

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

**Annual Financial Statements**

**For the Year Ended December 31, 2017**

# Concord Municipal Light Plant

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Proprietary Fund:</b>	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>Pension:</b>	
Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	29
Schedule of Pension Contributions (GASB 68)	30
<b>OPEB:</b>	
Schedule of OPEB Funding Progress (GASB 45)	31
<b>SUPPLEMENTARY SCHEDULES</b>	
Combining Statement of Net Position	32
Combining Statement of Revenues, Expenses, and Changes in Net Position	33

## 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, 2017, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Town of Concord Municipal Light Plant, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Plant's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Reporting Entity*

As discussed in Note 1, the financial statements of the Town of Concord Municipal Light Plant are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the Town of Concord, Massachusetts that is attributable to the transactions of the Concord Municipal Light Plant. They do not purport to, and do not, present fairly the financial position of the Town of Concord, Massachusetts as of December 31, 2017, 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 29 to 31 to 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 financial statements that collectively comprise the Town of Concord Municipal Light Plant's basic financial statements. The supplementary schedules appearing on pages 32-33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Melanson Heath*

November 6, 2018

## 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, 2017.

### 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, 2017, it shows our net position as \$47,425,661, which is comprised of \$33,376,158 invested in capital assets net of related long-term debt, \$3,561,606 restricted for the depreciation fund, and \$10,307,897 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, 2017 was \$453,309.

A comparison to the Net Position at December 31, 2017 is shown in the table below. The net investment in capital assets decreased by \$(267,237), and the restricted depreciation fund increased by \$985,939 compared to December 31, 2016. The unrestricted assets decreased by \$(265,393).

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Net invested in capital assets	\$ 33,376,158	\$ 33,643,395	\$ (267,237)
Restricted for depreciation fund	3,561,606	2,575,667	985,939
Unrestricted	<u>10,307,897</u>	<u>10,573,290</u>	<u>(265,393)</u>
Total Net Position	<u>\$ 47,245,661</u>	<u>\$ 46,792,352</u>	<u>\$ 453,309</u>

The Statement of Cash Flows provides information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our Statement of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in 2017.

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>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 14,606,157	\$ 16,273,390	\$ 16,414,769
Noncurrent assets	<u>49,094,117</u>	<u>49,030,262</u>	<u>47,198,419</u>
Total assets	63,700,274	65,303,652	63,613,188
Deferred outflows	1,307,207	1,107,052	196,240
Current liabilities	4,882,249	5,296,374	5,417,568
Noncurrent liabilities	<u>8,168,030</u>	<u>8,763,706</u>	<u>8,252,125</u>
Total liabilities	13,050,279	14,060,080	13,669,693
Deferred inflows	4,711,541	5,558,272	4,806,673
Net position:			
Net investment in capital assets	33,376,158	33,643,395	32,243,725
Restricted for depreciation fund	3,561,606	2,575,667	2,657,066
Unrestricted	<u>10,307,897</u>	<u>10,573,290</u>	<u>10,432,271</u>
Total net position	<u>\$ 47,245,661</u>	<u>\$ 46,792,352</u>	<u>\$ 45,333,062</u>

### Summary of Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 27,507,990	\$ 26,176,369	\$ 26,216,645
Operating expenses	<u>(26,281,468)</u>	<u>(24,164,319)</u>	<u>(23,986,722)</u>
Operating income	1,226,522	2,012,050	2,229,923
Non-operating revenues (expenses)	<u>(108,779)</u>	<u>(63,106)</u>	<u>(168,745)</u>
Net income before other financing sources	1,117,743	1,948,944	2,061,178
Other financing sources			
Loss on disposal of capital assets	(190,434)	(24,154)	(145,877)
Payment in lieu of taxes	<u>(474,000)</u>	<u>(465,500)</u>	<u>(472,400)</u>
Change in net position	<u>\$ 453,309</u>	<u>\$ 1,459,290</u>	<u>\$ 1,442,901</u>

## **B. FINANCIAL HIGHLIGHTS**

Operating revenues for 2017 increased by \$1,331,621 or 5.1% from 2016. This increase was caused primarily because of an increase of customer charges for purchase power and fuel charges.

