

***MANSFIELD MUNICIPAL ELECTRIC DEPARTMENT
(An Enterprise Fund of the Town of Mansfield,
Massachusetts)***

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

YEARS ENDED JUNE 30, 2015 AND 2014

MANSFIELD MUNICIPAL ELECTRIC DEPARTMENT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2015 AND 2014

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

To the Honorable Board of Commissioners
Mansfield Municipal Electric Department
Mansfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Mansfield Municipal Electric Department of the Town of Mansfield, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mansfield Municipal Electric Department of the Town of Mansfield, Massachusetts, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Mansfield Municipal Electric Department and do not purport to, and do not, present fairly the financial position of the Town of Mansfield, Massachusetts, as of June 30, 2015 and 2014, the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 13, the financial statements for the year ending June 30, 2014 have been restated to correct an understatement of accounts receivable and related revenue.

Other Matters

Financial Statements for the Year Ended June 30, 2014

The financial statements of the prior period were audited by a predecessor auditor, whose opinion dated October 10, 2014, was unmodified before the restatement mentioned above. As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on the following pages, the pension plan schedules of the Department's proportionate share of the net pension liability and the schedule of contributions, and the schedule of the other postemployment benefit plan funding progress and employer contributions and the schedule of the other postemployment benefit plan actuarial methods and assumptions, located after the notes to the financial statements, be presented to supplement the basic financial statements. Such information, although not a part of the basic financials statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Mansfield Municipal Electric Department's financial statements. The Schedules of Operation and Maintenance Expenses and Utility Plant in Service, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the Mansfield Municipal Electric Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mansfield Municipal Electric Department's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Powers + Johnson, LLC". The signature is written in a cursive, flowing style.

October 26, 2015

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Mansfield Municipal Electric Department, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the years ended June 30, 2015 and 2014. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

The financial statements include (1) the statements of net position (2) the statements of revenues, expenses and changes in net position (3) the statement of cash flows and (4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The statement of net position is designed to indicate the Department's financial position as of a specific point in time. At June 30, 2015, it shows the Department's net position of \$48,967,555, which is comprised of \$31,518,302 (64%) net investment of capital assets, \$3,738,641 (7%) restricted for depreciation, and \$13,710,612 (29%) which is unrestricted.

The statements of revenues, expenses and changes in net position summarize the Department's operating results and reveal how net position changed for the year. Net position increased for the year ended June 30, 2015 by \$2,193,782 and increased for the year ended June 30, 2014 by \$968,096, after the restatement discussed in Note 13. The change between years is mainly related to a \$2.0 million refund granted to customers during 2014. Total kilowatt hour sales in 2015 were also lower than 2014 by approximately 1.8%.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the operating activities, non-capital and capital related financing activities, and investing activities for the same period.

Condensed Statement of Net Position

	2015	2014 (As Restated/Revised)
Assets:		
Current assets.....	\$ 16,639,308	\$ 15,726,559
Noncurrent assets (excluding capital).....	6,550,970	6,140,142
Capital assets, net of accumulated depreciation.....	31,518,302	30,836,976
Total assets.....	54,708,580	52,703,677
Total Deferred Outflows of Resources.....	144,307	-
Liabilities:		
Current liabilities (excluding debt).....	1,791,153	2,108,347
Noncurrent liabilities (excluding debt).....	4,094,179	3,821,557
Total liabilities.....	5,885,332	5,929,904
Net Position:		
Net investment in capital assets.....	31,518,302	30,836,976
Restricted for depreciation.....	3,738,641	3,423,982
Unrestricted.....	13,710,612	12,512,815
Total net position.....	\$ 48,967,555	\$ 46,773,773

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2015	2014 (As Restated/Revised)
Operating revenues.....	\$ 26,213,298	\$ 26,673,509
Operating expenses.....	23,569,365	25,258,059
Operating income.....	2,643,933	1,415,450
Interest income.....	30,883	33,995
Interest expense.....	(1,034)	(1,349)
Nonoperating revenues/expenses, net.....	29,849	32,646
Income before transfers.....	2,673,782	1,448,096
Transfers out - payment in lieu of taxes, Town of Mansfield.....	(480,000)	(480,000)
Change in net position.....	2,193,782	968,096
Net position at beginning of year.....	46,773,773	45,805,677
Net position at end of year.....	\$ 48,967,555	\$ 46,773,773

GASB Statements #68 and #71 were implemented this year which required the Department to record its net pension liability for the first time. Included in noncurrent liabilities are net pension liabilities of \$2,999,362 and \$2,849,233 for the years ended June 30, 2015 and 2014, respectively. Deferred outflows relating to changes in assumptions and differences between expected and actual experience, respectively, have also been recorded for the first time this year.

