

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2012 AND 2011**

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the Mansfield Municipal Electric Department, Town of Mansfield, Massachusetts as of and for the years ended June 30, 2012 and June 30, 2011, which collectively comprise the Mansfield Municipal Electric Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mansfield Municipal Electric Department's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mansfield Municipal Electric Department, as of June 30, 2012 and June 30, 2011, and the respective 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the Mansfield Municipal Electric Department's internal control over financial reporting, and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The other post employment benefits information on pages **25** and **26** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Mansfield Municipal Electric Department's basic financial statements. The accompanying schedule of operations and maintenance expenses on page **27** is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is stated fairly in all material respects in relation to the basic financial statements taken as a whole.

*R. E. Brown & Company*

November 29, 2012

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**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 the financial statements of the Mansfield Municipal Electric Department, Town of Mansfield, Massachusetts, as of and for the years ended June 30, 2012 and June 30, 2011, which collectively comprise the Mansfield Municipal Electric Department's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audits in accordance with 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.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Mansfield Municipal Electric Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mansfield Municipal Electric Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mansfield Municipal Electric Departments' internal control over financial reporting.

*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 Mansfield Municipal Electric Department's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Mansfield Municipal Electric Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

This report is intended solely for the information and use of management, the Board of Commissioners, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*R. E. Brown & Company*

November 29, 2012

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
PROPRIETARY FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
CASH - OPERATING	\$ 8,356,936	\$ 8,663,210
CASH - RATE STABILIZATION	<u>1,640,865</u>	<u>1,627,083</u>
TOTAL UNRESTRICTED CASH	<u>9,997,801</u>	<u>10,290,293</u>
RECEIVABLES, NET OF UNCOLLECTIBLES	4,450,937	5,025,555
MATERIALS AND SUPPLIES	630,633	593,939
PREPAYMENTS	<u>2,234,510</u>	<u>2,278,466</u>
TOTAL CURRENT ASSETS	<u>17,313,881</u>	<u>18,188,253</u>
NONCURRENT ASSETS:		
RESTRICTED ASSETS:		
INVESTMENTS	21,580	25,412
RESTRICTED CASH, CUSTOMER DEPOSITS	849,774	817,864
RESTRICTED CASH - DEPRECIATION FUND	<u>2,722,688</u>	<u>6,286,466</u>
TOTAL RESTRICTED ASSETS	<u>3,594,042</u>	<u>7,129,742</u>
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>29,742,887</u>	<u>23,991,954</u>
TOTAL NONCURRENT ASSETS	<u>33,336,929</u>	<u>31,121,696</u>
TOTAL ASSETS	<u>50,650,810</u>	<u>49,309,949</u>
<b><u>LIABILITIES</u></b>		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	3,019,351	2,145,930
ACCRUED EXPENSES	87,902	91,617
OTHER LIABILITIES	160,910	407,178
COMPENSATED ABSENCES	<u>131,556</u>	<u>121,711</u>
TOTAL CURRENT LIABILITIES	<u>3,399,719</u>	<u>2,766,436</u>
NONCURRENT LIABILITIES:		
COMPENSATED ABSENCES	86,376	80,025
POSTEMPLOYMENT BENEFITS	140,162	344,166
CUSTOMER DEPOSITS	<u>850,472</u>	<u>767,642</u>
TOTAL NONCURRENT LIABILITIES	<u>1,077,010</u>	<u>1,191,833</u>
TOTAL LIABILITIES	<u>4,476,729</u>	<u>3,958,269</u>
<b><u>NET ASSETS</u></b>		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	29,742,887	23,991,954
RESTRICTED FOR:		
DEPRECIATION FUND	2,722,688	6,286,466
UNRESTRICTED	<u>13,708,506</u>	<u>15,073,260</u>
TOTAL NET ASSETS	<u>\$ 46,174,081</u>	<u>\$ 45,351,680</u>

