

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

Annual Financial Statements

For the Year Ended December 31, 2013

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, 2013, 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.

Auditor's 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 auditor's 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 opinions.

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, 2013, 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.

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, 2013, 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 and Schedule of Funding Progress 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 evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

February 4, 2015

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, 2013.

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, 2013, it shows our net position as \$44,546,802, which is comprised of \$34,452,708 invested in capital assets net of related long-term debt, \$1,937,544 restricted for the depreciation fund, and \$8,156,550 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, 2013 was \$1,312,319.

A comparison to the Net Position at December 31, 2013 is shown below. The net investment in capital assets increased by \$3,021,910 and unrestricted assets declined by \$2,106,290.

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>Change</u>
Net invested in capital assets	\$ 34,452,708	\$ 31,430,798	\$ 3,021,910
Restricted for Depreciation fund	1,937,544	1,540,845	396,699
Unrestricted	<u>8,156,550</u>	<u>10,262,840</u>	<u>(2,106,290)</u>
Total Net Position	<u>\$ 44,546,802</u>	<u>\$ 43,234,483</u>	<u>\$ 1,312,319</u>

The Statement of Cash Flows provide 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 2013.

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>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
Current assets	\$ 16,418,571	\$ 17,095,386	\$ 20,688,060
Noncurrent assets	<u>44,287,345</u>	<u>39,057,044</u>	<u>38,642,921</u>
Total assets	<u>\$ 60,705,916</u>	<u>\$ 56,152,430</u>	<u>\$ 59,330,981</u>
Current liabilities	\$ 12,544,923	\$ 8,643,413	\$ 12,348,869
Noncurrent liabilities	<u>3,614,191</u>	<u>4,274,534</u>	<u>5,263,081</u>
Total liabilities	16,159,114	12,917,947	17,611,950
Net position:			
Net investment in capital assets	34,452,708	31,430,798	30,965,783
Restricted for depreciation fund	1,937,544	1,540,845	951,780
Unrestricted	<u>8,156,550</u>	<u>10,262,840</u>	<u>9,801,468</u>
Total net position	<u>44,546,802</u>	<u>43,234,483</u>	<u>41,719,031</u>
Total liabilities and net position	<u>\$ 60,705,916</u>	<u>\$ 56,152,430</u>	<u>\$ 59,330,981</u>

Summary of Changes in Net Position

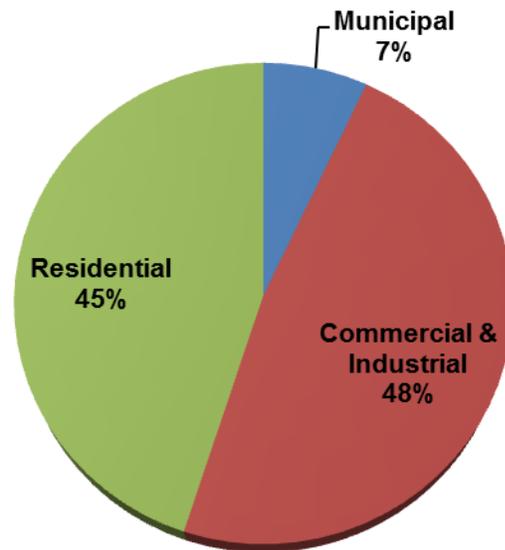
	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
Operating revenues	\$ 25,844,375	\$ 28,473,103	\$ 27,703,175
Operating expenses	<u>(23,142,707)</u>	<u>(26,283,417)</u>	<u>(25,793,559)</u>
Operating income	2,701,668	2,189,686	1,909,616
Non-operating revenues (expenses)	<u>(941,549)</u>	<u>(289,234)</u>	<u>(94,270)</u>
Net income (loss) before payment in lieu of taxes	1,760,119	1,900,452	1,815,346
Payment in lieu of taxes	<u>(447,800)</u>	<u>(385,000)</u>	<u>(380,000)</u>
Change in net position	<u>\$ 1,312,319</u>	<u>\$ 1,515,452</u>	<u>\$ 1,435,346</u>

B. FINANCIAL HIGHLIGHTS

Operating revenues for 2013 decreased by \$2,628,728 or 9.2% from 2012. This decrease was caused primarily because of a reduction of customer charges for purchase power and fuel charges.

Total operating expenses for 2013 decreased by \$3,140,710 or 11.9% from 2012. The largest portion of this decrease was caused by a reduction in purchased power costs.