Financial Highlights

Operating revenues were \$26,213,000 in 2015, a decrease of less than 2% from 2014. Kilowatt hours sold decreased by 1.8% to 205,672,135 in 2015 compared to 209,387,802 in 2014.

Operating expenses were \$23,569,000 in 2015 compared to \$25,258,000 in 2014. The \$1.7 million decrease is mainly due to a reduction of purchase power costs.

Transfers out consists of a payment in lieu of taxes of \$480,000 to the Town of Mansfield in both 2015 and 2014.

Utility Plant

Utility Plant

The Department had total acquisitions of approximately \$2.2 million in 2015. The Department expended approximately \$2.0 for distribution plant and \$196,000 for general plant additions.

Requests for Information

This financial report is designed to provide a general overview of the Mansfield Municipal Electric Department's finances for all those with an interest in the Department's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Electric Department Director, 125 High Street, Mansfield, Massachusetts 02048.

Financial Statements

STATEMENTS OF NET POSITION

JUNE 30,

	2015	2014 (As Restated/Revised)
ASSETS		
CURRENT:		
Funds on deposit with Town Treasurer:		
Operating cash.....	\$ 10,029,486	\$ 8,673,142
Accounts receivable, net of allowance for uncollectibles.....	3,726,042	4,221,977
Materials and supplies inventory.....	548,471	538,170
Prepaid expenses.....	203,771	150,567
Purchased power working capital.....	2,131,538	2,142,703
	<u>16,639,308</u>	<u>15,726,559</u>
NONCURRENT:		
Funds on deposit with Town Treasurer:		
Depreciation fund.....	3,738,641	3,423,982
Customer deposits.....	1,020,982	943,403
MMWEC reserve trust fund.....	1,674,378	1,661,778
Investments in Hydro Quebec.....	12,638	12,638
Other postemployment benefits asset.....	104,331	98,341
Capital assets, net of accumulated depreciation.....	31,518,302	30,836,976
	<u>38,069,272</u>	<u>36,977,118</u>
TOTAL ASSETS.....	<u>54,708,580</u>	<u>52,703,677</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions.....	144,307	-
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable.....	1,563,562	1,752,634
Accrued expenses.....	103,792	237,276
Compensated absences.....	123,799	118,437
	<u>1,791,153</u>	<u>2,108,347</u>
NONCURRENT LIABILITIES:		
Compensated absences.....	23,241	28,174
Customer deposits.....	1,071,576	944,150
Net pension liability.....	2,999,362	2,849,233
	<u>4,094,179</u>	<u>3,821,557</u>
TOTAL LIABILITIES.....	<u>5,885,332</u>	<u>5,929,904</u>
NET POSITION		
Net investment in capital assets.....	31,518,302	30,836,976
Restricted for depreciation.....	3,738,641	3,423,982
Unrestricted.....	13,710,612	12,512,815
TOTAL NET POSITION.....	<u>\$ 48,967,555</u>	<u>\$ 46,773,773</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30,

	2015	2014 (As Restated/Revised)
OPERATING REVENUES:		
Residential.....	\$ 10,411,433	\$ 10,403,019
Commercial.....	16,011,416	16,185,156
Municipal.....	1,137,492	1,100,141
Customer discounts.....	(1,560,206)	(1,198,670)
Net customer sales.....	26,000,135	26,489,646
Other operating revenue.....	213,163	183,863
TOTAL OPERATING REVENUES	26,213,298	26,673,509
OPERATING EXPENSES:		
Purchase power.....	18,449,002	20,177,770
Distribution.....	1,613,585	1,640,157
Customer accounts.....	994,929	915,140
Administration and general.....	995,842	1,023,382
Depreciation.....	1,516,007	1,501,610
TOTAL OPERATING EXPENSES	23,569,365	25,258,059
OPERATING INCOME	2,643,933	1,415,450
NONOPERATING REVENUES (EXPENSES):		
Interest income.....	30,883	33,995
Interest expense.....	(1,034)	(1,349)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	29,849	32,646
INCOME BEFORE TRANSFERS	2,673,782	1,448,096
TRANSFERS:		
Payment in lieu of taxes, Town of Mansfield.....	(480,000)	(480,000)
CHANGE IN NET POSITION	2,193,782	968,096
NET POSITION AT BEGINNING OF YEAR	46,773,773	45,805,677
NET POSITION AT END OF YEAR	\$ 48,967,555	\$ 46,773,773

