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

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

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Independent Auditor's Report

To the Honorable Board of Light 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 years ended June 30, 2018 and 2017, 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, 2018 and 2017, and the changes in financial position and cash flows thereof for the years 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, 2018 and 2017, 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.

Other Matters

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, and the pension plan and other postemployment benefit plan schedules, as listed in the table of contents, 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 4, 2018 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.

Powers + Sullivan, LLC

October 4, 2018

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, 2018 and 2017. 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 statements of cash flows and (4) notes to the financial statements. This report also contains 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, 2018, it shows the Department's net position of $54.1 million, which is comprised of $34.2 million (63%) net investment of capital assets, $3.5 million (7%) restricted for depreciation, and $16.3 million (30%) 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, 2018 by $2.9 million and increased for the year ended June 30, 2017 by $1.7 million. This increase in net position as compared to the prior year is largely due to the receipt of surplus funds from MMWEC utilized to offset purchased power costs.

Beginning net position of the Plant has been revised to reflect the implementation of GASB Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, previously reported net position of $52,873,906 has been revised to a total of $51,129,321.

The Statements of Cash Flows provides information about the Department's 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

		2018		2017 (As revised)
Assets:				
Current assets	$	21,292,609	$	18,518,021
Noncurrent assets (excluding capital)		6,467,708		7,163,688
Capital assets, net of accumulated depreciation		34,220,995		33,132,549
Total assets		**61,981,312**		**58,814,258**
Total Deferred Outflows of Resources		**809,444**		**731,085**
Liabilities:				
Current liabilities (excluding debt)		2,479,490		2,206,704
Noncurrent liabilities (excluding debt)		5,786,711		6,027,426
Total liabilities		**8,266,201**		**8,234,130**
Total Deferred Inflows of Resources		**448,860**		**181,892**
Net Position:				
Net investment in capital assets		34,220,995		33,132,549
Restricted for depreciation		3,545,878		4,390,069
Unrestricted		16,308,822		13,606,703
Total net position	$	**54,075,695**	$	**51,129,321**

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

		2018		2017 (As revised)
Operating revenues	$	24,704,082	$	25,753,937
Operating expenses		21,188,670		23,414,421
Operating income		3,515,412		2,339,516
Interest income		85,517		56,075
Interest expense		(4,356)		(3,126)
Nonoperating revenues/expenses, net		81,161		52,949
Income before transfers		3,596,573		2,392,465
Transfers out - payment in lieu of taxes, Town of Mansfield		(650,199)		(648,648)
Change in net position		2,946,374		1,743,817
Net position at beginning of year, as revised		51,129,321		49,385,504
Net position at end of year	$	54,075,695	$	51,129,321

Financial Highlights

Operating revenues were $24.7 million in 2018, a decrease of $1.0 million from 2017. Kilowatt hours sold decreased by 0.32% to 203,117,416 in 2018, compared to 203,777,013 in 2017.

Operating expenses were $21.2 million in 2018, or $2.2 million lower than 2017. As previously mentioned, this decrease is largely attributable to the receipt of surplus funds from MMWEC utilized to offset purchased power costs.

Transfers out consists of a payment in lieu of taxes of $650,199 to the Town of Mansfield in 2018, as compared to $648,648 in 2017.

Utility Plant

Utility Plant

The Department had total acquisitions of approximately $2.9 million in 2018. The Department expended approximately $853,000 for distribution plant and $2.0 million 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

