

***NORTH ATTLEBOROUGH ELECTRIC DEPARTMENT***

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***YEARS ENDED DECEMBER 31, 2009 AND 2008***

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100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditors' Report

To the Board of Electric Commissioners  
North Attleborough Electric Department

We have audited the accompanying financial statements of the North Attleborough Electric Department, an enterprise fund of the Town of North Attleborough, Massachusetts, as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the North Attleborough Electric Department's management. 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the North Attleborough Electric Department are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the Town of North Attleborough that is attributable to the Electric Department's transactions and do not purport to, and do not, present fairly the financial position of the Town of North Attleborough, Massachusetts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Attleborough Electric Department of the Town of North Attleborough, Massachusetts, as of December 31, 2009 and 2008, and the results of its operations and its cash flows 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 June 14, 2010 on our consideration of the North Attleborough Electric Departments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Operation and Maintenance Expenses, contained in the supplementary information section, are presented for the purpose of supplementary analysis and are not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Management's Discussion and Analysis, located on the following pages, the schedule of postemployment benefit plan funding progress and employer contributions and the schedule of postemployment benefit plan actuarial methods and assumptions, located after the notes to the financial statements, are not a required part of the 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 measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in dark ink, appearing to read "Powers & Sullivan". The signature is written in a cursive, flowing style.

Wakefield, Massachusetts

June 14, 2010

# ***Management's Discussion and Analysis***

## **Management's Discussion and Analysis**

As management of the North Attleborough Electric Department, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the years ended December 31, 2009 and 2008. 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 assets (2) the statements of revenues, expenses and changes in net assets (3) the cash flow statements and (4) notes to the financial statements.

The Statements of Net Assets is designed to indicate our financial position as of a specific point in time. Our net assets increased by \$541,000 for the year ended December 31, 2009 as compared to an increase of \$3.8 million in the prior year.

The Statements of Revenues, Expenses and Changes in Net Assets summarize our operating results and reveals how net assets changed for the year. Our income from operations for the years ended December 31, 2009 and 2008 was \$780,000 and \$2.2 million respectively. Operating revenue decreased approximately 25% while operating expenses decreased approximately 22%.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the operating activities, non-capital and capital related financing activities, and investing activities for the same period. The statement shows a net increase in cash of \$4 million provided by operating activities while our ending cash balance increased by \$3.1 million during 2009.

<b>Condensed Statement of Net Assets</b>			
		2009	2008
<b>Assets:</b>			
Current assets.....	\$	12,362,564	\$ 8,728,604
Noncurrent assets (excluding capital).....		22,978,415	24,366,323
Capital assets, net of accumulated depreciation.....		17,760,010	18,290,458
<b>Total assets.....</b>		<b>53,100,989</b>	<b>51,385,385</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....		5,851,580	4,271,754
Noncurrent liabilities (excluding debt).....		2,667,332	2,598,967
Current debt.....		275,000	485,000
Noncurrent debt.....		2,196,629	2,460,321
<b>Total liabilities.....</b>		<b>10,990,541</b>	<b>9,816,042</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt.....		15,288,381	15,345,137
Unrestricted.....		26,822,067	26,224,206
<b>Total net assets.....</b>	<b>\$</b>	<b>42,110,448</b>	<b>\$ 41,569,343</b>

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>2009</u>	<u>2008</u>
Operating revenue.....	\$ 26,796,863	\$ 35,451,066
Operating expenses.....	<u>(25,914,695)</u>	<u>(33,283,081)</u>
Operating income.....	882,168	2,167,985
Non-operating revenues (expenses), net.....	<u>(41,063)</u>	<u>1,883,112</u>
Excess before transfers.....	841,105	4,051,097
Transfers out - payments in lieu of taxes.....	<u>(300,000)</u>	<u>(281,668)</u>
Change in Net Assets.....	<u>\$ 541,105</u>	<u>\$ 3,769,429</u>

**Financial Highlights**

Operating revenues decreased over the previous year by \$8.7 million or 25%, while operating expenses, including depreciation, decreased by \$7.4 million or 22%. The Department experienced a 7% decrease in the kilowatt hour sales during 2009 as compared to 2008. The decrease in expenses was primarily due to lower fuel generation costs that were offset by increases in distribution and administrative expenses. Power acquisition expenses decreased by \$7.7 million or 29%, distribution expenses increased by \$31,000 or 2%, customer account expenses increased by \$190,000 or 12%, and administrative and general expenses increased by \$15,000 or 1%.

Other operating revenues decreased by (\$121,000). These revenues primarily consist of customer related activities other than the sale of electricity. Non-operating revenues and expenses consist of investment income, interest expense, and realized losses from the sale of investments.