Source of 2013 Operating Revenues



Payments in lieu of taxes to the Town of Concord increased from the prior year by \$62,800 to \$447,800.

C. CAPITAL ASSETS

Capital assets. The Plant's total investment in capital assets at year end was \$38,307,708 (net of accumulated depreciation but before related debt of \$3,855,000), an increase of \$2,261,910 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, 2013, total bonded debt was \$3,855,000 and bond anticipation notes totaled \$3,935,000.

D. OTHER INFORMATION

Broadband operations.

In 2013 CMLP took significant steps toward bringing municipal fiber optic internet service to market. The April 2013 Annual Town Meeting approved Article 48 which authorized borrowing of up to \$1,000,000.00 to fund telecommunications startup expenses. The article provided a funding mechanism to expand CMLP's telecommunications service offerings, while ensuring that those expenses are repaid exclusively by current and future telecommunication revenue. Under the leadership of the Chief Information Officer, CMLP hired a new telecommunications coordinator and telecommunications technician in June 2013. The staff invested \$40,000 in new hardware and facilities and upgraded the CMLP Internet

connection to use redundant high-capacity suppliers and installed a second Internet connection. As part of a 2013 pre-production service offering, CMLP moved existing broadband pilot customers to the production platform, added nine new customers and moved the School Department's connection to the new service, increasing the capacity from 100 Mbps to 400 Mbps. In 2013, CMLP also added five new "dark fiber" leases to its business as well. The lease agreements provide fiber connections to telecommunication service providers who wish to gain access to serve local businesses in Concord. CMLP earns revenue from the fiber leases, the service providers benefit from faster less-expensive installations, and the businesses get access to advanced telecommunication services.

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
DECEMBER 31, 2013

ASSETS

Current:

Unrestricted cash and short-term investments	\$ 7,677,903
Receivables, net of allowance for uncollectable	4,432,026
Prepaid expenses	3,375,854
Inventory	878,770
Other	<u>54,018</u>
Total current assets	16,418,571

Noncurrent:

Restricted cash	5,700,465
Investment in associated companies	159,821
Other post-employment benefits	119,351
Land and construction in progress	4,574,229
Capital assets, net of accumulated depreciation	<u>33,733,479</u>
Total noncurrent assets	<u>44,287,345</u>

TOTAL ASSETS

60,705,916

LIABILITIES

Current:

Accounts payable	4,232,027
Accrued liabilities	176,833
Customer deposits	324,868
Customer advances for construction	153,510
Notes payable	3,935,000
Provision for rate stabilization	3,075,697
Provision for injuries and damages	180,573
Current portion of long-term liabilities:	
Bonds payable	460,000
Accrued employee compensated absences	<u>6,415</u>
Total current liabilities	12,544,923

Noncurrent:

Bonds payable, net of current portion	3,395,000
Accrued employee compensated absences	121,876
Unamortized bond premium	<u>97,315</u>
Total noncurrent liabilities	<u>3,614,191</u>

TOTAL LIABILITIES

16,159,114

NET POSITION

Net investment in capital assets	34,452,708
Restricted for depreciation fund	1,937,544
Unrestricted	<u>8,156,550</u>

TOTAL NET POSITION

\$ 44,546,802

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 YEAR ENDED DECEMBER 31, 2013

Operating Revenues	\$ <u>25,844,375</u>
Total Operating Revenues	25,844,375
Operating Expenses:	
Purchase power	17,143,555
Operating	2,786,547
Depreciation	1,592,828
Customer accounts	846,710
Distribution	683,871
Transmission	<u>89,196</u>
Total Operating Expenses	<u>23,142,707</u>
Operating Income	2,701,668
Nonoperating Revenues (Expenses):	
Interest income	26,753
Interest expense	(133,440)
Loss on disposal of capital assets	(842,057)
Other	<u>7,195</u>
Total Nonoperating Revenues (Expenses), Net	<u>(941,549)</u>
Net Income Before Payment in Lieu of Taxes	1,760,119
Payment in lieu of taxes	<u>(447,800)</u>
Change in Net Position	1,312,319
Net Position at Beginning of Year	<u>43,234,483</u>
Net Position at End of Year	<u><u>\$ 44,546,802</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 YEAR ENDED DECEMBER 31, 2013