STATEMENT OF NET POSITION

JUNE 30,

	2018	2017 (As revised)
ASSETS		
Funds on deposit with Town Treasurer:		
Operating cash	$ 14,478,460	$ 12,010,393
Receivables, net of allowance for uncollectibles	3,881,967	3,704,075
Materials and supplies inventory	641,880	570,277
Prepaid expenses	158,764	101,738
Purchased power advanced deposits	2,131,538	2,131,538
Total current assets	21,292,609	18,518,021
NONCURRENT:		
Funds on deposit with Town Treasurer:		
Depreciation fund	3,545,878	4,390,069
Customer deposits	1,185,345	1,058,665
MMWEC reserve trust fund	1,723,847	1,702,316
Investment in Hydro Quebec	12,638	12,638
Capital assets, nondepreciable	550,276	477,846
Capital assets, net of accumulated depreciation	33,670,719	32,654,703
Total noncurrent assets	40,688,703	40,296,237
TOTAL ASSETS	61,981,312	58,814,258
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	630,009	551,650
Deferred outflows related to other postemployment benefits	179,435	179,435
TOTAL DEFERRED OUTFLOWS OF RESOURCES	809,444	731,085
LIABILITIES		
CURRENT:		
Accounts payable	2,121,161	1,788,343
Accrued expenses	201,845	279,742
Compensated absences	156,484	138,619
Total current liabilities	2,479,490	2,206,704
NONCURRENT:		
Customer deposits	1,268,876	1,167,069
Compensated absences	28,349	27,561
Net pension liability	2,768,516	2,962,072
Net OPEB liability	1,720,970	1,870,724
Total noncurrent liabilities	5,786,711	6,027,426
TOTAL LIABILITIES	8,266,201	8,234,130
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	448,860	181,892
NET POSITION		
Net investment in capital assets	34,220,995	33,132,549
Restricted for:		
Depreciation	3,545,878	4,390,069
Unrestricted	16,308,822	13,606,703
TOTAL NET POSITION	$ 54,075,695	$ 51,129,321

See notes to basic financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30,

	2018	2017 (As revised)
OPERATING REVENUES:		
Residential	$ 9,529,530	$ 10,358,674
Commercial	14,769,707	15,584,680
Municipal	1,102,656	1,106,389
Customer discounts	(1,457,716)	(1,482,358)
Net customer sales	23,944,177	25,567,385
Other operating revenue	759,905	186,552
TOTAL OPERATING REVENUES	24,704,082	25,753,937
OPERATING EXPENSES:		
Purchased power	15,402,054	18,185,374
Distribution	1,717,811	1,695,676
Customer accounts	985,381	963,020
Administration and general	1,303,254	909,700
Depreciation	1,780,170	1,660,651
TOTAL OPERATING EXPENSES	21,188,670	23,414,421
OPERATING INCOME (LOSS)	3,515,412	2,339,516
NONOPERATING REVENUES (EXPENSES):		
Investment income	85,517	56,075
Interest expense	(4,356)	(3,126)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	81,161	52,949
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,596,573	2,392,465
TRANSFERS:		
Transfers out	(650,199)	(648,648)
CHANGE IN NET POSITION	2,946,374	1,743,817
NET POSITION AT BEGINNING OF YEAR, as revised	51,129,321	49,385,504
NET POSITION AT END OF YEAR	$ 54,075,695	$ 51,129,321

See notes to basic financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2018	2017 (As revised)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 24,627,997	$ 25,983,644
Payments to vendors	(17,330,856)	(19,219,381)
Wages paid to employees, not capitalized	(2,087,400)	(2,153,687)
NET CASH FROM OPERATING ACTIVITIES	5,209,741	4,610,576
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment in lieu of taxes, Town of Mansfield	(650,199)	(648,648)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(2,868,612)	(2,412,759)
Interest expense	(4,360)	(3,126)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(2,872,972)	(2,415,885)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	85,517	56,075
(Increase)/decrease in MMWEC reserve trust fund	(21,531)	(13,474)
NET CASH FROM INVESTING ACTIVITIES	63,986	42,601
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,750,556	1,588,644
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,459,127	15,870,483
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 19,209,683	$ 17,459,127
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 3,515,412	$ 2,339,516
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	1,780,170	1,660,651
Deferred (outflows)/inflows related to pensions	188,609	5,667
Changes in assets and liabilities:		
User charges		
Accounts receivable	(177,892)	227,642
Materials and supplies inventory	(71,603)	30,530
Prepaid expenses	(57,026)	29,379
Accounts payable	332,818	276,453
Accrued expenses	(77,897)	129,404
Customer deposits	101,807	2,065
Compensated absences	18,653	25,152
Net pension liability	(193,556)	(22,916)
Net OPEB liability	(149,754)	(92,967)
Total adjustments	1,694,329	2,271,060
NET CASH FROM OPERATING ACTIVITIES	$ 5,209,741	$ 4,610,576

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting 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 Light 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.

Fair Value Measurements

The Department reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and 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 historical cost 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:

Capital Asset Type	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, as well as deferred inflows 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.

