

***NORTH ATTLEBOROUGH ELECTRIC DEPARTMENT***

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***YEARS ENDED DECEMBER 31, 2015 AND 2014***

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

## Independent Auditor's Report

To the Board of Electric Commissioners  
North Attleborough Electric Department

## Report on the Financial Statements

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, 2015 and 2014, 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 North Attleborough Electric Department, as of December 31, 2015 and 2014, 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 Matter

As discussed in Note 1, the financial statements present only the North Attleborough Electric Department and do not purport to, and do not, present fairly the financial position of the Town of North Attleborough, Massachusetts

as of December 31, 2015 and 2014, the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the other postemployment benefit plan funding progress and employer contributions, and the schedule of the other postemployment benefit plan actuarial methods and assumptions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historic 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 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 North Attleborough Electric Department's financial statements. The Schedules of Operation and Maintenance Expenses, 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 States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated August 15, 2016, on our consideration of the North Attleborough 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 North Attleborough Electric Department's internal control over financial reporting and compliance.



August 15, 2016

***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, 2015 and 2014. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### ***Overview of the Financial Statements***

The financial statements include (1) the statements of net position (2) the statements of revenues, expenses and changes in net position (3) the cash flow statements and (4) notes to the financial statements.

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. Our net position increased by \$84,000 for the year ended December 31, 2015 as compared to an increase of \$2.1 million in the prior year.

The Statements of Revenues, Expenses and Changes in Net Position summarize our operating results and reveals how net position changed for the year. Our income from operations for the years ended December 31, 2015 and 2014 was \$74,000 and \$1.3 million, respectively. Operating revenues and expenses decreased by approximately 8% and 5%, respectively, from the prior year. Included in the revenue decrease is an increase in the refund to customers of \$1.8 million in 2015. Operating expenses were down by \$1.5 million mainly from power acquisition expenses. The Department increased its depreciation rate causing depreciation expense to increase by \$791,000.

Non-operating revenue (expenses) decreased from a positive \$1.1 million in 2014 to a positive \$310,000 in 2015. The non-operating change relates mainly to unrecognized gains and losses on investments.

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 \$7.2 million provided by operating activities while the ending cash balance increased by \$4.4 million during 2015.

As required by GASB Statement No. 68, which was implemented in 2015, the Department recognized their total net pension liability of \$2.3 million along with a deferred outflow of resources related to pensions of \$503,000 on the statement of net position. Beginning of the year net position has been revised as part of this implementation. Additional disclosures and schedules have been added to the notes to the financial statements and the required supplementary information.

Condensed statements of net position and revenues, expenses and changes in net position appear on the following page.

**Condensed Statements of Net Position**

	<u>2015</u>	<u>2014 (As Revised)</u>
<b>Assets:</b>		
Current assets.....	\$ 17,855,660	\$ 13,187,197
Noncurrent assets (excluding capital).....	30,070,724	29,086,737
Capital assets, net of accumulated depreciation.....	<u>13,479,904</u>	<u>14,605,688</u>
<b>Total assets.....</b>	<b>61,406,288</b>	<b>56,879,622</b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows of resources related to pensions.....	<u>502,551</u>	<u>409,031</u>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	6,630,551	4,781,602
Noncurrent liabilities (excluding debt).....	3,134,044	2,868,210
Current debt.....	268,692	263,692
Noncurrent debt.....	<u>620,782</u>	<u>889,474</u>
<b>Total liabilities.....</b>	<b>10,654,069</b>	<b>8,802,978</b>
<b>Deferred Inflows of Resources:</b>		
Rate stabilization.....	6,181,864	3,497,188
<b>Net Position:</b>		
Net investment in capital assets.....	12,590,430	13,452,522
Restricted for:		
Depreciation fund.....	25,548,907	24,436,319
Insurance fund.....	1,783,505	1,779,302
Unrestricted.....	<u>5,150,064</u>	<u>5,320,344</u>
<b>Total net position.....</b>	<b>\$ <u>45,072,906</u></b>	<b>\$ <u>44,988,487</u></b>

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2015</u>	<u>2014 (As Revised)</u>
Operating revenue.....	\$ 29,225,845	\$ 31,918,179
Operating expenses.....	<u>(29,151,825)</u>	<u>(30,616,448)</u>
Operating income.....	74,020	1,301,731
Non-operating revenues (expenses), net.....	<u>310,399</u>	<u>1,140,773</u>
Excess before transfers.....	384,419	2,442,504
Transfers out - payments in lieu of taxes.....	<u>(300,000)</u>	<u>(300,000)</u>
Change in net position.....	84,419	2,142,504
Net position - beginning of year (as revised).....	<u>44,988,487</u>	<u>42,845,983</u>
Net position - end of year.....	<b>\$ <u>45,072,906</u></b>	<b>\$ <u>44,988,487</u></b>

The Department revised its beginning net position through the implementation of GASB Statements #68 and #71 related to accounting for pensions. The cumulative effect of this revision was to reduce the prior year total net position by \$2,062,000.