Power Supply

North Attleborough Electric Department provides power for its customers through both fixed contracts and open market power supply in an effort to stabilize power costs. Purchased Power costs are the costs associated with buying capacity, energy, and related ancillary power costs and having it delivered to the Town of North Attleborough. There are circumstances that will cause prices to fluctuate, such as extended periods of time when the region experiences abnormal (high or low) temperatures and when fuel (gas and/or oil) prices are affected by global issues. The Electric Department has tried to position its customers so that these situations will not have an overbearing burden on them.

North Attleborough Electric Department continues to purchase more of its energy from the market as its load increases change. For example, peak demand shifts from afternoon to early evening hours, during the summer, as air conditioning load increases. As North Attleborough's peak becomes coincident with the region, power supply costs will be more dependent on market conditions.

## ***Utility Plant and Debt Administration***

### Utility Plant

The Department had total plant acquisitions of approximately \$1.4 million in 2009. The Department expended approximately \$746,000 for the purchase and installation of poles and related distribution equipment, \$96,000 for new meter equipment, and \$552,000 for general plant equipment. The Operations Division undertook the installation of underground primary cable; secondary cable and pad mount transformers within various residential subdivisions. Reconstruction of overhead distribution lines to meet the needs of the system due to load growth was undertaken throughout the town.

### Debt Administration

The Department has Power Sales Agreements (PSAs) with the Massachusetts Municipal Wholesale Electric Company (MMWEC) along with the other municipal electrical systems in New England that are financed with bonds through MMWEC. The collective debt service owed under these bonds stand today at approximately \$574 million, of which North Attleborough Electric Department's share is \$18.5 million. The PSA payments have been and will continue to be paid with revenues received from the sales of electricity.

## ***Significant Balances and Transactions***

### Purchased Power Working Capital

The continually developing market rules continue to place a fair amount of emphasis on financial assurance and financial guarantees required by ISO-NE. North Attleborough Electric Department continues to work through its ISO-NE agent to ensure the Department can continue to participate in NEPOOL and ISO-NE. Through March 2009, the Department relied on MMWEC to act in the capacity of the ISO-NE agent. From April 2009 through December 2009 the Department ceased its ISO-NE agent relationship with MMWEC and transferred its ISO-NE agent to Energy New England.

The purchased power working capital is an amount held by Energy New England in the amount of \$2.0 million and \$1.3 million at December 31, 2009 and 2008, respectively. Energy New England requires that an amount of working capital (minimum of two months) be deposited and reserved at Energy New England so that NAED's ISO-NE obligations may be paid when due.

Energy New England replenishes the fund as needed from the Department's monthly invoice payments. Developments in the power market continue to create pressure on working capital requirements that secure North Attleborough Electric Department's financial guarantee to operate in ISO-NE. North Attleborough Electric Department currently has some surplus in working capital and the required level of additional working capital did not impact rates in 2009.

### Depreciation Fund

North Attleborough Electric Department maintains a depreciation fund, which is managed by the Town of North Attleborough's Treasurer. Internally this fund consists of two components. One is used to pay for large capital investments such as new vehicles, equipment, distribution system upgrades and new construction. This portion of the fund is required by state statute. We annually set aside 3% to 5% of our gross cost-of-plant to be used for capital improvements and additions. The balance of this portion of the fund was \$3.6 million at December 31, 2009.

The second portion of the Depreciation fund was created as an aftermath of deregulation. These funds are for unexpected escalation in power costs, such as the "decommissioning" (\*see below) of nuclear power plants

before the end of their operating license, unusual spikes in fuel prices, transmission cost increases and other related power costs. The balance of this portion of the fund was \$14.7 million at December 31, 2009.

All interest on the Depreciation Fund is added to the fund balance and remains in the account.

The Department also maintains a reserve trust fund with MMWEC that ensure the Department will be able to contribute its necessary share of MMWEC capital expansion. The reserved fund with MMWEC had a balance of \$2.5 million at the end of calendar years 2009 and 2008.

These funds will also be used to maintain the department's competitive position when the investor-owned utilities will no longer be collecting their "stranded cost" (\*\*see below) several years down the line. There was no appropriation to this trust fund from current earnings in 2009 other than the interest earned on the Fund.

\* Decommissioning of a nuclear power plant means the complete removal of any trace of that power plant. The Department has decommissioning obligations associated with PSAs through MMWEC to purchase capacity and energy from Millstone III and Seabrook. Decommissioning costs are being collected as the plants operate so that at the scheduled end of term of operation there will be monies to decommission the plant. If for some reason the plant is shut down early additional funds might have to be made available to decommission at that time.