NOTE 2 – CASH AND INVESTMENTS

Cash of the Department is in the control of the Town Treasurer, as required by state law. 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.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Town Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

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 $19,209,683 for 2018 and $17,459,125 for 2017. Of the 2018 carrying amount of deposits, $4,731,223 was held in separate MMED accounts and had a corresponding bank balance of $5,062,164. Of the bank balance, $250,000 was covered by Federal Depository Insurance, $1,185,345 was collateralized, and $3,626,819 was exposed to custodial credit risk because it was uninsured and uncollateralized. The remaining carrying amount of deposits in 2018 of $14,478,460, are pooled with other Town funds where specific collateralization and investment 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 $3,545,878 and $4,390,069 at June 30, 2018 and 2017, 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 $1,185,345 and $1,058,665 at June 30, 2018 and 2017, 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 entities 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 a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's 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,

	2018	2017
Receivables, net of allowance for uncollectibles:		
User charges - billed	$ 2,923,189	$ 2,454,525
User charges - unbilled	1,239,371	1,486,480
Other services	20,307	52,954
	4,182,867	3,993,959
Less, allowance for doubtful accounts	(300,900)	(289,884)
Total	$ 3,881,967	$ 3,704,075

NOTE 6 – PURCHASED POWER WORKING CAPITAL

Purchased power working capital advances consist of advance payments to MMWEC for monthly purchases of power. As of June 30, 2018 and 2017, these advances totaled $2,131,538.

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. These funds are for unexpected escalation in costs, such as decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. Additions or reductions are approved by the Municipal Electric Commissioners. The balance of the Reserve trust fund was $1,723,847 and $1,702,316 at June 30, 2018 and 2017, respectively. These funds are commingled and deposited by MMWEC in investment pools. Accordingly, it is not practical to disclose the credit risk of such funds.

NOTE 8 – UTILITY PLANT ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
Capital assets not being depreciated:				
Land and land rights	$ 313,205	$	$	$ 313,205
Construction in progress	164,645	72,426		237,071
Total capital assets not being depreciated	477,850	72,426	-	550,276
Capital assets being depreciated:				
Distribution plant	50,407,557	852,672	(122,066)	51,138,163
General plant	6,098,592	1,943,514	-	8,042,106
Total capital assets being depreciated	56,506,149	2,796,186	(122,066)	59,180,269
Less accumulated depreciation for:				
Distribution plant	(20,403,193)	(1,509,447)	122,066	(21,790,574)
General plant	(3,448,253)	(270,723)	-	(3,718,976)
Total accumulated depreciation	(23,851,446)	(1,780,170)	122,066	(25,509,550)
Total capital assets being depreciated, net	32,654,703	1,016,016	-	33,670,719
Total business-type activities capital assets, net	$ 33,132,553	$ 1,088,442	$ -	$ 34,220,995

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
Capital assets not being depreciated:				
Land and land rights	$ 313,205	$ -	$ -	$ 313,205
Construction in progress	-	164,645	-	164,645
Total capital assets not being depreciated	313,205	164,645	-	477,850
Capital assets being depreciated:				
Distribution plant	49,522,467	994,640	(109,550)	50,407,557
General plant	4,925,118	1,253,474	(80,000)	6,098,592
Total capital assets being depreciated	54,447,585	2,248,114	(189,550)	56,506,149
Less accumulated depreciation for:				
Distribution plant	(19,025,055)	(1,487,688)	109,550	(20,403,193)
General plant	(3,355,290)	(172,963)	80,000	(3,448,253)
Total accumulated depreciation	(22,380,345)	(1,660,651)	189,550	(23,851,446)
Total capital assets being depreciated, net	32,067,240	587,463	-	32,654,703
Total business-type activities capital assets, net	$ 32,380,445	$ 752,108	$ -	$ 33,132,553

Depreciation expense amounted to $1,780,170 and $1,660,651 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Department provides electrical service to the Town for 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, 2018 and 2017 were $1,102,656 and $1,106,389, respectively.

The Department made payments in lieu of property taxes to the Town of Mansfield, Massachusetts for the years ending June 30, 2018 and 2017 in the amount of $650,199 and $648,648, respectively.

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 38 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, 2018 which was $334,054 and 19.82% 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, 2018, the Department reported a liability of $2,768,516 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2017, the Department's proportion was 7.93% of the Town of Mansfield's overall percentage.