### ***Financial Highlights***

Operating revenues decreased from the previous year by \$2.7 million or 8%, while operating expenses, including depreciation, decreased by \$1.5 million or 5%. The Department experienced an increase of approximately 0.021% in the kilowatt hour sales during 2015 as compared to 2014. Power acquisition expenses decreased by \$3.2 million or 14%, distribution expenses increased by \$231,000 or 13%, customer account expenses increased by \$102,000 or 13%, and administrative and general expenses increased by \$625,000 or 21%.

Other operating revenues, primarily consisting of customer related activities other than the sale of electricity, decreased by \$22,000.

Other non-operating revenues and expenses consist primarily of interest and dividend income, interest expense, and unrealized gains and losses in the market value 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, subject to market conditions, 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 \$1.1 million in 2015. The Department expended \$810,000 for the purchase and installation of poles and related distribution equipment, and \$226,000 for general plant equipment. The Operations Division undertook the installation of underground primary cable and secondary cable 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. The Department is also providing access roads to existing distribution line.

In 2015, the Department increased its overall depreciation rate from an average of 3.25% to 5% as allowed by the Massachusetts Department of Public Utilities in anticipation of funding future capital projects.

#### **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 \$121 million, of which North Attleborough Electric Department's share is \$3.7 million. The PSA payments have been and will continue to be paid with revenues received from the sales of electricity.

Outstanding long-term debt for the Department, as of December 31, 2015, totaled \$910,000. The Department paid a total of \$275,000 of principal payments during the year.

### ***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. During 2015, the Department relied on Energy New England to act in the capacity of the ISO-NE agent.

Purchased power working capital is an amount held by Energy New England in the amount of approximately \$2.5 million at December 31, 2015 and 2014, 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.

#### **Depreciation Fund**

North Attleborough Electric Department maintains a depreciation fund which consists of three components. One component 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. In accordance with 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 \$7.7 million at December 31, 2015.

The second component 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 \$14.3 million at December 31, 2015.

The third component of the Depreciation fund was voted on by the Board of Electric Commissioners in December of 2012 and identified as Rate Stabilization Funds. The funds have been designated to offset future powers costs. The balance of this portion of the fund was \$3.5 million at December 31, 2015.

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

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.

\* 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

Under the Financial Accounting Standards Board's (FASB) Accounting Standards Codification, ASC 980 – Regulated Operations, 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. At December 31, 2015, the Department identified \$6.2 million that will be used to offset future costs. In accordance with the provisions of GASB Statement No. 65 the Rate Stabilization reserve is classified as a deferred inflow of resources on the Statement of Net Position.

#### Refunds Due to Customers

In 2015, in addition to its electric rates, NAED billed customers a monthly Purchased Power Adjustment (PPA). The PPA is a temporary and adjustable charge which may be implemented by NAED to ensure that the department recovers the anticipated cost of fuel required to produce and deliver electricity to NAED's customers. PPA funds that are collected, but not required for actual cost(s) of power may be returned to the ratepayers. For 2015, the Department determined that approximately \$4.1 million of the PPA would be returned to the customers and a credit was issued to the customers in March of 2015.