See accompanying notes to the basic financial statements

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>OPERATING REVENUES:</u></b>		
SALE OF ELECTRICITY	\$ 26,983,939	\$ 31,142,231
OTHER OPERATING REVENUE	<u>18,076</u>	<u>168,911</u>
TOTAL OPERATING REVENUES	<u>27,002,015</u>	<u>31,311,142</u>
<b><u>OPERATING EXPENSES:</u></b>		
OPERATIONS AND MAINTENANCE	24,993,995	26,499,830
DEPRECIATION	<u>1,230,809</u>	<u>1,478,844</u>
TOTAL OPERATING EXPENSES	<u>26,224,804</u>	<u>27,978,674</u>
OPERATING INCOME (LOSS)	<u>777,211</u>	<u>3,332,468</u>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>		
INVESTMENT EARNINGS	47,137	58,224
INTEREST EXPENSE	<u>(1,947)</u>	<u>(3,986)</u>
TOTAL NONOPERATING REVENUES (EXPENSES) - NET	<u>45,190</u>	<u>54,238</u>
<b>CHANGE IN NET ASSETS</b>	<u>822,401</u>	<u>3,386,706</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>45,351,680</u>	<u>41,964,974</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 46,174,081</u>	<u>\$ 45,351,680</u>

See accompanying notes to the basic financial statements

**TOWN OF MANSFIELD, MASSACHUSETTS  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
RECEIPTS FROM CUSTOMERS	\$ 27,576,634	\$ 31,473,639
PAYMENTS TO SUPPLIERS AND EMPLOYEES	<u>(24,317,910)</u>	<u>(26,293,616)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,258,724</u>	<u>5,180,023</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
CUSTOMER DEPOSITS AND OTHER ESCROW	(182,274)	27,330
INTEREST EXPENSE	<u>(1,947)</u>	<u>(3,986)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(184,221)</u>	<u>23,344</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	<u>(6,981,742)</u>	<u>(1,259,741)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,981,742)</u>	<u>(1,259,741)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
INVESTMENT INCOME	47,137	58,224
PROCEEDS FROM THE SALE OF INVESTMENTS	<u>3,832</u>	<u>4,148</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>50,969</u>	<u>62,372</u>
NET INCREASE (DECREASE) IN CASH	(3,856,270)	4,005,998
CASH AT BEGINNING OF YEAR	<u>16,576,759</u>	<u>12,570,761</u>
CASH AT END OF YEAR	<u>\$ 12,720,489</u>	<u>\$ 16,576,759</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>		
OPERATING INCOME (LOSS)	<u>\$ 777,211</u>	<u>\$ 3,332,468</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
DEPRECIATION EXPENSE	1,230,809	1,478,844
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	574,619	162,497
(INCREASE) DECREASE IN MATERIALS AND SUPPLIES	(36,694)	22,587
(INCREASE) DECREASE IN PREPAYMENTS	43,955	(83,643)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	873,421	(14,139)
INCREASE (DECREASE) IN ACCRUED EXPENSES	(3,715)	31,541
INCREASE (DECREASE) IN OTHER LIABILITIES	(13,074)	74,480
INCREASE (DECREASE) IN COMPENSATED ABSENCE PAYABLE	16,196	10,602
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS PAYABLE	(204,004)	164,786
TOTAL ADJUSTMENTS	<u>2,481,513</u>	<u>1,847,555</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,258,724</u>	<u>\$ 5,180,023</u>
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u></b>		
The following accounts are considered to be cash for the purpose of the statement of cash flows:		
TOTAL UNRESTRICTED CASH	\$ 9,997,801	\$ 10,290,293
RESTRICTED CASH - DEPRECIATION FUND	<u>2,722,688</u>	<u>6,286,466</u>
	<u>\$ 12,720,489</u>	<u>\$ 16,576,759</u>

See accompanying notes to the basic financial statements

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Mansfield Municipal Electric Department (the Department) for the years ended June 30, 2012 and 2011 have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant Department's accounting policies:

**A. Reporting Entity**

The Department operates as an enterprise/proprietary fund type within the Town of Mansfield, Massachusetts. The Department purchases power from various sources and sells to its customers at rates submitted to the Department of Public Utilities (DPU).

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Department's proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and delivering these services in connection with the proprietary funds principal ongoing operations (electricity). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. Municipal Electric Department's also have the *option* of following subsequent private-sector guidance for the proprietary fund, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

**C. Regulation, Rates and Industry**

Under Massachusetts law, electric rates of the Department are set by the Department's Commissioners and may be changed not more than once every three months. Rate schedules are filed with the Massachusetts DPU. Pursuant to DPU Regulations, rates must be set such that the resulting net earnings, less certain other provisions, do not exceed 8% of the cost of the Plant. While the DPU exercises general supervisory authority over the Electric Department, the Electric Department's rates are not subject to DPU approval.

