

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

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

YEARS ENDED JUNE 30, 2017 AND 2016

MANSFIELD MUNICIPAL ELECTRIC DEPARTMENT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, 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 financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 11, 2017 on our consideration of the Mansfield Municipal Electric Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mansfield Municipal Electric Department's internal control over financial reporting and compliance.

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

October 11, 2017

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, 2017 and 2016. 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, 2017, it shows the Department's net position of \$52.9 million, which is comprised of \$33.1 million (63%) net investment of capital assets, \$4.4 million (8%) restricted for depreciation, and \$15.4 million (29%) which is unrestricted.

The statements of revenues, expenses and changes in net position summarize the Department's operating results and reveal how net position changed for the year. Net position increased for the year ended June 30, 2017 by \$1.6 million and increased for the year ended June 30, 2016 by \$2.1 million. Total kilowatt hour sales in 2017 were slightly lower than 2016.

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

	2017	2016
Assets:		
Current assets.....	\$ 18,518,019	\$ 18,003,144
Noncurrent assets (excluding capital).....	7,216,983	6,467,690
Capital assets, net of accumulated depreciation.....	33,132,553	32,380,445
Total assets.....	58,867,555	56,851,279
Total Deferred Outflows of Resources.....	551,650	623,219
Liabilities:		
Current liabilities (excluding debt).....	2,206,704	1,781,041
Noncurrent liabilities (excluding debt).....	4,156,703	4,172,208
Total liabilities.....	6,363,407	5,953,249
Total Deferred Inflows of Resources.....	181,892	247,794
Net Position:		
Net investment in capital assets.....	33,132,553	32,380,445
Restricted for depreciation.....	4,390,069	3,607,059
Unrestricted.....	15,351,284	15,285,951
Total net position.....	\$ 52,873,906	\$ 51,273,455

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

	2017	2016
Operating revenues.....	\$ 25,753,937	\$ 25,984,805
Operating expenses.....	23,557,787	23,394,783
Operating income.....	2,196,150	2,590,022
Interest income.....	56,075	35,979
Interest expense.....	(3,126)	(1,020)
Nonoperating revenues/expenses, net.....	52,949	34,959
Income before transfers.....	2,249,099	2,624,981
Transfers out - payment in lieu of taxes, Town of Mansfield.....	(648,648)	(480,000)
Change in net position.....	1,600,451	2,144,981
Net position at beginning of year.....	51,273,455	49,128,474
Net position at end of year.....	\$ 52,873,906	\$ 51,273,455

Financial Highlights

Operating revenues were \$25.8 million in 2017, a decrease of \$231,000 from 2016. Kilowatt hours sold decreased by .2% to 203,777,013 in 2017, compared to 204,119,783 in 2016.

Operating expenses were \$23.6 million in 2017, or \$163,000 higher than 2016.

Transfers out consists of a payment in lieu of taxes of \$648,648 to the Town of Mansfield in 2017, as compared to \$480,000 in 2016.

Utility Plant

Utility Plant

The Department had total acquisitions of approximately \$2.4 million in 2017. The Department expended approximately \$995,000 for distribution plant and \$1.4 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