#### ***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 POSITION

DECEMBER 31,

	2015	2014 (As Revised)
<b>ASSETS</b>		
<b>CURRENT:</b>		
Funds on deposit with Town Treasurer:		
Operating cash.....	\$ 12,390,987	\$ 7,398,605
Accounts receivable, net of allowance for uncollectibles.....	1,740,567	2,036,844
Materials and supplies inventory.....	821,292	926,037
Prepaid expenses.....	399,443	322,654
Purchased power working capital.....	2,503,371	2,503,057
Total current assets.....	<u>17,855,660</u>	<u>13,187,197</u>
<b>NONCURRENT:</b>		
Funds on deposit with Town Treasurer:		
Depreciation fund.....	25,548,907	24,436,319
Customer deposits.....	614,027	534,237
Insurance escrow fund.....	1,687,505	1,683,302
Investments in Captive Insurance Trust.....	96,000	96,000
Other postemployment benefits asset.....	2,124,285	2,336,879
Capital assets, net of accumulated depreciation.....	13,479,904	14,605,688
Total noncurrent assets.....	<u>43,550,628</u>	<u>43,692,425</u>
<b>TOTAL ASSETS.....</b>	<u><b>61,406,288</b></u>	<u><b>56,879,622</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions.....	502,551	409,031
<b>LIABILITIES</b>		
<b>CURRENT:</b>		
Bonds payable.....	268,692	263,692
Accounts payable and accrued expenses.....	2,281,748	2,244,294
Refunds due to customers.....	4,096,454	2,300,195
Accrued interest.....	17,647	23,550
Compensated absences.....	234,702	213,563
Total current liabilities.....	<u>6,899,243</u>	<u>5,045,294</u>
<b>NONCURRENT:</b>		
Compensated absences.....	91,700	87,700
Bonds payable, net of current portion.....	620,782	889,474
Customer deposits.....	615,622	506,570
Net pension liability.....	2,312,733	2,266,451
Customer advances for construction.....	113,989	7,489
Total noncurrent liabilities.....	<u>3,754,826</u>	<u>3,757,684</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>10,654,069</b></u>	<u><b>8,802,978</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization.....	6,181,864	3,497,188
<b>NET POSITION</b>		
Net investment in capital assets.....	12,590,430	13,452,522
Restricted for:		
Depreciation fund.....	25,548,907	24,436,319
Insurance fund.....	1,783,505	1,779,302
Unrestricted.....	5,150,064	5,320,344
<b>TOTAL NET POSITION.....</b>	<u><b>\$ 45,072,906</b></u>	<u><b>\$ 44,988,487</b></u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,

	2015	2014 (As Revised)
<b>OPERATING REVENUES:</b>		
Sales of electricity .....	\$ 28,858,172	\$ 31,528,223
Other operating revenues.....	367,673	389,956
<b>TOTAL OPERATING REVENUES .....</b>	<b>29,225,845</b>	<b>31,918,179</b>
<b>OPERATING EXPENSES:</b>		
Power acquisition expenses.....	20,526,757	23,740,583
Distribution expenses.....	1,966,388	1,735,582
Customer account expenses.....	900,925	798,690
Administrative and general expenses.....	3,582,144	2,956,667
Depreciation.....	2,175,611	1,384,926
<b>TOTAL OPERATING EXPENSES .....</b>	<b>29,151,825</b>	<b>30,616,448</b>
<b>OPERATING INCOME.....</b>	<b>74,020</b>	<b>1,301,731</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest and dividend income.....	532,114	445,933
Interest expense.....	(62,633)	(76,970)
Increase/(Decrease) in market value of investments.....	(188,018)	770,615
Other revenues.....	28,936	1,195
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>310,399</b>	<b>1,140,773</b>
<b>INCOME BEFORE TRANSFERS.....</b>	<b>384,419</b>	<b>2,442,504</b>
<b>TRANSFERS:</b>		
Transfers out - payment in lieu of taxes.....	(300,000)	(300,000)
<b>CHANGE IN NET POSITION.....</b>	<b>84,419</b>	<b>2,142,504</b>
<b>NET POSITION AT BEGINNING OF YEAR, (AS REVISED).....</b>	<b>44,988,487</b>	<b>42,845,983</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 45,072,906</b>	<b>\$ 44,988,487</b>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2015	2014 (As Revised)
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Cash received from customers.....	\$ 34,112,109	\$ 34,321,426
Cash paid to suppliers.....	(24,122,935)	(28,225,363)
Cash paid to employees.....	(2,810,282)	(2,659,579)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b><u>7,178,892</u></b>	<b><u>3,436,484</u></b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Receipts from other non-operating revenues.....	28,936	1,195
Transfers out - payment in lieu of taxes.....	(300,000)	(300,000)
Prefunding transfer for other postemployment benefits.....	212,594	(14,082)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b><u>(58,470)</u></b>	<b><u>(312,887)</u></b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Acquisition and construction of capital assets.....	(1,049,827)	(1,006,181)
Principal payments on bonds.....	(275,000)	(275,000)
Customer advances for construction.....	106,500	(55,355)
Interest expense.....	(57,228)	(71,535)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b><u>(1,275,555)</u></b>	<b><u>(1,408,071)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Increase/(Decrease) in market value of investments.....	(188,018)	770,615
Purchase of investments.....	(8,647,716)	(5,879,245)
Interest and dividend income.....	532,114	445,933
Proceeds from sales and maturities of investments.....	6,903,168	4,200,928
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b><u>(1,400,452)</u></b>	<b><u>(461,769)</u></b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>4,444,415</b>	<b>1,253,757</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b><u>14,649,852</u></b>	<b><u>13,396,095</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b><u>\$ 19,094,267</u></b>	<b><u>\$ 14,649,852</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>		
Operating Income.....	\$ 74,020	\$ 1,301,731
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation.....	2,175,611	1,384,926
Change in deferred outflows/inflows related to pensions - net.....	(93,520)	-
Changes in assets and liabilities:		
Accounts receivable.....	296,277	(304,604)
Materials and supplies inventory.....	104,745	(229,233)
Prepaid expenses.....	(76,789)	(121,511)
Purchased power working capital.....	(314)	(213)
Accounts payable and accrued expenses.....	37,454	(1,272,651)
Refunds due to customers.....	1,796,259	2,300,195
Rate stabilization.....	2,684,676	398,792
Compensated absences.....	25,139	(29,812)
Net pension liability.....	46,282	-
Customer deposits.....	109,052	8,864
<b>Total adjustments.....</b>	<b><u>7,104,872</u></b>	<b><u>2,134,753</u></b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b><u>\$ 7,178,892</u></b>	<b><u>\$ 3,436,484</u></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 13,300 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 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 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 rates between 3% and 5% 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. In anticipation of funding future capital projects the Department increased the overall depreciation rate in 2015 from 3.25% to 5% with the approval of the DPU. These rates approximate GAAP based on the average age of the utility plant assets.