Total operating expenses for 2017 increased by \$2,117,149 or 8.8% from 2016. The largest portion of this increase was caused by an increase in various customer accounts.

The transfer to the Town of Concord General Fund increased from the prior year by \$8,500 to \$474,000, in accordance with the vote of Article 53 of the 2017 Annual Town Meeting.

## **C. CAPITAL ASSETS**

**Capital assets.** The Plant's total investment in capital assets at year-end was \$39,860,632 (net of accumulated depreciation but before related debt of \$5,812,500, a decrease of \$(412,764) 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, 2017, total bonded debt was \$5,812,500.

## **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 2017 calendar year, CMLP repaid \$125,000 of the total \$525,000 borrowing, resulting in a total borrowing of \$400,000. By December 31, 2017, CMLP had 990 commercial and residential customers connected, an increase of 240 customers over the previous year. As of December 2017, annualized revenue from Broadband was \$884,138.

## **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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current:		
Unrestricted cash and short-term investments	\$ 6,899,156	\$ 8,064,104
Receivables, net of allowance for uncollectable	4,268,660	4,021,641
Prepaid expenses	2,314,013	3,134,255
Inventory	1,115,998	1,044,670
Other	<u>8,330</u>	<u>8,720</u>
Total current assets	14,606,157	16,273,390
Noncurrent:		
Restricted cash	8,879,719	8,432,125
Investment in associated companies	353,766	324,741
Land and construction in progress	1,880,111	4,684,289
Capital assets, net of accumulated depreciation	<u>37,980,521</u>	<u>35,589,107</u>
Total noncurrent assets	49,094,117	49,030,262
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to pensions	<u>1,307,207</u>	<u>1,107,052</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>65,007,481</b>	<b>66,410,704</b>
<b>LIABILITIES</b>		
Current:		
Accounts payable	2,830,578	3,880,548
Accrued liabilities	117,818	132,796
Customer deposits	610,340	355,273
Customer advances for construction	129,281	103,486
Notes payable	400,000	-
Current portion of long-term liabilities:		
Bonds payable	787,500	817,500
Other	<u>6,732</u>	<u>6,771</u>
Total current liabilities	4,882,249	5,296,374
Noncurrent:		
Bonds payable, net of current portion	5,315,336	6,142,285
Net pension liability	2,643,809	2,487,542
Net OPEB obligation	80,981	5,239
Other, net of current portion	<u>127,904</u>	<u>128,640</u>
Total noncurrent liabilities	8,168,030	8,763,706
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to pensions	131,621	-
Other	<u>4,579,920</u>	<u>5,558,272</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>17,761,820</b>	<b>19,618,352</b>
<b>NET POSITION</b>		
Net investment in capital assets	33,376,158	33,643,395
Restricted for depreciation fund	3,561,606	2,575,667
Unrestricted	<u>10,307,897</u>	<u>10,573,290</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>47,245,661</u></b>	<b>\$ <u>46,792,352</u></b>

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

TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT DEPARTMENT

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

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>	\$ <u>27,507,990</u>	\$ <u>26,176,369</u>
Total Operating Revenues	27,507,990	26,176,369
<b>Operating Expenses:</b>		
Purchase power	18,747,522	16,898,428
Salaries and benefits	2,694,068	2,366,533
Other operating expenses	1,175,904	1,009,843
Depreciation	1,838,224	1,778,212
Customer accounts	898,400	1,140,366
Distribution	864,089	895,391
Transmission	<u>63,261</u>	<u>75,546</u>
Total Operating Expenses	<u>26,281,468</u>	<u>24,164,319</u>
Operating Income	1,226,522	2,012,050
<b>Nonoperating Revenues (Expenses):</b>		
Interest income	56,106	122,590
Interest expense	(204,335)	(223,425)
Other	<u>39,450</u>	<u>37,729</u>
Total Nonoperating Revenues (Expenses), Net	<u>(108,779)</u>	<u>(63,106)</u>
Net Income Before Other Financing Sources	1,117,743	1,948,944
<b>Other financing (uses):</b>		
Loss on disposal of capital assets	(190,434)	(24,154)
Payment in lieu of taxes	<u>(474,000)</u>	<u>(465,500)</u>
Total other financing (uses)	<u>(664,434)</u>	<u>(489,654)</u>
Change in Net Position	453,309	1,459,290
Net Position at Beginning of Year	<u>46,792,352</u>	<u>45,333,062</u>
Net Position at End of Year	<u>\$ <u>47,245,661</u></u>	<u>\$ <u>46,792,352</u></u>