The Department operates within an industry that has undergone significant restructuring and deregulation. Legislation was enacted by the Commonwealth of Massachusetts, effective March 1, 1998, to restructure the electric industry. The basic intent of the law is to introduce competition and provide consumers with choices and lower prices while assuring continued reliable service. The municipal electric utilities are not specifically subject to the legislation.

On January 11, 2012, the Board of Commissioners authorized a \$2,200,000 rebate to customers. This rebate was provided through a reduction of the generation charge for billings in January and February 2012.

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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**D. Cash and Investments**

Cash and short term investments are considered to be cash on hand, time deposits, customer deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**E. Accounts Receivable**

The recognition of revenue related to accounts receivable reported in the Department's financial statements are reported under the accrual basis of accounting.

*Electricity*

The Department carries its accounts receivable at invoiced amounts less an allowance for doubtful accounts of \$199,099 and \$166,974 at June 30, 2012 and 2011 respectively. An account is considered past due if payment is not received within 30 days. At that time, a series of delinquency notices are sent until the balance is collected. When the Department believes every reasonable attempt to collect has been exhausted, the account is turned over to a collection agency. Additionally, the Department can place a lien against property if the account is in the name of the property owner and payment is not made.

Effective July 15, 2005, customer deposits were collected from residential renters who rent the premises they inhabit and the electric account will be in their name. The amount of the deposit will approximate 3 months of charges on the particular account based on an analysis of the account history. The Department has the right to shut off all of its customers for non-payment. Based on DPU regulations, the Department may not shut off residential customers between November 15 and March 15. Also, the Department cannot shut off protected customers as defined by the DPU. The residential shut off moratorium period may also be modified by the DPU.

Effective July 16, 2008, a consumer deposit policy was also implemented for all commercial customers who open businesses in Mansfield. The amount of any required deposit will approximate 3 months of projected billing based on the build out of the facility. Compliance with the policy is required from new commercial customers regardless of whether they own the building or not.

To encourage customers to pay their bills in a timely fashion, the Department has a "Prompt Payment Discount" policy. This policy provides a 20% discount on the Distribution Charge or Distribution Demand Charge (whichever is applicable to the class of customer) if the bill is paid within 15 days from the date on the statement. This policy applies to both commercial and residential customers. In addition, senior citizens are always given a prompt payment discount. The Department also charges residential customers a \$4 monthly Customer Charge, which is waived for senior citizens.

The Department has budget plans available for their customers. Customers must sign up for the budget plan no later than August to obtain the benefits of the plan.

*Other*

Other receivables consist primarily of jobbing accounts receivable, which are recorded as receivables in the fiscal year the services are performed.

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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**F. Materials and Supplies**

Materials and supplies are valued using the average cost method.

**G. Capital Assets – Electric Utility Plant**

Capital assets within the electric distribution plant include land and land rights, structures and improvements, station equipment, poles, towers and fixtures, overhead conductors and devices, underground conduits, conductors and devices, line transformers, services, meters, street lighting and signal systems, and other various asset categories. Capital assets within the electric general plant include structures and improvements, office furniture and equipment, transportation equipment, tools, shop and garage equipment, computer equipment, and other various asset categories. These assets are reported in the financial statements as electric utility plant.

Capital assets and improvements are recorded at cost, or at estimated historical cost, if actual historical cost is not available.

All purchases and construction costs of capital assets are capitalized at the date of acquisition or construction.

Capital assets (excluding land and land rights and construction in progress) are depreciated and recorded in the accompanying financial statements on a straight-line GAAP basis. The statutory provision for regulatory depreciation is 3% computed on the straight-line basis. Massachusetts General Law (MGL) stipulates that the Department may change from the statutory depreciation rate up to 5% only with the approval of the DPU. The Department has been granted such approval and has used the rate of 5% for regulatory accounting and filings with the DPU.

The estimated useful lives of the capital assets, GAAP basis, are as follows:

Asset Class	Estimated Useful Life (in years)
<u>Distribution Plant</u>	
Structures & Improvements, Station equipment, Overhead conductors & devices, Underground conduits, Conductors & devices, Line transformers, and services	33
Street lighting, Poles, Towers and Fixtures	20
Meters	15
Security lighting & equipment	20
Various tools and equipment	10
<u>General Plant</u>	
Structures and improvements	33
Office furniture and equipment	10
Shop and garage equipment	20
Tools	10
Computer equipment	5
Various equipment	10

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred.