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>2015</u>		<u>2014</u>
Operating cash.....\$	12,390,987	\$	7,398,604
Customer deposits.....	614,027		534,237
Depreciation fund.....	4,401,748		5,033,709
Insurance escrow fund.....	<u>1,687,505</u>		<u>1,683,302</u>
Total cash and cash equivalents..... \$	<u>19,094,267</u>	\$	<u>14,649,852</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 (Groups A & 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.

### Rate Stabilization

Under Accounting Standards Codification ASC 980 – Regulated Operations, 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 those future costs are incurred. The Department identified \$6.2 million and \$3.5 million at December 31, 2015 and 2014 that will be used to offset future costs. In accordance with the provisions of GASB Statement No. 65 the Rate Stabilization reserve is classified as a deferred inflow of resources on the Statement of Net Position.

### Accounts Receivable Policy

Accounts receivable are reported net of an allowance for doubtful accounts of approximately \$326,000 and \$318,000, respectively, at December 31, 2015 and 2014. 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 November of each year 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.

Another class of customer accounts consists of those for which the customer has closed the account and moved out of the service area. If the account remains unpaid after a reminder is sent, the Department will send the customer account to a collection agency and write-off the account balance.

### 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 North Attleborough Contributory 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.

### 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, in accordance with Massachusetts General Law Chapter 64H, on a portion of the sale of electricity. Taxes are remitted to the Commonwealth monthly.

### Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows and 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 and so will *not* be

recognized as an outflow or inflow of resources until then. The Department has reported deferred outflows of resources related to pensions and deferred inflows of resources related to the Rate Stabilization reserve as of December 31, 2015 and 2014, respectively.

#### Net Position Flow Assumption

Sometimes the Department will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the components of net position as restricted or unrestricted a flow assumption must be made about the order in which the resources are considered to be applied. It is the Department's policy to consider the restricted position to have been depleted before the unrestricted position is applied.

#### Reclassifications

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

### **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, and the Insurance Escrow fund. All amounts 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, 2015, the Town's custodial credit risk policy for deposits is as follows:

- Unlimited amounts of deposits may be assigned to bank accounts or Certificates of Deposit that mature in one year or less only if the accounts are fully collateralized through a third party agreement;
- Unsecured bank deposits may be held for no more than 30 days during times of heavy collections or an anticipation of large payments. In this circumstance no more than 5% of an institution's assets and no more than 25% of the Town's cash may be held in unsecured bank accounts.

At year-end, the carrying amount of deposits totaled \$17,089,626. Since these deposits are pooled with other Town funds, specific collateralization information is not available.

Investments

As of December 31, 2015 and 2014, the Department had the following investments:

**December 31, 2015**

Investment Type	Maturity (in years)					Rating
	Fair Value	Under 1	1 - 5	6 - 10	Over 10	
<u>Debt Securities</u>						
U.S. Government Agencies.....	\$ 5,082,798	\$ 245,010	\$ 2,611,596	\$ 2,226,192	\$ -	AA+
Government National Mortgage Association.....	268,429	-	-	5,717	262,712	AAA
Corporate Bonds.....	15,795,932	-	3,553,659	12,242,273	-	AAA - BBB+
Total Debt Securities.....	21,147,159	\$ 245,010	\$ 6,165,255	\$ 14,474,182	\$ 262,712	
<u>Other Investments</u>						
MMDT.....	2,004,641					
Total Investments.....	\$ 23,151,800					

**December 31, 2014**

Investment Type	Maturity (in years)					Rating
	Fair Value	Under 1	1 - 5	6 - 10	Over 10	
<u>Debt Securities</u>						
U.S. Government Agencies.....	\$ 11,810,772	\$ 413,509	\$ 3,618,602	\$ 7,778,661	\$ -	AA+
Government National Mortgage Association.....	443,623	-	4,239	7,832	431,552	AAA
Corporate Bonds.....	7,148,216	-	925,842	6,222,374	-	AA+ - BBB+
Total Debt Securities.....	19,402,611	\$ 413,509	\$ 4,548,683	\$ 14,008,867	\$ 431,552	
<u>Other Investments</u>						
MMDT.....	1,999,648					
Total Investments.....	\$ 21,402,259					

MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 45 to 55 days.