Pension Expense

For the year ended June 30, 2018, the Department recognized pension expense of $329,107. At June 30, 2018, the Department reported deferred outflows and deferred inflows of resources related to pensions of $630,009 and $448,860, respectively. The balances of deferred outflows and inflows for the municipal light department at June 30, 2018 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience……	$ 350,723	$ -	$ 350,723
Changes of assumptions……………………………………	-	(45,296)	(45,296)
Difference between projected and actual earnings………	262,464	(332,740)	(70,276)
Changes in proportionate share of contributions………….	16,822	(70,824)	(54,002)
Total Deferred Outflows/(Inflows) of Resources……………	$ 630,009	$ (448,860)	$ 181,149

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

Year ended June 30:	
2019…………………………………	$ 112,506
2020…………………………………	87,315
2021…………………………………	12,778
2022…………………………………	(31,450)
Total…………………………………	$ 181,149

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date………………………………	January 1, 2018
Actuarial cost method…………………………	Entry Age Normal Cost Method.
Amortization method……………………………	Level percent, open group.
Remaining amortization period………………	10 years.
Asset valuation method………………………	Actuarial valued using a five-year smoothing of assets returns greater than or less than the assumed rate of return.
Investment rate of return/Discount rate……..	7.75%
Inflation rate………………………………………	4.00%
Long-term expected real rate of investment return………………………………	3.75%, nominal rate of 7.75% less inflation of 4%.
Projected salary increases……………………	(see table below)

Service	Rate
0-1	5.50%
2	4.00%
3-4	3.50%
5-7	3.00%
8+	2.75%

Cost of living adjustments……………………	3.0% of the lesser of the pension amount and $18,000 per year.
Rates of retirement……………………………	Varies based upon age for general employees, police, and fire employees.
Rates of disability………………………………	For general employees 35% of all disabilities are ordinary (65% are service connected). For police and fire employees, 5% of all disabilities are assumed to be ordinary (95% are service connected).
Mortality Rates…………………………………	Pre-Retirement - RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational. Retired members - Group 1 & 2 retirees are represented by the RP-2014 Mortality Table set forward five years for males and 3 years for females, fully generational. Group 4 retirees are represented by the RP-2014 Mortality Table set forward three years for males and six years for females, fully generational. Disabled members - Group 1 & 2 disabled retirees are represented by the RP-2000 Mortality Table set forward six years. Group 4 disabled retirees are represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.

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 allocations and assumed long-term rates of return at the asset class level are as follows:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Rate of Return
Equity……………………………………	46.50%	7.90%
Fixed income………………………………	24.50%	4.60%
Private equity………………………………	8.50%	10.50%
Real estate funds………..………………	7.50%	6.50%
Hedge funds………………..……………	5.00%	5.90%
Infrastructure………………………………	5.00%	7.60%
Timber…………….……………………	3.00%	7.50%
	100.00%	

Rate of return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.65%. 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 7.75%. 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Department's proportionate share of the net pension liability……….	$ 3,757,236	$ 2,768,516	$ 1,935,723

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.

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 $287,530 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 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, 2018 the Department has set aside approximately $2.2 million in its Other 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.

Investment policy – The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

GASB Statement #74 – OPEB Plan Financial Reporting

Measurement Date – GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Employees Covered by Benefit Terms – The following table represents the Plan's membership at June 30, 2018:

Current retirees, beneficiaries, and dependents…….	19
Current active members………………………………….	21
Total……………………………………………………	40

Components of OPEB Liability – The following table represents the components of the Department's OPEB liability as of June 30, 2018:

Total OPEB liability	$	3,700,601
Less: OPEB plan's fiduciary net position		(2,238,433)
Net OPEB liability	$	1,462,168
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability		60.49%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2018, to be in accordance with GASB Statement #74:

Valuation date	July 1, 2016.
Actuarial cost method	Individual Entry Age Normal.
Asset valuation method	Market value of assets as of the reporting date, June 30, 2018.
Investment rate of return	6.82%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	3.45% as of June 30, 2018 (source: S&P Municipal Bond 20-year high grade index - SAPIHG).
Single equivalent discount rate	5.00%, net of OPEB plan investment expense, including inflation. Using a blend of the Municipal Bond Index Rate for unfunded periods and the Investment Rate of Return for funded periods, based on GASB No.74 Implementation Guide Exposure Draft; IG ED 4.136.
Inflation	2.75% as of June 30, 2018 and for future periods.
Salary increases	3.00% annually as of June 30, 2018 and for future periods.
Pre-Retirement mortality	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

