

**WEST BOYLSTON MUNICIPAL LIGHTING PLANT
AND SUBSIDIARY**
Financial Statements
December 31, 2016 and 2015

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
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DECEMBER 31, 2016 AND 2015

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**GOULET, SALVIDIO
& ASSOCIATES, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
West Boylston Municipal Lighting Plant
West Boylston, Massachusetts 01583

We have audited the accompanying financial statements of West Boylston Municipal Lighting Plant and Subsidiary as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Lighting Plant's basic 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 accounting 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.

Basis for Qualified Opinion

Management has reported its December 31, 2016 portion of the net pension liability (NPL) based on reports provided by the Worcester Regional Retirement System (WRRS) that are not in compliance with GASB standards. Government accounting standards require that the NPL be reported using actuarial data that is no more than 30 months and one day old. The WRRS provided NPL information using data from an actuarial valuation dated January 1, 2014. The amount by which this departure would affect the assets, liabilities, fund balance, and revenues of the Plant has not been determined.

206 Southbridge Street
Auburn MA, 01501

324 Grove Street
Worcester MA, 01605

54 E. Main Street
Webster, MA 01570

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Plant as of December 31, 2016 and 2015, and the changes in financial position thereof for the years ended in accordance 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 West Boylston Municipal Lighting Plant and Subsidiary and do not purport to, and do not, present fairly the financial position of the Town of West Boylston, Massachusetts, as of December 31, 2016 and 2015, and the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity 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, Other Postemployment Benefits and Net Pension Liability information on pages three through six and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented on pages 43 through 50 is presented for purposes of additional analysis and is 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. The 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 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 as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
March 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the West Boylston Municipal Lighting Plant's annual financial report, management provides a narrative discussion and analysis of the financial activities of the Lighting Plant for the year ending December 31, 2016. The Lighting Plant'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 Statements of Net Position are designed to indicate our financial position as of a specific point in time. At December 31, 2016, it shows our net worth has increased by 17.4% over the year ended December 31, 2015.

The Statements of Revenues, Expenses and Changes in Net Position summarize our operating results and reveal how much of a profit was earned for the years presented. As discussed in more detail on the following page, our income for December 31, 2016 and 2015 was \$1,186,726 and \$756,615, respectively.

The Statements of Cash Flows provide information about the cash receipts and cash payments during the accounting period. The statement also provides information about the investing and financing activities for the same period.

Summary of Net Position

	<u>2016</u>	<u>2015</u>
Current Assets	\$ 7,775,280	\$ 6,735,166
Noncurrent Assets	<u>15,720,732</u>	<u>10,986,095</u>
Total Assets	<u>23,496,012</u>	<u>17,721,261</u>
Deferred Outflows of Resources	<u>524,309</u>	<u>174,943</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 24,020,321</u>	<u>\$ 17,896,204</u>
Current Liabilities	\$ 1,794,962	\$ 1,006,155
Noncurrent Liabilities	<u>9,317,053</u>	<u>4,804,427</u>
Total Liabilities	<u>11,112,015</u>	<u>5,810,582</u>
Deferred Inflows of Resources	<u>4,906,695</u>	<u>5,270,737</u>
Net Position:		
Net Investment in Capital Assets	3,868,920	3,970,576
Net Position Restricted for Depreciation	1,531,451	1,181,286
Unrestricted	<u>2,601,240</u>	<u>1,663,023</u>
Total Net Position	<u>8,001,611</u>	<u>6,814,885</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 24,020,321</u>	<u>\$ 17,896,204</u>

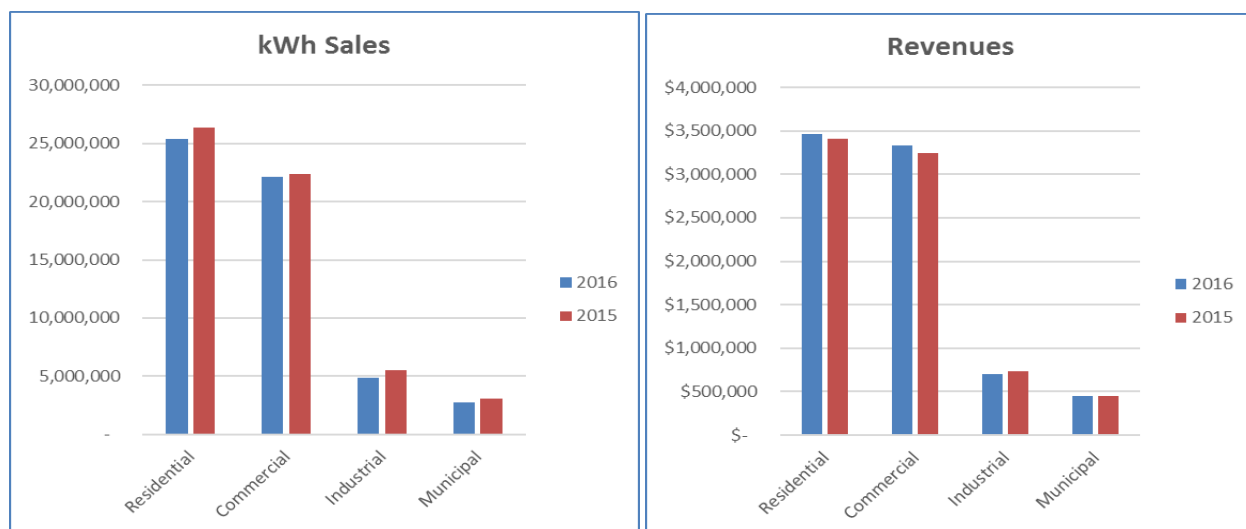
Summary of Changes in Net Position

	2016	2015
Operating Revenues	\$ 8,154,897	\$ 8,077,017
Operating Expenses	<u>6,990,679</u>	<u>7,326,439</u>
Operating Income (Loss)	1,164,218	750,578
Non-operating Revenues (Expenses)	<u>22,508</u>	<u>6,037</u>
Income Before Contributions and Transfers	1,186,726	756,615
Beginning Net Position	<u>6,814,885</u>	<u>6,058,270</u>
Ending Net Position	<u>\$ 8,001,611</u>	<u>\$ 6,814,885</u>

Financial Highlights

Kilowatt Hour Sales

The following charts represent total kilowatt-hour sales and total revenues by account class for 2016 and 2015. Overall the annual growth in kilowatt-hour sales decreased approximately 3.7% and operating revenues increased approximately 1%.



Customer Base

By the end of 2016, WBMLP provided electric service to 3,016 residents, 477 businesses and 68, municipal and government customers. WBMLP expects energy consumption and sales revenue in 2017 to remain stable and similar to 2016. Our sales revenues are not dependent on one industry or one significantly sized customer that could impact revenues in the event this customer leaves our service territory. Our largest customer, the county jail, has three electric services that accounted for approximately 8% of the total kilowatt-hour sales in 2016. The rest of our top 20 largest customers represent only 1.0% - 2.0% each, of our kilowatt-hour sales and therefore individually, do not pose a risk to our forecasted revenues and budgets.

Financial Highlights (continued)

Power Supply

Power supply and transmission expenses represent 74% of WBMLP's annual operating budget. WBMLP purchases most of its annual energy supply through long-term contracts, power purchase agreements, and asset ownership that provide certain volumes of energy at fixed or known prices. Our long-term energy portfolio includes a mix of existing renewable and clean energy supply obligations that extend beyond 2045. In 2016, only 12% of our annual energy supply was considered "open" to market forces and fulfilled through ISO-NE day-ahead and real-time energy market purchases. The ability to own generation and execute long-term energy supply contracts is one of many distinct features that differentiate municipal light plants from distribution companies or IOUs.

In 2016 the largest components of our power supply were two greenhouse gas emission (GHG) free nuclear energy projects, representing approximately 44% of our power supply purchases. WBMLP expects these two nuclear projects to operate and generate electricity through 2045. 27% of our power supply in 2016 came from energy hedging contracts that provide fixed amounts of energy and prices for timeframes lasting up to five years. Hydroelectricity is another important component that was 6% of our long-term clean energy supply in 2016 and includes the out-of-region import of low-cost hydroelectricity from New York for the benefit of our ratepayers. The remaining components of our 2016 power supply were 6% wind, 4% natural gas/oil, and 1% solar energy generation owned and operated by WBMLP.

WBMLP's non-GHG emitting energy supply, as a percentage of sales, was 54% in 2016 based on MassDEP reporting. MassDEP's most recently published GHG Summary Report points out that 50.1% of West Boylston's annual energy sales were non-emitting in 2013. In comparison, Investor Owned Utilities (IOU's) reported only 6.2% - 7.3% of sales as non-emitting MWh's in 2013. WBMLP's ratepayers pay for an existing clean energy supply that exceed MassDEP's proposed Clean Energy Standard through 2040, and our local regulatory process will continue to develop and/or purchase both renewable and clean energy given our unique structure and legislative authority.

Utility Plant and Debt Administration

Utility Plant

The Lighting Plant and Cooperative's investment in utility plant assets, net of accumulated depreciation, as of December 31, 2016 and 2015 was \$10,684,749 and \$6,342,780 respectively. Plant and equipment replacement is part of an on-going capital improvement plan to keep the Lighting Plant in good operating condition.