STATEMENTS OF NET POSITION

JUNE 30,

	2017	2016
ASSETS		
CURRENT:		
Funds on deposit with Town Treasurer:		
Operating cash.....	\$ 12,010,391	\$ 11,207,965
Accounts receivable, net of allowance for uncollectibles.....	3,704,075	3,931,717
Materials and supplies inventory.....	570,277	600,807
Prepaid expenses.....	101,738	131,117
Purchased power working capital advances.....	2,131,538	2,131,538
Total current assets.....	18,518,019	18,003,144
NONCURRENT:		
Funds on deposit with Town Treasurer:		
Depreciation fund.....	4,390,069	3,607,059
Customer deposits.....	1,058,665	1,055,459
MMWEC reserve trust fund.....	1,702,316	1,688,839
Investments in Hydro Quebec.....	12,638	12,638
Other postemployment benefits asset.....	53,295	103,695
Capital assets, net of accumulated depreciation.....	33,132,553	32,380,445
Total noncurrent assets.....	40,349,536	38,848,135
TOTAL ASSETS.....	58,867,555	56,851,279
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions.....	551,650	623,219
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable.....	1,788,343	1,511,890
Accrued expenses.....	279,742	150,338
Compensated absences.....	138,619	118,813
Total current liabilities.....	2,206,704	1,781,041
NONCURRENT LIABILITIES:		
Compensated absences.....	27,561	22,215
Customer deposits.....	1,167,070	1,165,005
Net pension liability.....	2,962,072	2,984,988
Total noncurrent liabilities.....	4,156,703	4,172,208
TOTAL LIABILITIES.....	6,363,407	5,953,249
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions.....	181,892	247,794
NET POSITION		
Net investment in capital assets.....	33,132,553	32,380,445
Restricted for depreciation.....	4,390,069	3,607,059
Unrestricted.....	15,351,284	15,285,951
TOTAL NET POSITION.....	\$ 52,873,906	\$ 51,273,455

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30,

	2017	2016
OPERATING REVENUES:		
Residential.....	\$ 10,358,674	\$ 10,121,703
Commercial.....	15,584,680	15,617,103
Municipal.....	1,106,389	1,120,107
Customer discounts.....	<u>(1,482,358)</u>	<u>(1,457,555)</u>
Net customer sales.....	25,567,385	25,401,358
Other operating revenue.....	<u>186,552</u>	<u>583,447</u>
TOTAL OPERATING REVENUES	<u>25,753,937</u>	<u>25,984,805</u>
OPERATING EXPENSES:		
Purchase power.....	18,185,374	18,413,625
Distribution.....	1,695,676	1,530,174
Customer accounts.....	963,020	1,018,976
Administration and general.....	1,053,066	846,890
Depreciation.....	<u>1,660,651</u>	<u>1,585,118</u>
TOTAL OPERATING EXPENSES.....	<u>23,557,787</u>	<u>23,394,783</u>
OPERATING INCOME.....	<u>2,196,150</u>	<u>2,590,022</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income.....	56,075	35,979
Interest expense.....	<u>(3,126)</u>	<u>(1,020)</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>52,949</u>	<u>34,959</u>
INCOME BEFORE TRANSFERS.....	2,249,099	2,624,981
TRANSFERS:		
Payment in lieu of taxes, Town of Mansfield.....	<u>(648,648)</u>	<u>(480,000)</u>
CHANGE IN NET POSITION.....	1,600,451	2,144,981
NET POSITION AT BEGINNING OF YEAR.....	<u>51,273,455</u>	<u>49,128,474</u>
NET POSITION AT END OF YEAR.....	<u>\$ 52,873,906</u>	<u>\$ 51,273,455</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customer and users.....	\$ 25,983,644	\$ 25,872,559
Payments to vendors.....	(19,269,780)	(19,744,408)
Payments to employees.....	(2,153,687)	(2,140,650)
NET CASH FROM OPERATING ACTIVITIES.....	4,560,177	3,987,501
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment in lieu of taxes, Town of Mansfield.....	(648,648)	(480,000)
Prefunding transfer for other postemployment benefits.....	50,400	636
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(598,248)	(479,364)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets.....	(2,412,759)	(2,447,261)
Interest expense.....	(3,126)	(1,020)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,415,885)	(2,448,281)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income.....	56,075	35,979
(Increase)/decrease in MMWEC reserve trust fund.....	(13,477)	(14,461)
NET CASH FROM INVESTING ACTIVITIES.....	42,598	21,518
NET INCREASE (DECREASE) IN CASH AND CASH NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,588,642	1,081,374
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	15,870,483	14,789,109
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 17,459,125	\$ 15,870,483
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Income.....	\$ 2,196,150	\$ 2,590,022
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation.....	1,660,651	1,585,118
Change in deferred (outflows)/inflows related to pensions.....	5,667	(239,252)
Changes in assets and liabilities:		
Accounts receivable.....	227,642	(205,675)
Materials and supplies inventory.....	30,530	(52,336)
Prepaid expenses.....	29,379	72,654
Accounts payable.....	276,453	(51,672)
Accrued expenses.....	129,404	46,546
Compensated absences.....	25,152	(6,012)
Customer deposits.....	2,065	93,429
Net pension liability.....	(22,916)	154,679
Total adjustments.....	2,364,027	1,397,479
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,560,177	\$ 3,987,501