See notes to financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30,

	2015	2014 (As Restated/Revised)
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customer and users.....	\$ 26,836,659	\$ 26,820,640
Payments to vendors.....	(20,283,244)	(21,759,048)
Payments to employees.....	(2,138,759)	(2,165,308)
NET CASH FROM OPERATING ACTIVITIES.....	4,414,656	2,896,284
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Payment in lieu of taxes, Town of Mansfield.....	(480,000)	(480,000)
Prefunding transfer for other postemployment benefits.....	(5,990)	(79,103)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(485,990)	(559,103)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets.....	(2,197,333)	(1,466,098)
Interest expense.....	(1,034)	(1,349)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,198,367)	(1,467,447)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	30,883	33,995
NET INCREASE (DECREASE) IN CASH AND CASH NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,761,182	903,729
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	14,702,305	13,798,576
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 16,463,487	\$ 14,702,305
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating Income.....	\$ 2,643,933	\$ 1,415,450
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation.....	1,516,007	1,501,610
Deferred (outflows)/inflows related to pensions.....	(144,307)	-
Changes in assets and liabilities:		
Accounts receivable.....	495,935	103,842
Materials and supplies inventory.....	(10,301)	42,354
Prepaid expenses.....	(53,204)	(17,469)
Purchased power working capital.....	11,165	(13,597)
Accounts payable.....	(189,072)	(242,270)
Accrued expenses.....	(133,484)	117,563
Compensated absences.....	429	(54,488)
Customer deposits.....	127,426	43,289
Net pension liability.....	150,129	-
Total adjustments.....	1,770,723	1,480,834
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,414,656	\$ 2,896,284

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESReporting Entity

The financial statements present only the Mansfield Municipal Electric Department (the Department), an Enterprise Fund of the Town of Mansfield, Massachusetts. These statements are not intended to present fairly the financial position of the Town of Mansfield, Massachusetts and the results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

The Department purchases power from various sources and distributes it to consumers within the Town of Mansfield. The Department operates under the provisions of Chapter 164 of the Massachusetts General Laws. The Board of Selectmen serve as the Municipal Electric Commission. The Board appoints a manager who shall, under the direction of the Board, have full charge of the operation and management of the Department.

Regulation and Basis of Accounting

The Department complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Department uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The electric rates are proposed by the Department. The rates are approved by Mansfield's Board of Electric Commissioners. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of the utility plant.

Revenues

Revenues from the sale of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by the Department, which are applied to customers' consumption of electricity. Revenues are billed on approximately the same working day of each month. At year end, unbilled revenue is recorded for those readings that would be included in the following July's billing cycle.

Cash and Investments

For purpose of the statement of cash flows, the Department considers all cash on deposit with the Town Treasurer as cash or cash equivalents. For purposes of the statements of net position, investments with original maturities of three months or less are considered to be cash equivalents. Investments are carried at fair value based on quoted market prices for those or similar investments.

Inventories

Material and supplies inventory consists of parts and accessories purchased for use in the utility business for construction, operation, and maintenance purposes and are stated at the lower of cost or market using the average cost method. Meters and transformers are capitalized when purchased.

Utility Plant

Capital assets, which include property, plant, equipment, and infrastructure, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of 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 projects are constructed. Generally all purchases and construction costs in excess of \$500 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Depreciable capital assets are depreciated for financial statement reporting purposes using the straight-line method based on the assets' estimated useful lives. The statutory provision for depreciation of a utility plant is computed on the straight-line method at 3 percent of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Massachusetts law stipulates that the Department may change from the statutory depreciation rate only with the approval of the DPU. The Department has been granted such approval and has used an overall depreciation rate of 5% for regulatory accounting and filings with the DPU.

The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	Estimated Useful Life (in years)
Transmission plant.....	25-33
Distribution plant.....	10-40
Vehicles and other equipment.....	3-10

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure) until then. The Department reported deferred outflows of resources related to pensions.

Compensated Absences

In accordance with the negotiated labor settlements employees are allowed to accumulate sick days up to a maximum of 173 days. Upon retirement, or in the event of the death of an employee, the employees will be paid 20% of all accumulated but unused sick days at the employee's current rate of pay.

Employees are allowed to carryover up to 30 days of vacation time from one year to the next. Upon termination of employment with the Department, employees will be paid for unused vacation time based on the employee's base rate of pay at the time of termination.

Pensions

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 Bristol County Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Taxes

The Department is exempt from federal income taxes. Although also exempt from property taxes, the Department pays amounts in lieu of taxes to the Town of Mansfield. A sales and use tax is assessed by the Commonwealth on a portion of the sale of electricity. Taxes are remitted to the Commonwealth monthly.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to compare with the presentations made in 2015 without any effect on Net Position.