Significant Balances and Transactions

Purchased Power Working Capital

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. MMWEC requires that they hold a set amount of capital (minimum of two months) from which it may pay our power supply obligations when they are due. They replenish the fund as needed from our monthly invoice payments. Currently our power costs are approximately \$450,000 per month. The balance in this fund as of December 31, 2016 and 2015 was \$964,569 and \$957,500, respectively.

Significant Balances and Transactions (Continued)

Depreciation Fund

The West Boylston Municipal Lighting Plant maintains a depreciation fund, which is managed by the Town of West Boylston Treasurer. This fund is used to pay for large capital investments such as new vehicles, distribution system upgrades and new construction projects. This fund is required by State statute. The Lighting Plant set aside 3% of the cost of plant to be used for capital improvements and additions for the years ending December 31, 2016 and 2015, respectively. Our depreciation fund balance at December 31, 2016 and 2015 was \$1,531,451 and \$1,181,286 respectively.

Rate Stabilization Fund

WBMLP established a rate stabilization fund which is managed by MMWEC. The fund was initially established to mitigate the difference in the market cost of energy and our long term energy contract costs. Today the rate stabilization fund represents a reserve of approximately six months energy and transmission supply costs in the event of a national emergency, fuel supply disruption, transmission constraints, nuclear decommissioning expenses, new state and federal regulations related to clean energy, homeland security, climate change, and other disruptions to the energy market.

New England and Massachusetts in particular, is heavily dependent on reliable and cost effective natural gas fuel supply for energy generation. As the Commonwealth and ISO-NE region eliminates coal and oil from its sources of generation, and, consumers switch to natural gas for residential and commercial heating, the transportation and supply of natural gas is becoming constrained due to a lack of multiple natural gas transmission pipelines into the Commonwealth. ISO-NE market rates for energy have been impacted previously by the lack of adequate natural gas pipeline infrastructure in Massachusetts.

There are many factors, other than the cost of energy, such as increased financial requirements of the ISO New England, the possibility of escalating costs at our nuclear facilities due to homeland security requirements and interruptions in supply due to natural and manmade disasters, which could dramatically affect the cost of energy and transmission services. Our rate stabilization fund balance at December 31, 2016 and 2015 was \$3,362,884 and \$3,319,889 respectively.

Rates

WBMLP's average electricity rates continue to remain lower than investor owned utility rates in Massachusetts in 2016. Our electricity rates have remained the same since 2009 and we don't expect a rate increase in 2017. In 2016, the average homeowner in West Boylston consumed approximately 700 kilowatt hours per month and spent approximately \$90 per month for that electricity. WBMLP continues to manage its operating budget to minimize future rate increases.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 4,275,597	\$ 4,215,395
Funds on Deposit with MMWEC		
Pooled Financing	1,032,338	-
Petty Cash	1,800	1,800
Customer Accounts Receivable, Net	180,891	145,554
Accounts Receivable - Other	233,884	382,981
Interest Receivable	8,175	6,085
Unbilled Revenue	703,928	584,608
Materials and Supplies	269,973	285,091
Prepaid Expenses	18,746	42,380
Prepaid Purchased Power	85,379	113,772
Purchased Power Working Capital	<u>964,569</u>	<u>957,500</u>
 TOTAL CURRENT ASSETS	 <u>7,775,280</u>	 <u>6,735,166</u>
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Customer Deposits	138,850	139,342
Depreciation Fund	1,531,451	1,181,286
Investments	2,798	2,798
Rate Stabilization Fund	3,362,884	3,319,889
Utility Plant Assets, Net	<u>10,684,749</u>	<u>6,342,780</u>
 TOTAL NONCURRENT ASSETS	 <u>15,720,732</u>	 <u>10,986,095</u>
 TOTAL ASSETS	 <u>23,496,012</u>	 <u>17,721,261</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	<u>524,309</u>	<u>174,943</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 24,020,321</u></u>	 <u><u>\$ 17,896,204</u></u>

See Accompanying Notes To Financial Statements

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 572,345	\$ 650,534
Accrued Expenses	757,044	150,049
Pooled Financing Loan	260,006	-
Bond Payable	<u>205,567</u>	<u>205,572</u>
TOTAL CURRENT LIABILITIES	<u>1,794,962</u>	<u>1,006,155</u>
NONCURRENT LIABILITIES:		
Customer Deposits	138,850	139,342
Net Pension Liability	2,737,718	2,380,599
Other Postemployment Benefit Obligation	90,229	117,854
Pooled Financing Loan, Net of Current Portion	4,389,192	-
Bond Payable, Net of Current Portion	<u>1,961,064</u>	<u>2,166,632</u>
TOTAL NONCURRENT LIABILITIES	<u>9,317,053</u>	<u>4,804,427</u>
TOTAL LIABILITIES	<u>11,112,015</u>	<u>5,810,582</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	169,196	-
Purchased Power Adjustment	833,846	1,410,079
Reserve for Rate Stabilization	<u>3,903,653</u>	<u>3,860,658</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,906,695</u>	<u>5,270,737</u>
NET POSITION:		
Net Investment in Capital Assets	3,868,920	3,970,576
Net Position Restricted for Depreciation	1,531,451	1,181,286
Unrestricted Net Position	<u>2,601,240</u>	<u>1,663,023</u>
TOTAL NET POSITION	<u>8,001,611</u>	<u>6,814,885</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 24,020,321</u></u>	<u><u>\$ 17,896,204</u></u>

See Accompanying Notes To Financial Statements

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Sales of Electricity	\$ 8,005,822	\$ 7,917,038
Other Operating Revenues	<u>149,075</u>	<u>159,979</u>
TOTAL OPERATING REVENUES	<u>8,154,897</u>	<u>8,077,017</u>
OPERATING EXPENSES:		
Operations and Maintenance	6,571,892	6,922,239
Depreciation	<u>418,787</u>	<u>404,200</u>
TOTAL OPERATING EXPENSES	<u>6,990,679</u>	<u>7,326,439</u>
OPERATING INCOME	<u>1,164,218</u>	<u>750,578</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Income	85,306	55,697
Interest Expense	(47,485)	(51,558)
Pooled Financing Issuance Costs	(17,216)	-
Amortization of Bond Premium	<u>1,903</u>	<u>1,898</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>22,508</u>	<u>6,037</u>
Income Before Contributions and Transfers	1,186,726	756,615
NET POSITION - JANUARY 1	<u>6,814,885</u>	<u>6,058,270</u>
NET POSITION - DECEMBER 31	<u><u>\$ 8,001,611</u></u>	<u><u>\$ 6,814,885</u></u>

See Accompanying Notes To Financial Statements

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 8,241,743	\$ 8,214,703
Other Operating Cash Receipts - Solar Renewable Energy Credits	221,490	171,326
Cash Paid to Suppliers	(5,936,871)	(6,319,153)
Cash Paid to Employees	(782,817)	(780,072)
Cash Paid for Benefits	(554,187)	(463,172)
Net Cash Provided by Operating Activities	<u>1,189,358</u>	<u>823,632</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interest Expense	<u>(272)</u>	<u>(272)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Plant Assets	(561,479)	(525,600)
Repayments on Long Term Debt	(203,669)	(272,337)
Net Transfers to Depreciation Fund	(344,004)	(336,549)
Interest Expense	<u>(47,213)</u>	<u>(60,362)</u>
Net Cash Used in Capital Financing Activities	<u>(1,156,365)</u>	<u>(1,194,848)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	26,990	16,444
Purchase of Investments	(2,410,000)	(947,000)
Proceeds from Sales and Maturities of Investments	<u>2,400,000</u>	<u>700,000</u>
Net Cash Provided (Used) in Investing Activities	<u>16,990</u>	<u>(230,556)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,711	(602,044)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>2,109,537</u>	<u>2,711,581</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>\$ 2,159,248</u></u>	<u><u>\$ 2,109,537</u></u>

See Accompanying Notes To Financial Statements

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,164,218	\$ 750,578
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	418,787	404,200
Rate Stabilization Reserve	42,995	27,890
Changes in Assets and Liabilities		
(Increase) Decrease in:		
Accounts Receivable - Customers	(35,337)	13,443
Accounts Receivable - Other	149,097	(140,489)
Deferred Outflows of Resources Related to Pensions	(349,366)	(16,845)
Unbilled Revenue	(119,320)	102,695
Materials and Supplies	15,118	(26,960)
Prepaid Expenses	23,634	(14,633)
Prepaid Purchased Power	28,393	(52,617)
Increase (Decrease) in:		
Accounts Payable	(78,189)	13,141
Accrued Expenses	7,363	112,292
Customer Deposits	(492)	621
Net Pension Liability	357,119	56,316
Other Post Employment Benefits	(27,625)	35,784
Deferred Inflows of Resources Related to Pensions	169,196	-
Miscellaneous Deferred Liabilities	(576,233)	(441,784)
Net Cash Provided by Operating Activities	<u>\$ 1,189,358</u>	<u>\$ 823,632</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following amounts are considered to be cash or cash equivalents for the statements of cash flows:

	<u>2016</u>	<u>2015</u>
Petty Cash	\$ 1,800	\$ 1,800
Operating Cash	2,005,219	1,967,324
Operating Money Market	13,379	1,071
Customer Deposits	<u>138,850</u>	<u>139,342</u>
	<u>\$ 2,159,248</u>	<u>\$ 2,109,537</u>

See Accompanying Notes To Financial Statements

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

OPEB TRUST FUND

ASSETS

	<u>2016</u>	<u>2015</u>
Funds on Deposit with Town Treasurer		
Cash and Cash Equivalents	<u>\$ 670,436</u>	<u>\$ 619,712</u>

NET POSITION

NET POSITION - Restricted	<u>\$ 670,436</u>	<u>\$ 619,712</u>
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WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPEB TRUST FUND

	<u>2016</u>	<u>2015</u>
Net Investment Income	<u>\$ 50,724</u>	<u>\$ (7,132)</u>
CHANGES IN NET POSITION	<u>50,724</u>	<u>(7,132)</u>
NET POSITION - JANUARY 1	<u>619,712</u>	<u>626,844</u>
NET POSITION - DECEMBER 31	<u>\$ 670,436</u>	<u>\$ 619,712</u>

See Accompanying Notes to Financial Statements

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of West Boylston Municipal Lighting Plant are as follows:

Reporting Entity

The West Boylston Municipal Lighting Plant is a component unit of the Town of West Boylston, Massachusetts. The Board of Commissioners appoints the manager of the Lighting Plant who shall be responsible for operation and management of the Lighting Plant. The Lighting Plant purchases power from various sources and sells it to the ultimate consumers at rates on file with the Massachusetts Department of Public Utilities (DPU).

Basis of Consolidations

The consolidated financial statements include the accounts of the West Boylston Municipal Lighting Plant and of its subsidiary, Massachusetts Municipal Light Department Solar Energy Cooperative Corporation (the “Cooperative”). Intercompany transactions have been eliminated.

Regulation and Basis of Accounting

The Lighting Plant’s financial statements are reported using the flow of 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.

Under Massachusetts law, electric rates of the Lighting Plant are set by the Municipal Lighting Board and may be changed not more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities. While the DPU exercises general supervisory authority over the Lighting Plant, the Lighting Plant’s rates are not subject to DPU approval.

Depreciation

The general laws of Massachusetts allow utility plant in service to be depreciated at an annual rate of 3%. In order to change this rate, approval must be obtained from the Department of Public Utilities. Changes in annual depreciation rates may be made for financial factors relating to cash flow rather than for engineering factors relating to estimates of useful lives. The Lighting Plant used a depreciation rate of 3% for 2016 and 2015, respectively.

The Lighting Plant charges maintenance and repairs to operations when incurred. Replacements and betterments are charged to utility plant.

Revenues

Revenues from sales 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 Lighting Plant, which are applied to customers’ consumption of electricity. The Lighting Plant’s rates contain an adjustable component pursuant to which increased power costs (power costs in excess of amounts recovered through base rates) are billable to customers. The Lighting Plant has a fuel cost adjustment clause pursuant to which increased fuel costs (fuel costs in excess of amounts recovered through base rates) are billable to customers.

Operating revenue includes revenues and expenses related to the continuing operations of the Lighting Plant. Principal operating revenues are charges to customers for sales of electricity or services.

Operating expenses are the costs of providing electricity and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reclassification

Certain prior year amounts have been reclassified to conform to the 2016 presentation.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Lighting Plant considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Town of West Boylston maintains and controls major cash and investment pools in which the primary government and component units share.

There was one non-cash transaction during 2016 relating to the financing of a solar field that was constructed during 2016 in the amount of \$4,199,276.

Materials and Supplies

Materials and supplies are valued using the average cost method.

Taxes

The Lighting Plant is exempt from federal income taxes, as well as property taxes.

Sales Tax

The Lighting Plant collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

Compensated Absences

In accordance with the Lighting Plant policies, employees are allowed to accumulate sick days, up to a maximum of 60 days. Upon termination and after 10 years of service of employment with the Lighting Plant, the employee will be paid a maximum of 30 days of accumulated sick time. Non-bargaining employees are eligible to carry over 5 days of vacation time from one year to the next. Other employees are not permitted to carry over vacation time from one year to the next. Upon termination of employment with the Lighting Plant, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Worcester Regional 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.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/expenditure) until then.

Financial Statement Revision

During 2015, the Plant 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 \$2,245,234.

NOTE 2 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is required to be implemented for periods beginning after June 15, 2017. The Lighting Plant is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 3 – CASH AND INVESTMENTS:

The Plant owns shares of Hydro Quebec Phase II stock. The securities are stated at cost. Fair market value approximates stated value.

Concentration of Credit Risk

The Lighting Plant's deposits with the Town Treasurer are invested with various financial institutions. It is not practical to disclose the related bank balance and credit risk of such cash deposits for the Lighting Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The amount of insurance coverage for the Plant deposits are not determinable because the limits of insurance are completed on a town-wide basis.

Custodial Credit Risk – Deposits and Investments

In the event of a failure by the counterparty, the Plant would not be able to recover the value of its investments.

Interest Rate Risk

The Plant invests in term securities out to a maximum of five years to help limit the amount of exposure to fair value losses.

Operating and Depreciation Fund Investments

A cash and investment pool is maintained and available for use of the depreciation and operating funds. The funds are invested in obligations of certificates of deposit, money market accounts and bank deposits. Since these investments are held to maturity they are recorded at cost or amortized cost.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 – CASH AND INVESTMENTS (Continued):

Operating and Depreciation Fund (continued)

As of December 31, 2016 and 2015, the Lighting Plant had the following investments:

	Ratings as of Year End	2016 Fair Value	2016 Under 1 Year	2016 1-5 Years	2014 Fair Value
<u>Term Securities</u>					
Certificate of Deposit	Exempt	\$ 4,431,000	<u>\$ 1,749,000</u>	<u>\$ 2,682,000</u>	\$ 3,396,867
<u>Other Securities</u>					
Money Market		<u>70,830</u>			<u>32,490</u>
Total Investments		<u>\$ 4,501,830</u>			<u>\$ 3,429,357</u>

The following accounts were considered investments as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Operating Fund	\$ 2,970,379	\$ 2,248,071
Depreciation Fund	<u>1,531,451</u>	<u>1,181,286</u>
Total Investments	<u>\$ 4,501,830</u>	<u>\$ 3,429,357</u>

As of December 31, 2016, investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represents 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Compass Bank Certificate of Deposit	\$ 200,000	5%
Capital One Bank Certificate of Deposit	250,000	7%
BMO Harris Bank Certificate of Deposit	250,000	7%
Franklin Bank Certificate of Deposit	200,000	5%
Capital One NA Mclean Certificate of Deposit	247,000	6%
Midland St. Bank Certificate of Deposit	200,000	6%
Comenity Bank Certificate of Deposit	200,000	5%
Wells Fargo Bank Certificate of Deposit	200,000	5%
JPM Columbus Certificate of Deposit	200,000	5%
Beal Bank Certificate of Deposit	250,000	7%
Bank Leumi Certificate of Deposit	250,000	7%
First Financial Bank Certificate of Deposit	200,000	5%
Goldman Sachs Certificate of Deposit	249,000	7%
First Bank Certificate of Deposit	250,000	7%

All investments are invested in certificate of deposits or money market funds, therefore they are not subject to the GASB 72 disclosures.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 – UNBILLED REVENUE:

Revenues from sale of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis throughout the month. In order to reflect revenues in the proper period, the estimated amount of revenue applicable to unbilled usage has been recorded.

NOTE 5 – CUSTOMER ACCOUNTS RECEIVABLE:

The Lighting Plant carries its accounts receivable at cost less an allowance. The Lighting Plant can place a lien against a property if payment is not made. For non-owners, the company requires a deposit that can be applied to any unpaid amounts. In addition, the Lighting Plant has the right to shut off service to customers during the months of April through October if the customer is not making payments. Once a customer's bill has become 2 months outstanding a 10 day shut off letter is sent out. If there is no response to the first letter within 5 days, a 5 day shut off letter is sent out and if there is still no response from the customer, the customer is shut off. On a periodic basis, the Lighting Plant evaluates its accounts receivable to determine if any write-offs are necessary.

Customer Accounts Receivable consists of the following:

	<u>2016</u>	<u>2015</u>
Accounts Receivable	\$ 192,419	\$ 157,082
Less: Allowance for Doubtful Accounts	<u>(11,528)</u>	<u>(11,528)</u>
Accounts Receivable, Net	<u>\$ 180,891</u>	<u>\$ 145,554</u>

NOTE 6 – ACCOUNTS RECEIVABLE-OTHER:

Accounts Receivable – Other consists of the following:

	<u>2016</u>	<u>2015</u>
Merchandise and Jobbing	\$ 44,150	\$ 125,927
Solar Renewable Energy Credits Receivable	108,684	87,033
Berkshire Wind Renewable Energy Credits Receivable	70,536	103,318
NEPCO Receivable	10,514	-
Liens Receivable	-	12,531
Sales Tax Receivable	-	12,416
Municipality Receivable	<u>-</u>	<u>41,756</u>
Total Other Accounts Receivable	<u>\$ 233,884</u>	<u>\$ 382,981</u>

NOTE 7 – DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and future costs related to such commitments, which the Municipal Lighting Board determines are above market value.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8 – RATE STABILIZATION FUND:

The Rate Stabilization Fund was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The Rate Stabilization Fund balance at December 31, 2016 and 2015 was \$3,362,884 and \$3,319,889, respectively. The balance in the fund is offset by a deferred inflow of resources for the accumulated provision for rate refund. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2016 was \$75,376,417 of which West Boylston Municipal Light Plant's ownership was approximately 4.5%.