Rate of return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expense and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap……………………	21.00%	4.00%
Domestic Equity - Small/Mid Cap……………….	10.50%	6.00%
International Equity - Developed Market……….	10.75%	4.50%
International Equity - Emerging Market…………	5.50%	7.00%
Domestic Fixed Income…………………………	25.75%	2.00%
International Fixed Income………………………	6.50%	3.00%
Alternatives………………………………………	19.50%	6.50%
Real Estate………………………………………	0.00%	6.25%
Cash………………………………………………	0.50%	0.00%
Total………………………………………………	100.00%	

Discount rate – The discount rate used to measure the total OPEB liability was 5.00% as of June 30, 2018, the discount rate as of June 30, 2017 was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to the funded periods of projected future benefits payments and a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, which was based on the S&P Municipal Bond 20 – Year High Grade Index as of June 30, 2018, was applied to all periods thereafter.

Sensitivity of the net position liability to changes in the discount rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 5.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate.

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability……………………………	$ 1,727,956	$ 1,462,168	$ 1,249,012

Sensitivity of the net position liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability, calculated using the healthcare trend rate if it was 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB liability……………………………	$ 1,153,237	$ 1,462,168	$ 1,861,067

Changes of Assumptions – Effective for the year ending June 30, 2018, the discount rate was reduced from 5.50% to 5.00%.

Changes in Plan Provisions – None.

GASB Statement #75 – OPEB Employer Financial Reporting

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Measurement Date – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the same date.

Plan Membership – The following table represents the Plan's membership at July 1, 2017:

Current retirees, beneficiaries, and dependents.......	19
Current active members......................................	21
Total..	40

Significant Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to July 1, 2017, to be in accordance with GASB Statement #75:

Valuation date......................................	Actuarially determined contribution was calculated as of June 30, 2016.
Actuarial cost method...........................	Individual Entry Age Normal.
Asset valuation method..........................	Market value of assets as of the measurement date, July 1, 2017.
Investment rate of return........................	6.82%, net of OPEB plan investment expense, including inflation.
Municipal bond rate..............................	3.13% as of July 1, 2017 (source: S&P Municipal Bond 20-year high grade index - SAPIHG).
Single equivalent discount rate................	4.75%, net of OPEB plan investment expense, including inflation.
Inflation...	2.75% as of July 1, 2017 and for future periods.
Salary increases..................................	3.00% annually as of July 1, 2017 and for future periods.

Pre-Retirement mortality……………………	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement mortality…………………	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality……………………………	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation as of July 1, 2017 and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap……………………	21.00%	4.00%
Domestic Equity - Small/Mid Cap………………	10.50%	6.00%
International Equity - Developed Market……….	10.75%	4.50%
International Equity - Emerging Market…………	5.50%	7.00%
Domestic Fixed Income…………………………	25.75%	2.00%
International Fixed Income………………………	6.50%	3.00%
Alternatives………………………………………	19.50%	6.50%
Cash………………………………………………	0.50%	0.00%
Total………………………………………………	100.00%	

Discount rate – The discount rate used to measure the total OPEB liability was 4.75% as of July 1, 2017, the same discount rate that was used as of July 1, 2016. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets was applied to periods of projected future benefits payments and a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	$ 3,516,412	$ 1,645,688	$ 1,870,724
Changes for the year:			
Service cost	99,761	-	99,761
Interest	169,492	-	169,492
Contributions - employer	-	282,078	(282,078)
Net investment income	-	136,929	(136,929)
Benefit payments	(102,643)	(102,643)	-
Net change	166,610	316,364	(149,754)
Balances at June 30, 2017	$ 3,683,022	$ 1,962,052	$ 1,720,970

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 4.75%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) or 1-percentage-point higher (5.75%) than the current discount rate.

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB liability	$ 2,039,012	$ 1,720,970	$ 1,468,206

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 5.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB liability	$ 1,354,238	$ 1,720,970	$ 2,196,559

Deferred Inflows of Resources Related to OPEB – The Department reported $179,435 of deferred outflows of resources related to contributions made subsequent to the measurement date. These deferred outflows of resources will be recognized as a component of OPEB expense each subsequent year.