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.

The Town maintains a policy governing custodial credit risk of investments. The policy indicates that the Town will purchase investments listed on the State of Massachusetts' list of legal investments or investment grade securities with a high concentration in securities rated A or better, with no limitation in terms of amounts invested with MMDT.

At December 31, 2015, the Department had three investments with an investment rating of BBB+.

Any investments not held directly by the Town will be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. 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 2015 and 2014, the monies were invested with the Massachusetts Municipal Depository Trust. Interest earned remains in the fund. The balance of this account was \$1,687,505 and \$1,683,302 at December 31, 2015 and 2014, 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 three 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 \$7,696,711 and \$7,212,706 at December 31, 2015 and 2014, 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 \$14,309,020 and \$14,116,898 at December 31, 2015 and 2014, respectively.

The third component of the Depreciation fund was voted on by the Board of Electric Commissioners in December of 2012 and identified as Rate Stabilization Funds. The funds have been designated to offset future powers costs. The balance of this portion of the fund was \$3,543,176 and \$3,106,715 at December 31, 2015 and 2014, respectively.

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

**NOTE 5 – 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, 2015 and 2014 was \$2,503,371 and \$2,503,057, respectively.

**NOTE 6 – OTHER INVESTMENTS**

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, 2015 and 2014, the investment in PUMIC was \$96,000.

**NOTE 7 – UTILITY PLANT ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 99,623	\$ -	\$ -	\$ 99,623
Construction in Progress.....	-	13,996	-	13,996
Total capital assets not being depreciated.....	<u>99,623</u>	<u>13,996</u>	<u>-</u>	<u>113,619</u>
<u>Capital assets being depreciated:</u>				
Distribution Plant.....	32,817,242	809,996	(1,015,259)	32,611,979
General Plant.....	<u>10,694,963</u>	<u>225,835</u>	<u>(258,948)</u>	<u>10,661,850</u>
Total capital assets being depreciated.....	<u>43,512,205</u>	<u>1,035,831</u>	<u>(1,274,208)</u>	<u>43,273,828</u>
<u>Less accumulated depreciation for:</u>				
Distribution Plant.....	(21,145,602)	(1,699,589)	1,015,259	(21,829,932)
General Plant.....	<u>(7,860,538)</u>	<u>(476,022)</u>	<u>258,948</u>	<u>(8,077,612)</u>
Total accumulated depreciation.....	<u>(29,006,140)</u>	<u>(2,175,611)</u>	<u>1,274,208</u>	<u>(29,907,543)</u>
Total capital assets being depreciated, net.....	<u>14,506,065</u>	<u>(1,139,780)</u>	<u>-</u>	<u>13,366,285</u>
Total capital assets, net.....	<u>\$ 14,605,688</u>	<u>\$ (1,125,784)</u>	<u>\$ -</u>	<u>\$ 13,479,904</u>

Depreciation expense amounted to \$2,175,611 and \$1,384,926 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 8 – LONG TERM DEBT**

Details related to the outstanding indebtedness at December 31, 2015 and 2014 and the debt service requirements are as follows:

Project	Interest Rate %	Maturity Dates	Outstanding at December 31, 2014	Issued	Redeemed	Outstanding at December 31, 2015
2003 Muni-Net Bonds.....	3.0 - 5.0	2023	\$ 540,000	\$ -	\$ 60,000	\$ 480,000
2003 Plant Expansion Bonds.....	1.5 - 5.0	2017	645,000	-	215,000	430,000
Totals.....			\$ 1,185,000	\$ -	\$ 275,000	\$ 910,000

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

Years ending December 31,	Principal	Unamortized Bond Discount	Net Principal	Interest	Total
2016.....	280,000	(11,308)	268,692	42,650	311,342
2017.....	270,000	(9,218)	260,782	28,950	289,732
2018.....	60,000	-	60,000	17,850	77,850
2019.....	60,000	-	60,000	14,850	74,850
2020.....	60,000	-	60,000	11,850	71,850
2021.....	60,000	-	60,000	9,000	69,000
2022.....	60,000	-	60,000	6,000	126,000
2023.....	60,000	-	60,000	3,000	123,000
Totals.....	\$ 910,000	\$ (20,526)	\$ 889,474	\$ 134,150	\$ 1,143,624

**NOTE 9 – 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 \$2,063,000 and \$1,949,000 in 2015 and 2014, respectively. Included in the accompanying statements of net position are amounts due from the Town as of December 31, 2015 and 2014 of approximately \$93,000 and \$25,000, respectively.

