

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

Annual Financial Statements

For the Year Ended December 31, 2018

Concord Municipal Light Plant

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Proprietary Fund:	
Consolidated Statement of Net Position	8
Consolidated Statement of Revenues, Expenses, and Changes in Net Position	9
Consolidated Statement of Cash Flows	10
Notes to Consolidated Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION:	
Pension:	
Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	32
Schedule of Pension Contributions (GASB 68)	33
OPEB:	
Schedules of Changes in the Net OPEB Liability (GASB 74 and 75)	34
Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)	35
SUPPLEMENTARY SCHEDULES:	
Consolidating Statement of Net Position	36
Consolidating Statement of Revenues, Expenses, and Changes in Net Position	37
Consolidating Statement of Cash Flows	38

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 consolidated 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, 2018, and the related consolidated 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 consolidated 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, 2018, 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, 2018, 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 the Pension and OPEB schedules appearing on page 32 to 35 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Town of Concord Municipal Light Plant's basic financial statements. The supplementary statements appearing on pages 36 through 38

are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Melanson Heath

September 25, 2019

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, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Consolidated Statement of Net Position is designed to indicate our financial position at a specific point in time. As of December 31, 2018, it shows our net position as \$46,245,177, which comprises \$34,540,563 invested in capital assets net of related long-term debt, \$4,420,297 restricted for the depreciation fund, and \$7,284,317 unrestricted.

The Consolidated Statement of Revenues, Expenses, and Changes in Net Position summarize our operating results. As discussed in more detail below, the change in net position for the year ended December 31, 2018 was \$318,728.

The Consolidated 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 2018.

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

Summary of Net Position

	<u>2018</u>	<u>2017</u>
Current assets	\$ 12,195,552	\$ 14,606,157
Noncurrent assets	50,221,189	49,094,117
Deferred outflows of resources	<u>1,199,019</u>	<u>1,307,207</u>
Total assets and deferred outflows	63,615,760	65,007,481
Current liabilities	5,018,614	4,882,249
Noncurrent liabilities	8,112,254	8,168,030
Deferred inflows of resources	<u>4,239,715</u>	<u>4,711,541</u>
Total liabilities and deferred inflows	17,370,583	17,761,820
Net investment in capital assets	34,540,563	33,376,158
Restricted for depreciation fund	4,420,297	3,561,606
Unrestricted	<u>7,284,317</u>	<u>10,307,897</u>
Total net position	<u>\$ 46,245,177</u>	<u>\$ 47,245,661</u>

Summary of Changes in Net Position

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 29,791,221	\$ 27,507,990
Operating expenses	<u>(28,927,032)</u>	<u>(26,281,468)</u>
Operating income	864,189	1,226,522
Non-operating revenues (expenses)	<u>(545,461)</u>	<u>(773,213)</u>
Change in net position	318,728	453,309
Beginning net position, as restated	<u>45,926,449</u>	<u>46,792,352</u>
Ending net position	<u>\$ 46,245,177</u>	<u>\$ 47,245,661</u>

Fiscal year 2017 amounts were not restated as the Plant applied GASB 75 prospectively.

B. FINANCIAL HIGHLIGHTS

Operating revenues for 2018 increased by \$2,283,231 or 8.3% from 2017. This increase was caused primarily because of an increase in electrical sales resulting from an increase in the average summer temperature from 2017 to 2018.

Total operating expenses for 2018 increased by \$2,645,564 or 10.1% from 2017. The largest portion of this increase was caused by an increase in the cost of power in 2018.

The transfer to the Town of Concord General Fund decreased from the prior year by \$13,000 to \$461,000, in accordance with the vote of Article 47 of the 2018 Annual Town Meeting.

C. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Plant's total investment in capital assets at year-end was \$39,965,563, net of accumulated depreciation but before related debt of \$5,025,000, a decrease of \$(596,641) 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.

Additional information on capital assets can be found in the Notes to the Consolidated Financial Statements.

Long-term debt. At December 31, 2018, total bonded debt was \$5,025,000, all of which was backed by the full faith and credit of the Town.