<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 24,619,772
Payments to vendors and employees	<u>(20,703,462)</u>
Net Cash Provided By (Used For) Operating Activities	3,916,310
<u>Cash Flows From Noncapital Financing Activities:</u>	
Payment in lieu of taxes	<u>(447,800)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(447,800)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(4,716,565)
Proceeds from bond anticipation notes	3,935,000
Contributions in aid of construction	(62,837)
Principal payments on bonds	(760,000)
Interest expense	(133,440)
Other	<u>19,770</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(1,718,072)
<u>Cash Flows From Investing Activities:</u>	
Investment income	26,753
(Increase) decrease in restricted cash and investments	<u>(356,646)</u>
Net Cash Provided By (Used For) Investing Activities	<u>(329,893)</u>
Net Change in Cash and Short-Term Investments	1,420,545
Unrestricted Cash and Short Term Investments, Beginning of Year	<u>6,257,358</u>
Unrestricted Cash and Short Term Investments, End of Year	<u><u>\$ 7,677,903</u></u>
<u>Reconciliation of Operating Income to Net Cash:</u>	
Operating income	\$ 2,701,668
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	1,592,828
(Increase) decrease in:	
Accounts receivable	(346,685)
Prepaid and other assets	(112,559)
Inventory	(55,140)
Accounts payable and accrued liabilities	1,006,618
Accrued expenses	(1,093)
Provision for Stabilization	(689,635)
Provision for CARES	(195,324)
Other liabilities	<u>15,632</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ 3,916,310</u></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 restricted and unrestricted cash on deposit with the Town Treasurer as cash and short-term investments. For the purposes of the Statements of Net Position, the proprietary funds consider 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 proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the Proprietary Fund 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 2013, the Plant's earnings did not 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.

The Town does not have a deposit policy for 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,

2013, bank balances of \$13,402,851 were exposed to custodial credit risk as uninsured or uncollateralized.

3. Receivables

Receivables consist of the following at December 31, 2013:

Customer Accounts:			
Billed		\$ 2,396,304	
Less allowances:			
Uncollectible accounts		<u>(30,000)</u>	
Total billed			2,366,304
Unbilled, net			<u>1,925,253</u>
Total customer accounts			4,291,557
Other Accounts:			
Merchandise sales		94,570	
Liens and other		<u>45,899</u>	
Total other accounts			<u>140,469</u>
Total net receivables			<u>\$ 4,432,026</u>

4. Prepaid Expenses

Prepaid expenses consist of advance payments for purchased power.

Purchase power		\$ 2,978,997
NYPA prepayment fund		68,987
Pension		201,613
Insurance and other		<u>126,257</u>
Total		<u>\$ 3,375,854</u>

5. Inventory

Inventory comprises supplies and materials at December 31, 2013 and is valued using the average cost method:

6. Restricted Cash and Investments

Restricted cash and investments consist of the following at December 31, 2013:

	<u>Cash</u>
Depreciation fund	\$ 1,937,544
Worker's compensation insurance fund	180,573
Underground fund	754,599
Smart Grid fund	95,782
Rate stabilization fund	258,580
Customer deposits fund	324,868
Customer advances for construction fund	155,409
Emergency repairs fund	1,130,000
Bond fund 1993-2013	45,833
Bond fund 2006-2015	87,500
Bond fund 2007-2017	200,000
Light plant expansions fund (article 28)	502,268
Bond interest fund	<u>27,509</u>
Total	<u>\$ 5,700,465</u>

The Plant maintains the following restricted cash and investment accounts:

- Depreciation fund - The Plant reserves 3.0% of depreciable utility plant assets each year to fund current and future capital improvements.
- Worker's compensation insurance fund – The Plant maintains a self-insurance fund for payment of workers compensation claims and for injury and damage claims.
- 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.
- Smart Grid fund – This fund was approved in Article 20 of the 2009 annual town meeting, by issuing anticipation notes that were retired by long-term serial bonds May 17, 2011. The funds were used for the purposes of designing, purchasing, and installing a Smart Grid system.
- Rate stabilization fund - This account is used to stabilize customer rates and reflects the accumulated difference between estimated and actual purchase power costs.
- Customer deposits fund – This represents residential and commercial customer service deposits that are held in escrow.

- Customer advances for construction fund – This represents customer deposits held for special construction projects.
- Emergency repairs fund – This fund was established to be used in the event of a major equipment failure.
- 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.
- Light plant expansions fund – This fund was approved in Article 28 of the 2012 annual town meeting. Bond anticipation notes were issued on June 27, 2013 and December 19, 2013, for expanding the 219 sub-station, the plant warehouse, and the broadband projects.
- 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.

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, 2013, 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 \$150,000 as of December 31, 2013.