\*\* Stranded costs refer to long-term debt or contractual obligations previously incurred that are higher compared to neighboring utility cost. The investor-owned utilities were required to sell their generation assets as a condition of deregulation and were also allowed to recover any outstanding unit costs as stranded costs.

#### Rate Stabilization

During the year the Department established a Rate Stabilization liability account. Under Financial Accounting Standards #71, if the Department determines that current rates will end up paying for costs that will be incurred in a future period, then the revenues collected from those rates are not recorded as revenue but as a liability that will be taken to income when the those future costs are incurred. In 2009 the Department identified \$1.16 million that will be used to offset future costs.

#### ***Requests for Information***

This financial report is designed to provide a general overview of the North Attleborough 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 Business Division Manager, 275 Landry Avenue, North Attleborough, Massachusetts 02760.

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# ***Financial Statements***

STATEMENTS OF NET ASSETS

DECEMBER 31,

	2009	2008
<b>ASSETS</b>		
CURRENT:		
Funds on deposit with Town Treasurer:		
Operating cash.....	\$ 7,852,085	\$ 4,564,414
Accounts receivable, net of allowance for uncollectibles.....	1,415,033	1,864,263
Materials and supplies inventory.....	741,869	765,825
Prepaid expenses.....	351,528	271,975
Purchased power working capital.....	2,002,049	1,262,127
Total current assets.....	12,362,564	8,728,604
NONCURRENT:		
Funds on deposit with Town Treasurer:		
Depreciation fund.....	18,294,907	19,770,934
Customer deposits.....	402,375	387,136
Insurance escrow fund.....	1,662,654	1,647,448
MMWEC reserve trust fund.....	2,511,951	2,451,142
Investments in Hydro Quebec.....	10,528	13,663
Investments in Captive Insurance Trust.....	96,000	96,000
Capital assets, net of accumulated depreciation.....	17,760,010	18,290,458
Total noncurrent assets.....	40,738,425	42,656,781
TOTAL ASSETS.....	53,100,989	51,385,385
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Bonds payable.....	275,000	485,000
Accounts payable.....	2,585,341	2,986,725
Refunds due to customers.....	1,976,386	-
Accrued expenses.....	48,644	54,496
Deferred credits.....	1,042,464	1,042,464
Compensated absences.....	198,745	188,069
Total current liabilities.....	6,126,580	4,756,754
NONCURRENT LIABILITIES:		
Compensated absences.....	77,800	72,400
Other postemployment benefits.....	-	74,000
Rate Stabilization.....	1,164,714	-
Deferred credits, net of current portion.....	1,042,463	2,084,927
Bonds payable, net of current portion.....	2,196,629	2,460,321
Customer deposits.....	382,055	367,640
Customer advances for construction.....	300	-
Total noncurrent liabilities.....	4,863,961	5,059,288
TOTAL LIABILITIES.....	10,990,541	9,816,042
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....	15,288,381	15,345,137
Unrestricted.....	26,822,067	26,224,206
TOTAL NET ASSETS.....	\$ 42,110,448	\$ 41,569,343