Additional information on long-term debt can be found in the Notes to the Consolidated Financial Statements

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. The April 2017 Annual Town Meeting approved Article 24 which authorized borrowing of up to \$1,000,000 to fund telecommunications expansion expenses. During the 2018 calendar year, CMLP repaid \$125,000 of the total \$400,000 borrowing, resulting in a total borrowing of \$275,000. By December 31, 2018, CMLP had 1215 commercial and residential customers connected, an increase of 258 customers over the previous year. As of December 2018, annualized revenue from Broadband was \$957,671.

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
CONSOLIDATED STATEMENT OF NET POSITION

DECEMBER 31, 2018

Assets

Current:

Unrestricted cash and short-term investments	\$ 5,597,793
Accounts receivable, net of allowances for uncollectibles:	3,633,878
Prepaid expenses	1,763,710
Inventory	<u>1,200,171</u>
Total current assets	12,195,552

Noncurrent:

Restricted cash	9,901,860
Investment in associated companies	353,766
Capital Assets:	
Land and construction in progress	2,280,590
Other capital assets, net of accumulated depreciation	<u>37,684,973</u>
Total noncurrent assets	50,221,189

Deferred Outflows of Resources

Related to pensions	959,458
Related to OPEB	<u>239,561</u>

Total Assets and Deferred Outflows of Resources 63,615,760

Liabilities

Current:

Accounts payable	2,970,142
Accrued liabilities	155,005
Customer deposits	634,648
Customer advances for construction	101,313
Notes payable	400,000
Current portion of long-term liabilities:	
Bonds payable	750,000
Compensated absences	<u>7,506</u>
Total current liabilities	5,018,614

Noncurrent:

Bonds payable, net of current portion	4,526,668
Net pension liability	1,097,567
Net OPEB liability	2,345,407
Compensated absences	<u>142,612</u>
Total noncurrent liabilities	8,112,254

Deferred Inflows of Resources

Related to pensions	1,008,430
Related to OPEB	32,430
Other	<u>3,198,855</u>

Total Liabilities and Deferred Inflows of Resources 17,370,583

Net Position

Net investment in capital assets	34,540,563
Restricted for depreciation fund	4,420,297
Unrestricted	<u>7,284,317</u>
Total Net Position	<u>\$ 46,245,177</u>

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

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

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

FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues	
Electric sales	\$ 26,178,956
Internet sales	963,026
Rate refund	1,389,924
Underground surcharge	406,588
Renewable energy certificate surcharge	558,771
Other operating revenue	<u>293,956</u>
Total Operating Revenues	29,791,221
Operating Expenses	
Purchase power	20,719,463
Salaries and benefits	2,309,703
Other operating expenses	1,656,326
Depreciation	1,958,516
Customer accounts	1,072,616
Distribution	1,100,823
Transmission	<u>109,585</u>
Total Operating Expenses	<u>28,927,032</u>
Operating Income	864,189
Nonoperating Revenues (Expenses)	
Interest income	246,222
Interest expense	(181,687)
Gain on disposal of capital assets	(195,138)
Payment in lieu of taxes	(461,000)
Other	<u>46,142</u>
Total Nonoperating Revenues (Expenses)	<u>(545,461)</u>
Change in Net Position	318,728
Net Position at Beginning of Year, as restated	<u>45,926,449</u>
Net Position at End of Year	<u>\$ 46,245,177</u>

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

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

BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 30,450,311
Payments to vendors and employees	<u>(28,004,359)</u>
Net Cash Provided By Operating Activities	2,445,952
Cash Flows From Noncapital Financing Activities	
Payment in lieu of taxes	(461,000)
Other	<u>15,804</u>
Net Cash (Used For) Noncapital Financing Activities	(445,196)
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(1,361,875)
Loss on disposition of assets	(195,138)
Principal payments on bonds	(787,500)
Interest expense	<u>(181,687)</u>
Net Cash (Used For) Capital and Related Financing Activities	(2,526,200)
Cash Flows From Investing Activities	
Investment income	<u>246,222</u>
Net Cash Provided By Investing Activities	<u>246,222</u>
Net Change in Cash and Short-Term Investments	(279,222)
Cash and Short Term Investments, Beginning of Year	<u>15,778,875</u>
Cash and Short Term Investments, End of Year	<u>\$ 15,499,653</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
Operating income	\$ 864,189
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	1,958,516
Changes in assets, liabilities, and deferred outflows/inflows:	
Accounts receivable	634,782
Prepaid expenses	548,795
Inventory	(84,173)
Deferred outflows - related to pensions	347,749
Deferred outflows - related to OPEB	(239,561)
Accounts payable	141,072
Accrued liabilities	37,186
Net pension liability	(1,546,242)
Net OPEB liability	280,964
Other liabilities	11,823
Deferred inflows - related to pensions	876,809
Deferred inflows - related to OPEB	(4,892)
Deferred inflows - other	<u>(1,381,065)</u>
Net Cash Provided By Operating Activities	<u>\$ 2,445,952</u>

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

Town of Concord Municipal Light Plant
Notes to Consolidated 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 Consolidated 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 Consolidated 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 2018, 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.