NOTE 2 – CASH AND INVESTMENTS

Cash of the Department is in the control of the Town Treasurer, as required by state law. State and local statutes place certain limitations on the nature of deposits and investments available to the Department. Separate accounts are maintained for the Department's Operating cash fund, Depreciation fund and Customer Deposits Escrow fund, and MMWEC Reserve Trust fund. All amounts, except for the MMWEC reserve trust fund held by MMWEC, are pooled with Town funds in various Town bank accounts.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. Responsibility for enforcing policies addressing custodial credit risk of Department deposits vests with the Town Treasurer.

At year-end, the carrying amount of deposits totaled \$16,463,487 for 2015 and \$14,702,305 for 2014. Since these deposits are pooled with other Town funds, specific collateralization information is not available.

NOTE 3 – DEPRECIATION FUND AND CUSTOMER DEPOSITS

The Department maintains a depreciation fund which is to be used to pay for large capital investments such as new vehicles, equipment, distribution system upgrades and new construction. This fund is required by state statute. The Department sets aside annually 3% to 5% of gross cost-of-plant to be used for capital improvements and additions. The balance of the Depreciation fund was \$3,738,641 and \$3,423,982 at June 30, 2015 and 2014, respectively.

The Department annually makes a formal request to the DPU to approve a 5% annual depreciation rate, instead of the statutory 3% rate, in order to fund its aggressive capital improvement program. The DPU considers the request and has annually issued an order allowing a 5% depreciation rate to be used for the Department's regulatory accounting presentation of monthly financial statements as well as for filing the Department's annual DPU report.

The Customer deposits escrow fund is utilized to hold deposits from residential and commercial customers who rent the premises that they will inhabit and when the electric account will be in their name. Deposits are collected at the time the account is instated. The amount of the deposit for residential customers varies from \$150 to \$500 depending on the size of the account. The deposits for commercial customers are based on an approximation of three months of user charges. All residential and commercial deposits collected are held until the account is closed. The balance of the Customer deposits fund was \$1,020,982 and \$943,403 at June 30, 2015 and 2014, respectively.

NOTE 4 – MMWEC PARTICIPATION

The Town of Mansfield, acting through its Electric Department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created 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 (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should any Project Participant fail to make any payment when due, other Project Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of the Project Capability to an additional amount not to exceed 25% of their original Participants' share of the Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

Mansfield Municipal Electric Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Electric Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30,

	2015	2014 (As Restated)
Receivables, net of allowance for uncollectibles:		
User charges - billed.....	\$ 2,592,802	\$ 2,915,581
User charges - unbilled.....	1,343,462	1,516,317
Other services.....	<u>72,851</u>	<u>36,179</u>
	4,009,115	4,468,077
Less, allowance for doubtful accounts.....	<u>(283,074)</u>	<u>(246,100)</u>
Total.....	<u>\$ 3,726,042</u>	<u>\$ 4,221,977</u>

NOTE 6 – PURCHASED POWER WORKING CAPITAL

Purchased power working capital consists of advance payments to MMWEC for monthly purchases of power. As of June 30, 2015 and 2014, these advances totaled \$2,131,538 and \$2,142,703, respectively.

NOTE 7 – MMWEC RESERVE TRUST FUND

The Department designs its electric service rates to recover costs of providing power supply services. In order to minimize possible future rate increases, the Department has established a reserve trust fund that is held by MMWEC. Additions or reductions are approved by the Municipal Electric Commissioners. The balance of the Reserve trust fund was \$1,674,378 and \$1,661,778 at June 30, 2015 and 2014, respectively.

NOTE 8 – UTILITY PLANT ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 313,205	\$ -	\$ -	\$ 313,205
<u>Capital assets being depreciated:</u>				
Distribution plant.....	45,558,651	2,001,338	(55,850)	47,504,139
General plant.....	<u>4,446,395</u>	<u>195,995</u>	<u>(29,938)</u>	<u>4,612,452</u>
Total capital assets being depreciated.....	<u>50,005,046</u>	<u>2,197,333</u>	<u>(85,788)</u>	<u>52,116,591</u>
<u>Less accumulated depreciation for:</u>				
Distribution plant.....	(16,407,800)	(1,367,925)	55,850	(17,719,875)
General plant.....	<u>(3,073,475)</u>	<u>(148,082)</u>	<u>29,938</u>	<u>(3,191,619)</u>
Total accumulated depreciation.....	<u>(19,481,275)</u>	<u>(1,516,007)</u>	<u>85,788</u>	<u>(20,911,494)</u>
Total capital assets being depreciated, net.....	<u>30,523,771</u>	<u>681,326</u>	<u>-</u>	<u>31,205,097</u>
Total business-type activities capital assets, net.....	<u>\$ 30,836,976</u>	<u>\$ 681,326</u>	<u>\$ -</u>	<u>\$ 31,518,302</u>

