

**TOWN OF CONCORD, MASSACHUSETTS
CONCORD MUNICIPAL LIGHT PLANT**

Annual Financial Statements

For the Year Ended December 31, 2016

Concord Municipal Light Plant

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INDEPENDENT AUDITORS' REPORT

To the Municipal Lighting Commission
Town of Concord Municipal Light Plant

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Town of Concord Municipal Light Plant ("the Plant") (an enterprise fund of the Town of Concord, Massachusetts), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Town of Concord Municipal Light Plant, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Plant's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Reporting Entity

As discussed in Note 1, the financial statements of the Town of Concord Municipal Light Plant are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the Town of Concord, Massachusetts that is attributable to the transactions of the Concord Municipal Light Plant. They do not purport to, and do not, present fairly the financial position of the Town of Concord, Massachusetts as of December 31, 2016, and the changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of OPEB Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Pension Contributions 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 state-

ments, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Concord Municipal Light Plant's basic financial statements. The supplementary schedules appearing on pages 32-33 are presented for purposes of additional analysis and are not a required part of 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 assurance on it.

Melanson Heath

November 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Concord Municipal Light Plant ("the Plant"), we offer readers this narrative overview and analysis of the Plant's financial activities for the year ended December 31, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses and Changes in Net Position, (3) the Statement of Cash Flows, and (4) Notes to Financial Statements.

The Statement of Net Position is designed to indicate our financial position at a specific point in time. As of December 31, 2016, it shows our net position as \$46,792,352, which is comprised of \$33,643,395 invested in capital assets net of related long-term debt, \$2,575,667 restricted for the depreciation fund, and \$10,573,290 unrestricted.

The Statement of Revenues, Expenses, and Changes in Net Position summarize our operating results. As discussed in more detail below, the change in net position after the payment in lieu of taxes for the year ended December 31, 2016 was \$1,459,290.

A comparison to the Net Position at December 31, 2016 is shown in the table below. The net investment in capital assets increased by \$1,399,670, and the restricted depreciation fund decreased by \$(81,399) compared to December 31, 2015. The unrestricted assets increased by \$141,019.

	<u>12/31/16</u>	<u>12/31/15</u>	<u>Change</u>
Net invested in capital assets	\$ 33,643,395	\$ 32,243,725	\$ 1,399,670
Restricted for depreciation fund	2,575,667	2,657,066	(81,399)
Unrestricted	<u>10,573,290</u>	<u>10,432,271</u>	<u>141,019</u>
Total Net Position	<u>\$ 46,792,352</u>	<u>\$ 45,333,062</u>	<u>\$ 1,459,290</u>

The Statement of Cash Flows provides information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our Statement of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in 2016.

The following is a summary of the Plant's financial data for the current year and the prior two years.

Summary of Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 16,273,390	\$ 16,414,769	\$ 14,671,640
Noncurrent assets	49,030,262	47,198,419	45,413,584
Deferred outflows	<u>1,107,052</u>	<u>196,240</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 66,410,704</u>	<u>\$ 63,809,428</u>	<u>\$ 60,085,224</u>
Current liabilities	\$ 5,296,374	\$ 5,417,568	\$ 7,409,171
Noncurrent liabilities	8,763,706	8,252,125	7,068,903
Deferred inflows	<u>5,558,272</u>	<u>4,806,673</u>	<u>-</u>
Total liabilities and deferred inflows	19,618,352	18,476,366	14,478,074
Net position:			
Net investment in capital assets	33,643,395	32,243,725	31,748,283
Restricted for depreciation fund	2,575,667	2,657,066	1,957,878
Unrestricted	<u>10,573,290</u>	<u>10,432,271</u>	<u>11,900,989</u>
Total net position*	<u>46,792,352</u>	<u>45,333,062</u>	<u>45,607,150</u>
Total liabilities, deferred inflows, and net position	<u>\$ 66,410,704</u>	<u>\$ 63,809,428</u>	<u>\$ 60,085,224</u>

Summary of Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 26,176,369	\$ 26,216,645	\$ 26,378,663
Operating expenses	<u>(24,164,319)</u>	<u>(23,986,722)</u>	<u>(24,078,883)</u>
Operating income	2,012,050	2,229,923	2,299,780
Non-operating revenues (expenses)	<u>(63,106)</u>	<u>(168,745)</u>	<u>(151,061)</u>
Net income before other financing sources	1,948,944	2,061,178	2,148,719
Other financing sources			
Loss on disposal of capital assets	(24,154)	(145,877)	(29,721)
Payment in lieu of taxes	(465,500)	(472,400)	(458,650)
Surplus reduction	<u>-</u>	<u>-</u>	<u>(600,000)</u>
Change in net position	<u>\$ 1,459,290</u>	<u>\$ 1,442,901</u>	<u>\$ 1,060,348</u>

B. FINANCIAL HIGHLIGHTS

Operating revenues for 2016 decreased by \$(40,276) or .15% from 2015. This decrease was caused primarily because of a decrease of customer charges for purchase power and fuel charges.