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, 2018, 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, 2018:

Customer Accounts:		
Billed	\$ 2,335,290	
Less allowances:		
Uncollectible accounts	<u>(17,939)</u>	
Total billed		2,317,351
Unbilled, net		<u>1,041,749</u>
Total customer accounts		3,359,100
Other Accounts:		
Merchandise sales	143,826	
Liens and other	<u>130,952</u>	
Total other accounts		<u>274,778</u>
Total net receivables		<u>\$ 3,633,878</u>

4. Prepaid Expenses

Prepaid expenses consist primarily of advance payments for purchased power.

Purchased power	\$ 1,371,087
NYPA prepayment fund	85,884
Fuel inventory	142,569
Insurance and other	<u>164,170</u>
Total	<u>\$ 1,763,710</u>

5. Inventory

Inventory comprises supplies and materials at December 31, 2018 and is valued using the average cost method.

6. Restricted Cash

Restricted cash consists of the following at December 31, 2018:

Bond fund 2011-2026	\$ 200,000
Bond fund 2014-2027	175,000
Bond fund 2015-2021	16,667
Bond interest fund	26,224
Broadband bond fund 2016-2021	29,167
Customer advances for construction fund	101,359
Customer deposits fund	634,648
Depreciation fund	4,420,297
Emergency repairs fund	1,130,000
Rate stabilization fund	888,900
Renewable energy certificate purchase fund	558,771
Underground fund	1,527,982
Worker's compensation insurance fund	<u>192,845</u>
Total	<u>\$ 9,901,860</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.
- Renewable energy certificate purchase fund – This account was established to purchase renewable energy certificates on the open market.

- 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, 2018, 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, 2018.

Investment in associated companies consists of the following, at December 31, 2018:

Hydro-Quebec	\$ 38,846
Energy New England, LLC	<u>314,920</u>
Total	<u><u>\$ 353,766</u></u>

8. Capital Assets

The following is a summary of fiscal year 2018 capital asset activity (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Structures and improvements	\$ 8,709	\$ 73	\$ -	\$ 8,782
Equipment and furnishings	13,888	208	(105)	13,991
Infrastructure	40,613	782	(244)	41,151
Intangible	<u>2,086</u>	<u>-</u>	<u>-</u>	<u>2,086</u>
Total capital assets, being depreciated	65,296	1,063	(349)	66,010
Less accumulated depreciation for:				
Structures and improvements	(4,103)	(261)	-	(4,364)
Equipment and furnishings	(5,116)	(417)	91	(5,442)
Infrastructure	(16,581)	(1,217)	156	(17,642)
Intangible	<u>(814)</u>	<u>(63)</u>	<u>-</u>	<u>(877)</u>
Total accumulated depreciation	<u>(26,614)</u>	<u>(1,958)</u>	<u>247</u>	<u>(28,325)</u>
Total capital assets, being depreciated, net	38,682	(895)	(102)	37,685
Capital assets, not being depreciated:				
Land	1,252	350	-	1,602
Construction in progress	<u>628</u>	<u>51</u>	<u>-</u>	<u>679</u>
Total capital assets, not being depreciated	<u>1,880</u>	<u>401</u>	<u>-</u>	<u>2,281</u>
Capital assets, net	<u>\$ 40,562</u>	<u>\$ (494)</u>	<u>\$ (102)</u>	<u>\$ 39,966</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Plant that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Accrued Liabilities

Accrued liabilities consist of the following at December 31, 2018:

Accrued payroll	\$ 94,126
Accrued sales tax	38,210
Accrued bond interest	<u>22,669</u>
Total	<u>\$ 155,005</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. Notes Payable