#### **H. Revenues**

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 July billing cycle

Other operating revenue consists primarily of stores, merchandising and jobbing charges to customers for services related to the distribution of electricity.

Effective January 1, 2008, the Department implemented a new “unbundled” rate structure for its customers. The major feature of this rate design was the implementation of a Generation Charge. The Generation Charge reflects the actual cost the Department pays for electricity and is calculated on a quarterly basis. Reconciliation for over or under collection of the Generation Charge in a quarter is performed in subsequent quarters once actual costs are compared with estimated costs. The Generation Charge eliminated the Purchased Power Charge Adjustment (PPCA) rate that previously existed.

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

The Department does not pay taxes to the Town of Mansfield. Instead, a payment in lieu of taxes is authorized by the Board of Commissioners. The cash payment to the Town of Mansfield of \$480,000 was included in the operating expenses for the years ended June 30, 2012 and 2011.

#### **J. Compensated Absences**

In accordance with Town of Mansfield and Department policies, employees are allowed to accumulate sick days, up to a maximum of 173 days. Upon termination of employment with the Department, the employee will not be paid for accumulated sick days. Upon retirement, the Department will "buy back" 20% of all accumulated sick time at the employees current rate. Accrued sick pay “buy back” as of June 30, 2012 and 2011 was \$86,376 and \$80,025, respectively.

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, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination. Accrued vacation as of June 30, 2012 and 2011 was \$131,556 and \$121,711, respectively.

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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**K. Net Assets**

Net assets are classified into three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. For Fiscal Year 2012 and 2011, there was no debt related to capital assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
  - Net assets have been “restricted” for depreciation, which represents available resources (cash) that may be used for replacements, enlargements, and additions to the utility plant.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**L. Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, 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 vary from estimates that were used.

**NOTE 2 – DEPOSITS AND INVESTMENTS – CUSTODIAL CREDIT RISK**

*Custodial Credit Risk – Deposits*

The Department’s operating cash deposits are deposited with the Treasurer of the Town of Mansfield who commingles these funds with deposits from other Town departments. In addition to the operating cash held by the Town Treasurer, the Treasurer also has custody of the Depreciation Fund account, which is required by Massachusetts General Law (MGL) to be maintained in a separate, interest-bearing account, and the Customer Deposits which is also held in a separate, interest-bearing account.

Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Department’s deposits is not determinable because the limits are computed on a Town-wide and aggregate account balance basis.

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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*Investments*

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (“NEH”) and the New England Hydro-Transmission Corporation (“NHH”), the Department made advances to fund its equity requirements for the Hydro-Quebec Phase II Interconnection. The shares are not readily marketable, and the Department’s investment is stated at cost. The following is a listing of the Department’s investments:

Investment Type	Cost	
	As of June 30, 2012	As of June 30, 2011
NEH & NHH shares	\$ 21,580	\$ 25,412

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2012 and 2011, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	2012	2011
User fees - billed	\$ 3,036,392	\$ 3,480,934
User fees - unbilled	1,577,088	1,666,264
Other	36,556	45,331
	4,650,036	5,192,529
Allowance for uncollectibles	(199,099)	(166,974)
	\$ 4,450,937	\$ 5,025,555

**TOWN OF MANSFIELD, MASSACHUSETTS  
MUNICIPAL ELECTRIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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**NOTE 4 – CAPITAL ASSETS OF THE ELECTRIC UTILITY PLANT**

Capital asset activity for the Electric Utility Plant as of June 30, 2012, was as follows:

<u>Electric Utility Plant</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications &amp; Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land and land rights	\$ 313,205	\$ -	\$ -	\$ 313,205
Construction in progress	316,148	4,860,563	-	5,176,711
Total capital assets not being depreciated	629,353	4,860,563	-	5,489,916
<i>Capital assets being depreciated:</i>				
Distribution Plant	34,982,111	2,043,121	(63,578)	36,961,654
General Plant	4,341,856	78,058	-	4,419,914
Total capital assets being depreciated	39,323,967	2,121,179	(63,578)	41,381,568
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(13,331,583)	(1,038,742)	63,578	(14,306,747)
General Plant	(2,629,783)	(192,067)	-	(2,821,850)
Total accumulated depreciation	(15,961,366)	(1,230,809)	63,578	(17,128,597)
Total capital assets being depreciated, net	23,362,601	890,370	-	24,252,971
Total electric utility plant capital assets, net	<u>\$ 23,991,954</u>	<u>\$ 5,750,933</u>	<u>\$ -</u>	<u>\$ 29,742,887</u>