Total operating expenses for 2016 increased by \$177,597 or .74% from 2015. The largest portion of this increase was caused by an increase in various customer accounts.

The transfer to the Town of Concord General Fund decreased from the prior year by \$(6,900) to \$465,500, in accordance with the vote of Article 51 of the 2016 Annual Town Meeting.

C. CAPITAL ASSETS

Capital assets. The Plant's total investment in capital assets at year-end was \$40,273,396 (net of accumulated depreciation but before related debt of \$6,630,000, an increase of \$1,082,171 from the prior year. This investment in capital assets includes land, construction in progress, structures and improvements, equipment and furnishings, transmission, distribution and communications assets.

Long-term debt. At December 31, 2016, total bonded debt was \$6,630,000.

D. OTHER INFORMATION

Broadband Operations

In 2014 CMLP brought a municipal high-speed internet service to market using its fiber optic network. The April 2013 Annual Town Meeting approved Article 48 which authorized borrowing of up to \$1,000,000 to fund telecommunications startup expenses. In 2016 CMLP borrowed an additional \$500,000 with a one-year Bond Anticipation Note to continue to expand the telecommunications operation. During the 2016 calendar year, CMLP repaid \$50,000 of the total \$600,000 borrowing resulting in a total borrowing of \$525,000. By December 31, 2016, CMLP had 750 commercial and residential customers connected, an increase of 300 customers over the previous year. As of December 2016, annualized revenue from Broadband was \$556,248.

REQUESTS FOR INFORMATION

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

CMLP Director
Town of Concord Municipal Light Plant
1175 Elm Street
P.O. Box 1029
Concord, Massachusetts, 01742

TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENT OF NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current:		
Unrestricted cash and short-term investments	\$ 8,064,104	\$ 7,821,170
Receivables, net of allowance for uncollectable	4,021,641	4,354,391
Prepaid expenses	3,076,716	3,060,984
Inventory	1,102,209	1,173,294
Other	<u>8,720</u>	<u>4,930</u>
Total current assets	16,273,390	16,414,769
Noncurrent:		
Restricted cash	8,432,125	7,787,308
Investment in associated companies	324,741	159,821
Other post-employment benefits	-	60,065
Land and construction in progress	4,684,289	4,152,014
Capital assets, net of accumulated depreciation	<u>35,589,107</u>	<u>35,039,211</u>
Total noncurrent assets	49,030,262	47,198,419
DEFERRED OUTFLOWS OF RESOURCES	<u>1,107,052</u>	<u>196,240</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	66,410,704	63,809,428
LIABILITIES		
Current:		
Accounts payable	3,880,548	3,586,128
Accrued liabilities	132,796	111,081
Customer deposits	355,273	320,226
Customer advances for construction	103,486	200,586
Notes payable	-	400,000
Current portion of long-term liabilities:		
Bonds payable	817,500	792,500
Accrued employee compensated absences	<u>6,771</u>	<u>7,047</u>
Total current liabilities	5,296,374	5,417,568
Noncurrent:		
Bonds payable, net of current portion	5,812,500	6,155,000
Accrued employee compensated absences	128,640	133,886
Unamortized bond premium	329,785	323,840
Other post-employment benefits	5,239	-
Net pension liability	<u>2,487,542</u>	<u>1,639,399</u>
Total noncurrent liabilities	8,763,706	8,252,125
DEFERRED INFLOWS OF RESOURCES	<u>5,558,272</u>	<u>4,806,673</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	19,618,352	18,476,366
NET POSITION		
Net investment in capital assets	33,643,395	32,243,725
Restricted for depreciation fund	2,575,667	2,657,066
Unrestricted	<u>10,573,290</u>	<u>10,432,271</u>
TOTAL NET POSITION	<u>\$ 46,792,352</u>	<u>\$ 45,333,062</u>