NOTE 9 – PURCHASED POWER WORKING CAPITAL:

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), the Lighting Plant's power supply agent. The implementation of the Working Capital Program began August 1, 1985. MMWEC participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that they hold a set amount of capital from which it may pay power obligations when they are due. They replenish the fund as needed from the monthly invoice payments. The income earned allocated to the Lighting Plant is applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2016 and 2015 is \$964,569 and \$957,500, respectively.

NOTE 10 – MMWEC PARTICIPATION:

The Town of West Boylston, acting through its Lighting Plant, is a participant in certain projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

West Boylston Municipal Lighting Plant has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Lighting Plant is required to make certain payments to MMWEC payable solely from Lighting Plant 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).

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 11 – RISK MANAGEMENT:

Self-Insurance Trust

West Boylston Lighting Plant participates in Massachusetts Municipal Self-Insurance Trust Fund (the Trust) with 17 other municipalities for the purpose of sharing excess liability and officers' liability risks. General liability coverage provides for \$500,000 per occurrence, with a \$50,000 deductible that would be paid by the Plant. Environmental insurance coverage provides for \$1,500,000 per occurrence, with a \$100,000 deductible that would be paid by the Plant and the Trust Fund. Each participating municipality contributes an annual premium to the Trust based on frequency and severity of claims and share of the group's total kilowatt-hour sales. Payments for claims over the deductible limit are funded by trust assets or, if required, additional contributions from the participants.

Generally accepted accounting principles require that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2016 and 2015, the Lighting Plant considers its pro rata share of these losses to be immaterial to its financial statements.

NOTE 12 – LEASE COMMITMENT:

During 2016, West Boylston Municipal Light Plant entered into a twenty-five year lease to lease land from the Town of West Boylston. The amount the Lighting Plant is required to pay is \$10,000 per year and is due the first of the year. For 2016 there was no rent expense related to this lease.

Future minimum lease payments are as follows:

2017	\$	10,000
2018		10,000
2019		10,000
2020		10,000
2021		10,000
Thereafter		<u>200,000</u>
Total	\$	<u>250,000</u>

NOTE 13 – POOLED FINANCING LOAN:

As of August 2016 WBMLP entered into a Pooled Loan Program Agreement with the Massachusetts Municipal Wholesale Electric Company (MMWEC) for the purpose of financing the construction of a solar facility. Interest only is due monthly at a fixed interest rate of 1.75% per annum. The outstanding principal balance as of December 31, 2016 was \$4,649,198. For December 31, 2016, capitalized interest amounted to \$63,527. This loan was subsequently termed out. See Note 23.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 13 – POOLED FINANCING LOAN (Continued):

	<u>2016</u>
Note Payable with Pooled Loan with MMWEC payable in monthly installments including a fixed interest rate of 3.15%. Due March 2032.	\$ 4,649,198
Less: Current Maturities	<u>(260,006)</u>
Long-Term Notes Payable, Less Current Portion	<u>\$ 4,389,192</u>

Maturities of the note payable are shown as follows:

2017	\$ 260,006
2018	312,007
2019	312,007
2020	312,007
2021	312,007
Thereafter	<u>3,141,164</u>
Total	<u>\$ 4,649,198</u>

At the inception of the loan, MMWEC was required to collect 10% of the initial borrowing amount to be deposited into a Reserve Requirement Account to serve as collateral for the bank. MMWEC is also required to collect 10% of the amount of interest due monthly from each Pooled Loan Participant to further fund the Reserve Requirement Account. These funds will either be returned to WBMLP, or used as the final loan payments at the end of the amortization period. The balance in the Pooled Financing Account, which includes both the required reserve amount as well any available funds to be spent as of December 31, 2016 was \$1,032,338.

NOTE 14 – BOND PAYABLE:

On March 21, 2013 the Town issued \$4,300,000 of general obligation bonds, of which \$2,000,000 was allocated to the Lighting Plant. The proceeds for the advances were to be used to pay for capital additions related to a new Temple Street Substation Project. The bond has a 15-year life. The interest rates range from 1.00% to 2.25% over the term of the bond.

At December 31, 2016 and 2015, the amount outstanding was \$1,460,000 and \$1,595,000, respectively. Interest expense relating to this bond was \$32,122 and \$34,550 at December 31, 2016 and 2015, respectively.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 14 – BOND PAYABLE (Continued):

Maturities of the bonds are shown as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For Years Ending December 31,	2017	\$ 135,000	\$ 29,150	\$ 164,150
	2018	135,000	26,450	161,450
	2019	135,000	23,750	158,750
	2020	135,000	21,050	156,050
	2021	135,000	18,350	153,350
	2022-2026	655,000	50,588	705,588
	2027	<u>130,000</u>	<u>1,463</u>	<u>131,463</u>
	Total	1,460,000	<u>\$ 170,801</u>	<u>\$ 1,630,801</u>
Plus: Unamortized Net Premiums		19,945		
Less: Current Maturities of Long Term Debt		<u>136,898</u>		
		<u>\$ 1,343,047</u>		

NOTE 15 – ADVANCES TO MMLD SOLAR ENERGY COOPERATIVE CORPORATION:

West Boylston Municipal Lighting Plant has advanced amounts to the Cooperative in order to pay for development costs associated with the West Boylston Facilities, as well as some construction costs that were in excess of the bond proceeds. There are no specific repayment terms. As of December 31, 2016 and 2015, the total advance to the Cooperative was \$815,564.

NOTE 16 – RELATED PARTY TRANSACTIONS:

In the ordinary course of business, the Lighting Plant sells electricity to various Town departments. During the years ended December 31, 2016 and 2015, sales to these departments totaled \$427,922 and \$420,378, respectively. At December 31, 2016 and 2015, the amounts due from these departments were \$18,570 and \$62,342, respectively.

During the years ended December 31, 2016 and 2015, the Lighting Plant reimbursed the Town \$453,363 and \$439,277, respectively. At December 31, 2016 and 2015, amounts payable to the town were \$602 and \$1,417, respectively.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 17 – UTILITY PLANT ASSETS:

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 666,428	\$ -	\$ -	\$ 666,428
Construction in Progress	<u>31,494</u>	<u>-</u>	<u>(24,902)</u>	<u>6,592</u>
Capital Assets Not Being Depreciated	<u>697,922</u>	<u>-</u>	<u>(24,902)</u>	<u>673,020</u>
Capital Assets Being Depreciated:				
Distribution Plant	9,010,612	338,396	(50,223)	9,298,785
General Plant	2,491,496	67,142	(50,527)	2,508,111
Generation Plant	<u>1,869,639</u>	<u>4,380,120</u>	<u>-</u>	<u>6,249,759</u>
Total	<u>13,371,747</u>	<u>4,785,658</u>	<u>(100,750)</u>	<u>18,056,655</u>
Less Accumulated Depreciation For:				
Distribution Plant	(5,597,060)	(269,259)	50,223	(5,816,096)
General Plant	(1,744,597)	(74,744)	50,527	(1,768,814)
Generation Plant	<u>(385,232)</u>	<u>(74,784)</u>	<u>-</u>	<u>(460,016)</u>
Total Accumulated Depreciation	<u>(7,726,889)</u>	<u>(418,787)</u>	<u>100,750</u>	<u>(8,044,926)</u>
Capital Assets Being Depreciated, Net	<u>5,644,858</u>	<u>4,366,871</u>	<u>-</u>	<u>10,011,729</u>
Utility Plant Assets, Net	<u>\$ 6,342,780</u>	<u>\$ 4,366,871</u>	<u>\$ -</u>	<u>\$ 10,684,749</u>

NOTE 18 – NET INVESTMENT IN CAPITAL ASSETS:

	<u>2016</u>	<u>2015</u>
Cost of Capital Assets Acquired	\$ 18,729,675	\$ 14,069,669
Less: Accumulated Depreciation	(8,044,926)	(7,726,889)
Less: Outstanding Debt Related to Capital Assets	<u>(6,815,829)</u>	<u>(2,372,204)</u>
Net Investment in Capital Assets	<u>\$ 3,868,920</u>	<u>\$ 3,970,576</u>

NOTE 19 – PENSION PLAN:

Plan Description-The Lighting Plant, through the Town of West Boylston, is a member of the Worcester Regional Retirement System which, in turn, is a member of the Massachusetts Contributory Retirement System which 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

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 19 – PENSION PLAN (Continued):

plan is a cost-sharing multiple-employer contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by teachers' retirement board. The Plan's separately issued financial statements can be obtained by contacting Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Benefits Provided-The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of member's highest three-year average annual rate of regular compensation. For members 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. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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 twenty years of service or upon reaching the age of 55 with ten years of service if hired after 1978 and if classified in group 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, 55 years of age with 10 years of service if in group 2, and 55 years of age if classified in group 4 or hired prior to 1978. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions 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 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 state 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 contributions. 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- Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. The Plant is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
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NOTE 19 – PENSION PLAN (Continued):

the member units based on the actuarial study. The actuarially determined Plant contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Plant's required contribution to the System for the years ended December 31, 2016 and 2015 were \$173,511 and \$158,098, respectively, which were paid during calendar year 2015 and 2014, respectively.