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

TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT DEPARTMENT  
BUSINESS-TYPE PROPRIETARY FUND  
STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Receipts from customers and users	\$ 27,612,585	\$ 27,366,466
Payments to other suppliers of goods or services	(23,921,079)	(18,911,101)
Payments to employees	<u>(1,750,007)</u>	<u>(3,180,898)</u>
Net Cash Provided By (Used For) Operating Activities	1,941,499	5,274,467
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>		
Payment in lieu of taxes	<u>(474,000)</u>	<u>(465,500)</u>
Net Cash Provided (Used For) Noncapital Financing Activities	(474,000)	(465,500)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>		
Acquisition and construction of capital assets	(979,173)	(2,771,557)
Loss on disposition of assets	(636,721)	(112,979)
Proceeds from bond anticipation notes	400,000	-
Contributions in aid of construction	25,795	(97,100)
Principal payments on bonds	(817,500)	(717,500)
Interest expense	(204,335)	(223,425)
Other non-operating income	<u>-</u>	<u>43,674</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(2,211,934)	(3,878,887)
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment income	56,106	122,590
Other	<u>(29,025)</u>	<u>(164,919)</u>
Net Cash Provided By (Used For) Investing Activities	27,081	(42,329)
Net Change in Cash and Short-Term Investments	(717,354)	887,751
Cash and Short Term Investments, Beginning of Year	<u>16,496,229</u>	<u>15,608,478</u>
Cash and Short Term Investments, End of Year	<u>\$ 15,778,875</u>	<u>\$ 16,496,229</u>
<b><u>Reconciliation of Operating Income to Net Cash:</u></b>		
Operating income	\$ 1,226,522	\$ 2,012,050
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	1,838,224	1,778,212
Changes in assets, liabilities, and deferred outflows/inflows:		
Accounts receivable	(150,472)	279,900
Inventory	(13,789)	71,085
Other assets	666,546	93,392
Deferred outflows - related to pensions	(200,155)	(910,812)
Accounts payable and accrued liabilities	(1,049,970)	294,420
Accrued expenses	(14,978)	21,715
Provision for stabilization	(979,657)	876,802
Net OPEB obligation	75,743	5,238
Net pension liability	156,267	848,143
Deferred inflows - related to pensions	131,621	(123,551)
Other liabilities	<u>255,597</u>	<u>27,873</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,941,499</u>	<u>\$ 5,274,467</u>

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

# Town of Concord Municipal Light Plant

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

- J. Long-term Obligations – The financial statements report long-term debt and other long-term obligations as liabilities in the Statement of Net Position.
- K. Equity – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Plant or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The remaining net position is reported as unrestricted.
- L. Use of Estimates – The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.
- M. Rate of Return – The Plant’s rates must be set such that earnings attributable to electric operations do not exceed eight percent of the net cost of plant. In 2017, 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, 2017, 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, 2017:

Customer Accounts:		
Billed	\$ 2,460,138	
Less allowances:		
Uncollectible accounts	<u>(30,000)</u>	
Total billed		2,430,138
Unbilled, net		<u>1,507,090</u>
Total customer accounts		3,937,228
Other Accounts:		
Merchandise sales	270,580	
Liens and other	<u>60,852</u>	
Total other accounts		<u>331,432</u>
Total net receivables		<u>\$ 4,268,660</u>

### 4. Prepaid Expenses

Prepaid expenses consist primarily of advance payments for purchased power.