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

TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ <u>26,176,369</u>	\$ <u>26,216,645</u>
Total Operating Revenues	26,176,369	26,216,645
Operating Expenses:		
Purchase power	16,898,428	17,287,536
Operating	3,376,376	3,278,138
Depreciation	1,778,212	1,766,403
Customer accounts	1,140,366	562,813
Distribution	895,391	999,428
Transmission	<u>75,546</u>	<u>92,404</u>
Total Operating Expenses	<u>24,164,319</u>	<u>23,986,722</u>
Operating Income	2,012,050	2,229,923
Nonoperating Revenues (Expenses):		
Interest income	122,590	37,816
Interest expense	(223,425)	(237,234)
Other	<u>37,729</u>	<u>30,673</u>
Total Nonoperating Revenues (Expenses), Net	<u>(63,106)</u>	<u>(168,745)</u>
Net Income Before Other Financing Sources	1,948,944	2,061,178
Other financing (uses):		
Loss on disposal of capital assets	(24,154)	(145,877)
Payment in lieu of taxes	<u>(465,500)</u>	<u>(472,400)</u>
Total other financing (uses)	<u>(489,654)</u>	<u>(618,277)</u>
Change in Net Position	1,459,290	1,442,901
Net Position at Beginning of Year	<u>45,333,062</u>	<u>43,890,161</u>
Net Position at End of Year	<u>\$ <u>46,792,352</u></u>	<u>\$ <u>45,333,062</u></u>

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

TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 27,366,466	\$ 27,709,120
Payments to other suppliers of goods or services	(18,911,101)	(18,636,082)
Payments to employees	<u>(3,180,898)</u>	<u>(2,872,952)</u>
Net Cash Provided By Operating Activities	5,274,467	6,200,086
<u>Cash Flows From Noncapital Financing Activities:</u>		
Payment in lieu of taxes	<u>(465,500)</u>	<u>(472,400)</u>
Net Cash (Used For) Noncapital Financing Activities	(465,500)	(472,400)
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(2,771,557)	(2,217,267)
Gain or loss on disposition of assets	(112,979)	257,044
Proceeds from bond anticipation notes	-	400,000
Proceeds from bonds	-	400,000
Contributions in aid of construction	(97,100)	139,100
Principal payments on bonds	(717,500)	(847,500)
Interest expense	(223,425)	(237,234)
Other	<u>43,674</u>	<u>16,208</u>
Net Cash (Used For) Capital and Related Financing Activities	(3,878,887)	(2,089,649)
<u>Cash Flows From Investing Activities:</u>		
Investment income	122,590	37,815
(Increase) in restricted cash and investments	<u>(164,919)</u>	<u>-</u>
Net Cash Provided By (Used For) Investing Activities	<u>(42,329)</u>	<u>37,815</u>
Net Change in Cash and Short-Term Investments	887,751	3,675,852
Unrestricted Cash and Short Term Investments, Beginning of Year	<u>15,608,478</u>	<u>11,932,626</u>
Unrestricted Cash and Short Term Investments, End of Year	<u>\$ 16,496,229</u>	<u>\$ 15,608,478</u>
<u>Reconciliation of Operating Income to Net Cash:</u>		
Operating income	\$ 2,012,050	\$ 2,229,923
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	1,778,212	1,766,403
(Increase) decrease in:		
Accounts receivable	279,900	101,736
Prepaid and other assets	-	306,099
Inventory	71,085	(212,004)
Other assets	(817,420)	(196,240)
Accounts payable and accrued liabilities	294,420	805,063
Accrued expenses	21,715	(37,592)
Provision for stabilization	876,802	1,319,077
Net pension liability	848,143	(77,592)
Other liabilities	<u>(90,440)</u>	<u>195,213</u>
Net Cash Provided By Operating Activities	<u>\$ 5,274,467</u>	<u>\$ 6,200,086</u>

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

Town of Concord Municipal Light Plant

Notes to Financial Statements

1. Summary of Significant Accounting Policies

- A. Reporting Entity – These financial statements present only the Town of Concord Municipal Light Plant (“the Plant”), an enterprise fund of the Town of Concord, Massachusetts. These financial statements are not intended to and do not, present fairly the financial position of the Town of Concord, Massachusetts and the results of its operations and cash flows, in conformity with accounting principles generally accepted in the United States of America.
- B. Business Activity – The Plant purchases electricity which it distributes to consumers within the Town of Concord, Massachusetts. The Plant operates under the provisions of Chapter 164 of the Massachusetts General Laws, with a Municipal Light Board appointed by the Town Manager. The Town Manager appoints the CMLP Director who has full charge of the day-to-day operations and management of the Plant, under the general direction of the Town Manager.
- C. Regulation and Basis of Accounting – Under Massachusetts General Laws, the Plant’s electric rates are set by the Municipal Light Board. Electric rates, excluding the fuel charge, cannot be changed more often than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general authority over the Plant, the Plant’s rates are not subject to DPU approval. The Plant’s policy is to prepare its financial statements in conformity with generally accepted accounting principles.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- D. Concentrations – The Plant operates within the electric utility industry which has undergone significant restructuring and deregulation. Legislation enacted by the Commonwealth of Massachusetts in 1998 introduced competition and provided consumers with additional power supply choices while assuring continued reliable service. However, municipal electric utilities are not currently subject to this legislation.