The Plant had the following notes outstanding at December 31, 2018:

	Coupon Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>12/31/18</u>
Broadband expansion	2.00%	06/22/18	06/21/19	\$ <u>400,000</u>
Total				\$ <u><u>400,000</u></u>

The following summarizes activity in notes payable during fiscal year 2018:

	Balance Beginning <u>of Year</u>	New <u>Issues</u>	<u>Rollover</u>	<u>Maturities</u>	Balance End of <u>Year</u>
Broadband expansion	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -
Broadband expansion	-	-	400,000	-	400,000
Total	\$ <u>400,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>400,000</u>

13. Long-Term Debt

A. General Obligation Bonds

The Plant 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 <u>Through</u>	Coupon Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>12/31/18</u>
Smart grid	05/15/26	2.52%	\$ 1,900,000
Light plant expansion	06/01/27	2.07%	2,700,000
W. R. Grace land acquisition	09/15/21	3.00%	150,000
Telecom	09/15/21	4.00%	<u>275,000</u>
Total Business-Type Activities			\$ <u><u>5,025,000</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2018 are as follows:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 750,000	\$ 147,625	\$ 897,625
2020	750,000	125,125	875,125
2021	725,000	98,605	823,605
2022	500,000	74,625	574,625
2023	500,000	58,125	558,125
2024 - 2028	<u>1,800,000</u>	<u>89,563</u>	<u>1,889,563</u>
Total	<u>\$ 5,025,000</u>	<u>\$ 593,668</u>	<u>\$ 5,618,668</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Bonds payable	\$ 5,812	\$ -	\$ (787)	\$ 5,025	\$ (750)	\$ 4,275
Unamortized premium	<u>290</u>	<u>-</u>	<u>(38)</u>	<u>252</u>	<u>-</u>	<u>252</u>
Subtotal	6,102	-	(825)	5,277	(750)	4,527
Net pension liability	2,644	-	(1,546)	1,098	-	1,098
Net OPEB Liability	81	2,264	-	2,345	-	2,345
Other:						
Compensated absences	<u>135</u>	<u>15</u>	<u>-</u>	<u>150</u>	<u>(7)</u>	<u>143</u>
Subtotal - other	<u>135</u>	<u>15</u>	<u>-</u>	<u>150</u>	<u>(7)</u>	<u>143</u>
Totals	<u>\$ 8,962</u>	<u>\$ 2,279</u>	<u>\$ (2,371)</u>	<u>\$ 8,870</u>	<u>\$ (757)</u>	<u>\$ 8,113</u>

14. 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. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. Other deferred inflows relate to resources which will be used in future years' customer rates.

Other deferred inflows of resources consist of the following as of December 31, 2018:

Provision for rate stabilization	\$ 911,542
Provision for rate refund	2,094,468
Provision for injuries and damages	<u>192,845</u>
Total	<u>\$ 3,198,855</u>

15. 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 3-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.

If a participant was a member prior to February 2012, 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, 2018 was \$347,354, 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, 2018, the Plant reported a liability of \$1,097,567 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. 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 December 31, 2017, the Plant's proportion was 6.34%.

For the year ended December 31, 2018, the Plant recognized pension expense of \$176,327. 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>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,006	\$ 161,894
Net difference between projected and actual earnings on pension plan investments	-	393,506
Changes of assumptions	337,715	56,863
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,493	396,167
Contributions subsequent to the measurement date	<u>572,244</u>	<u>-</u>
Total	<u>\$ 959,458</u>	<u>\$ 1,008,430</u>

The amount \$572,244 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 2018. Other

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

2019	\$ (87,539)
2020	(65,936)
2021	(196,501)
2022	(238,266)
2023	<u>(32,974)</u>
Total	\$ <u>(621,216)</u>

D. Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Not explicitly assumed
Actuarial cost method	Entry age normal cost method
Salary increases	4.00% ultimate rate; reduced to 3.50% while receiving the following steps:
Groups 1 and 2	4.30% for 7 years
Investment rate of return	7.00%
Post-retirement cost-of-living adjustment	3.00% of first \$12,000

Mortality rates were based on the following:

- Pre-retirement and beneficiary mortality: RP-2014 table projected generationally from 2006 using MP-2016
- Mortality for retired members: RP-2014 table projected generationally from 2006 using MP-2016. For members retired under Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.
- Mortality for disabled members: RP-2014 table projected generationally from 2006 using MP-2016, ages set forward 2 years.