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 313,205	\$ -	\$ -	\$ 313,205
<u>Capital assets being depreciated:</u>				
Transmission plant.....		-	-	
Distribution plant.....	44,228,857	1,428,448	(98,654)	45,558,651
General plant.....	<u>4,483,198</u>	<u>37,650</u>	<u>(74,453)</u>	<u>4,446,395</u>
Total capital assets being depreciated.....	<u>48,712,055</u>	<u>1,466,098</u>	<u>(173,107)</u>	<u>50,005,046</u>
<u>Less accumulated depreciation for:</u>				
Distribution plant.....	(15,159,977)	(1,346,477)	98,654	(16,407,800)
General plant.....	<u>(2,992,795)</u>	<u>(155,133)</u>	<u>74,453</u>	<u>(3,073,475)</u>
Total accumulated depreciation.....	<u>(18,152,772)</u>	<u>(1,501,610)</u>	<u>173,107</u>	<u>(19,481,275)</u>
Total capital assets being depreciated, net.....	<u>30,559,283</u>	<u>(35,512)</u>	<u>-</u>	<u>30,523,771</u>
Total business-type activities capital assets, net.....	<u>\$ 30,872,488</u>	<u>\$ (35,512)</u>	<u>\$ -</u>	<u>\$ 30,836,976</u>

Depreciation expense amounted to \$1,516,007 and \$1,501,610 for the years ended June 30, 2015 and 2014, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Department provides electrical service to the Town for all schools, municipal buildings and street lighting at average rates per kilowatt-hour, which approximates those billed to other customers. Revenues from billing to the Town for the years ending June 30, 2015 and 2014 were \$1,137,493 and \$1,100,141, respectively.

The Department made payments in lieu of property taxes to the Town of Mansfield, Massachusetts in the amount of \$480,000 for years 2015 and 2014.

NOTE 10 – PENSION PLAN

Plan Description

The Department is a member of the Bristol County Retirement System (BCRS) through the Town of Mansfield, a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 39 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The BCRS issues a publically available audited financial report that may be obtained by contacting the System at 645 County Street, Taunton, Massachusetts 02780. The report can also be obtained on-line at www.bristolcountyretirement.org or at www.mass.gov/perac.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. 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 persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Department's proportionate share of the required contribution equaled its actual contribution for the year ended June 30, 2015 which was \$311,147 and 20.89% of covered payroll, actuarially

determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2015, the Department reported a liability of \$2,999,362 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Department’s proportion of the net pension liability was based on a projection of the Department’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2014, the Department’s proportion was 8.18% of the Town of Mansfield’s 12.83% overall percentage, which did not change from its proportion measured at December 31, 2013.

Pension Expense

For the year ended June 30, 2015, the Department recognized pension expense of \$316,969. At June 30, 2015, the Department reported deferred outflows of resources related to pensions of \$144,307, from the net difference between projected and actual investment earnings on pension plan investments. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2014.

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016.....	\$ 36,077
2017.....	36,077
2018.....	36,077
2019.....	<u>36,076</u>
Total.....	\$ <u>144,307</u>

Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method
Amortization method.....	Level percentage, open group
Remaining amortization period.....	15 years from July 1, 2015
Asset valuation method.....	Actuarially valued using a five-year smoothing of asset returns greater than or less than the assumed rate of return
Inflation rate.....	4.0%
Projected salary increases.....	3.0%
Cost of living adjustments.....	3.0% of the first \$16,000 of retirement income
Rates of retirement.....	Varies based upon age for general employees, police and fire employees
Rates of disability.....	For general employees, it was assumed that 40% of all disabilities are ordinary (60% are service connected) For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected)
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table, adjusted to 2015 with a Scale AA
Healthy Retiree.....	The RP-2000 Employee Mortality Table, adjusted to 2015 with a Scale AA
Disabled Retiree.....	The RP-2000 Mortality Tables, set forward two years
Investment rate of return/Discount rate.....	8.0%

Investment policy

The pension plan does not have a formal investment policy. The Retirement Board is in the process of formalizing an investment policy. The Board approved target weights and expected rates of return on November 4, 2014. As of November 4, 2014, the Plan's portfolio target weights and assumed long-term rates of return at the asset class level are as follows:

<u>Asset Class</u>	<u>Portfolio Target Weight</u>	<u>Long-Term Expected Rate of Return</u>
Equity.....	46.50%	7.80%
Fixed income.....	24.50%	5.00%
Private equity.....	8.50%	11.30%
Real estate funds.....	7.50%	6.30%
Hedge funds.....	5.00%	7.10%
Infrastructure.....	5.00%	8.00%
Timber.....	3.00%	7.50%

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current 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.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount (8.0%)</u>	<u>1% Increase (9.0%)</u>
The Department's proportionate share of the net pension liability..... \$	3,975,275	\$ 2,999,362	\$ 2,190,033
<i>Pension plan fiduciary net position</i>			

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Bristol County Retirement System financial report.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Mansfield administers a single-employer defined benefit healthcare plan (“The Other Postemployment Benefit Plan”), which the Department participates in. The plan provides lifetime healthcare, dental, and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Department and the unions representing Department employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

The State’s OPEB legislation allows municipal light departments to fund their own OPEB obligation separate and distinct from the Town. The Light Commission voted to establish a separate OPEB fund for the Department with the Town Treasurer as the custodian. This allows the Department to adopt its own funding schedule, which has been from that used by the Town, and is consistent with the actuarial determination of the Department’s OPEB liability.