The Town provides police details, insurance coverage and other items to the Department. These expenses amounted to approximately \$1,800,000 and \$1,700,000 in 2015 and 2014, respectively. At December 31, 2015 and 2014, the Department owed the Town approximately \$7,000 and \$11,000, respectively. These amounts are included in accounts payable and accrued expenses in the respective year end statements of net position.

The Department made payments in lieu of property taxes to the Town in the amounts of \$300,000 during 2015 and 2014, respectively.

**NOTE 10 – 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 11 – PENSION PLAN***Plan Description*

The Department contributes to the North Attleborough Contributory Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit pension plan administered by the North Attleborough Retirement Board (the "Board"). Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publically available audited financial report. That report may be obtained by contacting the System located at 500 East Washington Street, North Attleborough, MA 02761.

*Benefits Provided*

The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain 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.

Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town of North Attleborough does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth.

There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

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 on 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 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 System a legislatively mandated actuarially determined contribution that is apportioned among the member units based on active current payroll. The Department's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2014 which was \$409,031 and 17.27% 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 December 31, 2015, the Department reported a liability of \$2,312,733 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The Department's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At December 31, 2015, the Department's proportion was 11.80%.

*Pension Expense*

For the year ended December 31, 2015, the Department recognized a pension expense of \$376,787. At December 31, 2015, the Department reported deferred outflows of resources related to pensions of \$424,025 and \$78,526, consisting of contributions made subsequent to the measurement date and from the net difference between projected and actual investment earnings on pension plan investments, respectively. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2014.

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

Year ended December 31:	
2016.....	\$ 443,657
2017.....	19,632
2018.....	19,632
2019.....	<u>19,630</u>
 Total.....	 <u>\$ 502,551</u>

**Actuarial Assumptions**

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as of December 31, 2014:

Valuation date.....	January 1, 2015
Actuarial cost method.....	Individual Entry Age
Amortization method.....	Level percent, open group
Remaining amortization period.....	17 Years
Asset valuation method.....	Assets are valued at market value, as reported by PERAC. The actuarial value of assets is determined using a five-year smoothing of unrealized gains and losses. The result must be within 20% of market value.
Investment rate of return/Discount rate.....	8.00%
Projected salary increases.....	4.00%
Cost-of-living adjustments.....	3.0% of the lesser pension amount and \$12,000 per year
Inflation rate.....	4.00%
Rates of retirement.....	Varies based upon age for general employees, police and fire employees
Rates of disability.....	General employees - 40% ordinary, 60% service connected Police and fire - 10% ordinary, 90% service connected
Mortality rates:	
Pre and post retirement.....	RP-2000 Mortality Tables, adjusted to 2015 with scale AA
Disabled retiree.....	RP-2000 Mortality Tables, set forward two years for all disabled members

*Investment Policy*

The System's investment policy is as of December 31, 2014. The Board has established long-term goals for the overall investment portfolio consistent with the liabilities of the Fund. At a minimum, the policy seeks to earn a compound annual return over time of 8%.

As of December 31, 2014, the System's portfolio target weights and assumed long-term rates of return at the asset class level are as follows:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap.....	30.00%	9.00%
Mid Cap.....	10.00%	11.00%
Small Cap.....	10.00%	8.40%
International Equity.....	11.00%	4.60%
Emerging Markets.....	4.00%	8.10%
Real Estate.....	10.00%	6.70%
Timber.....	5.00%	5.30%
Fixed Income.....	20.00%	3.30%
	100.00%	

*Discount rate*

The discount rate used to measure the total pension liability was 8%. 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 rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
The Department's proportionate share of the net pension liability.....	\$ 3,836,796	\$ 2,312,733	\$ 1,013,602

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of North Attleborough, Massachusetts, administers a single-employer defined benefit healthcare plan, (“the Retiree Health Plan”), of which the Department and its employees are members. The plan provides lifetime healthcare and life insurance for eligible retirees and their dependents through the Town’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.....	37
Current active members.....	<u>32</u>
Total.....	<u><u>69</u></u>

The Department has accepted Chapter 32b, Section 20 of MGL which established an irrevocable trust that is under control of the Board of Commissioners of the Department; however, in accordance with provisions of the law, the Department remits the annual required contribution to the Treasurer of the Town of North Attleborough who, by a vote of the Board of Electric Commissioners, has been designated as the custodian of the OPEB Trust fund assets. Funds transferred to the Town Treasurer under the provisions of MGL Chapter 32b, Section 20 are invested and managed separately from any OPEB funds that have been reserved for the benefit of Town employees and retirees that are not employed by the North Attleborough Electric Department.