Changes of Assumptions – None.

Changes in Plan Provisions – None.

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 issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. 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, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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 costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Mansfield Municipal Electric Department has entered into PSAs and PPAs with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Municipal Light 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).

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, 2018 principal payment, total capital expenditures amounted to $1,499,468,000, of which $90,010,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals $10,680,000, of which $681,000 is associated with the Department's share of Project Capability. After the July 1, 2018 principal payment, MMWEC's

total future debt service requirement on outstanding bonds issued for the Projects is $7,959,000, of which $676,000 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, 2018 and estimated for future years is shown below:

Years Ending June 30,		Estimated Annual Costs
2019…………………	$	676,000

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 $5,464,000 and $8,146,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 13 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position has been revised to reflect the implementation of GASB Statement #75. To reflect this change, the Department has revised the net other postemployment liability (OPEB), which has resulted in the revision of the June 30, 2017, in the amount of $1,744,584. Accordingly, previously reported net position of $52,873,906, has been revised to $51,129,321.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2018, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.

- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.

- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.

- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2019.

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 ELECTRIC LIGHT DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MANSFIELD CONTRIBUTORY RETIREMENT SYSTEM

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2017.............	7.93%	$ 2,768,516	$ 1,685,382	164.27%	68.56%
December 31, 2016.............	7.93%	2,962,072	1,616,777	183.21%	64.17%
December 31, 2015.............	7.93%	2,984,988	1,590,250	187.71%	62.95%
December 31, 2014.............	8.18%	2,830,309	1,489,352	190.04%	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.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
MANSFIELD CONTRIBUTORY RETIREMENT SYSTEM

Year		Actuarially determined contribution		Contributions in relation to the actuarially determined contribution		Contribution deficiency (excess)		Covered payroll	Contributions as a percentage of covered payroll
June 30, 2018…………………	$	334,054	$	(334,054)	$	-	$	1,685,382	19.82%
June 30, 2017…………………		351,198		(351,198)		-		1,616,777	21.72%
June 30, 2016…………………		320,138		(320,138)		-		1,590,250	20.13%
June 30, 2015…………………		311,076		(311,076)		-		1,489,352	20.89%

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.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the Plant's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

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

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

SCHEDULE OF CHANGES IN THE
DEPARTMENT'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN

	June 30, 2017	June 30, 2018
Total OPEB Liability		
Service Cost	$ 76,305	$ 98,422
Interest	172,455	179,311
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	238,074
Benefit payments	(101,034)	(108,095)
Net change in total OPEB liability	147,726	407,712
Total OPEB liability - beginning	3,145,163	3,292,889
Total OPEB liability - ending (a)	$ 3,292,889	$ 3,700,601
Plan fiduciary net position		
Employer contributions	$ 179,435	$ 179,435
Employer contributions for OPEB payments	101,034	108,095
Net investment income	136,929	96,946
Benefit payments	(101,034)	(108,095)
Net change in plan fiduciary net position	316,364	276,381
Plan fiduciary net position - beginning of year	1,645,688	1,962,052
Plan fiduciary net position - end of year (b)	$ 1,962,052	$ 2,238,433
Net OPEB liability - ending (a)-(b)	$ 1,330,837	$ 1,462,168
Plan fiduciary net position as a percentage of the total OPEB liability	59.58%	60.49%

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.

See notes to required supplementary information.

SCHEDULE OF PLANT CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year		Actuarially determined contribution		Contributions in relation to the actuarially determined contribution		Contribution deficiency (excess)
June 30, 2018…………….	$	234,811	$	(287,530)	$	(52,719)
June 30, 2017…………….		176,308		(280,469)		(104,161)

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 a

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2018...............................	8.03%
June 30, 2017...............................	8.36%

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.

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.

C. Changes in Assumptions:

The most recent actuarial valuation as of January 1, 2018 included changes of assumptions from the prior actuarial valuation which mainly consisted of changes in the applied mortality tables.

D. Changes in Plan Provisions:

There were no changes in plan provisions in the January 1, 2018 actuarial valuation.

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 Other Postemployment Benefit Plan

Schedule of Changes in the Plant's Net Other Postemployment benefit Liability and Related Ratios

The Schedule of Changes the Plant's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net positon as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered payroll.