As of June 30, 2015 the Department has set aside approximately \$1.4 million in its Postemployment Benefit Trust Fund to be used to fund future benefits. This fund is reported as a fiduciary fund in the Town’s basic financial statements.

As of the valuation dated July 1, 2014 the Department’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	13
Current active members.....	<u>20</u>
Total.....	<u><u>33</u></u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. Retired plan members and beneficiaries currently receiving benefits are required to contribute 25% of the healthcare insurance and 50% of the cost of dental and life insurance benefits provided depending on the plan they choose. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Department contributed \$248,850 during the current year towards these benefits including the pre-funding amount discussed below. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2015, the Department pre-funded future OPEB liabilities in the amount of \$179,435.

Annual OPEB Cost and Net OPEB Obligation – The Department’s annual other postemployment benefit (OPEB) cost (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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed ten years.

The components of the Department’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Department’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 239,953
Interest on net OPEB obligation/(asset).....	(3,934)
Adjustments to annual required contribution.....	<u>6,841</u>
Annual OPEB cost.....	242,860
Contributions made.....	<u>(248,850)</u>
Increase/(Decrease) in net OPEB obligation.....	(5,990)
Net OPEB obligation/(asset) - beginning of year.....	<u>(98,341)</u>
Net OPEB obligation/(asset) - end of year.....	<u><u>\$ (104,331)</u></u>

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
6/30/2015	\$ 242,860	102%	\$ (104,331)
6/30/2014	290,653	127%	(98,341)
6/30/2013	272,230	159%	(19,238)

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/14	\$ 1,207,811	\$ 2,321,277	\$ 1,113,466	52.03%	\$ 1,898,989	58.6%

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence 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 with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used included techniques that

are designed to reduce the effects of 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, 2014 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0 percent investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 5.0 percent. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 3.0 percent per year.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Department is involved in legal proceedings and claims arising in the normal course of business. In the opinion of management and legal counsel, Mansfield Municipal Electric Department's liability, if any, would not materially affect its financial condition or results of operations.

Through its membership in MMWEC, the Department is contingently liable on various projects in which they participate as detailed below.

MMWEC has eight Projects. MMWEC originally financed all eight Projects through the issuance of multiple series of revenue bonds under a General Bond Resolution adopted by MMWEC in 1976 (GBR). Security for these bonds included a pledge of the revenues derived by MMWEC from all its Project PSAs, without regard to Project or series of bonds. In 2001, through a refinancing of all of its outstanding bonds, MMWEC amended and restated its GBR to eliminate this "joint-pledge" of revenues. In refinancing its debt, MMWEC issued a separate issue of bonds for each of the eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which such issue relates plus available funds pledged under the Amended and Restated GBR with respect to the bonds of such issue. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project fossil-fueled power plants. MMWEC has a 22.7 MW interest in the W.F. Wyman Unit No. 4 plant, owned and operated by subsidiaries of Florida Power & Light and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCI) a subsidiary of Dominion Resources, Inc. DNCI has stated its intention to file an application with the Nuclear Regulatory Commission (NRC) for an extension of the Millstone Unit 3 operating license, which currently will expire in 2025. DNCI has not yet filed its application with the NRC.

MMWEC's has an 11.6% ownership interest in the Seabrook Station nuclear generating unit which represents a substantial portion of its plant investment and financing program. On November 1, 2002, an indirect subsidiary of FPL Group Inc., FPL Energy Seabrook, LLC purchased an approximate 88% share in the Seabrook nuclear plant from seven other owners. MMWEC is now one of three, minority non-operating owners of Seabrook Station.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which is being funded through monthly Project billings. The Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. By its terms, the Price-Anderson Act expired in August 2002. Congress is currently considering extending the Act.

In November 1997, the Commonwealth of Massachusetts enacted legislation effective March 1, 1998 to restructure the electric utility industry. MMWEC and the municipal light departments, including the Massachusetts

Project Participants, are not specifically subject to this legislation. However, it is management’s belief that industry restructuring and customer choice promulgated by the legislation will have an effect on MMWEC and the Participants’ operations.