The actuarial assumptions used in the January 1, 2017 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>
U.S. Equity	37.91%	4.47%
Core Bonds	22.04%	0.73%
Real Estate	8.52%	3.59%
International Equities	8.38%	4.66%
Portfolio Completion (PBC)	7.60%	3.44%
Private Equity	5.50%	6.31%
Value-Added Fixed Income	3.72%	3.50%
Emerging Equities	2.23%	6.12%
TIPS	1.86%	0.73%
Timberland	1.50%	3.16%
20+ year Treasury STRIPS	0.74%	0.49%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$ 2,403,780	\$ 1,097,567	\$ 29,465

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.

16. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Plant pools contributions to an OPEB Trust Fund with the Town. See additional disclosures for the plan fiduciary net position in the Town’s June 30, 2018 comprehensive annual financial report dated December 27, 2018.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

A. General Information about the OPEB Plan

Plan Description

The Plant provides post-employment healthcare benefits for retired employees through the Plant’s plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

The Plant provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Plant and meet the eligibility criteria will receive these benefits.

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	24
Active employees	<u>35</u>
Total	<u><u>59</u></u>

B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	4.00% ultimate rate, reduced to 3.50% while receiving seven years of 4.30% steps
Investment rate of return	7.25% per year net of investment expenses
Discount rate	7.25% per year net of investment expenses
Healthcare cost trend rates	9.50% for 2018, fluctuating 0.50% to an ultimate rate of 5.00% as of 2024 and later years
Retirees' share of benefit-related costs	Range of 37.00% to 50.00%

The discount rate was based on 20-year Municipal General Obligation Bonds at June 30, 2018.

Mortality rates were based on the following:

- Actives: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.
- Retirees: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.
- Disabled: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

C. Discount Rate

The discount rate used to measure the net OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

D. Net OPEB Liability

The Plant's net OPEB liability of \$2,345,407 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

E. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 2,998,023	\$ 912,057	\$ 2,085,966
Changes for the year:			
Service cost	89,218	-	89,218
Interest	242,729	-	242,729
Contributions - employer	-	262,417	(262,417)
Net investment income	-	71,621	(71,621)
Differences between expected and actual experience	96,636	-	96,636
Changes in assumptions or other inputs	164,896	-	164,896
Benefit payments	<u>(129,591)</u>	<u>(129,591)</u>	<u>-</u>
Net Changes	<u>463,888</u>	<u>204,447</u>	<u>259,441</u>
Balances, end of year	\$ <u>3,461,911</u>	\$ <u>1,116,504</u>	\$ <u>2,345,407</u>

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 2,793,202	\$ 2,345,407	\$ 1,976,168

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that

are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	<u>1% Increase</u>
\$ 1,937,235	\$ 2,345,407	\$ 2,848,202

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Plant recognized an OPEB expense of \$36,511. At December 31, 2018, the Plant reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 85,651	\$ -
Change in assumptions	153,910	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>32,430</u>
Total	<u>\$ 239,561</u>	<u>\$ 32,430</u>

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ 37,506
2020	37,506
2021	37,506
2022	46,935
2023	47,243
Thereafter	<u>435</u>
Total	<u>\$ 207,131</u>

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 2.130% entitlement holder in the Massachusetts allocation of the NYPA firm and peaking energy. The contracts are for the life of the units and the 2018 average energy price under the NYPA contract is \$0.00522/kWh.

18. Payment in Lieu of Taxes

The language "payment in lieu of taxes" (PILOT) is used with reference to the interfund 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 Plant's PILOT is a transfer from the Plant 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 Plant, and approved by the Town Manager. The formula applies the current property tax rate to the net book value of the Plant as of June 30, 2017.

19. 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.

20. Renewable Energy Certificates

In 2003, the Massachusetts Department of Energy and Environmental Affairs adopted the Massachusetts Renewable Energy Portfolio Standard (RPS), a regulation that requires Investor Owned Utilities (IOUs) to purchase mandated

amounts of energy generated by renewable resources (Green Energy) as a percentage of their overall electricity sales. The Massachusetts RPS applies only to IOUs, so the Department is currently exempt from this mandate.