- E. Revenues – Revenues are based on rates established by the Plant and filed with the DPU. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal period.

A key component of operating revenues is the Purchased Power & Fuel Cost Adjustment (PP&FCA). This adjustment allows the Plant to recover fluctuating power supply and fuel costs from customers by increasing or decreasing their energy charges per kilowatt hour by the amount that actual power supply and fuel costs exceed their standard base rate.

- F. Cash and Short-term Investments – For the purpose of the Statements of Cash Flows, the Plant considers all unrestricted cash on deposit with the Town Treasurer as cash and short-term investments. For the purposes of the Statements of Net Position, the Plant considers investments with original maturities of three months or less to be short-term investments.

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

- H. Capital Assets and Depreciation – Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value, and any cash proceeds, is charged to the Plant's unrestricted net position.

Massachusetts General Laws require utility plant in service to be depreciated at an annual rate of three percent. Temporary increases in annual depreciation rates may be made for financial factors relating to cash flow for plant expansion, and are subject to DPU notification and review.

- I. Compensated Absences – The employment benefit plan, consistent with the Town's policy, provides that employees are entitled to a minimum of ten days vacation per year up to twenty-five days per year depending on years of service and employment classification. Employees are allowed to accumulate monthly and carry forward to the following month their unused vacation days for a year subject to a cap equal to the employees' annual rate of accrual plus five days.

- J. Long-term Obligations – The financial statements report long-term debt and other long-term obligations as liabilities in the Statement of Net Position.
- K. Equity – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Plant or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The remaining net position is reported as unrestricted.
- L. Use of Estimates – The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.
- M. Rate of Return – The Plant’s rates must be set such that earnings attributable to electric operations do not exceed eight percent of the net cost of plant. In 2016, the Plant’s earnings did not materially exceed this threshold.

2. Cash and Short-Term Investments

A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a bank failure, the Plant’s deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits “in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Town of Concord is responsible for implementing policies for deposit custodial credit risk.

Because all of the Plant’s cash is in the custody of the Town’s Treasurer, all bank accounts are maintained in the name of the Town. At December 31, 2016, virtually all of the total bank balances are held in MMDT, the local government money market investment pool, for which the State Treasurer is sole trustee and which is managed by Federated Investors under contract to the State Treasurer.

3. Receivables

Receivables consist of the following at December 31, 2016:

Customer Accounts:		
Billed	\$ 2,060,192	
Less allowances:		
Uncollectible accounts	<u>(30,000)</u>	
Total billed		2,030,192
Unbilled, net		<u>1,756,563</u>
Total customer accounts		3,786,755
Other Accounts:		
Merchandise sales	140,801	
Liens and other	<u>94,085</u>	
Total other accounts		<u>234,886</u>
Total net receivables		<u>\$ 4,021,641</u>

4. Prepaid Expenses

Prepaid expenses consist primarily of advance payments for purchased power.

Purchased power	\$ 2,929,963
NYPA prepayment fund	85,884
Pension	10,750
Insurance and other	<u>50,119</u>
Total	<u>\$ 3,076,716</u>

5. Inventory

Inventory comprises supplies and materials at December 31, 2016 and is valued using the average cost method.

6. Restricted Cash

Restricted cash consists of the following at December 31, 2016:

Bond fund 2007-2017	\$	25,000
Bond fund 2011-2026		200,000
Bond fund 2014-2027		175,000
Bond fund 2015-2021		20,833
Bond interest fund		35,332
Broadband bond fund 2014-2018		14,583
Broadband bond fund 2016-2021		29,167
Customer advances for construction fund		103,486
Customer deposits fund		355,273
Depreciation fund		2,575,667
Emergency repairs fund		1,130,000
Rate stabilization fund		2,426,782
Underground fund		1,158,319
Worker's compensation insurance fund		<u>182,683</u>
Total	\$	<u>8,432,125</u>