Schedule of the Plant's Contributions

The Schedule of the Plant's Contributions included the Plant's annual required contribution to the plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The

Plant is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date……………………………………	Actuarially determined contribution was calculated as of June 30, 2016.
Actuarial cost method…………………………	Individual Entry Age Normal.
Asset valuation method………………………	Market value of assets as of the measurement date, July 1, 2017.
Investment rate of return……………………	6.82%, net of OPEB plan investment expense, including inflation.
Municipal bond rate…………………………	3.13% as of July 1, 2017 (source: S&P Municipal Bond 20-year high grade index - SAPIHG).
Single equivalent discount rate………………	4.75%, net of OPEB plan investment expense, including inflation.
Inflation………………………………………	2.75% as of July 1, 2017 and for future periods.
Salary increases………………………………	3.00% annually as of July 1, 2017 and for future periods.
Pre-Retirement mortality……………………	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement mortality……………………	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality……………………………	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expenses.

Changes of Assumptions

None.

Changes in Provisions

None.

Other Supplementary Information

SUPPLEMENTARY SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES

FOR THE YEARS ENDED JUNE 30,

		2018		2017
Purchase power expenses:				
Capacity	$	10,944,815	$	13,940,796
Transmission and other purchased power charges		4,457,239		4,244,578
Total purchase power expenses		15,402,054		18,185,374
Distribution expenses:				
Operation labor		584,231		553,020
Operation expenses		112,146		125,128
Maintenance labor		772,629		712,744
Maintenance expenses		248,805		304,784
Total distribution expenses		1,717,811		1,695,676
Customer account expenses:				
Customer account labor		735,958		702,204
Customer records and collection expenses		148,715		155,135
Bad debt expense		80,000		80,001
Miscellaneous customer account expenses		20,708		25,680
Total customer account expenses		985,381		963,020
Administrative and general expenses:				
Administrative and general salaries		379,464		284,207
Office supplies and expenses		152,952		100,344
Outside services employed		218,863		243,904
Property insurance		32,257		29,324
Transportation expenses		109,510		124,190
Jobbing and other general expenses		410,208		127,731
Total administrative and general expenses		1,303,254		909,700
Total operation and maintenance expenses	$	19,408,500	$	21,753,770

SCHEDULE OF UTILIITY PLANT IN SERVICE

JUNE 30, 2018

FERC Account	Description of the Asset Class	Original Cost	Accumulated Depreciation	Net Book Value
107	Construction in progress	$ 237,071	$ -	$ 237,071
360	Land	313,205	-	313,205
361	Structures & Improvements	661,991	361,154	300,837
362	Station Equipment	15,492,635	6,103,468	9,389,167
363	Storage Battery Equipment	2,784,748	563,198	2,221,550
364	Poles, Towers and Fixtures	1,623,432	1,074,826	548,606
365	Overhead Conductors & Devices	7,991,357	3,344,207	4,647,150
366	Underground Conduit	5,868,841	2,002,437	3,866,404
367	Underground Conductors & Devices	9,629,456	3,800,394	5,829,062
368	Line Transformers	3,266,514	2,257,003	1,009,511
369	Services	1,188,035	736,233	451,802
370	Meters	1,504,226	655,341	848,885
372	Leased Property on Customers' Premises	223,311	180,947	42,364
373	Street Lighting & Signal Systems	903,618	711,365	192,253
390	Structures and Improvements	1,808,453	726,012	1,082,441
391	Office Furniture & Equipment	454,622	438,072	16,550
392	Transportation Equipment	2,476,772	1,624,459	852,313
393	Stores Equipment	31,785	22,885	8,900
394	Tools, Shop & Garage Equipment	486,992	406,746	80,246
395	Laboratory Equipment	48,330	24,802	23,528
396	Power Operated Equipment	27,432	27,432	-
397	Communication Equipment	79,192	74,123	5,069
398	Miscellaneous Equipment	2,382,321	183,035	2,199,286
399	Other Tangible Property	246,205	191,410	54,795
	Totals	$ 59,730,544	$ 25,509,549	$ 34,220,995

Report on Internal Control Over Financial Reporting and on Compliance

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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2018.

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 + Sullivan, LLC

October 4, 2018