Investment in associated companies consists of the following, at December 31, 2013:

Hydro-Quebec	\$ 9,821
Energy New England, LLC	<u>150,000</u>
Total	<u>\$ 159,821</u>

8. Capital Assets

The following is a summary of fiscal year 2013 capital asset activity (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Structures and improvements	\$ 7,741	\$ 800	\$ (122)	\$ 8,419
Equipment and furnishings	11,359	3,693	(2,240)	12,812
Infrastructure	31,908	408	(77)	32,239
Intangible	<u>2,086</u>	<u>-</u>	<u>-</u>	<u>2,086</u>
Total capital assets, being depreciated	53,094	4,901	(2,439)	55,556
Less accumulated depreciation for:				
Structures and improvements	(2,930)	(232)	41	(3,121)
Equipment and furnishings	(5,091)	(477)	1,501	(4,067)
Infrastructure	(13,087)	(873)	35	(13,925)
Intangible	<u>(699)</u>	<u>(10)</u>	<u>-</u>	<u>(709)</u>
Total accumulated depreciation	<u>(21,807)</u>	<u>(1,592)</u>	<u>1,577</u>	<u>(21,822)</u>
Total capital assets, being depreciated, net	31,287	3,309	(862)	33,734
Capital assets, not being depreciated:				
Land	684	-	-	684
Construction in progress	<u>4,075</u>	<u>3,940</u>	<u>(4,125)</u>	<u>3,890</u>
Total capital assets, not being depreciated	<u>4,759</u>	<u>3,940</u>	<u>(4,125)</u>	<u>4,574</u>
Capital assets, net	<u>\$ 36,046</u>	<u>\$ 7,249</u>	<u>\$ (4,987)</u>	<u>\$ 38,308</u>

9. Accrued Liabilities

Accrued liabilities consist of the following at December 31, 2013:

Accrued payroll	\$ 123,143
Accrued sales tax	28,586
Accrued bond interest	<u>25,104</u>
Total	<u>\$ 176,833</u>

10. 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.

11. Anticipation Notes Payable

For the purpose of financing various capital improvement projects of the Plant, the Town had the following notes outstanding at December 31, 2013:

	Coupon Interest Rate	Date of Issue	Date of Maturity	Balance at 12/31/13
Light Plant expansions	1.00%	06/27/13	07/16/14	\$ 1,200,000
Light Plant expansions	0.75%	12/19/13	06/16/14	2,635,000
Broadband expansion	0.75%	12/19/13	06/16/14	<u>100,000</u>
Total				<u>\$ 3,935,000</u>

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Light Plant expansions	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000
Light Plant expansions	-	2,635,000	-	2,635,000
Broadband expansion	-	<u>100,000</u>	-	<u>100,000</u>
Total	<u>\$ -</u>	<u>\$ 3,935,000</u>	<u>\$ -</u>	<u>\$ 3,935,000</u>

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>	Serial Maturities Through	Coupon Interest Rate(s) %	Amount Outstanding as of 12/31/13
Infrastructure improvements	03/01/15	3.60% - 3.625%	\$ 110,000
Infrastructure improvements	03/01/17	4.00% - 5.00%	345,000
Smart grid	05/15/26	2.00% - 4.00%	<u>3,400,000</u>
Total Business-Type Activities			<u>\$ 3,855,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2013 are as follows:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 460,000	\$ 113,985	\$ 573,985
2015	460,000	101,798	561,798
2016	405,000	88,575	493,575
2017	330,000	76,350	406,350
2018	300,000	65,250	365,250
2019 - 2023	1,300,000	189,750	1,489,750
2024 - 2028	<u>600,000</u>	<u>30,875</u>	<u>630,875</u>
Total	\$ <u>3,855,000</u>	\$ <u>666,583</u>	\$ <u>4,521,583</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

<u>Business-Type Activities</u>	<u>Total Balance 1/1/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 12/31/13</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 12/31/13</u>
General obligation bonds	\$ 4,615,000	\$ -	\$ (760,000)	\$ 3,855,000	\$ (460,000)	\$ 3,395,000
Compensated absence	119,700	8,591	-	128,291	(6,415)	121,876
Unamortized premium	<u>104,510</u>	<u>-</u>	<u>(7,195)</u>	<u>97,315</u>	<u>-</u>	<u>97,315</u>
Totals	\$ <u>4,839,210</u>	\$ <u>8,591</u>	\$ <u>(767,195)</u>	\$ <u>4,080,606</u>	\$ <u>(466,415)</u>	\$ <u>3,614,191</u>

13. Restricted Net Position

The proprietary fund financial statements report restricted net position when external constraints are placed on net position. Specifically, restricted net position represents depreciation fund reserves, which are restricted for future capital costs.