The Plant maintains the following restricted cash and investment accounts:

- Bond funds – These funds consist of current bond principal and interest payable being set aside monthly for interest and bond payments due within twelve months per the Massachusetts Department of Public Utilities.
- Bond interest fund – This fund consists of current bond interest payable being set aside monthly for bond interest payments due within twelve months per the Massachusetts Department of Public Utilities.
- Customer advances for construction fund – This represents customer deposits held for special construction projects.
- Customer deposits fund – This represents residential and commercial customer service deposits that are held in escrow.
- Depreciation fund – The Plant reserves 3.0% of depreciable utility plant assets each year to fund current and future capital improvements.
- Emergency repairs fund – This fund was established to be used in the event of a major equipment failure.
- Rate stabilization fund – This account is used to stabilize customer rates and reflects the accumulated difference between estimated and actual purchase power costs.

- Underground fund – This fund was established in 1987 for the purpose of placing existing overhead lines underground. Currently a 1.5% charge on all electric bills is used to replenish this fund.
- Worker’s compensation insurance fund – The Plant maintains a self-insurance fund for payment of workers compensation claims and for injury and damage claims.

7. Investment in Associated Companies

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Plant has made advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Plant is carrying its investment at cost, reduced by shares repurchased. As of December 31, 2016, the market value of these investments cannot be readily determined.

The Light Plant also purchased a five percent interest in Energy New England, LLC for \$150,000 in 2007. Energy New England is an energy and energy services cooperative established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. Energy New England functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. The balance, reflected at cost, was \$314,920 as of December 31, 2016.

Investment in associated companies consists of the following, at December 31, 2016:

Hydro-Quebec	\$ 9,821
Energy New England, LLC	<u>314,920</u>
Total	<u><u>\$ 324,741</u></u>

8. Capital Assets

The following is a summary of fiscal year 2016 capital asset activity (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Structures and improvements	\$ 8,610	\$ 92	\$ -	\$ 8,702
Equipment and furnishings	13,290	369	(34)	13,625
Infrastructure	35,284	1,910	(94)	37,100
Intangible	2,086	-	-	2,086
Total capital assets, being depreciated	59,270	2,371	(128)	61,513
Less accumulated depreciation for:				
Structures and improvements	(3,626)	(258)	-	(3,884)
Equipment and furnishings	(4,682)	(540)	34	(5,188)
Infrastructure	(15,190)	(1,005)	94	(16,101)
Intangible	(733)	(18)	-	(751)
Total accumulated depreciation	(24,231)	(1,821)	128	(25,924)
Total capital assets, being depreciated, net	35,039	550	-	35,589
Capital assets, not being depreciated:				
Land	1,180	7	-	1,187
Construction in progress	2,972	1,639	(1,114)	3,497
Total capital assets, not being depreciated	4,152	1,646	(1,114)	4,684
Capital assets, net	\$ 39,191	\$ 2,196	\$ (1,114)	\$ 40,273

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Plant that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of December 31, 2016, which all relate to pension:

Differences between expected and actual experience	\$ 96,851
Net difference between projected and actual investment earnings	494,612
Changes in assumptions	298,663
Changes in proportion and differences between contributions and proportionate share of contributions	5,379
Pension plan contributions subsequent to the measurement date	211,547
Total	\$ 1,107,052

10. Accrued Liabilities

Accrued liabilities consist of the following at December 31, 2016:

Accrued payroll	\$ 67,965
Accrued sales tax	33,052
Accrued bond interest	<u>31,779</u>
Total	\$ <u>132,796</u>

11. Customer Deposits

This balance represents deposits received from residential and commercial customers that are held in escrow. Earned interest is applied to customer accounts at year-end or when the deposit is applied to their closed accounts.

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the Plant. General obligation bonds currently outstanding are as follows:

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Coupon Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/16</u>
Infrastructure improvements	03/01/17	4.00% - 5.00%	\$ 30,000
Smart grid	05/15/26	2.00% - 4.00%	2,500,000
Light plant expansion	06/01/27	2.07%	3,300,000
Telecom	06/01/18	3.00%	50,000
W.R. Grace land acquisition	09/15/21	3.00%	275,000
Telecom	09/15/21	4.00%	<u>475,000</u>
Total Business-Type Activities			\$ <u>6,630,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2016 are as follows:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 817,500	\$ 205,599	\$ 1,023,099
2018	787,500	178,876	966,376
2019	750,000	151,624	901,624
2020	750,000	125,126	875,126
2021	725,000	98,624	823,624
2022 - 2026	2,500,000	218,564	2,718,564
2027 - 2031	<u>300,000</u>	<u>3,750</u>	<u>303,750</u>
Total	<u>\$ 6,630,000</u>	<u>\$ 982,163</u>	<u>\$ 7,612,163</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