Energy suppliers meet their annual RPS obligations by acquiring a sufficient quantity of RPS-qualified renewable energy certificates (RECs) that are created and recorded at the New England Power Pool (NEPOOL) Generation Information System (GIS). Suppliers can purchase RECs from electricity generators or from other utilities that have acquired RECs.

The Plant currently has a 15-year contract for the purchase of wind power from Spruce Mountain in Maine. As part of the contract they are given RECs and they are subsequently sold to offset the power costs.

Information regarding the Plant's fiscal year ending December 31, 2018 REC balances is as follows:

<u>REC Holdings at December 31, 2018</u>		
	<u>Banked Certificates</u>	<u>Estimated Value</u>
MA Class I	\$ <u>76,402</u>	\$ <u>558,727</u>
Total	\$ <u><u>76,402</u></u>	\$ <u><u>558,727</u></u>

A banked REC is a REC that has been processed by the NEPOOL GIS Coordinator and is in the Plant's GIS account.

Because there is no formal accounting guidance under GAAP or IFRS for RECs and the Plant does not have a formal policy for the future disposition of RECs, the estimated fair value of the Plant's REC holdings at December 31, 2018 are not recognized as an asset on the proprietary fund Consolidated Statements of Net Position.

21. **Beginning Net Position Restatement**

The beginning (January 1, 2018) net position of the Plant has been restated as follows:

As previously reported	\$ 47,245,661
GASB 75 Implementation	(2,020,784)
Capital asset accumulated depreciation on disposals	<u>701,572</u>
As restated	<u><u>\$ 45,926,449</u></u>

22. Subsequent Events

Long-Term Debt

The Plant has incurred the following additional debt subsequent to year end:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Land Acquisition (WR Grace)	\$ 187,500	5.00%	06/20/19	06/15/29
Telecommunication Services	\$ 400,000	5.00%	06/20/19	06/15/29

The amounts issued shown above will not agree to the total debt outstanding for each project due to bond sale premium that will be applied to the related project costs.

Renewable Energy Certificates

The Plant purchased 18,222 of MA Class I renewable energy certificates for a total price of \$419,106 subsequent to year end.

**TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)**

DECEMBER 31, 2018
(Unaudited)

Concord Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</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>
December 31, 2018	December 31, 2017	6.34%	\$1,097,567	\$ 2,109,619	52.03%	90.58%
December 31, 2017	December 31, 2016	8.20%	\$2,643,809	\$ 2,583,283	102.34%	81.85%
December 31, 2016	December 31, 2015	9.04%	\$2,487,542	\$ 2,647,220	93.97%	80.73%
December 31, 2015	December 31, 2014	10.57%	\$1,639,399	\$ 2,783,014	58.91%	88.04%

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
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

DECEMBER 31, 2018
 (Unaudited)

Concord Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2018	December 31, 2017	\$ 347,354	\$ 347,354	\$ -	\$ 2,109,619	16.47%
December 31, 2017	December 31, 2016	\$ 423,095	\$ 423,095	\$ -	\$ 2,583,283	16.38%
December 31, 2016	December 31, 2015	\$ 423,095	\$ 423,095	\$ -	\$ 2,647,220	15.98%
December 31, 2015	December 31, 2014	\$ 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 PLANT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 AND 75)

(Unaudited)

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 89,218
Interest on unfunded liability - time value of \$	242,729
Differences between expected and actual experience	96,636
Changes of assumptions	164,896
Benefit payments, including refunds of member contributions	<u>(129,591)</u>
Net change in total OPEB liability	463,888
Total OPEB liability - beginning	<u>2,998,023</u>
Total OPEB liability - ending (a)	3,461,911
 Plan Fiduciary Net Position	
Contributions - employer	262,417
Net investment income	71,621
Benefit payments, including refunds of member contributions	<u>(129,591)</u>
Net change in plan fiduciary net position	204,447
Plan fiduciary net position - beginning	<u>912,057</u>
Plan fiduciary net position - ending (b)	<u>1,116,504</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 2,345,407</u>

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

See notes to the Plant's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT PLANT**
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS,
AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

2018

Schedule of Net OPEB Liability

Total OPEB liability	\$ 3,461,911
Plan fiduciary net position	<u>1,116,504</u>
Net OPEB liability (asset)	<u>\$ 2,345,407</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 32.25%