Purchased power	\$ 2,013,283
NYPA prepayment fund	85,884
Fuel inventory	137,684
Insurance and other	<u>77,162</u>
Total	<u>\$ 2,314,013</u>

### 5. Inventory

Inventory comprises supplies and materials at December 31, 2017 and is valued using the average cost method.

## 6. Restricted Cash

Restricted cash consists of the following at December 31, 2017:

Bond fund 2011-2026	\$	200,000
Bond fund 2014-2027		175,000
Bond fund 2015-2021		20,833
Bond interest fund		30,828
Broadband bond fund 2014-2018		14,583
Broadband bond fund 2016-2021		29,167
Customer advances for construction fund		129,281
Customer deposits fund		610,340
Depreciation fund		3,561,606
Emergency repairs fund		1,130,000
Rate stabilization fund		1,613,865
Underground fund		1,180,229
Worker's compensation insurance fund		<u>183,987</u>
Total	\$	<u>8,879,719</u>

The Plant maintains the following restricted cash and investment accounts:

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

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

**7. Investment in Associated Companies**

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Plant has made advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Plant is carrying its investment at cost, reduced by shares repurchased. As of December 31, 2017, 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, 2017.

Investment in associated companies consists of the following, at December 31, 2017:

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 2017 capital asset activity (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Structures and improvements	\$ 8,702	\$ 8	\$ (1)	\$ 8,709
Equipment and furnishings	13,625	266	(3)	13,888
Infrastructure	37,100	4,104	(591)	40,613
Intangible	<u>2,086</u>	<u>-</u>	<u>-</u>	<u>2,086</u>
Total capital assets, being depreciated	61,513	4,378	(595)	65,296
Less accumulated depreciation for:				
Structures and improvements	(3,884)	(260)	1	(4,143)
Equipment and furnishings	(5,188)	(402)	2	(5,588)
Infrastructure	(16,101)	(1,113)	444	(16,770)
Intangible	<u>(751)</u>	<u>(63)</u>	<u>-</u>	<u>(814)</u>
Total accumulated depreciation	<u>(25,924)</u>	<u>(1,838)</u>	<u>447</u>	<u>(27,315)</u>
Total capital assets, being depreciated, net	35,589	2,540	(148)	37,981
Capital assets, not being depreciated:				
Land	1,187	65	-	1,252
Construction in progress	<u>3,497</u>	<u>123</u>	<u>(2,992)</u>	<u>628</u>
Total capital assets, not being depreciated	<u>4,684</u>	<u>188</u>	<u>(2,992)</u>	<u>1,880</u>
Capital assets, net	<u>\$ 40,273</u>	<u>\$ 2,728</u>	<u>\$ (3,140)</u>	<u>\$ 39,861</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, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 15.

## 10. Accrued Liabilities

Accrued liabilities consist of the following at December 31, 2017:

Accrued payroll	\$ 57,951
Accrued sales tax	32,594
Accrued bond interest	<u>27,273</u>
Total	<u>\$ 117,818</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. Anticipation Notes Payable**

The Town had the following notes outstanding at December 31, 2017:

	Coupon Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>12/31/17</u>
Broadband expansion	2.00%	06/22/17	06/22/18	\$ <u>400,000</u>
Total				\$ <u><u>400,000</u></u>

The following summarizes activity in notes payable during fiscal year 2017:

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

**13. 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 <u>Through</u>	Coupon Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>12/31/17</u>
Smart grid	05/15/26	2.00% - 4.00%	\$ 2,200,000
Light plant expansion	06/01/27	2.07%	3,000,000
Telecom	06/01/18	3.00%	25,000
W.R. Grace land acquisition	09/15/21	3.00%	212,500
Telecom	09/15/21	4.00%	<u>375,000</u>
Total Business-Type Activities			\$ <u><u>5,812,500</u></u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2017 are as follows:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 787,500	\$ 178,876	\$ 966,376
2019	750,000	151,624	901,624
2020	750,000	125,126	875,126
2021	725,000	98,624	823,624
2022	500,000	74,626	574,626
2023 - 2027	<u>2,300,000</u>	<u>147,688</u>	<u>2,447,688</u>
Total	<u>\$ 5,812,500</u>	<u>\$ 776,564</u>	<u>\$ 6,589,064</u>