*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 postemployment benefit (OPEB) costs (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 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:

Annual Required Contribution.....	\$ 402,346
Interest on Net OPEB Obligation (Asset).....	(140,213)
Adjustment to annual required contribution.....	<u>198,377</u>
Annual OPEB cost/expense.....	460,510
Contributions made.....	<u>(247,916)</u>
Increase/(Decrease) in net OPEB obligation.....	212,594
Net OPEB obligation (asset) - beginning of year.....	<u>(2,336,879)</u>
Net OPEB obligation (asset) - end of year.....	<u><u>\$ (2,124,285)</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 and the previous two years is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
12/31/2015	\$ 460,510	54%	\$ (2,124,285)
12/31/2014	447,736	103%	(2,336,879)
12/31/2013	472,000	100%	(2,322,797)

*Funding Status and Funding Progress* – The funding status of the “Retiree Health Plan” as of the most recent actuarial valuation date, January 1, 2015, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial 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)
1/1/2014	\$ 3,543,791	\$ 6,580,411	\$ 3,036,620	53.85%	\$ 2,368,408	128.21%
1/1/2012	649,000	5,637,000	4,988,000	11.51%	2,130,454	234.13%
1/1/2010	147,000	5,425,000	5,278,000	2.71%	2,541,000	207.71%

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, 2014 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial methods and assumptions included a 6% investment rate of return and an annual health care cost rate trend of 7.0% initially, graded to 5.0% in year three and thereafter. Both rates included a 3% CPI 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, 2015 was 11 years.

#### **NOTE 13 – 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, 2015 and 2014, as no significant claims have been submitted.

#### **NOTE 14 – 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 NextEra Energy Resource LLC (formerly FPL Energy LLC) and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. In addition to Millstone Unit 3, 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, the majority owner and an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March 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. 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.

North Attleborough Electric Department has entered into PSA's and Power Purchase Agreements (PPA's) with MMWEC. Under both 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 actions will not have a material adverse effect on the financial position of the Department.

As of December 31, 2015, total capital expenditures for MMWEC's Projects amounted to \$1,626,959,000 of which \$55,506,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$112,510,000 of which \$3,470,000 is associated with the Department's share of Project Capability in which it participates, although such amount is not allocated to the Department. As of December 31, 2015, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$121,353,000 of which \$3,738,000 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, 2015 and estimated for future years is shown below:

<u>Years Ending December 31,</u>	<u>Estimated Annual Costs</u>
2016.....	\$ 1,965,000
2017.....	1,437,000
2018.....	131,000
2019.....	<u>203,000</u>
Total.....	<u>\$ 3,736,000</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 \$5,768,000 and \$5,857,000 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 15 – REVISION OF NET POSITION PREVIOUSLY REPORTED**

Beginning net position of business-type activities and each applicable enterprise fund has been revised to reflect the implementation of GASB Statement #68. The revised balances are summarized in the following table:

	<u>Previously Reported Balances</u>	<u>Implementation of GASB #68</u>	<u>12/31/2014 Revised Balances</u>
Electric Department.....	\$ <u>47,050,423</u>	\$ <u>(2,061,936)</u>	\$ <u>44,988,487</u>

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, Financial Reporting for Pension Plans; GASB Statement #68, Accounting and Financial Reporting for Pensions; and GASB Statement #71 Pension Transition for Contributions Made Subsequent to the Measurement Date. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.

The following GASB pronouncements will be implemented in the future:

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

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

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 15, 2016, which is the date the financial statements were available to be issued.

# ***Required Supplementary Information***

# ***Pension Plan Schedules***

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

The Schedule of Contributions presents multi-year trend information on the Department'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 DEPARTMENTS PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
NORTH ATTLEBOROUGH CONTRIBUTORY RETIREMENT SYSTEM**

---

	December 31, 2014
Department's proportion of the net pension liability (asset).....	11.80%
Department's proportionate share of the net pension liability (asset)..... \$	2,312,733
Department's covered employee payroll (*)..... \$	2,368,408
Net pension liability as a percentage of covered-employee payroll.....	97.65%
Plan fiduciary net position as a percentage of the total pension liability.....	82.90%

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**  
**NORTH ATTLEBOROUGH ELECTRIC DEPARTMENT**

		December 31, 2014
Actuarially determined contribution (a).....	\$	409,031
Contributions in relation to the actuarially determined contribution.....		409,031
Contribution deficiency (excess).....	\$	-
Covered-employee payroll (*).....	\$	2,368,408
Contributions as a percentage of covered- employee payroll.....		17.27%

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

The Schedule of Employer Contributions compares, over time, the actuarial required contribution with the actual contributions made.