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31,

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUES:</u>		
Sales of electricity .....	\$ 26,415,645	\$ 35,051,213
Other operating revenues.....	<u>381,218</u>	<u>399,853</u>
TOTAL OPERATING REVENUES .....	<u>26,796,863</u>	<u>35,451,066</u>
<u>OPERATING EXPENSES:</u>		
Operation and maintenance .....	23,990,157	31,458,779
Depreciation.....	<u>1,924,538</u>	<u>1,824,302</u>
TOTAL OPERATING EXPENSES .....	<u>25,914,695</u>	<u>33,283,081</u>
OPERATING INCOME.....	<u>882,168</u>	<u>2,167,985</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	546,530	1,739,625
Interest expense.....	(140,843)	(239,056)
Loss on sale of investments.....	(446,750)	-
Other revenues.....	<u>-</u>	<u>382,543</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>(41,063)</u>	<u>1,883,112</u>
INCOME BEFORE TRANSFERS.....	841,105	4,051,097
<u>TRANSFERS:</u>		
Transfers out - payment in lieu of taxes.....	<u>(300,000)</u>	<u>(281,668)</u>
CHANGE IN NET ASSETS.....	541,105	3,769,429
NET ASSETS AT BEGINNING OF YEAR.....	<u>41,569,343</u>	<u>37,799,914</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 42,110,448</u>	<u>\$ 41,569,343</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	2009	2008
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Cash received from customers.....	\$ 30,401,908	\$ 35,141,888
Cash paid to suppliers.....	(23,776,836)	(31,465,008)
Cash paid to employees.....	(2,510,612)	(2,264,184)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>4,114,460</b>	<b>1,412,696</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Receipts from claims and judgements.....	-	360,862
Transfers out - payment in lieu of taxes.....	(300,000)	(281,668)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(300,000)</b>	<b>79,194</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Sale of surplus non-inventoried assets.....	-	21,681
Acquisition and construction of capital assets.....	(1,394,090)	(2,257,007)
Principal payments on bonds.....	(473,692)	(461,964)
Interest expense.....	(146,695)	(243,659)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(2,014,477)</b>	<b>(2,940,949)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Loss on sale of investments.....	(446,750)	-
Purchase of investments.....	(227,852)	(2,825,012)
Investment income.....	546,530	1,739,625
Proceeds from sales and maturities of investments.....	1,400,953	2,574,012
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>1,272,881</b>	<b>1,488,625</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>3,072,864</b>	<b>39,566</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>8,213,976</b>	<b>8,174,410</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 11,286,840</b>	<b>\$ 8,213,976</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>		
Operating Income (loss).....	\$ 882,168	\$ 2,167,985
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	1,924,538	1,824,302
Refunds due to customers.....	1,976,386	-
Changes in assets and liabilities:		
Accounts receivable.....	449,230	(331,759)
Materials and supplies inventory.....	23,956	8,346
Prepaid expenses.....	(79,553)	(19,554)
Purchased power working capital.....	(739,922)	-
Accounts payable.....	(401,384)	(1,291,120)
Accrued expenses.....	-	(7,303)
Rate Stabilization.....	1,164,714	-
Compensated absences.....	16,076	7,681
Deferred credits.....	(1,042,464)	(1,042,463)
Customer deposits.....	14,415	29,335
Other postemployment benefit obligations.....	(74,000)	74,000
Customer advances for construction.....	300	(6,754)
<b>Total adjustments.....</b>	<b>3,232,292</b>	<b>(755,289)</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 4,114,460</b>	<b>\$ 1,412,696</b>

See notes to financial statements.

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

The financial statements present only the North Attleborough Electric Department (“the Department”), an Enterprise Fund of the Town of North Attleborough, Massachusetts. These statements are not intended to present fairly the financial position of the Town of North Attleborough, 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 approximately 13,000 consumers within the Town of North Attleborough. The Department operates under the provisions of Chapter 164 of the Massachusetts General Laws with an elected Board of Electric Commissioners (Board). The Board appoints a manager of municipal lighting 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) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

The Department uses the economic resources measurement focus and the accrual basic 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 North Attleborough’s Board of Electric Commissioners. The rates may be changed once every three months. 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.

Utility Plant

The statutory provision for depreciation of a utility plant is computed on the straight-line method at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Massachusetts law stipulates that the Electric Department may change from the statutory depreciation rate only with the approval of the DPU. The Department has consistently used an overall depreciation rate of 5%, which approximates GAAP.

Cash and Investments

For purpose of the statement of cash flows, the Department considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. Investments are carried at fair value based on quoted market prices for those or similar investments.

Ending cash and cash equivalents consist of the following amounts at December 31,

	<u>2009</u>	<u>2008</u>
Operating cash..... \$	7,852,085	\$ 4,564,414
Customer deposits.....	402,375	387,136
Depreciation fund.....	1,369,726	1,614,978
Insurance escrow fund.....	<u>1,662,654</u>	<u>1,647,448</u>
Total cash and cash equivalents..... \$	<u><u>11,286,840</u></u>	<u><u>\$ 8,213,976</u></u>

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.

The Department's rates include a Purchased Power Cost Adjustment ("PPCA") which allows an adjustment of rates charged to customers in order to recover all changes in capacity and fuel costs from stipulated base cost.

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.

Materials and Supplies Inventory

Materials and supplies are valued at the lower of cost or market using the average cost method.

Compensated Absences

In accordance with the Electric Department's personnel plan and the negotiated labor settlement with IBEW, Local 104 (Group B), employees are allowed to accumulate sick days up to a maximum of 120 days. After 120 days of accrued time, employees are eligible to earn an additional half day of vacation time per month while their sick time balance exceeds the 120 days. Upon retirement from the Department, the employee will be paid one days pay for each 8 days of accumulated sick time.

Employees are permitted to carry over ten days of vacation. 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.

#### Deferred Credits

In June 2005 the Department entered into an agreement with one of its power supply providers to terminate a purchase power agreement. As compensation for complete release and termination, the provider paid the Department \$7.25 million. This payment has been recorded as a deferred credit on the accompanying balance sheet. The deferred credit will be amortized through 2011, which was the original expiration date of the purchase power agreement. The balance of such credit is approximately \$2.1 million at December 31, 2009.