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESReporting Entity

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

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

Regulation and Basis of Accounting

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

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

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

The electric rates are proposed by the Department. The rates are approved by Mansfield's Board of 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 \$17,459,125 for 2017 and \$15,870,483 for 2016. Of the 2017 carrying amount of deposits, \$5,448,734 was held in separate MMED accounts and had a corresponding bank balance of \$5,579,297. Of the bank balance, \$250,000 was covered by Federal Depository Insurance, \$1,189,228 was collateralized, and \$4,140,069 was exposed to custodial credit risk because it was uninsured and uncollateralized. The remaining carrying amount of deposits in 2017 of \$12,010,391, 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 \$4,390,069 and \$3,607,059 at June 30, 2017 and 2016, 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 \$1,058,665 and \$1,055,459 at June 30, 2017 and 2016, 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,

	2017	2016
Receivables, net of allowance for uncollectibles:		
User charges - billed.....	\$ 2,454,525	\$ 2,700,633
User charges - unbilled.....	1,486,480	1,464,763
Other services.....	52,954	57,210
	3,993,959	4,222,606
Less, allowance for doubtful accounts.....	(289,884)	(290,889)
Total.....	\$ 3,704,075	\$ 3,931,717

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, 2017 and 2016, 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 \$1,702,316 and \$1,688,839 at June 30, 2017 and 2016, 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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 313,205	\$ -	\$ -	\$ 313,205
Construction in progress.....	-	164,645	-	164,645
Total capital assets not being depreciated.....	<u>313,205</u>	<u>164,645</u>	<u>-</u>	<u>477,850</u>
<u>Capital assets being depreciated:</u>				
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.....	<u>54,447,585</u>	<u>2,248,114</u>	<u>(189,550)</u>	<u>56,506,149</u>
<u>Less accumulated depreciation for:</u>				
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.....	<u>(22,380,345)</u>	<u>(1,660,651)</u>	<u>189,550</u>	<u>(23,851,446)</u>
Total capital assets being depreciated, net.....	<u>32,067,240</u>	<u>587,463</u>	<u>-</u>	<u>32,654,703</u>
Total business-type activities capital assets, net.....	<u>\$ 32,380,445</u>	<u>\$ 752,108</u>	<u>\$ -</u>	<u>\$ 33,132,553</u>

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 313,205	\$ -	\$ -	\$ 313,205
<u>Capital assets being depreciated:</u>				
Distribution plant.....	47,504,139	2,134,595	(116,267)	49,522,467
General plant.....	4,612,452	312,666	-	4,925,118
Total capital assets being depreciated.....	<u>52,116,591</u>	<u>2,447,261</u>	<u>(116,267)</u>	<u>54,447,585</u>
<u>Less accumulated depreciation for:</u>				
Distribution plant.....	(17,719,875)	(1,421,447)	116,267	(19,025,055)
General plant.....	(3,191,619)	(163,671)	-	(3,355,290)
Total accumulated depreciation.....	<u>(20,911,494)</u>	<u>(1,585,118)</u>	<u>116,267</u>	<u>(22,380,345)</u>
Total capital assets being depreciated, net.....	<u>31,205,097</u>	<u>862,143</u>	<u>-</u>	<u>32,067,240</u>
Total business-type activities capital assets, net.....	<u>\$ 31,518,302</u>	<u>\$ 862,143</u>	<u>\$ -</u>	<u>\$ 32,380,445</u>

Depreciation expense amounted to \$1,660,651 and \$1,585,118 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 were \$1,106,389 and \$1,120,107, respectively.