2018

Schedule of Contributions

Actuarially determined contribution	\$ 261,460
Contributions in relation to the actuarially determined contribution	<u>262,417</u>
Contribution deficiency (excess)	<u>\$ (957)</u>

2018

Schedule of Investment Returns

Annual money weighted rate of return, net of investment expense	7.24%
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*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to Plant's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

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

BUSINESS-TYPE PROPRIETARY FUND

CONSOLIDATING STATEMENT OF NET POSITION

DECEMBER 31, 2018

	Business-Type Activities Enterprise Funds			
	Light Fund	Broadband Fund	Eliminations	Total
Assets				
Current:				
Unrestricted cash and short-term investments	\$ 5,597,793	\$ -	\$ -	\$ 5,597,793
Receivables, net of allowance for uncollectible	3,559,459	74,419	-	3,633,878
Prepaid expenses	1,728,037	35,673	-	1,763,710
Inventory	968,066	232,105	-	1,200,171
Due from Broadband	<u>1,752,513</u>	<u>-</u>	<u>(1,752,513)</u>	<u>-</u>
Total current assets	13,605,868	342,197	(1,752,513)	12,195,552
Noncurrent:				
Restricted cash	9,857,815	44,045	-	9,901,860
Investment in associated companies	353,766	-	-	353,766
Capital Assets:				
Land and construction in progress	2,280,590	-	-	2,280,590
Other capital assets, net of accumulated depreciation	<u>35,781,506</u>	<u>1,903,467</u>	<u>-</u>	<u>37,684,973</u>
Total noncurrent assets	48,273,677	1,947,512	-	50,221,189
Deferred Outflows of Resources				
Related to pensions	914,821	44,637	-	959,458
Related to OPEB	<u>228,421</u>	<u>11,140</u>	<u>-</u>	<u>239,561</u>
 Total Assets and Deferred Outflows of Resources	 63,022,787	 2,345,486	 (1,752,513)	 63,615,760
Liabilities				
Current:				
Accounts payable	2,955,296	14,846	-	2,970,142
Accrued liabilities	150,173	4,832	-	155,005
Customer deposits	634,648	-	-	634,648
Customer advances for construction	101,313	-	-	101,313
Due to Light	-	1,752,513	(1,752,513)	-
Notes payable	-	400,000	-	400,000
Current portion of long-term liabilities:				
Bonds payable	650,000	100,000	-	750,000
Compensated absences	<u>6,748</u>	<u>758</u>	<u>-</u>	<u>7,506</u>
Total current liabilities	4,498,178	2,272,949	(1,752,513)	5,018,614
Noncurrent:				
Bonds payable, net of current portion	4,330,030	196,638	-	4,526,668
Net pension liability	1,046,530	51,037	-	1,097,567
Net OPEB liability	2,236,346	109,061	-	2,345,407
Compensated absences	<u>128,217</u>	<u>14,395</u>	<u>-</u>	<u>142,612</u>
Total noncurrent liabilities	7,741,123	371,131	-	8,112,254
Deferred Inflows of Resources				
Related to pensions	961,538	46,892	-	1,008,430
Related to OPEB	30,922	1,508	-	32,430
Other	<u>3,187,185</u>	<u>11,670</u>	<u>-</u>	<u>3,198,855</u>
 Total Liabilities and Deferred Inflows of Resources	 16,418,946	 2,704,150	 (1,752,513)	 17,370,583
Net Position				
Net investment in capital assets	33,312,096	1,228,467	-	34,540,563
Restricted for depreciation fund	4,420,297	-	-	4,420,297
Unrestricted	<u>8,871,448</u>	<u>(1,587,131)</u>	<u>-</u>	<u>7,284,317</u>
 Total Net Position	 <u>\$ 46,603,841</u>	 <u>\$ (358,664)</u>	 <u>\$ -</u>	 <u>\$ 46,245,177</u>

See Independent Auditors' Report.