#### Accounts Receivable Policy

The Department carries its accounts receivable at cost less an allowance for doubtful accounts, which amounted to approximately \$165,000 and \$135,000, respectively, at December 31, 2009 and 2008. A receivable is considered past due if payments have not been received by the Department within 25 days. The Department will send a past due letter for those accounts that are 45 days past due. Four days after the past due letter is sent the department will send a notice of termination to the account owner. The morning of the shut off a courtesy call is made as a last effort to collect the past due balance prior to the account actually being shut off.

Another class of customer accounts consists of those for which the owner of record is also the customer of record. Most of those accounts are protected from shut-off for non-payment of usage charges. The Department analyzes these accounts in April and in November to determine whether or not the accounts will be collectible within a reasonable period of time. If the accounts are deemed to be uncollectible, the Department will initiate procedures to transfer the unpaid balance to the Town Assessor so that the unpaid balance can be added onto the real estate bill. The Department will write off the customer account once it has been added to the real estate bill.

#### Taxes

The Electric Department is exempt from federal income taxes. Although also exempt from property taxes, the Electric Department pays amounts in lieu of taxes to the Town of North Attleborough. 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. State and local statutes place certain limitations on the nature of deposits and investments available to the Department. Separate accounts are maintained for the Department's Operating cash fund, Depreciation fund, Customer Deposit fund, Insurance Escrow fund, and the MMWEC Reserve Trust fund. All amounts, except for the portion of the Reserve Trust fund held by MMWEC, are pooled with Town funds in various Town bank accounts.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. Responsibility for enforcing policies addressing custodial credit risk of Department deposits vests with the Town Treasurer. At December 31, 2009, the Town did not have a deposit policy addressing custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$9,285,894. Since these deposits are pooled with other Town funds, specific collateralization information is not available.

Investments

As of December 31, 2009, the Department had the following investments:

Investment Type	Fair Value	Maturity (in years)				Rating
		Under 1	1 - 5	6 - 10	Over 10	
<u>Debt Securities</u>						
U.S. Government Agencies.....	\$ 9,959,812	\$ 507,656	\$ 6,647,965	\$ 1,055,079	\$ 1,749,112	AAA
U.S. Zero Coupon Treasuries.....	6,603,024	349,965	3,753,078	2,499,981	-	AAA
U.S Treasury Notes.....	388,172	-	388,172	-	-	AAA
Total Debt Securities.....	16,951,008	\$ 857,621	\$ 10,789,215	\$ 3,555,060	\$ 1,749,112	
<u>Other Investments</u>						
MMWEC Reserve Trust Fund.....	2,511,951					
MMDT.....	1,975,119					
Total Investments.....	\$ 21,438,078					

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Department will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Since these deposits are pooled with other Town funds, specific collateralization information is not available.

Concentration of Credit Risk, Interest Rate Risk, and Credit Risk

The Department's investments are under the control and custody of the Town Treasurer. As a result, specific GASB #40 disclosures relating to these investments are not available.

**NOTE 3 – INSURANCE ESCROW FUND**

The Department has set up an insurance fund which is to be used to reduce the future costs of insurance expenses. During 2009 and 2008, the monies were invested with the Massachusetts Municipal Depository Trust. Interest earned remains in the fund. The balance of this account was \$1,662,654 and \$1,647,448 at December 31, 2009 and 2008, respectively.

**NOTE 4 – DEPRECIATION FUND**

The Department maintains a depreciation fund, which is managed by the Town of North Attleborough's Treasurer. Internally this fund consists of two components. One is used to pay for large capital investments such as new vehicles, equipment, distribution system upgrades and new construction. This portion of the 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 this portion of the fund was \$3,608,145 and \$4,037,913 at December 31, 2009 and 2008, respectively.

The second portion of the Depreciation fund was created as an aftermath of deregulation. These funds are for unexpected escalation in power costs, such as the "decommissioning" of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices, transmission cost increases and other related power costs. The balance of this portion of the fund was \$14,686,762 and \$15,423,414 at December 31, 2009 and 2008, respectively. Included in these balances are the funds received from the 2005 cancellation of the Select Energy power supply agreement.

All interest on the Depreciation fund is added to the fund balance and remains in the account.

**NOTE 5 – RESERVE TRUST FUND**

The Department designs its electric service rates to recover costs of providing power supply services. In order to minimize possible future rate increases, the Department has established a reserve trust fund that is held by MMWEC. Additions or reductions are approved by the Board of Commissioners.