Pension Liabilities- At December 31, 2016 and 2015, the Lighting Plant reported a liability of \$2,737,718 and \$2,380,599 for its proportionate share of the net pension liability. The 2016 and 2015 net pension liability was measured as of December 31, 2015 and 2014, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2014. The Town'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 and 2014, the Town's proportion was 2.06% and 2.25%, respectively. The Plant's portion of the net pension liability was based on the percentage of the Plant's contributions to the total Town's contributions as of the measured date of December 31, 2015 and 2014. At the measured date of December 31, 2015 and 2014, the Plant's portion was 18.69% and 17.81%, respectively, of the Town's total contributions.

Pension Expense- For the years ended December 31, 2016 and 2015, the Plant recognized a pension expense of \$366,703 and \$212,982, respectively. For the years ended December 31, 2016 and 2015, the Plant reported deferred outflows of resources related to pensions of \$524,309 and \$174,943, respectively, consisting of the differences between projected and actual investment earnings which amounted to \$135,189 and \$1,432, respectively, changes in assumptions of \$101,222 and zero, respectively, changes in proportion and differences between employer contributions and proportionate share of contributions at the Plant level of \$98,144 and zero, respectively, and the amount paid for contributions made subsequent to the measurement date which amounted to \$189,754 and \$173,511, respectively. For the years ended December 31, 2016 and 2015, the Plant reported deferred inflows of resources related to pensions of \$169,196 and zero, respectively, consisting of changes in proportion and differences between employer contributions and proportionate share of contributions at the Plan level.

The Plant's net amortization of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ended December 31:	2017	\$	44,778
	2018		44,778
	2019		44,778
	2020		44,777
	2021		<u>(13,752)</u>
	Total	\$	<u>165,359</u>

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 19 – PENSION PLAN (Continued):

Actuarial Assumptions-The total pension liability as of December 31, 2016 and 2015 was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	<i>Unfunded Actuarial Accrued Liability (UAL):</i> Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035.
Amortization Method (continued)	<i>Early Retirement Incentive Programs (ERI) for 2002 and 2003:</i> Increasing dollar amount at 4.5% to reduce the unfunded Actuarial Accrued Liability attributable to ERI to zero on or before June 30, 2028. <i>Early Retirement Incentive Program (ERI) for 2010:</i> Level dollar amount to reduce the Unfunded Actuarial Accrued Liability attributable to ERI to zero on or before June 30, 2022.
Remaining Amortization Period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (8 years)
Asset Valuation Method	The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of: <ul style="list-style-type: none"> a. 80% of gains and losses of the prior year, b. 60% of gains and losses of the second prior year, c. 40% of gains and losses of the third prior year and d. 20% of gains and losses of the fourth prior year
Inflation Rate	Not explicitly assumed
Projected Salary Increases	The assumed rates for salary increases including longevity is 3% .
Cost of Living Allowance	Cost-of Living Allowances (COLA) are assumed to be 3% of the pension amount, capped at \$480 per year. Previously, capped at \$420.
Rates of Retirement	Varies based upon age for general employees, police and fire employees.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19 – PENSION PLAN (Continued):

Actuarial Assumptions (continued)

Mortality Rates:

Healthy Retirees	RP-2000 Mortality Table Projected to 2014 with Scale AA.
Disabled Retirees	RP-2000 Mortality Table set forward two years for disabled members.

Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation
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Annuity Savings Fund Interest Rate	2.00% per year
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Investment Policy- The Plan's asset allocation policies are established by Public Reserve Investment Trust (PRIT). Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major category asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan's target asset allocation as of the measured date of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40%	8.02%
Fixed Income	23%	5.09%
Private Equity	10%	9.50%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	7.07%
Hedge Funds	9%	6.50%
Other	4%	6.18%

*Discount Rate-*The discount rate used to measure the total pension liability was 7.75% for 2016 and 8% for 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers 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 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.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
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NOTE 19 – PENSION PLAN (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the Net Pension Liability	\$ 3,296,252	\$ 2,737,718	\$ 2,263,459

Pension Plan Fiduciary Net Position- Detailed information about the pension plan's fiduciary net position is available in the separately issued Worcester Regional Retirement System financial report.

NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS TRUST FUND:

The Other Postemployment Benefits Liability Trust Fund was established by vote of the Board of Light Commissioners. The Board voted to accept the provisions of MGL Chapter 32B, Section 20 which establishes a separate Fund and a funding schedule for the Fund.

The schedule and any future updates shall be designed, consistent with standards issued by the Government Accounting Standards Boards, to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The Fund is held under the custodianship of the Treasurer of the Massachusetts Municipal Wholesale Electric Company (MMWEC). The balance in the Trust as of December 31, 2016 and 2015 was \$670,436 and \$619,712, respectively.

For the year ended December 31, 2016, the Trust implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, which provides a definition of fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plant has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
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NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

Level 2 (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2016.

- Mutual Funds:
Valued at closing price as reported on the active market on which the individual funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plant's management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth, by level within the fair value hierarchy, the Plant's investments at fair value at December 31, 2016. As of December 31, 2016, the Plant did not have any investments that were measured using Level 2 or Level 3 inputs.

	December 31, 2016 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>	
Mutual Funds	\$ 636,708
<u>Other Securities:</u>	
Money Market	33,728
Total	<u>\$ 670,436</u>
<u>Gain (Loss) on Investments</u>	
	<u>2016</u>
Realized Loss on Investments	\$ (35,696)
Unrealized Gain on Investments	<u>74,993</u>
Gain on Investments	<u>\$ 39,297</u>

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

As of December 31, 2016, there were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represented 5% or more of total investments.

NOTE 21 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

December 31, 2008 was the initial year that West Boylston Municipal Lighting Plant (WBMLP) implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As allowed by GASB 45, the Lighting Plant has established the net OPEB obligation at zero at the beginning of the transition year and has applied the measurement recognition requirements of GASB 45 on a prospective basis.

Plan Description. The Plant participates in the town sponsored single employer defined benefit health plan. The Plant provides certain health care and life insurance benefits for eligible retirees, spouses and dependents. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

As of June 30, 2016, WBMLP's membership consisted of the following:

Current retirees, beneficiaries and dependents	15
Current active members	<u>9</u>
Total	<u><u>24</u></u>

Funding Policy. WBMLP recognizes the cost of providing these benefits, in accordance with government accounting standards, on a full prefunding basis for 2016 and a pay-as-you-go basis for 2015, by expensing the annual insurance premiums charged WBMLP by the Town, which aggregated approximately \$203,782 and \$205,421 for the years ended December 31, 2016 and 2015. The cost of providing these benefits for retirees is not readily separable from the costs for active employees. Retired plan members and beneficiaries contribution rates vary by individual based on the health plan they are enrolled in.

Annual OPEB Costs. The Plant's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Plant's annual OPEB cost for the year ending December 31, 2016, the amount actually contributed to the plan, and changes in the Plant's net OPEB obligation based on an actuarial valuation as of June 30, 2016 are presented on the following page.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 56,892	\$ 126,127
Interest on net OPEB obligation	4,714	28,455
Amortization of net OPEB obligation	<u>(3,136)</u>	<u>(25,653)</u>
Annual OPEB cost	58,470	128,929
Expected benefit payments	<u>(86,095)</u>	<u>(93,145)</u>
Increase in net OPEB obligation	(27,625)	35,784
Net OPEB Obligation-Beginning of year	<u>117,854</u>	<u>82,070</u>
Net OPEB Obligation-End of year	<u>\$ 90,229</u>	<u>\$ 117,854</u>

The Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 125,846	568.2%	\$ 82,070
2015	\$ 128,929	72.2%	\$ 117,854
2016	\$ 58,470	147.2%	\$ 90,229

Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The funded status is as follows:

Actuarial accrued liability (AAL)	\$ 1,298,041
Value of plan assets	<u>(670,436)</u>
Unfunded actuarial accrued liability	\$ 627,605
Funded Ratio (actuarial value of plan assets/AAL)	51.65%
Covered Payroll (active plan members)	\$ 782,817
UAAL as a percentage of covered payroll	80.17%

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the plan 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 the plan members to that point.

As of the June 30, 2016 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 5.5% initially, reduced by decrements to an ultimate rate of 4.5%. The Plant's unfunded actuarial accrued liability is being amortized assuming 30 year closed basis.

NOTE 22 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT SOLAR ENERGY
COOPERATIVE CORPORATION (COOPERATIVE):

The significant accounting policies of the Massachusetts Municipal Light Department Solar Energy Cooperative Corporation (Cooperative) are as follows:

Reporting Entity

The Cooperative is organized under Chapter 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and the West Boylston Municipal Lighting Plant (WBMLP) for the purpose of financing, owning, constructing and operating solar generation facilities located in the town of West Boylston, Massachusetts (West Boylston Facilities).