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

BUSINESS-TYPE PROPRIETARY FUND

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities Enterprise Funds		
	Light Fund	Broadband Fund	Total
Operating Revenues			
Electric sales	\$ 26,178,956	\$ -	\$ 26,178,956
Internet sales	-	963,026	963,026
Rate refund	1,389,924	-	1,389,924
Underground surcharge	406,588	-	406,588
Renewable energy certificate surcharge	558,771	-	558,771
Other operating revenue	293,543	413	293,956
Total Operating Revenues	28,827,782	963,439	29,791,221
Operating Expenses			
Purchase power	20,536,031	183,432	20,719,463
Salaries and benefits	1,942,652	367,051	2,309,703
Other operating expenses	1,538,925	117,401	1,656,326
Depreciation	1,908,051	50,465	1,958,516
Customer accounts	1,051,295	21,321	1,072,616
Distribution	965,598	135,225	1,100,823
Transmission	109,585	-	109,585
Total Operating Expenses	28,052,137	874,895	28,927,032
Operating Income	775,645	88,544	864,189
Nonoperating Revenues (Expenses)			
Interest income	246,222	-	246,222
Interest expense	(167,541)	(14,146)	(181,687)
loss on disposal of capital assets	(183,353)	(11,785)	(195,138)
Payment in lieu of taxes	(461,000)	-	(461,000)
Other	37,596	8,546	46,142
Total Nonoperating Revenues (Expenses), Net	(528,076)	(17,385)	(545,461)
Change in Net Position	247,569	71,159	318,728
Net Position - Beginning of Year, as restated	46,356,272	(429,823)	45,926,449
Net Position at End of Year	\$ 46,603,841	\$ (358,664)	\$ 46,245,177

See Independent Auditors' Report.

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

BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Light <u>Fund</u>	Broadband <u>Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 29,484,436	\$ 965,875	\$ 30,450,311
Payments to vendors and employees	<u>(27,222,151)</u>	<u>(782,208)</u>	<u>(28,004,359)</u>
Net Cash Provided By Operating Activities	2,262,285	183,667	2,445,952
Cash Flows From Noncapital Financing Activities			
Payment in lieu of taxes	(461,000)	-	(461,000)
Due to/from light	(300,788)	300,788	-
Other	<u>15,987</u>	<u>(183)</u>	<u>15,804</u>
Net Cash Provided (Used For) Noncapital Financing Activities	(745,801)	300,605	(445,196)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,016,706)	(345,169)	(1,361,875)
Loss on disposition of assets	(183,353)	(11,785)	(195,138)
Principal payments on bonds	(662,500)	(125,000)	(787,500)
Interest expense	<u>(167,541)</u>	<u>(14,146)</u>	<u>(181,687)</u>
Net Cash (Used For) Capital and Related Financing Activities	(2,030,100)	(496,100)	(2,526,200)
Cash Flows From Investing Activities			
Investment income	<u>246,222</u>	<u>-</u>	<u>246,222</u>
Net Cash Provided By Investing Activities	246,222	-	246,222
Net Change in Cash and Short-Term Investments	(267,394)	(11,828)	(279,222)
Cash and Short Term Investments, Beginning of Year	<u>15,723,002</u>	<u>55,873</u>	<u>15,778,875</u>
Cash and Short Term Investments, End of Year	<u>\$ 15,455,608</u>	<u>\$ 44,045</u>	<u>\$ 15,499,653</u>
Reconciliation of Operating Income to Net Cash			
Operating income	\$ 775,645	\$ 88,544	\$ 864,189
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	1,908,051	50,465	1,958,516
Changes in assets, liabilities, and deferred outflows/inflows:			
Accounts receivable	632,346	2,436	634,782
Prepaid expenses	547,862	933	548,795
Inventory	(94,634)	10,461	(84,173)
Deferred outflows - related to pensions	361,741	(13,992)	347,749
Deferred outflows - related to OPEB	(228,421)	(11,140)	(239,561)
Accounts payable	145,996	(4,924)	141,072
Accrued liabilities	41,134	(3,948)	37,186
Net pension liability	(1,544,403)	(1,839)	(1,546,242)
Net OPEB liability	267,900	13,064	280,964
Other liabilities	6,234	5,589	11,823
Deferred inflows - related to pensions	832,549	44,260	876,809
Deferred inflows - related to OPEB	(4,665)	(227)	(4,892)
Deferred inflows - other	<u>(1,385,050)</u>	<u>3,985</u>	<u>(1,381,065)</u>
Net Cash Provided By Operating Activities	<u>\$ 2,262,285</u>	<u>\$ 183,667</u>	<u>\$ 2,445,952</u>

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