**NOTE 6 – PURCHASED POWER WORKING CAPITAL**

The purchased power working capital is an amount held by Energy New England, our power supply agent. The implementation of the Working Capital Program began August 1, 1985 and was originally administered by MMWEC. Under the terms of the Working Capital Program the Department approved certain working capital amendments to various power purchase agreements which require the power supply agent to hold a set amount of capital from which it may pay our power obligations when they are due. The fund is replenished as needed from our monthly invoice payments. The income earned and allocated to the Electric Department will be applied as a credit to Power Sales Billing from Energy New England. The balance in the Fund as of December 31, 2009 and 2008 was \$2002,049 and \$1,262,127, respectively.

**NOTE 7 – OTHER INVESTMENTS**

The Department owns shares of Hydro Quebec Phase II stock. The securities are stated at cost, which approximates fair market value of \$10,528 and \$13,663 at December 31, 2009 and 2008, respectively. The governing body of Hydro Quebec has authorized a stock repurchase plan that, over time, will reduce the Department's investment to zero.

The Department is a founding member (9.6% interest) of Public Utility Mutual Insurance Company ("PUMIC") which has been established to provide general insurance policies to other municipal electric utilities. The Department accounts for this investment at its original cost. As of December 31, 2009 and 2008, the investment in PUMIC was \$96,000

**NOTE 8 – UTILITY PLANT ASSETS**

Capital asset activity for the fiscal year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 99,623	\$ -	\$ -	\$ 99,623
<u>Capital assets being depreciated:</u>				
Distribution Plant.....	29,544,339	842,206	(143,781)	30,242,764
General Plant.....	8,946,426	551,884	(63,279)	9,435,031
Total capital assets being depreciated.....	<u>38,490,765</u>	<u>1,394,090</u>	<u>(207,060)</u>	<u>39,677,795</u>
<u>Less accumulated depreciation for:</u>				
Distribution Plant.....	(14,605,134)	(1,307,874)	143,781	(15,769,227)
General Plant.....	(5,694,796)	(616,664)	63,279	(6,248,181)
Total accumulated depreciation.....	<u>(20,299,930)</u>	<u>(1,924,538)</u>	<u>207,060</u>	<u>(22,017,408)</u>
Total capital assets being depreciated, net.....	<u>18,190,835</u>	<u>(530,448)</u>	<u>-</u>	<u>17,660,387</u>
Total capital assets, net.....	<u>\$ 18,290,458</u>	<u>\$ (530,448)</u>	<u>\$ -</u>	<u>\$ 17,760,010</u>

**NOTE 9 – LONG TERM DEBT**

Details related to the outstanding indebtedness at December 31, 2009 and 2008 and the debt service requirements are as follows:

Project	Interest Rate %	Outstanding at December 31, 2008	Issued	Redeemed	Outstanding at December 31, 2009
2003 Muni-Net Bonds.....	3.0 - 5.0	\$ 900,000	\$ -	\$ 60,000	\$ 840,000
2003 Plant Expansion Bonds.....	1.5 - 5.0	1,935,000	-	215,000	1,720,000
2004 Refunding Bonds.....	4.125 - 5.0	210,000	-	210,000	-
Totals.....		<u>\$ 3,045,000</u>	<u>\$ -</u>	<u>\$ 485,000</u>	<u>\$ 2,560,000</u>

Debt service requirements for principal and interest for bonds payable in future years are as follows:

Years ending December 31,	<u>Principal</u>	<u>Unamortized Bond Discount</u>	<u>Net Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 275,000	\$ (11,308)	\$ 263,692	\$ 113,164	\$ 376,856
2011.....	275,000	(11,308)	263,692	105,120	368,812
2012.....	275,000	(11,308)	263,692	96,120	359,812
2013.....	275,000	(11,308)	263,692	82,820	346,512
2014.....	275,000	(43,139)	231,861	69,370	301,231
2015 to 2019.....	945,000	-	945,000	160,400	1,105,400
2020 to 2023.....	240,000	-	240,000	29,850	269,850
Totals.....	<u>\$ 2,560,000</u>	<u>\$ (88,371)</u>	<u>\$ 2,471,629</u>	<u>\$ 656,844</u>	<u>\$ 3,128,473</u>

In the prior fiscal years, the Electric Department advanced refunded various bonds associated with ongoing plant upgrades by placing the proceeds of the refunding bonds into an irrevocable trust to provide for future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the financial statements. At December 31, 2009, \$1,890,000 of bonds outstanding from the advance refundings is considered defeased.

#### **NOTE 10 – RELATED PARTY TRANSACTIONS AND BALANCES**

The Department provides electrical service to the Town for all schools, municipal buildings and street lighting at average rates per kilowatt-hour, which approximates those billed to other customers. Revenues from billing to the Town were approximately \$1,672,000 and \$1,910,000 in 2009 and 2008, respectively. Included in the accompanying statements of net assets are amounts due from the Town as of December 31, 2009 and 2008 of approximately \$16,000 and \$22,000, respectively.