<u>Business-Type Activities</u>	<u>Total Balance 1/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 12/31/16</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 12/31/16</u>
General obligation bonds	\$ 6,947,500	\$ 512,500	\$ (830,000)	\$ 6,630,000	\$ (817,500)	\$ 5,812,500
Compensated absence	140,933	-	(5,522)	135,411	(6,771)	128,640
Unamortized premium	323,840	5,945	-	329,785	-	329,785
Other post-employment benefits	-	5,239	-	5,239	-	5,239
Net pension liability	<u>1,639,399</u>	<u>848,143</u>	<u>-</u>	<u>2,487,542</u>	<u>-</u>	<u>2,487,542</u>
Totals	<u>\$ 9,051,672</u>	<u>\$ 1,371,827</u>	<u>\$ (835,522)</u>	<u>\$ 9,587,977</u>	<u>\$ (824,271)</u>	<u>\$ 8,763,706</u>

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Plant that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Plant reports items as deferred inflows of resources which arise from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds.

Provision for rate stabilization	\$ 5,375,590
Provision for injuries and damages	<u>182,682</u>
	<u>\$ 5,558,272</u>

14. Restricted Net Position

Restricted net position is reported when external constraints are placed on net position. Specifically, restricted net position represents depreciation fund reserves, which are restricted for future capital costs.

15. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Plant is involved. The Plant's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Outstanding Legal Issues – There are several pending legal issues in which the Plant is involved. The Plant's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

16. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statements of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statements of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described in Note 17, the Plant provides post-employment health and life insurance benefits for retired employees through the Town of Concord's plan with Minuteman-Nashoba Health Group. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2016, the actuarial valuation date, approximately 22 retirees and 62 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Plant provides post-employment medical and life insurance benefits to all eligible retirees and their surviving spouses. All active employees who

retire from the Plant and meet the eligibility criteria will be eligible to receive these benefits.

C. Funding Policy

Medicare eligible retirees contribute 50% of the cost of the medical and prescription drug plan. Early retirees and non-Medicare eligible retirees age 65 or greater remain eligible for coverage under active employee plans and contribute at active employee rates ranging from 37% to 48%. Retirees also contribute 50% of the premium for a \$5,000 life insurance benefit. The Plant contributes the remainder of the medical and life insurance plan costs on an actuarial funding plan.

D. Annual OPEB Costs and Net OPEB Obligation

The Plant's 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Plant's annual OPEB cost for the year ending December 31, 2016, the amount actually contributed to the plan, and the change in the Plant's net OPEB obligation based on an actuarial valuation as of June 30, 2016.

Annual Required Contribution (ARC)	\$ 182,328
Interest on net OPEB obligation	(4,355)
Adjustment to ARC	<u>3,934</u>
Annual OPEB cost	181,907
Premiums and implicit subsidy paid	<u>(116,603)</u>
Increase in net OPEB obligation	65,304
Net OPEB obligation (asset) - beginning of year	<u>(60,065)</u>
Net OPEB obligation - end of year	<u><u>\$ 5,239</u></u>

The Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 181,907	64.10%	\$ 5,239
2015	\$ 127,439	78.77%	\$ (60,065)
2014	\$ 122,288	73.64%	\$ (87,120)

The Plant's net OPEB asset as of December 31, 2016 is recorded as a component of "assets" line item in the Statement of Net Position.

E. Funded Status and Funding Progress

The OPEB Trust fund assets are held by the Town Treasurer in a single fund, with a share of assets attributed to the Plant. The funded status of the plan as of June 30, 2016, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,210
Actuarial value of plan assets	<u>826</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,384</u>
Funded ratio (actuarial value of plan assets/AAL)	37.4%
Covered payroll (active plan members)	\$ 2,793
UAAL as a percentage of covered payroll	49.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Plant and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Plant and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return and an initial annual health care cost trend rate range of 4.0% to 9.2% which decreases to a 5.0% long-term rate for all health care benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 3.25% per year for a period of 25 years.

17. Retirement System

The Plant follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Plant are members of the Town of Concord Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports which can be obtained through the Town of Concord Contributory Retirement System at Town House, Concord, Massachusetts.

