money Weighted Rate of Return on OPEB Plan Investments	11.10%	12.18%	13.91%	13.10%	13.40%	19.55%	-4.17%	14.89%	8.18%

Changes in assumptions – As part of the December 31, 2024 valuation, the discount rate was changed from 5.97% to 5.62% and the long-term expected rate of return was changed from 5.98% to 5.63%. As part of the December 31, 2023 valuation, the discount rate was changed from 4.96% to 5.97% and the long-term expected rate of return was changed from 5.00% to 5.98%.

Schedule of Employer Contributions to the OPEB Plan

The following schedules present the multi-year trend information regarding employer contributions to the plan for the years ending December 31:

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 92,928	\$ 94,365	\$ 94,101	\$ 80,006	\$ 71,081	\$ 85,817	\$ 70,956	\$ 61,730	\$ 45,495
Contribution in relation to the actuarially determined contribution	67,617	59,840	59,256	65,193	51,401	52,567	61,941	58,106	45,495
Contribution deficiency (excess)	<u>\$ 25,311</u>	<u>\$ 34,525</u>	<u>\$ 34,845</u>	<u>\$ 14,813</u>	<u>\$ 19,680</u>	<u>\$ 33,250</u>	<u>\$ 9,015</u>	<u>\$ 3,624</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,039,871	\$ 2,951,331	\$ 2,651,966	\$ 2,310,478	\$ 2,131,511	\$ 2,043,090	\$ 1,753,088	\$ 1,546,557	\$ 1,457,146
Contribution as a percentage of covered employee payroll	2.22%	2.03%	2.23%	2.82%	2.41%	2.57%	3.53%	3.76%	3.12%

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
OTHER INFORMATION (Unaudited)
SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING EXPENSES		
Cost of Power Sold		
Purchased power	\$ 7,164,086	\$ 6,734,236
Transmission expense	2,945,886	2,777,236
Supplies and expense	417,155	446,293
Total Cost of Power Sold	<u>10,527,127</u>	<u>9,957,765</u>
Distribution Expense		
Salaries and wages	894,848	779,701
Supplies and expense	746,215	698,274
Total Distribution Expense	<u>1,641,063</u>	<u>1,477,975</u>
Customer Accounts Expense		
Salaries and wages	307,559	371,436
Supplies and expense	367,064	306,714
Total Customer Accounts Expense	<u>674,623</u>	<u>678,150</u>
General and Administrative Expense		
Salaries and wages	1,699,298	1,376,579
Supplies and expense	2,483,722	2,483,888
Pension and benefits	1,169,189	1,180,853
Insurance	179,404	180,630
Legal and consulting	98,612	100,267
Total General and Administrative Expense	<u>5,630,225</u>	<u>5,322,217</u>
Depreciation Expense		
Distribution and general plant	1,536,988	1,415,444
TOTAL OPERATING EXPENSES	<u><u>\$ 20,010,026</u></u>	<u><u>\$ 18,851,551</u></u>

See Independent Auditors' Report.