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Capital asset activity for the Electric Utility Plant as of June 30, 2011, was as follows:

<b>Electric Utility Plant</b>	Beginning Balance	Increases	Reclassifications & Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land and land rights	\$ 125,705	\$ 187,500	\$ -	\$ 313,205
Construction in progress	133,717	182,431	-	316,148
Total capital assets not being depreciated	<u>259,422</u>	<u>369,931</u>	<u>-</u>	<u>629,353</u>
<i>Capital assets being depreciated:</i>				
Distribution Plant	34,457,625	632,811	(108,325)	34,982,111
General Plant	4,084,857	256,999	-	4,341,856
Total capital assets being depreciated	<u>38,542,482</u>	<u>889,810</u>	<u>(108,325)</u>	<u>39,323,967</u>
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(12,464,568)	(975,340)	108,325	(13,331,583)
General Plant	(2,126,278)	(503,505)	-	(2,629,783)
Total accumulated depreciation	<u>(14,590,846)</u>	<u>(1,478,845)</u>	<u>108,325</u>	<u>(15,961,366)</u>
Total capital assets being depreciated, net	<u>23,951,636</u>	<u>(589,035)</u>	<u>-</u>	<u>23,362,601</u>
Total electric utility plant capital assets, net	<u>\$ 24,211,058</u>	<u>\$ (219,104)</u>	<u>\$ -</u>	<u>\$ 23,991,954</u>

**Construction Commitments**

The Municipal Electric Department has an active construction project as of June 30, 2012. At year end the Department's commitment with the contractor is as follows:

Project	Spent to Date	Remaining Commitment
East Mansfield Substation	<u>\$ 1,458,540</u>	<u>\$ 561,493</u>

The commitment for the construction project will be funded from the Depreciation Fund and operations.

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**NOTE 5 – PURCHASED POWER WORKING CAPITAL**

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. The implementation of the Working Capital Program began August 1, 1985. MMWEC requires that they hold a set amount of capital from which it may pay MMED power obligations when they are due. They replenish the fund as needed from MMED monthly invoice payments. The income earned on the account will be applied as a credit to MMWEC power billings. The balance in the Fund as of June 30, 2012 and 2011 was \$2,129,106 and \$2,129,106, respectively.

**NOTE 6 – CASH - RATE STABILIZATION**

In order to mitigate possible future rate increases, the Department has elected to establish a stabilization reserve. Each year the Department determines a rate stabilization amount to be charged or credited to revenues. For 2012 and 2011, interest of \$13,782, and \$11,533, respectively, was earned and is reflected as an increase in rate stabilization in the accompanying statement of net assets. The rate stabilization amounts are approved by the Board of Commissioners and are held by MMWEC in a reserve trust. The balance in the “cash – rate stabilization” as of June 30, 2012 and 2011 was \$1,640,865 and \$1,627,083, respectively.

**NOTE 7 - CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 201,736	\$ 16,196	\$ -	\$ 217,932	\$ 131,556
OPEB ( <b>Note 8</b> )	<u>344,166</u>	<u>237,232</u>	<u>(441,236)</u>	<u>140,162</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 545,902</u>	<u>\$ 253,428</u>	<u>\$ (441,236)</u>	<u>\$ 358,094</u>	<u>\$ 131,556</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 191,134	\$ 10,602	\$ -	\$ 201,736	\$ 121,711
OPEB ( <b>Note 8</b> )	<u>179,380</u>	<u>235,711</u>	<u>(70,925)</u>	<u>344,166</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 370,514</u>	<u>\$ 246,313</u>	<u>\$ (70,925)</u>	<u>\$ 545,902</u>	<u>\$ 121,711</u>

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**Loans Authorized and Unissued**

As of June 30, 2012 and 2011, the Department has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>2012 Amount</u>	<u>2011 Amount</u>
East Mansfield Substation	#4 5/4/2010	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>

**NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the following disclosures with regard to the retiree medical, dental, and life insurance benefits:

*Plan Description.* The Department participates in the Other Post-Employment Benefits Plan of the Town of Mansfield (The Plan) which is a single-employer defined benefit healthcare plan administered by the Town of Mansfield. The Plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General laws Chapter 32B to provide ½ of the premium cost of retirees' health and life insurance costs.