Participant Retirement 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 for those hired prior to April 2, 2012 and the highest five-year average for those first becoming members of the MA System on or after that date. 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 attaining 20 years of service. The plan also provides for retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Plant payroll on January 1, 1978, (3) voluntarily left Plant employment on or after that date, and (4) left accumulated annuity deductions in the fund. A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 50 for groups 1 and 2, respectively. 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.

Participant Refunds

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 less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Plant's contribution to the System for the year ended December 31, 2016 was \$423,095, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Plant reported a liability of \$2,487,542 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The Plant's proportion of the net pension liability was based on a projection of the Plant's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At January 1, 2015, the Plant's proportion was 9.04 percent.

For the year ended December 31, 2016, the Plant recognized pension expense of \$436,756. In addition, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 96,851
Net difference between projected and actual earnings on pension plan investments	494,612
Changes of assumptions	298,663
Changes in proportion and differences between contributions and proportionate share of contributions	5,379
Contributions subsequent to the measurement date	<u>211,547</u>
Total	<u>\$ 1,107,052</u>

The amount \$211,547 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 200,540
2018	200,540
2019	200,540
2020	227,069
2021	<u>66,816</u>
Total	<u>\$ 895,505</u>

D. Actuarial Assumptions:

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.25%
Post-retirement cost-of-living adjustment	3% of first \$12,000 annually (\$1,000 monthly)
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Mortality Table projected to 2012 with Scale AA. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table set forward five years.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of the most recent actuarial experience study dated January 31, 2014, which was for the period January 1, 2013 through December 31, 2013.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	1.0%	-2.90%
Global Equity	49.8%	4.90%
Core Fixed Income	25.6%	0.70%
Value-Added Fixed Income	3.6%	3.70%
Private Equity	3.6%	6.30%
Real Estate	8.8%	3.40%
Timberland	1.5%	4.00%
Hedge Funds	4.6%	3.40%
Portfolio Completion	1.5%	3.10%

E. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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.

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

The following presents the Plant's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Plant's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2016	\$ 3,985,040	\$ 2,487,542	\$ 1,258,013

G. Pension Plan Fiduciary Net Position:

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

18. Participation in Massachusetts Municipal Wholesale Electric Company

The Town of Concord, acting through its Light Plant, is a participant in the New York Power Administration Niagara Project (NYPA) which is administered through the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance electric facilities.

The Power Purchase Agreement with MMWEC for NYPA requires that each Project Participant pay its pro rata share of MMWEC's costs related to the Project in addition to its share of capacity, energy, transmission and working capital funding.

CMLP is a 2.090% entitlement holder in the Massachusetts allocation of the NYPA firm and peaking energy. The contracts are for the life of the units and the 2016 average energy price under the NYPA contract is \$0.0516/kWh.

19. Payment in Lieu of Taxes

The language "payment in lieu of taxes" is used with reference to the inter-fund transfer within the municipal corporate entity because it is the language used in the statute authorizing the establishment and operation of municipal light plants (MGL Ch. 164). The CMLP PILOT is a transfer from the Light Fund to the Town's General Fund.

The particular method in arriving at an appropriate amount of this transfer is not prescribed by statute, but rather Concord's specific amount has been derived from a formula worked out jointly by the Finance Department and the CMLP and approved by the Town Manager. The formula applies the current property tax rate to the net book value of CMLP as of June 30, 2015.

20. Risk Management

The Plant is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters, for which the Plant carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three years.

**TOWN OF CONCORD, MASSACHUSETTS, MUNICIPAL LIGHT DEPARTMENT
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2016
(Unaudited)**

Other Post-Employment Benefits (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/16	\$ 826	\$ 2,210	\$ 1,384	37.4%	\$ 2,793	49.6%
06/30/14	\$ 808	\$ 1,882	\$ 1,074	42.9%	\$ 2,431	44.2%
01/01/12	\$ 640	\$ 1,573	\$ 933	40.7%	\$ 2,427	38.4%
01/01/09	\$ -	\$ 2,933	\$ 2,933	0.0%	N/A	N/A

See Independent Auditors' Report.

CONCORD MUNICIPAL LIGHT PLANT
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(Unaudited)

Concord Contributory Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	9.04%	\$2,487,542	\$ 2,647,220	93.97%	80.70%
June 30, 2015	10.57%	\$1,639,399	\$ 2,783,014	58.91%	88.00%

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

See Independent Auditors' Report.

CONCORD MUNICIPAL LIGHT PLANT

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016
(Unaudited)**

Concord Contributory Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 423,095	\$ 423,095	\$ -	\$ 2,647,220	15.98%
June 30, 2015	\$ 403,515	\$ 403,515	\$ -	\$ 2,783,014	14.50%

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

See Independent Auditors' Report.

TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
BUSINESS-TYPE PROPRIETARY FUND - COMBINING SCHEDULE
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds		
	<u>Light Fund</u>	<u>Broadband Fund</u>	<u>Total</u>
ASSETS			
Current:			
Unrestricted cash and short-term investments	\$ 9,107,645	\$ (1,043,541)	\$ 8,064,104
Receivables, net of allowance for uncollectibles	4,010,150	11,491	4,021,641
Prepaid expenses	3,059,672	17,044	3,076,716
Inventory	1,102,209	-	1,102,209
Other	8,720	-	8,720
Total current assets	<u>17,288,396</u>	<u>(1,015,006)</u>	<u>16,273,390</u>
Noncurrent:			
Restricted cash	8,378,847	53,278	8,432,125
Investment in associated companies	324,741	-	324,741
Land and construction in progress	4,684,289	-	4,684,289
Capital assets, net of accumulated depreciation	<u>34,392,138</u>	<u>1,196,969</u>	<u>35,589,107</u>
Total noncurrent assets	47,780,015	1,250,247	49,030,262
DEFERRED OUTFLOWS OF RESOURCES	<u>1,084,911</u>	<u>22,141</u>	<u>1,107,052</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	66,153,322	257,382	66,410,704
LIABILITIES			
Current:			
Accounts payable	3,851,858	28,690	3,880,548
Accrued liabilities	118,298	14,498	132,796
Customer deposits	355,273	-	355,273
Customer advances for construction	103,486	-	103,486
Current portion of long-term liabilities:			
Bonds payable	692,500	125,000	817,500
Accrued employee compensated absences	6,246	525	6,771
Total current liabilities	<u>5,127,661</u>	<u>168,713</u>	<u>5,296,374</u>
Noncurrent:			
Bonds payable, net of current portion	5,412,500	400,000	5,812,500
Accrued employee compensated absences	118,671	9,969	128,640
Unamortized bond premium	289,948	39,837	329,785
Other post-employment benefits	5,239	-	5,239
Net pension liability	<u>2,437,791</u>	<u>49,751</u>	<u>2,487,542</u>
Total noncurrent liabilities	8,264,149	499,557	8,763,706
DEFERRED INFLOWS OF RESOURCES	<u>5,554,411</u>	<u>3,861</u>	<u>5,558,272</u>
TOTAL LIABILITIES	18,946,221	672,131	19,618,352
NET POSITION			
Net investment in capital assets	32,971,426	671,969	33,643,395
Restricted for depreciation fund	2,575,667	-	2,575,667
Unrestricted	<u>11,660,008</u>	<u>(1,086,718)</u>	<u>10,573,290</u>
TOTAL NET POSITION	<u>\$ 47,207,101</u>	<u>\$ (414,749)</u>	<u>\$ 46,792,352</u>

See Independent Auditors' Report.

TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND - COMBINING SCHEDULE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds		
	Light Fund	Broadband Fund	Total
Operating Revenues	\$ 25,604,679	\$ 571,690	\$ 26,176,369
Total Operating Revenues	25,604,679	571,690	26,176,369
Operating Expenses:			
Purchase power	16,789,040	-	16,789,040
Broadband bandwidth	-	109,388	109,388
Operating	3,025,452	350,924	3,376,376
Depreciation	1,758,435	19,777	1,778,212
Customer accounts	1,109,566	30,800	1,140,366
Distribution	753,031	142,360	895,391
Transmission	75,546	-	75,546
Total Operating Expenses	23,511,070	653,249	24,164,319
Operating Income (Loss)	2,093,609	(81,559)	2,012,050
Nonoperating Revenues (Expenses):			
Interest income	122,590	-	122,590
Interest expense	(207,918)	(15,507)	(223,425)
Other	31,255	6,474	37,729
Total Nonoperating Revenues (Expenses), Net	(54,073)	(9,033)	(63,106)
Net Income (Loss) Before Other Financing Sources	2,039,536	(90,592)	1,948,944
Other financing (uses):			
Loss on disposal of capital assets	(24,154)	-	(24,154)
Payment in lieu of taxes	(465,500)	-	(465,500)
Change in Net Position	1,549,882	(90,592)	1,459,290
Net Position at Beginning of Year	45,657,219	(324,157)	45,333,062
Net Position at End of Year	\$ 47,207,101	\$ (414,749)	\$ 46,792,352

See Independent Auditors' Report.