14. Commitments and Contingencies

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.

15. 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 16, 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 January 1, 2012, 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 2013 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, 2013, the amount actually contributed to the plan, and the change in the Plant's net OPEB obligation based on an actuarial valuation as of January 1, 2012.

Annual Required Contribution (ARC)	\$ 118,921
Interest on net OPEB obligation	<u>(8,951)</u>
Annual OPEB cost	109,970
Premiums and implicit subsidy paid	(95,649)
Projected benefit payments	<u>(14,321)</u>
Increase in net OPEB obligation	-
Net OPEB obligation (asset) - beginning of year	(119,351)
Contributions to OPEB Trust	<u>-</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (119,351)</u></u>

The Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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>
2013	\$ 109,970	100.00%	\$ (119,351)
2012	\$ 114,616	385.00%	\$ (119,351)
2011	\$ 246,278	100.00%	\$ -

The Plant's net OPEB asset as of December 31, 2013 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 January 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 1,573,051
Actuarial value of plan assets	<u>640,436</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 932,615</u></u>
Funded ratio (actuarial value of plan assets/AAL)	40.7%
Covered payroll (active plan members)	\$ 2,427,000
UAAL as a percentage of covered payroll	38.4%

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 January 1, 2012 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 5.0% to 9.0% 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 27 years.

16. Pension Plan

The Plant follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Town of Concord Contributory Retirement System at Town House, Concord, Massachusetts.

A. Plan Description

The Plant contributes to the Town of Concord Contributory Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Town of Concord. The System provides retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. The Plant is required to pay into the System its share of the remaining system wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Plant are governed by Chapter 32 of the Massachusetts General Laws. The Plant's contributions to the System for the years ended December 31, 2013, 2012, and 2011 were \$392,747, \$318,010, and \$289,795, respectively, which were equal to its annual required contributions for each of these years.

17. 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 2013 average energy price for the NYPA is \$0.03251/kWh.

18. 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.

19. Implementation of New GASB Standards

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Plant is required to implement in 2015. Management's current assessment is that this pronouncement will require the Plant to recognize as a liability/expense the Plant's applicable percentage of the Concord Contributory Retirement System net pension liability.

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

**December 31, 2013
(Unaudited)**

Other Post-Employment Benefits

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 Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ 640,436	\$ 1,573,051	\$ 932,615	40.7%	\$ 2,427,000	38.4%
01/01/09	\$ -	\$ 2,933,000	\$ 2,933,000	0.0%	N/A	N/A

Employees' Retirement System (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 Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ 94,996	\$ 123,798	\$ 28,802	76.7%	\$ 25,221	114.2%
01/01/10	\$ 90,445	\$ 106,054	\$ 15,609	85.3%	\$ 24,097	64.8%
01/01/08	\$ 90,963	\$ 94,681	\$ 3,718	96.1%	\$ 21,295	17.5%
01/01/06	\$ 75,974	\$ 83,989	\$ 8,015	90.5%	\$ 18,925	42.4%
01/01/04	\$ 63,067	\$ 76,564	\$ 13,497	82.4%	\$ 17,996	75.0%
01/01/02	\$ 56,748	\$ 67,763	\$ 11,015	83.7%	\$ 16,776	65.7%
01/01/00	\$ 56,251	\$ 59,720	\$ 3,469	94.2%	\$ 14,807	23.4%
01/01/98	\$ 43,221	\$ 51,392	\$ 8,171	84.1%	\$ 13,676	59.7%
01/01/96	\$ 33,678	\$ 42,701	\$ 9,023	78.9%	\$ 11,930	75.6%
01/01/94	\$ 27,603	\$ 38,207	\$ 10,604	72.2%	\$ 11,314	93.7%

**Employees' Retirement System
Schedule of Employer Contributions**

Plan Year End	Concord Retirement System			Concord Municipal Light Department	
	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Plant Contributions as a % of Total Town Contributions
12/31/13	\$ 3,943,818	\$ 3,943,818	100%	\$ 392,747	10.0%
12/31/12	\$ 3,430,345	\$ 3,430,345	100%	\$ 318,010	9.3%
12/31/11	\$ 3,352,832	\$ 3,352,832	100%	\$ 289,795	8.6%
12/31/10	\$ 3,226,582	\$ 3,226,582	100%	\$ 256,337	7.9%

See Independent Auditors' Report.