The Department made payments in lieu of property taxes to the Town of Mansfield, Massachusetts for the years ending June 30, 2017 and 2016 in the amount of \$648,648 and 480,000, 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, 2017 which was \$351,198 and 21.72% 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, 2017, the Department reported a liability of \$2,962,072 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2016, the Department's proportion was 7.93% of the Town of Mansfield's overall percentage.

Pension Expense

For the year ended June 30, 2017, the Department recognized pension expense of \$333,949. At June 30, 2017, the Department reported deferred outflows and deferred inflows of resources related to pensions of \$551,650 and \$181,892, respectively. The balances of deferred outflows and inflows for the municipal light department at June 30, 2017 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 120,953	\$ -	\$ 120,953
Changes of assumptions.....	-	(71,037)	(71,037)
Difference between projected and actual earnings.....	407,780	-	407,780
Changes in proportionate share of contributions.....	<u>22,917</u>	<u>(110,855)</u>	<u>(87,938)</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 551,650</u>	<u>\$ (181,892)</u>	<u>\$ 369,758</u>

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

Year ended June 30:

2018.....	\$ 121,791
2019.....	121,791
2020.....	104,122
2021.....	<u>22,054</u>
Total.....	<u>\$ 369,758</u>

Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date.....	January 1, 2016												
Actuarial cost method.....	Entry Age Normal Cost Method.												
Amortization method.....	Level percent, open group												
Remaining amortization period.....	15 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.....	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Service</th> <th style="text-align: left; border-bottom: 1px solid black;">Rate</th> </tr> </thead> <tbody> <tr> <td>0-1</td> <td>5.50%</td> </tr> <tr> <td>2</td> <td>4.00%</td> </tr> <tr> <td>3-4</td> <td>3.50%</td> </tr> <tr> <td>5-7</td> <td>3.00%</td> </tr> <tr> <td>8+</td> <td>2.75%</td> </tr> </tbody> </table>	Service	Rate	0-1	5.50%	2	4.00%	3-4	3.50%	5-7	3.00%	8+	2.75%
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.....	<p>Pre-Retirement - RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational.</p> <p>Health Retiree - Group 1 & 2 retirees are represented by the RP-2000 Mortality Table set forward five years for males and 3 years for females, fully generational. Group 4 retirees are represented by the RP-2000 Mortality Table set forward three years for males and six years for females, fully generational.</p> <p>Disabled Retiree - 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.</p>												

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:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equity.....	46.50%	3.80%
Fixed income.....	24.50%	1.00%
Private equity.....	8.50%	7.30%
Real estate funds.....	7.50%	2.30%
Hedge funds.....	5.00%	3.10%
Infrastructure.....	5.00%	4.00%
Timber.....	3.00%	3.50%
	<u>100.00%</u>	

Rate of return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Department's proportionate share of the net pension liability.....	\$ 4,065,688	\$ 2,962,072	\$ 2,181,394

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 \$280,469 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, 2017 the Department has set aside approximately \$1.6 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.

The annual money-weighted rate of return on OPEB plan investments was 8.36%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Membership – The following table represents the Department’s membership at July 1, 2016:

Current retirees, beneficiaries, and dependents.....	21
Current active members.....	<u>19</u>
Total.....	<u><u>40</u></u>

Components of OPEB Liability – The following table represents the components of the Department’s OPEB liability as of June 30, 2017, in accordance with GASB #74. Note that this liability is not required to be recorded in the financial statements until GASB Statement No. 75 becomes effective in 2018.