*Funding Policy.* The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2012 and 2011, the total Department premiums plus implicit costs for the retiree medical program was \$441,236 and \$70,925, respectively. For Fiscal Year 2012 and 2011, in addition to the pay-as-you-go contribution, the Department contributed \$360,532 and \$194,149 respectively to the Departments' post employment benefits trust.

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*Annual OPEB Cost and Net OPEB Obligation.* The Department's share of the Town'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 GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Department's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Department's net OPEB obligation to the plan:

	<u>2012</u>	<u>2011</u>
Annual Required Contribution (ARC)	\$ 245,442	\$ 241,540
Interest on net OPEB obligation	20,693	14,944
Adjustment to annual required contribution	<u>(28,903)</u>	<u>(20,773)</u>
Annual OPEB cost (expense)	237,232	235,711
Contributions made	<u>(441,236)</u>	<u>(70,925)</u>
Increase (decrease) in net OPEB obligation	(204,004)	164,786
Net OPEB obligation - beginning of year	<u>344,166</u>	<u>179,380</u>
Net OPEB obligation - end of year	<u><u>\$ 140,162</u></u>	<u><u>\$ 344,166</u></u>

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the three preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase in Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 247,957	21.7%	\$ 194,149	\$ 194,149
6/30/2010	\$ 238,551	106.2%	\$ (14,769)	\$ 179,380
6/30/2011	\$ 235,711	30.1%	\$ 164,786	\$ 344,166
6/30/2012	\$ 237,232	186.0%	\$ (204,004)	\$ 140,162

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*Funded Status and Funding Progress.* As of July 1, 2010, the most recent actuarial valuation date, the plan was 6.8% funded. The actuarial accrued liability for benefits was \$2.834 million, and the actuarial value of assets was \$0.162 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.672 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.908 million, and the ratio of the UAAL to the covered payroll was 140.0%.

Actuarial 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, presented as required supplementary information following the notes to the financial statements, 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 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.

In the July 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial accrued liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0% percent graded down to 5.00% over three years. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2012, was 26 years.

**NOTE 9 – PENSION PLANS**

*A. Plan Description*

The Town of Mansfield (which includes the Department) contributes to the Bristol County Contributory Retirement System (the "System"), a cost sharing, multiple-employer, defined benefit pension plan administered by the Bristol County Retirement Board. Substantially all employees are members of the "System", except for public school teachers and certain school administrators who are members of the Massachusetts Teachers' Retirement System (MTRS).

The "System" is a contributory, defined benefit plan and membership in the "System" is mandatory upon commencement of employment for all permanent, full-time employees. The "System" provides retirement, disability and death benefits to plan members and beneficiaries.

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Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The “System” issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), One Ashburton Place, Boston, Massachusetts 02108.

*B. Funding Policy*

Bristol County Contributory Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases.

The Department's contribution to the Retirement Plan is determined by an allocation of the Town of Mansfield's contribution, which is based upon projected benefits to be paid during the applicable year. The Town of Mansfield is assessed annually for their share of system costs. The Department then reimburses the Town of Mansfield for its share of the assessment. The Department and Town are currently on a schedule to fund the unfunded pension liability by 2027.

The amount of pension expense charged to operations for the years ended June 30, 2012 and 2011 was approximately \$310,424 and \$299,130, respectively.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

*Litigation*

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. The amount of liability, if any, at June 30, 2012, cannot be ascertained. Management believes any resulting liability should not materially affect the financial position at June 30, 2012.

Construction Commitments – At the May 4, 2010 annual town meeting the Town voted to authorize borrowing of up to \$8,000,000 for the construction of the East Mansfield Substation. On January 18, 2011 the light commission voted not to borrow the funding and to pay the cost from operations and the depreciation fund. The East Mansfield Substation was completed and became operational on September 16, 2012.

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**NOTE 11 – MMWEC PARTICIPATION**

The Town of Mansfield, acting through its Light 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.