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

After the July 1, 2015 principal payment, total capital expenditures amounted to \$1,682,341, of which \$106,201,000 represents the amount associated with the Department’s Project Capability. MMWEC’s debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$167,110,000, of which \$10,489,000 is associated with the Department’s share of Project Capability. After the July 1, 2015 principal payment, MMWEC’s total future debt service requirement on outstanding bonds issued for the Projects is \$121,353,000, of which \$7,795,000 is anticipated to be billed to the Department in the future.

The aggregate amount of Mansfield Municipal Electric Department’s required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings to MMWEC at June 30, 2015 and estimated for future years is shown below:

<u>Years Ending June 30,</u>	<u>Estimated Annual Costs</u>
2016.....	\$ 3,670,000
2017.....	3,383,000
2018.....	109,000
2019.....	<u>633,000</u>
Total.....	<u>\$ 7,795,000</u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department’s total O&M costs including debt service under the PSAs were \$9,543,000 and \$10,378,000 for the years ended June 30, 2015 and 2014, respectively.

NOTE 13 – FINANCIAL STATEMENT RESTATEMENTS AND REVISION

Restatements

The financial statements for the year ending June 30, 2014 have been restated because accounts receivable and the related revenues relating to billings for commercial customers with solar facilities that were originally reported were understated by \$510,936 and \$376,825, respectively. The problem was due to the billing system’s inability to automatically bill solar customers and, as a result, those customers were billed manually and the revenues were not recognized as receivables. The Department discovered the error during FY15 and made the necessary corrections before closing the books for the year.

Additionally, the beginning net position for the year ending June 30, 2013 was restated (increased) in the amount of \$134,111 to correct an understatement of revenue relating to the same matter described above that was also understated.

Revision

The Department revised its beginning net position through the implementation of GASB Statements #68 and #71 related to accounting for pensions. The cumulative effect of this revision was to reduce the prior year net position by \$2,849,233.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, *Financial Reporting for Pension Plans*; GASB Statement #68, *Accounting and Financial Reporting for Pensions*; and GASB Statement #71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- GASB Statement #69, *Governmental Combinations and Disposals of Government Operations*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for 2017.
- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.

Management is currently assessing the impact the implementation of these standards will have on the basic financial statements.

Required Supplementary Information

Pension Plan Schedules

The Schedule of the Plant's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Plant's net pension liability and related ratios.

The Schedule of Contributions presents multi-year trend information on the Plant's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
BRISTOL COUNTY RETIREMENT SYSTEM**

	December 31, 2014
Department's proportion of the Town's net pension liability (asset).....	8.180%
Department's proportionate share of the net pension liability (asset)..... \$	2,999,362
Plant's covered employee payroll (*)..... \$	1,489,352
Net pension liability as a percentage of covered employee payroll.....	201.39%
Plan fiduciary net position as a percentage of the total pension liability.....	67.11%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

* Covered employee payroll as reported in the January 1, 2014 actuarial valuation report.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

	December 31, 2014
Actuarially determined contribution (a).....	\$ 3,802,886
Contributions in relation to the actuarially determined contribution.....	3,802,886
Contribution deficiency (excess).....	\$ -
Covered employee payroll (b).....	\$ 1,489,352
Contribution as a percentage of covered employee payroll.....	255.34%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

- (a) Based on the results of the January 1, 2014 actuarial valuation (including assumptions and methods) which determined budgeted appropriations for fiscal 2015.
- (b) Covered employee payroll as reported in the January 1, 2014 actuarial valuation report.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/14	\$ 1,207,811	\$ 2,321,277	\$ 1,113,466	52.03%	\$ 1,898,989	58.6%
07/01/12	553,019	2,960,584	2,407,565	18.68%	2,165,216	111.2%
07/01/10	161,846	2,833,645	2,671,799	5.71%	1,908,000	140.0%
07/01/08	-	2,416,297	2,416,297	0.00%	1,912,000	126.4%

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Actual Contributions Made	Net OPEB Obligation/(Asset)
6/30/2015	\$ 242,860	\$ 248,850	\$ (104,331)
6/30/2014	290,653	369,711	(98,341)
6/30/2013	272,230	431,757	(19,238)
6/30/2012	237,232	441,252	140,162
6/30/2011	235,711	70,949	344,166
6/30/2010	238,551	253,341	179,380
6/30/2009	247,957	53,807	194,149

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level dollar amortization over 30 years at the last valuation.
Remaining amortization period.....	24 years at July 1, 2014.

Actuarial Assumptions:

Investment rate of return.....	4.00%
Medical/drug cost trend rate.....	5.00%

Plan Membership:

Current retirees, beneficiaries, and dependents.....	464
Current active members.....	<u>778</u>
Total.....	<u><u>1,242</u></u>

See notes to required supplementary information.