The powers of the Cooperative are exercised by the Board of Directors who has the right to conduct business and carry on operations. The Board of Directors is comprised of one director who represents MMWEC and two or more Directors who represent the WBMLP.

Nature of Operations

The Cooperative is a self-sustaining 369.6 kilowatt solar photovoltaic energy project, comprised of 1,760 solar panels installed at the intersection of Paul X. Tivnan Road and Shrewsbury Street in West Boylston, Massachusetts. The Cooperative provides both operational and financial value to the WBMLP by delivering clean, renewable electricity to its customers.

Regulation and Basis of Accounting

The financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Fair Value of Financial Instruments

The Cooperative's financial instruments consist of cash and cash equivalents, accounts payable and accrued expenses and debt instruments. The estimated fair values of these financial instruments approximate their carrying values at December 31, 2016 and 2015. The estimated fair values have been determined through information obtained from market sources and management estimates.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 22 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT SOLAR ENERGY
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Depreciation

Property and equipment is stated at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives using straight line method. Depreciation expense for 2016 and 2015 was \$74,784.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2016 presentation.

Advances from West Boylston Municipal Lighting Plant

WBMLP has advanced amounts to the Cooperative in order to pay for development costs associated with the West Boylston Facilities that are in excess of the bond proceeds. The advances are classified as long term as repayment is not anticipated within the current year. There are no specific repayment terms. As of December 31, 2016 and 2015, the total advances to the Cooperative were \$815,564.

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.

Prepaid Insurance

Prepaid insurance represents insurance premiums paid in the current fiscal year benefiting future periods.

Amounts Recoverable/Payable in the Future

The difference between revenues received and expenses paid are charged to the amounts recoverable/payable in the future account which is reflected as either a deferred inflow or outflow of resources in the accompanying statements of net position. Such amounts will be recovered or settled through future billings.

Revenues and Expenses

The Cooperative distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the Cooperative will be the contract charges to the WBMLP and the Solar Renewal Energy Credits issued for the electricity generated from the solar electric system. Operating expenses for the Cooperative currently include insurance, services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Taxes

The Cooperative is exempt from federal income taxes.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 22 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT SOLAR ENERGY
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Custodial Credit Risk

In the event of a bank failure, the Cooperative's deposits may not be returned. The Cooperative's funds on deposit with financial institutions are subject to the insurance coverage limits by the Federal Deposit Insurance Corporation (FDIC) and the Deposit Insurance Fund of Massachusetts (DIF).

Related Parties:

On behalf of the Cooperative, MMWEC records and accounts for bills received and paid. MMWEC is accounting for monthly contract charges rendered and payments received from the WBMLP.

The Cooperative entered into an agency contract with MMWEC on October 22, 2008, under which MMWEC is serving as the Cooperative's agent in all matters with respect to financing the construction, purchase, ownership, lease or other acquisition by the Cooperative of the West Boylston Facilities or energy generated from other facilities and other property or interest therein.

The Cooperative entered into a service contract with MMWEC on June 29, 2010, under which MMWEC is serving as the Cooperative's agent to provide financing, administrative and other services relating to the West Boylston Facilities.

Under both the agency and service contract, MMWEC is to serve as the Cooperative's representative in the New England Power Pool (NEPOOL) and in matters relating to ISO New England, Inc. (ISO-NE) in connection with the West Boylston Facilities, the purchase and sale of energy there or from other facilities and other property or interests therein.

During the years ended December 31, 2016 and 2015, the Cooperative incurred charges of \$8,583 and \$6,051, respectively, for services provided by or paid by MMWEC on behalf of the Cooperative. As of December 31, 2016 and 2015, the Cooperative had an outstanding balance due to MMWEC of \$3,693 and \$1,125, respectively.

WBMLP made advances to the Cooperative to fund project costs. As of December 31, 2016 and 2015, the Cooperative has an outstanding balance due to WBMLP of \$815,564.

As disclosed in Note 4, the Cooperative entered into a lease agreement with the WBMLP and is required to make annual rental payments under the agreement.

Debt:

In June 2010, the Cooperative obtained a Clean Renewable Energy Bond (CREB) in the amount of \$1,167,367 to provide term financing for the installation and operation of the West Boylston Facilities. The CREB has a payment term of up to sixteen years but not greater than the maximum term for a clean renewable energy bond as determined by the U.S. Treasury Department. Principal payments are due in equal installments of \$68,669 commencing on December 30, 2010 and then on December 30 of each year thereafter. All principal and accrued interest thereon shall be due and payable on demand on June 29, 2026. Interest on the CREB is fixed at 2% and is payable in semi-annual installments on June 30 and December 30 of each year. Interest expense for 2016 and 2015 was \$15,363 and \$16,736, respectively. The CREB is collateralized by the equipment and the purchase power agreement (PPA) with the West Boylston Municipal Lighting Plant. As of December 31, 2016 and 2015, the outstanding CREB balance was \$686,686 and \$755,355, respectively.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
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NOTE 22 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT SOLAR ENERGY
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Debt (continued):

The following is a summary of total debt service requirements for the CREB outstanding:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For Years Ending December 31,	2017	\$ 68,669	\$ 13,924	\$ 82,593
	2018	68,669	12,532	81,201
	2019	68,669	11,140	79,809
	2020	68,669	9,774	78,443
	2021	68,669	8,355	77,024
	2022-2026	<u>343,341</u>	<u>20,196</u>	<u>363,537</u>
	Total	<u>\$ 686,686</u>	<u>\$ 75,921</u>	<u>\$ 762,607</u>

Commitments and Contingencies:

Lease Agreement

The Cooperative entered into a 20 year lease agreement on June 29, 2010 with the WBMLP. Under the lease agreement, the Cooperative may finance, purchase, acquire, own, hold, install and maintain, or cause to be installed and maintained, a ground-mounted photovoltaic installation for the production of solar energy on the West Boylston Facilities. This lease agreement requires monthly lease payments of \$1 each month for the term of the lease.

NOTE 23 – SUBSEQUENT EVENT:

Management has evaluated subsequent events through March 31, 2017, the date on which the financial statements were available to be issued. On March 21, 2017 the Plant termed out its Pooled Financing Loan Agreement through MMWEC.

NOTE 24 – CONTINGENCIES AND LIABILITIES:

Legal and Environmental Matters

The Lighting Plant is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment. These standards affect the citing of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on the Lighting Plant's operations in the past and they will continue to have an impact on future operations, capital costs and construction.

Berkshire Wind Cooperative Corporation Contingencies and Liabilities

The West Boylston Municipal Light Plant (Plant), is a Member of the Berkshire Wind Cooperative Corporation (Cooperative).

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 24 – CONTINGENCIES AND LIABILITIES (Continued):

Berkshire Wind Cooperative Corporation Contingencies and Liabilities (continued):

The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 14 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative has constructed and installed 10 1.5-megawatt wind turbines at the Berkshire Wind Facility. The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency Fund. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Cooperative has issued revenue bonds, which are payable solely from, and secured solely by, the revenues derived from the Berkshire Wind Facility. The revenues are used solely to provide for the payment of any bond issue relating to the Berkshire Wind Facility and to pay the Cooperative's cost of owning and operating the Berkshire Wind Facility.

The West Boylston Municipal Light Plant has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under the PPA, the Plant is required to make certain payments to the Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the Plant is required to pay to the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of December 31, 2016, total capital expenditures for the Berkshire Wind Facility amounted to \$59,256,145, of which \$3,185,000, presents the amount associated with the Plant share of the Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the Plant. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$52,855,000, of which \$2,841,000 is associated with the Plant share of Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the Plant. As of December 31, 2016, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$75,587,000, of which \$4,063,000 is anticipated to be billed to the Plant in the future.

The estimated aggregate amount of the West Boylston Municipal Light Plant required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2016 and estimated for future years is shown on the next page.

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NOTE 24 – CONTINGENCIES AND LIABILITIES (Continued):

Berkshire Wind Cooperative Corporation Contingencies and Liabilities (continued):

		<u>ANNUAL COSTS</u>
For the years ended December 31,	2017	\$ 290,000
	2018	290,000
	2019	290,000
	2020	290,000
	2021	290,000
	2022 to 2026	1,452,000
	2027 to 2030	<u>1,161,000</u>
	TOTAL	<u>\$ 4,063,000</u>

Other Power Supply

The Lighting Plant has entered into a Service Agreement with MMWEC, under which MMWEC performs bulk power supply services to the Lighting Plant, including services related to owned generation, purchased power contracts or other power supply arrangements.

Under the terms of the Service Agreement, the Lighting Plant is committed to purchase additional power through MMWEC in the amount of \$697,745 in 2017, \$320,086 in 2018 and \$268,025 in 2019.