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

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

DECEMBER 31, 2015

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)
1/1/2014	\$ 3,543,791	\$ 6,580,411	\$ 3,036,620	53.85%	\$ 2,368,408	128.21%
1/1/2012	649,000	5,637,000	4,988,000	11.51%	2,130,454	234.13%
1/1/2010	147,000	5,425,000	5,278,000	2.71%	2,541,000	207.71%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
12/31/2015	\$ 402,346	\$ 247,916	62%
12/31/2014	389,922	461,818	118%
12/31/2013	472,000	2,794,797	592%
12/31/2012	458,000	458,000	100%
12/31/2011	443,000	443,000	100%
12/31/2010	421,000	421,000	100%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

DECEMBER 31, 2015

Actuarial Methods:

Valuation date.....	1/1/2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.5%
Remaining amortization period.....	11 years as of December 31, 2015

Actuarial Assumptions:

Investment rate of return.....	6%
Medical/drug cost trend rate.....	7.0% initially, decreasing to 5.0% in year three and thereafter.

Plan Membership:

Current retirees, beneficiaries, and dependents.....	37
Current active members.....	<u>32</u>
Total.....	<u><u>69</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 Department's allocated percentage of the net pension liability (asset), the Department's proportionate share of the net pension liability, and the Department's covered employee payroll. It also demonstrates the Department's net position as a percentage of the Department's pension liability and the Department's net pension liability as a percentage of the Department's covered payroll.

**B. Schedule of Department's Contributions**

Governmental employers are required to pay an annual appropriation as established by PERAC. The Department's 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 Department's 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 Department contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Department based on covered payroll.

**C. Changes of Assumptions** – There were no changes in assumptions.

**D. Changes of Plan Provisions** – There were no changes in plan provisions.

**NOTE B – OTHER POSTEMPLOYMENT BENEFITS**

The Town of North Attleborough administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"), which the Department participates in. 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 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) as of the most recent valuation was 53.85%. 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.

The Schedule of Employer Contributions compares, over time, the annual required contributions with the actual contributions made.

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,

	<u>2015</u>	<u>2014</u>
Power acquisition expenses:		
Purchased power.....	\$ 16,128,987	\$ 19,240,516
Transmission expenses.....	4,008,707	4,107,142
Other power expenses.....	<u>389,063</u>	<u>392,925</u>
Total power acquisition expenses.....	<u>20,526,757</u>	<u>23,740,583</u>
Distribution expenses:		
Station expenses.....	283,657	128,898
Customer installation expenses.....	58,999	64,569
Other distribution expense.....	882,181	871,289
Maintenance of overhead and underground lines.....	735,494	665,774
Maintenance of structures.....	<u>6,057</u>	<u>5,052</u>
Total distribution expenses.....	<u>1,966,388</u>	<u>1,735,582</u>
Customer account expenses:		
Meter reading expense.....	29,661	30,731
Customer records and collection.....	693,953	640,493
Customer assistance expense.....	166,544	118,166
Informational & Instructional expense.....	<u>10,767</u>	<u>9,300</u>
Total customer account expenses .....	<u>900,925</u>	<u>798,690</u>
Administrative and general expenses:		
Administrative and general salaries.....	687,740	682,894
Office supplies and expenses.....	177,913	101,300
Outside services employed.....	356,769	185,053
Insurance, injuries and damages.....	158,023	124,914
Employees' pensions and benefits.....	1,514,894	1,152,884
Miscellaneous general expense.....	234,898	263,176
Maintenance of general plant.....	<u>451,907</u>	<u>446,446</u>
Total administrative and general expenses.....	<u>3,582,144</u>	<u>2,956,667</u>
Total operation and maintenance expenses.....	<u>\$ 26,976,214</u>	<u>\$ 29,231,522</u>

***Report on Internal Control Over Financial  
Reporting and on Compliance***



**INDEPENDENT AUDITORS' 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**

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

To the Board of Electric Commissioners  
North Attleborough Electric Department

We have audited the financial statements of the North Attleborough Electric Department (Department), an enterprise fund of the Town of North Attleborough, Massachusetts, as of and for the year ended December 31, 2015 and have issued our report thereon dated August 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

*A deficiency in internal control* over financial reporting 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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Attleborough Electric 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, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Powers + Juliani, LLC*

August 15, 2016