NOTE A – PENSION PLAN***Pension Plan Schedules*****A. Schedule of the Department's Proportionate Share of the Net Pension Liability**

The Schedule of the Department's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Department's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Department may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Department based on covered payroll.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan ("The Other Postemployment Benefit Plan"), which the Department participates in. The plan provides lifetime healthcare, dental, and life insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members.

The Town currently finances its other postemployment benefits (OPEB) on combined pre-funded and a pay-as-you-go basis whereby the funding schedule is designed to pay the normal cost currently and amortize the unfunded liability over a period of 30 years. As a result, the overall Town-wide funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) as of the most recent valuation was 3.3%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions present multi-year trend of contributions related to the plan.

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

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Other Supplementary Information

SUPPLEMENTARY SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES

FOR THE YEARS ENDED JUNE 30,

	<u>2015</u>	<u>2014</u>
<u>Purchase power expenses:</u>		
Capacity.....	\$ 14,714,388	\$ 16,543,717
Transmission and other purchased power charges.....	<u>3,734,614</u>	<u>3,634,053</u>
Total purchase power expenses.....	<u>18,449,002</u>	<u>20,177,770</u>
<u>Distribution expenses:</u>		
Operations labor.....	528,424	497,909
Operations expenses.....	124,795	95,489
Maintenance labor.....	649,641	608,820
Maintenance expenses.....	<u>310,725</u>	<u>437,939</u>
Total distribution expenses.....	<u>1,613,585</u>	<u>1,640,157</u>
<u>Customer account expenses:</u>		
Customer account labor.....	687,634	597,841
Customer records and collection expenses.....	175,170	183,423
Bad debt expense.....	100,000	100,000
Miscellaneous customer account expenses.....	<u>32,125</u>	<u>33,876</u>
Total customer account expenses.....	<u>994,929</u>	<u>915,140</u>
<u>Administrative and general expenses:</u>		
Administrative and general salaries.....	431,918	411,453
Office supplies and expenses.....	141,849	131,805
Outside services employed.....	184,139	253,436
Property insurance.....	35,241	19,621
Transportation expenses.....	97,514	100,340
Dues, meetings, and other general expenses.....	<u>105,181</u>	<u>106,727</u>
Total administrative and general expenses.....	<u>995,842</u>	<u>1,023,382</u>
Total operation and maintenance expenses.....	\$ <u>22,053,358</u>	\$ <u>23,756,449</u>

SCHEDULE OF UTILITY PLANT IN SERVICE

JUNE 30, 2015

FERC Account	Description of the Asset Class	Original Cost	Accumulated Depreciation	Net Book Value
360	Land.....	\$ 313,205	\$ -	\$ 313,205
361	Structures & Improvements.....	651,905	301,027	350,878
362	Station Equipment.....	15,401,065	4,687,762	10,713,303
363	Storage Battery Equipment.....	2,218,180	350,378	1,867,802
364	Poles, Towers and Fixtures.....	1,496,428	973,837	522,591
365	Overhead Conductors & Devices.....	7,159,516	2,663,961	4,495,555
366	Underground Conduit.....	5,756,414	1,477,922	4,278,492
367	Underground Conductors & Devices.....	8,058,754	2,985,706	5,073,048
368	Line Transformers.....	3,297,448	2,125,971	1,171,477
369	Services.....	1,040,384	635,617	404,767
370	Meters.....	1,354,197	592,459	761,738
372	Leased Property on Customers' Premises.....	196,998	178,342	18,656
373	Street Lighting & Signal Systems.....	872,852	746,894	125,958
390	Structures and Improvements.....	1,396,435	596,845	799,590
391	Office Furniture & Equipment.....	440,096	433,380	6,716
392	Transportation Equipment.....	1,852,221	1,379,308	472,913
393	Stores Equipment.....	31,785	18,089	13,696
394	Tools, Shop & Garage Equipment.....	444,753	378,606	66,147
395	Laboratory Equipment.....	33,617	18,448	15,169
396	Power Operated Equipment.....	27,432	27,432	-
397	Communication Equipment.....	79,192	70,545	8,647
398	Miscellaneous Equipment.....	114,989	99,727	15,262
399	Other Tangible Property.....	191,930	169,238	22,692
	Totals.....	<u>\$ 52,429,796</u>	<u>\$ 20,911,494</u>	<u>\$ 31,518,302</u>

Report on Internal Control Over Financial Reporting and on Compliance



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Commissioners
Mansfield Municipal Electric Department
Mansfield, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mansfield Municipal Electric Department (the Department); an enterprise fund of the Town of Mansfield, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Powers + Juliani, LLC

October 26, 2015