The Town provides police details, insurance coverage and other items to the Department. These expenses amounted to approximately \$1,971,000 and \$1,855,000 in 2008 and 2007, respectively. At December 31, 2009 and 2008, the Department owed the Town approximately \$207,000 and \$68,000, respectively. These amounts are included in accounts payable and accrued expenses in the respective year end Statement of Net Assets.

The Department made payments in lieu of property taxes to the Town in the amounts of \$300,000 and \$281,668 during 2009 and 2008, respectively.

#### **NOTE 11 – MMWEC PARTICIPATION**

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other

things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should 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 the Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of the Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

North Attleborough 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 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 12 – PENSION PLAN**

The Department is a member of the North Attleborough Contributory Retirement System administered by the North Attleborough Contributory Retirement Board (the Plan). The plan is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a contributory defined benefit plan for all employees of the Town except those employees who are covered by the Massachusetts Teachers Retirement Board.

The System provides retirement allowance benefits up to a maximum of the 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

A \$30,000 salary cap, upon which members' benefits were calculated, was removed by the Retirement Board effective January 1, 1991. Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total contributions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Active members contribute 5%, 7%, 8%, or 9% of their gross regular compensation. The percentage rate contributed by each member is tied to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employees' Retirement Administration's Commission (PERAC's) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including: whether or not the disability is work related, the member’s age, years of creditable service, level of compensation, veterans’ status, and group classification. 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 the accumulated total contributions.

In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those contributions.

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

The Department is assessed annually for its share of the current year pension expense relating to employees of the Department. The amount of pension expense charged to operations for the year ended December 31, 2009, 2008 and 2007 was \$235,258, \$220,514, and \$215,530 respectively.

The Plan’s separately issued financial statements can be obtained by contacting the Town of North Attleborough Contributory Retirement Board at 500 East Washington Street, North Attleborough, MA 02761.

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Department administers a single-employer defined benefit healthcare plan, (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their dependents through the Department’s health insurance plan, which covers both active and retired members, including teachers through various health plan benefit options. 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 represented Department employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

The Plan’s membership consists of the following:

Current retirees, beneficiaries, and dependents.....	41
Current active members.....	<u>29</u>
Total.....	<u><u>70</u></u>

*Funding Policy* – The contribution requirements of the plan members and the Department are established and may be amended through collective bargaining. The Department contributes 75% of the cost of the current-year premiums for eligible retired plan members and their dependents that receive benefits under the MBS, PPO and Medex plan options. For retired plan members and dependents who are over age 65 and receive benefits under the HMO plan option, the Department contributes 88% of the cost of current-year premiums. The

Department contributes 67% of the cost of current-year premiums for spouses of retired plan members receiving benefits under the HMO option and who are under the age of 65. Plan members receiving benefits contribute the remaining 12% to 33% of their premium costs.

*Annual OPEB Costs and Net OPEB Obligation* –The Department’s annual other post employment benefit (OPEB) costs (expenses) 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 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 Departments annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Departments net OPEB obligation are summarized in the following table:

Normal Cost.....	\$	75,000
Amortization of unfunded actuarial accrued liability.....		<u>187,000</u>
Annual OPEB cost/expense.....		262,000
Contributions made.....		<u>(336,000)</u>
Increase/(Decrease) in net OPEB obligation.....		(74,000)
Net OPEB obligation - beginning of year.....		<u>74,000</u>
Net OPEB obligation - end of year.....	\$	<u><u>-</u></u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 262,000	100%	\$ -
12/31/2008	\$ 248,000	100%	\$ -

*Funding Status and Funding Progress* — The funded status of the Plan as of the most recent actuarial valuation date, January 31, 2009, is as follows:

<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>
1/1/2008	\$ 364,000	\$ 3,084,000	\$ 2,720,000	11.80%	\$ 2,331,000	116.69%

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, presented as required supplementary information following the notes to the basic 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 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 effect 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 January 1, 2008 actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included an 8% investment rate of return and an annual health care cost rate trend of 5% initially, graded to 9% after five years. Both rates included a 3.2% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 28 years.

#### **NOTE 14 – RISK MANAGEMENT**

The Department has a program to self insure for general liability claims. The Department is responsible for the payment of the first \$500,000 for each claim incurred. Claims that exceed this amount are covered by an excess liability policy with a limit of \$25 million per occurrence. No accrual has been made in the accompanying financial statements as of December 31, 2009 and 2008, as no significant claims have been submitted.