MMWEC Contingencies and Liabilities

Through membership in MMWEC, the Lighting Plant is contingently liable on various projects, which it participates as detailed as to follow.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
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NOTE 24 – CONTINGENCIES AND LIABILITIES (Continued):

MMWEC Contingencies and Liabilities (continued):

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

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

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

As of December 31, 2016, total capital expenditures amounted to \$1,636,374,000, of which \$24,291,000 represents the amount associated with the Plant's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$55,795,000, of which \$670,000 is associated with the Plant's share of Project Capability. As of December 31, 2016, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$59,281,000, of which \$709,000 is anticipated to be billed to the Plant in the future.

The aggregate amount of West Boylston Municipal Lighting Plant's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2016 and estimated for future years is shown below.

		<u>ANNUAL COSTS</u>
For the years ended December 31,	2017	\$ 587,000
	2018	66,000
	2019	<u>56,000</u>
	Total	<u>\$ 709,000</u>

In addition, under the PSAs, the Plant is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Plant's total O&M costs including debt service under the PSAs were \$2,273,000 and \$2,509,000 for the years ended December 31, 2016 and 2015, respectively.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(\$000)

PROJECTS	PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES TO DATE	PARTICIPANT'S SHARE	DEBT ISSUED & OUTSTANDING 12/31/2016	PARTICIPANT'S SHARE	TOTAL DEBT SERVICE ON BONDS OUTSTANDING	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3041	\$ 59,762	\$ 1,377	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.4135	174,182	2,462	-	-	-	-
Nuclear Mix No. 1-SBK	1.3587	14,443	196	-	-	-	-
Nuclear Mix No. 1-MLS	1.3587	120,538	1,638	-	-	-	-
Nuclear Project No. 3-MLS	1.7956	152,231	2,733	6,540	117	6,984	125
Nuclear Project No. 4-SBK	2.9080	351,298	10,216	8,455	246	8,802	256
Nuclear Project No. 5-SBK	0.7204	95,231	686	2,970	21	3,119	22
Wyman Project	-	8,805	-	-	-	-	-
Project No. 6-SBK	0.7552	659,884	4,983	37,830	286	40,376	306
TOTAL		<u>\$ 1,636,374</u>	<u>\$ 24,291</u>	<u>\$ 55,795</u>	<u>\$ 670</u>	<u>\$ 59,281</u>	<u>\$ 709</u>

PROJECTS	PERCENTAGE SHARE	OPERATION & MAINTENANCE 12/31/2015	PARTICIPANT'S SHARE	OPERATION & MAINTENANCE 12/31/2016	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3041	\$ 3,730	\$ 86	\$ 4,008	\$ 92
Stony Brook Intermediate Project	1.4135	40,083	567	28,039	396
Nuclear Mix No. 1-SBK	1.3587	576	8	723	10
Nuclear Mix No. 1-MLS	1.3587	6,369	87	6,038	82
Nuclear Project No. 3-MLS	1.7956	27,329	491	22,939	412
Nuclear Project No. 4-SBK	2.9080	28,086	817	27,748	807
Nuclear Project No. 5-SBK	0.7204	7,530	54	7,615	55
Wyman Project	-	2,591	-	961	-
Project No. 6-SBK	0.7552	52,773	399	55,538	419
TOTAL		<u>\$ 169,067</u>	<u>\$ 2,509</u>	<u>\$ 153,609</u>	<u>\$ 2,273</u>

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(\$000)

PROJECTS	PERCENTAGE SHARE	2017 ANNUAL COST	PARTICIPANT'S SHARE	2018 ANNUAL COST	PARTICIPANT'S SHARE	2019 ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.4135	-	-	-	-	-	-
Nuclear Mix No. 1-SBK	1.3587	-	-	-	-	-	-
Nuclear Mix No. 1-MLS	1.3587	-	-	-	-	-	-
Nuclear Project No. 3-MLS	1.7956	3,639	65	3,345	60	-	-
Nuclear Project No. 4-SBK	2.9080	8,802	256	-	-	-	-
Nuclear Project No. 5-SBK	0.7204	2,884	21	235	2	-	-
Wyman Project	-	-	-	-	-	-	-
Project No. 6-SBK	0.7552	32,417	245	503	4	7,456	56
TOTAL		\$ 47,742	\$ 587	\$ 4,083	\$ 66	\$ 7,456	\$ 56

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS

OPERATING FUND

Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	For the Year Ending	Plan Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
6/30/2008	12/31/2008	\$ -	\$ 2,669,414	\$ 2,669,414	0.00%	\$ 765,012	348.94%
6/30/2008	12/31/2009	\$ -	\$ 2,669,414	\$ 2,669,414	0.00%	\$ 801,230	333.16%
6/30/2010	12/31/2010	\$ -	\$ 2,274,778	\$ 2,274,778	0.00%	\$ 725,833	313.40%
6/30/2010	12/31/2011	\$ -	\$ 2,274,778	\$ 2,274,778	0.00%	\$ 749,359	303.56%
6/30/2012	12/31/2012	\$ -	\$ 2,088,118	\$ 2,088,118	0.00%	\$ 749,359	278.65%
6/30/2012	12/31/2013	\$ -	\$ 2,088,118	\$ 2,088,118	0.00%	\$ 727,626	286.98%
6/30/2014	12/31/2014	\$ 626,844	\$ 2,173,106	\$ 1,546,262	28.85%	\$ 731,618	211.35%
6/30/2014	12/31/2015	\$ 619,712	\$ 2,173,106	\$ 1,553,394	28.52%	\$ 780,072	199.13%
6/30/2016	12/31/2016	\$ 670,436	\$ 1,298,041	\$ 627,605	51.65%	\$ 782,817	80.17%

Schedule of Actuarial Methods and Assumptions

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

Actuarial Methods:

Valuation Date:	6/30/2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year closed basis
Remaining Amortization Period	21 years

Actuarial Assumptions

Assumed Retirement	Age 55
Discount Rate	7.50%
Projected Salary Increases	3.00%
Healthcare Cost Trend Rate	5.5% initially reduced by decrements to an ultimate rate of 4.5%

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

OPERATING FUND

Schedule of the Plant's Proportionate Share of the Net Pension Liability (NPL)

Actuarial Valuation Date	Measurement Date	For the Year Ending	Plant's Portion of the NPL	Plant's Proportionate Share of the NPL	Plant's Total Employee Payroll	NPL as a Percentage of Total Employee Payroll	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability
1/1/2014	12/31/2014	12/31/2015	0.4001%	\$ 2,380,599	\$ 780,072	305.18%	47.94%
1/1/2014	12/31/2015	12/31/2016	0.3856%	\$ 2,737,718	\$ 782,817	349.73%	44.52%

Schedule of Contributions

Actuarial Valuation Date	Measurement Date	For the Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Plant's Total Employee Payroll	Contribution as a Percentage of Plant's Total Employee Payroll
1/1/2014	12/31/2014	12/31/2015	\$ 158,098	\$ (158,098)	\$ -	\$ 780,072	20.27%
1/1/2014	12/31/2015	12/31/2016	\$ 173,511	\$ (173,511)	\$ -	\$ 782,817	22.16%

Note: These schedules are 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 Independent Auditors' Report

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

OPERATING FUND

NOTE A – PENSION PLAN

Changes of Benefit Terms

The Athol Retirement System was dissolved effective January 1, 2015. All assets and liabilities were transferred to the Worcester Regional Retirement System.

Changes of Assumptions

The long term rate of investment return was decreased from 8% to 7.75%.

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2016</u>				<u>2015</u>			
	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
CURRENT ASSETS:								
Funds on Deposit with Town Treasurer								
Operating Cash	\$ 4,205,661	\$ 69,936	\$ -	\$ 4,275,597	\$ 4,159,265	\$ 56,130	\$ -	\$ 4,215,395
Funds on Deposit with MMWEC								
Pooled Financing	1,032,338	-	-	1,032,338	-	-	-	-
Petty Cash	1,800	-	-	1,800	1,800	-	-	1,800
Customer Accounts Receivable, Net	180,891	-	-	180,891	145,554	-	-	145,554
Accounts Receivable - Other	233,884	106,046	(106,046)	233,884	382,981	95,670	(95,670)	382,981
Interest Receivable	8,175	-	-	8,175	6,085	-	-	6,085
Unbilled Revenue	703,928	-	-	703,928	584,608	-	-	584,608
Materials and Supplies	269,973	-	-	269,973	285,091	-	-	285,091
Prepaid Expenses	14,204	4,542	-	18,746	36,590	5,790	-	42,380
Prepaid Purchased Power	85,379	-	-	85,379	113,772	-	-	113,772
Purchased Power Working Capital	964,569	-	-	964,569	957,500	-	-	957,500
 TOTAL CURRENT ASSETS	 <u>7,700,802</u>	 <u>180,524</u>	 <u>(106,046)</u>	 <u>7,775,280</u>	 <u>6,673,246</u>	 <u>157,590</u>	 <u>(95,670)</u>	 <u>6,735,166</u>
NONCURRENT ASSETS:								
Funds on Deposit with Town Treasurer								
Customer Deposits	138,850	-	-	138,850	139,342	-	-	139,342
Depreciation Fund	1,531,451	-	-	1,531,451	1,181,286	-	-	1,181,286
Investments	2,798	-	-	2,798	2,798	-	-	2,798
Advances to MMLD Solar Energy Cooperative Corporation	815,564	-	(815,564)	-	815,564	-	(815,564)	-
Rate Stabilization Fund	3,362,884	-	-	3,362,884	3,319,889	-	-	3,319,889
Utility Plant Assets, Net	9,275,126	1,409,623	-	10,684,749	4,858,373	1,484,407	-	6,342,780
 TOTAL NONCURRENT ASSETS	 <u>15,126,673</u>	 <u>1,409,623</u>	 <u>(815,564)</u>	 <u>15,720,732</u>	 <u>10,317,252</u>	 <u>1,484,407</u>	 <u>(815,564)</u>	 <u>10,986,095</u>
 TOTAL ASSETS	 <u>22,827,475</u>	 <u>1,590,147</u>	 <u>(921,610)</u>	 <u>23,496,012</u>	 <u>16,990,498</u>	 <u>1,641,997</u>	 <u>(911,234)</u>	 <u>17,721,261</u>
DEFERRED OUTFLOWS OF RESOURCES:								
Deferred Outflows of Resources Related to Pensions	524,309	-	-	524,309	174,943	-	-	174,943
Amounts Recoverable in the Future	-	63,853	(63,853)	-	-	57,738	(57,738)	-
 TOTAL DEFERRED OUTFLOW OF RESOURCES	 <u>524,309</u>	 <u>63,853</u>	 <u>(63,853)</u>	 <u>524,309</u>	 <u>174,943</u>	 <u>57,738</u>	 <u>(57,738)</u>	 <u>174,943</u>
NET ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,351,784</u>	<u>\$ 1,654,000</u>	<u>\$ (985,463)</u>	<u>\$ 24,020,321</u>	<u>\$ 17,165,441</u>	<u>\$ 1,699,735</u>	<u>\$ (968,972)</u>	<u>\$ 17,896,204</u>