Total OPEB liability.....	\$ 3,283,278
Less: OPEB plan's fiduciary net position.....	<u>(1,829,860)</u>
Net OPEB liability.....	<u><u>\$ 1,453,418</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	55.73%

Significant Actuarial Methods and Assumptions – The following actuarial assumptions were used in the June 30, 2017 actuarial valuation done in accordance with GASB #74:

Valuation date.....	Actuarially determined contribution was calculated as of June 30, 2017
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market value of assets as of the reporting date, June 30, 2017
Investment rate of return.....	7.07%, net of OPEB plan investment expense, including inflation
Single equivalent discount rate.....	5.50%, net of OPEB plan investment expense, including inflation
Inflation.....	2.75% as of June 30, 2017 and for future periods
Salary increases.....	3.00% annually as of June 30, 2017 and for future periods
Healthcare cost trend rate.....	5.0% decreasing to 4.5% for periods starting in 2017
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

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.

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 of returns (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. The Plan’s expected future real rate of return of 4.32% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of return of 7.07%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2017 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%
Real Estate.....	0.00%	6.25%
Cash.....	0.50%	0.00%
Total.....	100.00%	

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 5.50%, 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 (4.50%) or 1-percentage-point higher (6.50%) than the current rate.

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability.....	\$ 1,707,068	\$ 1,453,418	\$ 1,250,816
Service cost.....	100,534	76,305	58,578

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.....	\$ 1,159,014	\$ 1,453,418	\$ 1,831,221
Service cost.....	53,568	76,305	107,878

Annual OPEB Cost and Net OPEB Obligation – The Department’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Department’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	329,443
Interest on net OPEB obligation/(asset).....		(4,666)
Adjustments to annual required contribution.....		<u>6,092</u>
Annual OPEB cost.....		330,869
Contributions made.....		<u>(280,469)</u>
Increase/(Decrease) in net OPEB obligation.....		50,400
Net OPEB obligation/(asset) - beginning of year.....		<u>(103,695)</u>
Net OPEB obligation/(asset) - end of year.....	\$	<u><u>(53,295)</u></u>

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
6/30/2017	\$ 330,869	85%	\$ (53,295)
6/30/2016	253,650	100%	(103,695)
6/30/2015	242,860	102%	(104,331)

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

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/16	\$ 1,612,998	3,628,806	\$ 2,015,808	44.45%	\$ 1,645,628	122.5%

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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, 2017 principal payment, total capital expenditures amounted to \$1,704,467,000, of which \$107,604,000 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, 2017 principal payment, MMWEC’s total future debt service requirement on outstanding bonds issued for the Projects is \$11,540,000, of which \$742,000 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, 2017 and estimated for future years is shown below:

Years Ending June 30,	Estimated Annual Costs
2018.....	\$ 109,000
2019.....	633,000
Total.....	\$ <u>742,000</u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department’s total O&M costs including debt service under the PSAs were \$5,146,000 and \$9,194,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2017, which is the date the financial statements were available to be issued.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to provide additional disclosure on the Other Postemployment Benefit Trust Fund.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- 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 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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

Required Supplementary Information

Pension Plan Schedules

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

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

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

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

	December 31, 2014		December 31, 2015		December 31, 2016
Department's proportion of the Town's net pension liability (asset).....	8.180%		7.929%		7.929%
Department's proportionate share of the net pension liability (asset)..... \$	2,830,309	\$	2,984,988	\$	2,962,072
Plant's covered employee payroll..... \$	1,489,352	\$	1,590,250	\$	1,616,777
Net pension liability as a percentage of covered employee payroll.....	190.04%		187.71%		183.21%
Plan fiduciary net position as a percentage of the total pension liability.....	67.11%		62.95%		64.17%

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

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution.....	\$ 311,076	\$ 320,138	\$ 351,198
Contributions in relation to the actuarially determined contribution.....	<u>311,076</u>	<u>320,138</u>	<u>351,198</u>
Contribution deficiency (excess).....	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll.....	\$ 1,489,352	\$ 1,590,250	\$ 1,616,777
Contribution as a percentage of covered employee payroll.....	20.89%	20.13%	21.72%

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 Department's Net Other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