**C. Changes in General Long-Term Liabilities**

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

	Total Balance <u>1/1/17</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/17</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/17</u>
<b><u>Business-Type Activities</u></b>						
Bonds payable	\$ 6,630,000	\$ -	\$ (817,500)	\$ 5,812,500	\$ (787,500)	\$ 5,025,000
Unamortized premium	<u>329,785</u>	<u>-</u>	<u>(39,449)</u>	<u>290,336</u>	<u>-</u>	<u>290,336</u>
Subtotal	6,959,785	-	(856,949)	6,102,836	(787,500)	5,315,336
Net pension liability	2,487,542	156,267	-	2,643,809	-	2,643,809
Net OPEB liability	5,239	75,742	-	80,981	-	80,981
Other:						
Compensated absence	<u>135,411</u>	<u>-</u>	<u>(775)</u>	<u>134,636</u>	<u>(6,732)</u>	<u>127,904</u>
Subtotal - other	<u>135,411</u>	<u>-</u>	<u>(775)</u>	<u>134,636</u>	<u>(6,732)</u>	<u>127,904</u>
Totals	<u>\$ 9,587,977</u>	<u>\$ 232,009</u>	<u>\$ (857,724)</u>	<u>\$ 8,962,262</u>	<u>\$ (794,232)</u>	<u>\$ 8,168,030</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. The Plant reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other relates to resources which will be used in future years' customer rates. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 15.

Other deferred inflows of resources consist of the following as of December 31, 2017:

Provision for rate stabilization	\$	1,661,761
Provision for rate refund		2,734,172
Provision for injuries and damages		<u>183,987</u>
Total	\$	<u><u>4,579,920</u></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 three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average for those first becoming members of the MA System on or after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service.

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, 2017 was \$423,095, which was equal to its annual required contribution.

*B. Summary of Significant Accounting Policies*

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

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

At December 31, 2017, the Plant reported a liability of \$2,643,809 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 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 January 1, 2017, the Plant's proportion was 8.2 percent.

For the year ended December 31, 2017, the Plant recognized pension expense of \$540,869. 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	\$ 80,745	\$ 131,621
Net difference between projected and actual earnings on pension plan investments	308,389	-
Changes of assumptions	570,721	-
Contributions subsequent to the measurement date	<u>347,352</u>	<u>-</u>
Total	<u>\$ 1,307,207</u>	<u>\$ 131,621</u>

The amount \$347,352 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2017. Other amounts reported as deferred outflows of resources and deferred inflows of

resources related to pensions will be recognized in pension expense as follows:

2018	\$ 212,587
2019	212,587
2020	314,761
2021	71,748
2022	<u>16,551</u>
Total	<u>\$ 828,234</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:

Valuation Date	January 1, 2016
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	4.00% Ultimate rate; 3.25% base rate while receiving the following steps:
Group 1 and 2	3.00% for 10 years
Fire	4.70% for 3 years
Police	5.20% in year 1, 5.60% in year 2, 7.30% in year 3, 5.00% in year 4 and 4.80% in year 5
Inflation rate	Not Explicitly Assumed
Post-retirement cost-of-living adjustment	3.00% of first \$12,000

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

The actuarial assumptions used in the January 1, 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>
Global Equity	50.95%	5.02%
Core Fixed Income	27.82%	0.81%
Value-Added Fixed Income	3.62%	3.54%
Private Equity	3.98%	6.31%
Real Estate	3.62%	3.40%
Hedge Funds	4.71%	3.38%
Timber/Natural Resources	1.45%	2.91%
Cash	<u>3.85%</u>	0.00%
Total	<u>100.00%</u>	