#### **NOTE 15 – CONTINGENT LIABILITIES**

The Department is involved in legal proceedings and claims arising in the normal course of business. In the opinion of management and legal counsel, North Attleborough 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 participated 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 Restate 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 3.7% interest in the W.F. Wyman Unit No. 4 plant, owned and operated by FPL Energy Wyman IV LLC, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), an indirect subsidiary of Dominion Resources, Inc. In addition to Millstone Unit 3, DNCI also is an owner of Millstone Unit 2. The Nuclear Regulatory Commission (NRC) renewed the operating licenses for the Millstone Unit 2 and Unit 3 nuclear units for an additional twenty years. The license for Unit 2 was extended to July 31, 2035 and the license for Unit 3 was extended 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 FPL Energy Seabrook, LLC, an indirect subsidiary of FPL Group, Inc. In December 2007, the NRC issued an amendment to the operating license that extends the expiration date from October 2026 to March 2030, to recapture the period from 1986 to 1990 during which time the Seabrook Station had an operating license but did not operate. FPLE Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

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. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

North Attleborough Electric Department has entered into PSA's and Power Purchase Agreements (PPA's) with MMWEC. Under the PSA's and PPA's, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSA's, each participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Projects are completed or operating, and notwithstanding the suspension or interruption of the output of the Projects.

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

As of December 31, 2009, total capital expenditures for MMWEC's Projects amounted to \$1,566,416,000 of which \$53,525,000 represents the amount associated with the Department's share of Project Capability. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$502,245,000 of which \$16,325,000 is associated with the Department's share of Project Capability. As of December 31, 2009, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$573,581,000 of which \$18,558,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of North Attleborough Electric Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2009 and estimated for future years is shown below:

Years Ending December 31,	Estimated Annual Costs
2010.....	\$ 2,712,000
2011.....	2,678,000
2012.....	2,677,000
2013.....	2,598,000
2014.....	2,389,000
2015 to 2019.....	<u>5,504,000</u>
Total.....	<u>\$ 18,558,000</u>

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs was \$6,889,000 and \$6,774,000 for the years ended December 31, 2009 and 2008, respectively.

## ***Required Supplementary Information***

**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

December 31, 2009

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)
1/1/2008	\$ 262,000	\$ 3,084,000	\$ 2,822,000	8.50%	\$ 2,331,000	121.06%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
12/31/2009	\$ 262,000	\$ 186,000	71%
12/31/2008	\$ 248,000	\$ 174,000	70%

The Department implemented GASB Statement No. 45 for the year ended December 31, 2008.

See notes to required supplementary information.

**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

December 31, 2009

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Actuarial Methods:

Valuation date.....	1/1/2008
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.75%
Remaining amortization period.....	28 years as of December 31, 2009

Actuarial Assumptions:

Investment rate of return.....	8%
Inflation rate.....	3.2%
Projected salary increases.....	4.5%
Medical/drug cost trend rate.....	5% increasing to 9% in 2012

Plan Membership:

Current retirees, beneficiaries, and dependents.....	41
Current active members.....	<u>29</u>
Total.....	<u><u>70</u></u>

See notes to required supplementary information.

**NOTE A - OTHER POSTEMPLOYMENT BENEFITS**

The Department administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Department’s health insurance plan, which covers both active and retired members, including teachers.

The Department currently finances its other post-employment benefits (OPEB) on a 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 0%. 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.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since this is the Department’s initial year of implementation of GASB Statement 45, information for prior years is not available.

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.

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 DECEMBER 31,

	2009	2008
Power acquisition expenses:		
Purchased power.....	\$ 16,345,232	\$ 24,282,441
Transmission expenses.....	2,183,058	1,917,975
Other power expenses.....	333,659	373,381
Total power production expenses.....	18,861,949	26,573,797
Distribution expenses:		
Station expenses.....	116,964	34,732
Customer installation expenses.....	140,318	130,866
Other distribution expense.....	462,545	362,024
Maintenance of overhead lines.....	533,763	681,288
Maintenance of structures.....	55,735	69,694
Total distribution expenses.....	1,309,325	1,278,604
Customer account expenses:		
Meter reading expense.....	69,121	67,803
Customer records and collection.....	682,690	553,363
Customer service expense.....	157,365	106,781
Advertising expense.....	16,385	-
Total customer account expenses.....	925,561	727,947
Administrative and general expenses:		
Administrative and general salaries.....	715,444	621,636
Office supplies and expenses.....	115,764	148,351
Outside services employed.....	392,838	537,173
Insurance, injuries and damages.....	127,590	93,623
Employees' pensions and benefits.....	1,032,579	993,045
Miscellaneous general expense.....	182,944	170,161
Maintenance of general plant.....	326,163	314,442
Total administrative and general expenses.....	2,893,322	2,878,431
Total operation and maintenance expenses.....	\$ 23,990,157	\$ 31,458,779