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

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

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

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

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

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 76,305
Interest.....	172,455
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	<u>(101,034)</u>
Net change in total OPEB liability.....	147,726
Total OPEB liability- beginning.....	<u>3,135,552</u>
Total OPEB liability- ending (a).....	<u><u>3,283,278</u></u>
Plan fiduciary net position	
Contributions- employer	\$ 280,469
Net investment income.....	37,427
Benefit payments.....	<u>(101,034)</u>
Net change in plan fiduciary net position.....	216,862
Plan fiduciary net position- beginning.....	<u>1,612,998</u>
Plan fiduciary net position- ending (b).....	<u><u>\$ 1,829,860</u></u>
Department's net OPEB liability- ending (a)-(b).....	<u><u>\$ 1,453,418</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	55.73%
Covered-employee payroll.....	1,645,628
Department's net OPEB liability as a percentage of covered-employee payroll.....	88.32%

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 DEPARTMENT CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

		June 30, 2017
Actuarially determined contribution.....	\$	176,308 (1)
Contributions in relation to the actuarially determined contribution.....		(280,469)
Contribution deficiency (excess).....	\$	(104,161)
Covered-employee payroll.....	\$	1,645,628
Contributions as a percentage of covered- employee payroll.....		10.71%

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.

(1) Based on the June 30, 2017 actuarial valuation done in accordance
with GASB #74, which utilizes a higher discount rate.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	8.36%
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The annual money-weighted rate of return has been calculated by the Pension Reserves Investment Management Board (PRIM).

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
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/16	\$ 1,612,998	\$ 3,628,806	\$ 2,015,808	44.45%	\$ 1,645,628	122.5%
07/01/14	1,207,811	2,321,277	1,113,466	52.03%	1,898,989	58.6%
07/01/12	553,019	2,960,584	2,407,565	18.68%	2,165,216	111.2%
07/01/10	161,846	2,833,645	2,671,799	5.71%	1,908,000	140.0%
07/01/08	-	2,416,297	2,416,297	0.00%	1,912,000	126.4%

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Actual Contributions Made	Net OPEB Obligation/(Asset)
6/30/2017	\$ 330,869	\$ 280,469	\$ (53,295)
6/30/2016	253,650	253,014	(103,695)
6/30/2015	242,860	248,850	(104,331)
6/30/2014	290,653	369,711	(98,341)
6/30/2013	272,230	431,757	(19,238)
6/30/2012	237,232	441,252	140,162
6/30/2011	235,711	70,949	344,166
6/30/2010	238,551	253,341	179,380
6/30/2009	247,957	53,807	194,149

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2016
Actuarial cost method.....	Individual Entry Age Normal.
Amortization method.....	Level dollar amortization over 30 years at the last valuation.
Remaining amortization period.....	22 years at July 1, 2016.

Actuarial Assumptions:

Investment rate of return.....	4.50%
Medical/drug cost trend rate.....	5.00%

Plan Membership:

Current retirees, beneficiaries, and dependents.....	522
Current active members.....	<u>763</u>
Total.....	<u><u>1,285</u></u>

See notes to required supplementary information.

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

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

B. Schedule of Department's Contributions

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

C. Changes in Assumptions:

The most recent actuarial valuation as of January 1, 2016 included several changes of assumptions from the prior actuarial valuation. These changes include a decrease in the assumed discount rate from 8.00% down to 7.75%, as well as changes in the applied mortality tables, rates of disability, and cost of living adjustments.

D. Changes in Plan Provisions:

There were no changes in plan provisions in the January 1, 2016 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 the Department's Proportionate Share of the Net Other Postemployment Benefit Liability**

The Schedule of the Department's Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan's net other postemployment benefit liability (asset) and the covered employee payroll. 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 payroll.

Schedule of the Department's Contributions

The Schedule of the Department's Contributions includes the Department'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 Department is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

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 expense.