*E. Discount Rate*

The discount rate used to measure the total pension liability was 7%. 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 percent, as well as what the Plant's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6%) or 1 percentage-point higher (8%) than the current rate:

<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$ 4,276,224	\$ 2,643,809	\$ 1,303,716

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 – OPEB (GASB 45)**

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 15, the Plant provides post-employment health and life insurance benefits for retired employees through the Town of Concord's plan with Minuteman-Nashoba Health Group. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2017, the actuarial valuation date, approximately 18 retirees and 39 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 2017 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, 2017, the amount actually contributed to the plan, and the change in the Plant's net OPEB obligation based on an actuarial valuation as of June 30, 2017.

Annual Required Contribution (ARC)	\$ 219,066
Interest on net OPEB obligation	380
Adjustment to ARC	<u>(354)</u>
Annual OPEB cost	219,092
Premiums and implicit subsidy paid	<u>(143,350)</u>
Increase in net OPEB obligation	75,742
Net OPEB obligation (asset) - beginning of year	<u>5,239</u>
Net OPEB obligation - end of year	<u><u>\$ 80,981</u></u>

The Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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>
2017	\$ 219,092	65.43%	\$ 80,981
2016	\$ 181,907	64.10%	\$ 5,239
2015	\$ 127,439	78.77%	\$ (60,065)

*E. Funded Status and Funding Progress*

The OPEB Trust fund assets are held by the Town Treasurer in a single fund, with a share of assets attributed to the Plant. The funded status of the plan as of June 30, 2017, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,786
Actuarial value of plan assets	<u>958</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,828</u>
Funded ratio (actuarial value of plan assets/AAL)	34.4%
Covered payroll (active plan members)	\$ 2,577
UAAL as a percentage of covered payroll	70.9%

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

*F. Actuarial Methods and Assumptions*

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

In the June 30, 2017 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return and an initial annual health care cost trend rate 8.5% which decreases to a 5.0% long-term rate for all health care benefits after 7 years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 3% per year for a period of 22 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 2.130% entitlement holder in the Massachusetts allocation of the NYPA firm and peaking energy. The contracts are for the life of the units and the 2017 average energy price under the NYPA contract is \$0.0491/kWh.

## **18. Payment in Lieu of Taxes**

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

The particular method in arriving at an appropriate amount of this transfer is not prescribed by statute, but rather Concord’s specific amount has been derived from a formula worked out jointly by the Finance Department and the CMLP and approved by the Town Manager. The formula applies the current property tax rate to the net book value of CMLP as of June 30, 2016.

## **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.

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.

## **20. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the Plant beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

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

**DECEMBER 31, 2017  
(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, 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  
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**DECEMBER 31, 2017  
(Unaudited)**

Concord Contributory Retirement System

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<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$ 423,095	\$ 423,095	\$ -	\$ 2,583,283	16.38%
December 31, 2016	\$ 423,095	\$ 423,095	\$ -	\$ 2,647,220	15.98%
December 31, 2015	\$ 403,515	\$ 403,515	\$ -	\$ 2,783,014	14.50%

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

See Independent Auditors' Report.

**TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT DEPARTMENT  
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)**

**December 31, 2017  
(Unaudited)**

**Other Post-Employment Benefits (in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/17	\$ 958	\$ 2,786	\$ 1,828	34.4%	\$ 2,577	70.9%
06/30/16	\$ 826	\$ 2,210	\$ 1,384	37.4%	\$ 2,793	49.6%
06/30/14	\$ 808	\$ 1,882	\$ 1,074	42.9%	\$ 2,431	44.2%
01/01/12	\$ 640	\$ 1,573	\$ 933	40.7%	\$ 2,427	38.4%
01/01/09	\$ -	\$ 2,933	\$ 2,933	0.0%	N/A	N/A

See Independent Auditors' Report.

TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT DEPARTMENT  
BUSINESS-TYPE PROPRIETARY FUND - COMBINING SCHEDULE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds		
	Light Fund	Broadband Fund	Total
<b>ASSETS</b>			
Current:			
Unrestricted cash and short-term investments	\$ 8,108,315	\$ (1,209,159)	\$ 6,899,156
Receivables, net of allowance for uncollectibles	4,191,805	76,855	4,268,660
Prepaid expenses	2,277,407	36,606	2,314,013
Inventory	1,115,998	-	1,115,998
Other	8,330	-	8,330
Total current assets	15,701,855	(1,095,698)	14,606,157
Noncurrent:			
Restricted cash	8,823,846	55,873	8,879,719
Investment in associated companies	353,766	-	353,766
Land and construction in progress	1,880,111	-	1,880,111
Capital assets, net of accumulated depreciation	36,381,522	1,598,999	37,980,521
Total noncurrent assets	47,439,245	1,654,872	49,094,117
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	1,276,562	30,645	1,307,207
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	64,417,662	589,819	65,007,481
<b>LIABILITIES</b>			
Current:			
Accounts payable	2,810,808	19,770	2,830,578
Accrued liabilities	109,038	8,780	117,818
Customer deposits	610,340	-	610,340
Customer advances for construction	129,281	-	129,281
Notes payable	-	400,000	400,000
Current portion of long-term liabilities:			
Bonds payable	662,500	125,000	787,500
Other	6,254	478	6,732
Total current liabilities	4,328,221	554,028	4,882,249
Noncurrent:			
Bonds payable, net of current portion	5,009,969	305,367	5,315,336
Net pension liability	2,590,933	52,876	2,643,809
Net OPEB obligation	80,981	-	80,981
Other, net of current portion	118,818	9,086	127,904
Total noncurrent liabilities	7,800,701	367,329	8,168,030
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	128,989	2,632	131,621
Other	4,572,235	7,685	4,579,920
<b>TOTAL LIABILITIES</b>	16,830,146	931,674	17,761,820
<b>NET POSITION</b>			
Net investment in capital assets	32,849,129	527,029	33,376,158
Restricted for depreciation fund	3,561,606	-	3,561,606
Unrestricted	11,176,781	(868,884)	10,307,897
<b>TOTAL NET POSITION</b>	\$ 47,587,516	\$ (341,855)	\$ 47,245,661

See Independent Auditors' Report.

TOWN OF CONCORD, MASSACHUSETTS  
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND - COMBINING SCHEDULE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds		
	Light Fund	Broadband Fund	Total
<b>Operating Revenues</b>	\$ 26,742,994	\$ 764,996	\$ 27,507,990
Total Operating Revenues	26,742,994	764,996	27,507,990
<b>Operating Expenses:</b>			
Purchase power	18,618,287	129,235	18,747,522
Salaries and benefits	2,694,068	-	2,694,068
Other operating expenses	746,829	429,075	1,175,904
Depreciation	1,800,938	37,286	1,838,224
Customer accounts	876,792	21,608	898,400
Distribution	798,617	65,472	864,089
Transmission	63,261	-	63,261
Total Operating Expenses	25,598,792	682,676	26,281,468
Operating Income (Loss)	1,144,202	82,320	1,226,522
<b>Nonoperating Revenues (Expenses):</b>			
Interest income	56,106	-	56,106
Interest expense	(185,439)	(18,896)	(204,335)
Other	29,980	9,470	39,450
Total Nonoperating Revenues (Expenses), Net	(99,353)	(9,426)	(108,779)
Net Income (Loss) Before Other Financing Sources	1,044,849	72,894	1,117,743
<b>Other financing (uses):</b>			
Loss on disposal of capital assets	(190,434)	-	(190,434)
Payment in lieu of taxes	(474,000)	-	(474,000)
Change in Net Position	380,415	72,894	453,309
Net Position at Beginning of Year	47,207,101	(414,749)	46,792,352
Net Position at End of Year	\$ 47,587,516	\$ (341,855)	\$ 47,245,661

See Independent Auditors' Report.