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 (formerly FPL Energy 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) (formerly FPL Energy Seabrook LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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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 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 Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all 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 MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

Total capital expenditures for MMWEC's Projects amounted to \$1,586,581,000, of which \$100,316,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply Project Revenue Bonds totaling \$284,005,000, of which \$17,451,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. After the July 1, 2012 principal payment, MMWEC's total future debt service requirement on outstanding bonds issued for the projects is \$308,241,000, of which \$19,730,000 is anticipated to be billed to the Department in the future.

The estimated 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, 2012 and estimated for future years is shown below.

For years ended June 30,	Annual Costs
2013	\$ 4,360,000
2014	4,133,000
2015	3,795,000
2016	3,670,000
2017	3,383,000
2018 to 2021	<u>389,000</u>
Total	<u>\$ 19,730,000</u>

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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 \$10,365,000 and \$11,398,000 for the years ended June 30, 2012 and 2011, respectively.

**NOTE 12 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2012, the following GASB pronouncements were implemented:

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans* was implemented in FY2012. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus* was implemented in FY2012. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #64**, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53, was implemented in fiscal year 2012. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

*Future GASB Pronouncements:*

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

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The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
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Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) · Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 2,416,297	\$ 2,416,297	0.0%	\$ 1,912,000	126.4%
7/1/2010	\$ 161,846	\$ 2,833,645	\$ 2,671,799	5.7%	\$ 1,908,000	140.0%

Schedule of Employer Contributions

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 247,957	21.7%	\$ 194,149	\$ 194,149
2010	\$ 238,551	106.2%	\$ (14,769)	\$ 179,380
2011	\$ 235,711	30.1%	\$ 164,786	\$ 344,166
2012	\$ 237,232	186.0%	\$ (204,004)	\$ 140,162

\* Based on expected premium payments.

The required information presented above was determined as part of the actuarial valuations at the dates indicated.

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REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
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Additional information as of the latest actuarial valuation follows:

Actuarial Methods:

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit credit
Amortization method	Level dollar amount over 30 years at transition
Remaining amortization period	26 years as of July 1, 2012

Actuarial Assumptions:

Investment rate of return	4.0%
Medical/drug trend rate	8% graded to 5% over three years

Plan Membership:

Current retirees, beneficiaries, and dependents	10
Current active members	22
 Total	 <u>32</u>

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SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES  
YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
POWER PRODUCTION EXPENSES:		
CAPACITY	\$ 17,967,135	\$ 19,875,387
TRANSMISSION AND OTHER PURCHASED POWER CHARGES	<u>3,114,919</u>	<u>2,821,549</u>
TOTAL POWER PRODUCTION EXPENSES:	<u>21,082,054</u>	<u>22,696,936</u>
 DISTRIBUTION EXPENSES:		
OPERATION LABOR	555,567	501,221
OPERATIONS EXPENSES	95,627	82,361
MAINTENANCE LABOR	691,479	677,924
MAINTENANCE EXPENSES	<u>277,149</u>	<u>184,468</u>
TOTAL DISTRIBUTION EXPENSES:	<u>1,619,822</u>	<u>1,445,974</u>
 CUSTOMER ACCOUNTS:		
CUSTOMER ACCOUNT LABOR	629,791	569,293
CUSTOMER RECORDS AND COLLECTION EXPENSES	153,715	139,245
BAD DEBT EXPENSE	120,000	90,000
MISCELLANEOUS CUSTOMER ACCOUNT EXPENSES	<u>31,988</u>	<u>27,661</u>
TOTAL CUSTOMER ACCOUNTS:	<u>935,494</u>	<u>826,199</u>
 GENERAL AND ADMINISTRATIVE EXPENSES:		
ADMINISTRATIVE AND GENERAL SALARIES	337,620	296,595
OFFICE SUPPLIES & EXPENSE	103,469	106,977
OUTSIDE SERVICES EMPLOYED	116,496	132,662
PROPERTY INSURANCE	34,535	41,191
TRANSPORTATION EXPENSE	115,186	121,270
PAYMENTS IN LIEU OF TAXES	480,000	480,000
POSTEMPLOYMENT BENEFITS	-	164,786
DUES, MEETINGS, AND OTHER GENERAL EXPENSES	<u>169,319</u>	<u>187,240</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES:	<u>1,356,625</u>	<u>1,530,721</u>
 TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>\$ 24,993,995</u>	<u>\$ 26,499,830</u>