The Department currently finances its other postemployment benefits (OPEB) on a combined pre-funded and pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 55.73%. In accordance with Governmental Accounting Standards, the Department has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

Projections of benefits for financial reporting purposes are based on the substantive plan 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.

Schedule of Funding Progress

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the Department's actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Schedule of Employer Contributions

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

Schedule of Actuarial Methods and Assumptions

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

Other Supplementary Information

SUPPLEMENTARY SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES

FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>Purchase power expenses:</u>		
Capacity.....	\$ 13,940,796	\$ 14,593,206
Transmission and other purchased power charges.....	<u>4,244,578</u>	<u>3,820,419</u>
Total purchase power expenses.....	<u>18,185,374</u>	<u>18,413,625</u>
<u>Distribution expenses:</u>		
Operation labor.....	553,020	506,163
Operation expenses.....	125,128	121,160
Maintenance labor.....	712,744	653,437
Maintenance expenses.....	<u>304,784</u>	<u>249,414</u>
Total distribution expenses.....	<u>1,695,676</u>	<u>1,530,174</u>
<u>Customer account expenses:</u>		
Customer account labor.....	702,204	691,587
Customer records and collection expenses.....	155,135	222,654
Bad debt expense.....	80,001	80,000
Miscellaneous customer account expenses.....	<u>25,680</u>	<u>24,735</u>
Total customer account expenses.....	<u>963,020</u>	<u>1,018,976</u>
<u>Administrative and general expenses:</u>		
Administrative and general salaries.....	427,574	337,236
Office supplies and expenses.....	100,344	98,469
Outside services employed.....	243,904	152,671
Property insurance.....	29,324	29,258
Transportation expenses.....	124,190	116,368
Dues, meetings, and other general expenses.....	<u>127,730</u>	<u>112,888</u>
Total administrative and general expenses.....	<u>1,053,066</u>	<u>846,890</u>
Total operation and maintenance expenses.....	\$ <u>21,897,136</u>	\$ <u>21,809,665</u>

SCHEDULE OF UTILITY PLANT IN SERVICE

JUNE 30, 2017

FERC Account	Description of the Asset Class	Original Cost	Accumulated Depreciation	Net Book Value
107	Construction in progress.....	\$ 164,645	\$ -	\$ 164,645
360	Land.....	313,205	-	313,205
361	Structures & Improvements.....	656,596	341,066	315,530
362	Station Equipment.....	15,419,528	5,631,379	9,788,149
363	Storage Battery Equipment.....	2,587,957	490,305	2,097,652
364	Poles, Towers and Fixtures.....	1,612,379	1,039,949	572,430
365	Overhead Conductors & Devices.....	7,778,267	3,108,502	4,669,765
366	Underground Conduit.....	5,843,889	1,826,876	4,017,013
367	Underground Conductors & Devices.....	9,506,747	3,512,311	5,994,436
368	Line Transformers.....	3,254,998	2,217,393	1,037,605
369	Services.....	1,164,510	701,535	462,975
370	Meters.....	1,451,615	585,979	865,636
372	Leased Property on Customers' Premises.....	216,598	181,210	35,388
373	Street Lighting & Signal Systems.....	914,475	766,690	147,785
390	Structures and Improvements.....	1,467,537	681,541	785,996
391	Office Furniture & Equipment.....	454,112	435,585	18,527
392	Transportation Equipment.....	2,404,224	1,501,080	903,144
393	Stores Equipment.....	31,785	21,295	10,490
394	Tools, Shop & Garage Equipment.....	472,960	396,959	76,001
395	Laboratory Equipment.....	35,015	22,813	12,202
396	Power Operated Equipment.....	27,432	27,432	-
397	Communication Equipment.....	79,192	72,947	6,245
398	Miscellaneous Equipment.....	881,528	104,163	777,365
399	Other Tangible Property.....	244,805	184,436	60,369
	Totals.....	<u>\$ 56,983,999</u>	<u>\$ 23,851,446</u>	<u>\$ 33,132,553</u>

***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, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Powers + Juliani, LLC

October 11, 2017