See Independent Auditors' Report

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2016</u>				<u>2015</u>			
	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
CURRENT LIABILITIES:								
Accounts Payable	\$ 567,660	\$ 3,693	\$ 992	\$ 572,345	\$ 658,457	\$ 1,125	\$ (9,048)	\$ 650,534
Accrued Expenses	757,044	-	-	757,044	150,049	-	-	150,049
Pooled Financing Loan	260,006	-	-	260,006	-	-	-	-
Bond Payable	136,898	68,669	-	205,567	136,903	68,669	-	205,572
TOTAL CURRENT LIABILITIES	1,721,608	72,362	992	1,794,962	945,409	69,794	(9,048)	1,006,155
NONCURRENT LIABILITIES:								
Customer Deposits	138,850	-	-	138,850	139,342	-	-	139,342
Net Pension Liability	2,737,718	-	-	2,737,718	2,380,599	-	-	2,380,599
Other Post Employment Benefit Obligation	90,229	-	-	90,229	117,854	-	-	117,854
Pooled Financing Loan, Net of Current Portion	4,389,192	-	-	4,389,192	-	-	-	-
Bond Payable, Net of Current Portion	1,343,047	618,017	-	1,961,064	1,479,946	686,686	-	2,166,632
Advances from West Boylston Municipal Lighting Plant	-	815,564	(815,564)	-	-	815,564	(815,564)	-
TOTAL NONCURRENT LIABILITIES	8,699,036	1,433,581	(815,564)	9,317,053	4,117,741	1,502,250	(815,564)	4,804,427
TOTAL LIABILITIES	10,420,644	1,505,943	(814,572)	11,112,015	5,063,150	1,572,044	(824,612)	5,810,582
DEFERRED INFLOWS OF RESOURCES:								
Deferred Inflows of Pensions	169,196	-	-	169,196	-	-	-	-
Billings in Excess of Costs to Participants	-	148,057	(148,057)	-	-	127,691	(127,691)	-
Amounts Recoverable/Payable in the Future	63,853	-	(63,853)	-	57,738	-	(57,738)	-
Purchase Power Adjustment	833,846	-	-	833,846	1,410,079	-	-	1,410,079
Reserve for Rate Stabilization	3,903,653	-	-	3,903,653	3,860,658	-	-	3,860,658
TOTAL DEFERRED INFLOWS OF RESOURCES	4,970,548	148,057	(211,910)	4,906,695	5,328,475	127,691	(185,429)	5,270,737
NET POSITION:								
Net Investment in Capital Assets	3,145,983	722,937	-	3,868,920	3,241,524	729,052	-	3,970,576
Net Position Restricted for Depreciation	1,531,451	-	-	1,531,451	1,181,286	-	-	1,181,286
Unrestricted Net Position	3,283,158	(722,937)	41,019	2,601,240	2,351,006	(729,052)	41,069	1,663,023
TOTAL NET POSITION	7,960,592	-	41,019	8,001,611	6,773,816	-	41,069	6,814,885
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 23,351,784	\$ 1,654,000	\$ (985,463)	\$ 24,020,321	\$ 17,165,441	\$ 1,699,735	\$ (968,972)	\$ 17,896,204

See Independent Auditors' Report

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>				<u>2015</u>			
	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
OPERATING REVENUES:								
Sales of Electricity	\$ 8,005,822	\$ -	\$ -	\$ 8,005,822	\$ 7,917,038	\$ -	\$ -	\$ 7,917,038
Other Operating Revenues	149,075	112,684	(112,684)	149,075	159,979	183,193	(183,193)	159,979
TOTAL OPERATING REVENUES	<u>8,154,897</u>	<u>112,684</u>	<u>(112,684)</u>	<u>8,154,897</u>	<u>8,077,017</u>	<u>183,193</u>	<u>(183,193)</u>	<u>8,077,017</u>
OPERATING EXPENSES:								
Operations and Maintenance	6,661,989	28,652	(118,749)	6,571,892	6,952,968	29,120	(59,849)	6,922,239
Depreciation	344,003	74,784	-	418,787	329,416	74,784	-	404,200
TOTAL OPERATING EXPENSES	<u>7,005,992</u>	<u>103,436</u>	<u>(118,749)</u>	<u>6,990,679</u>	<u>7,282,384</u>	<u>103,904</u>	<u>(59,849)</u>	<u>7,326,439</u>
OPERATING INCOME	<u>1,148,905</u>	<u>9,248</u>	<u>6,065</u>	<u>1,164,218</u>	<u>794,633</u>	<u>79,289</u>	<u>(123,344)</u>	<u>750,578</u>
NONOPERATING REVENUES (EXPENSES):								
Investment Income	85,306	-	-	85,306	55,697	-	-	55,697
Interest Expense	(32,122)	(15,363)	-	(47,485)	(34,822)	(16,736)	-	(51,558)
Pooled Financing Issuance Costs	(17,216)	-	-	(17,216)	-	-	-	-
Amortization of Bond Premium	1,903	-	-	1,903	1,898	-	-	1,898
Amounts Recoverable/Payable in the Future	-	6,115	(6,115)	-	-	(62,553)	62,553	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>37,871</u>	<u>(9,248)</u>	<u>(6,115)</u>	<u>22,508</u>	<u>22,773</u>	<u>(79,289)</u>	<u>62,553</u>	<u>6,037</u>
Income Before Contributions and Transfers	1,186,776	-	(50)	1,186,726	817,406	-	(60,791)	756,615
NET POSITION - JANUARY 1	6,773,816	-	41,069	6,814,885	5,956,410	-	101,860	6,058,270
NET POSITION - DECEMBER 31	<u>\$ 7,960,592</u>	<u>\$ -</u>	<u>\$ 41,019</u>	<u>\$ 8,001,611</u>	<u>\$ 6,773,816</u>	<u>\$ -</u>	<u>\$ 41,069</u>	<u>\$ 6,814,885</u>

See Independent Auditors' Report

WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>				<u>2015</u>			
	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash Received from Customers	\$ 8,119,068	\$ 122,675	\$ -	8,241,743	\$ 8,091,081	\$ 123,622	\$ -	\$ 8,214,703
Other Operating Cash Receipts - Solar Renewable Energy Credits	-	221,490	-	221,490	-	171,326	-	171,326
Cash Paid to Participant - Solar Renewable Energy Credits	-	(221,490)	221,490	-	-	(171,326)	171,326	-
Cash Paid to Suppliers	(5,690,544)	(24,837)	(221,490)	(5,936,871)	(6,113,966)	(33,861)	(171,326)	(6,319,153)
Cash Paid to Employees	(782,817)	-	-	(782,817)	(780,072)	-	-	(780,072)
Cash Paid for Benefits	(554,187)	-	-	(554,187)	(463,172)	-	-	(463,172)
Net Cash Provided by Operating Activities	<u>1,091,520</u>	<u>97,838</u>	<u>-</u>	<u>1,189,358</u>	<u>733,871</u>	<u>89,761</u>	<u>-</u>	<u>823,632</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Interest Expense	<u>(272)</u>	<u>-</u>	<u>-</u>	<u>(272)</u>	<u>(272)</u>	<u>-</u>	<u>-</u>	<u>(272)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Additions to Plant Assets	(561,479)	-	-	(561,479)	(525,600)	-	-	(525,600)
Repayments on Long Term Debt	(135,000)	(68,669)	-	(203,669)	(135,000)	(137,337)	-	(272,337)
Net Transfers to Depreciation Fund	(344,004)	-	-	(344,004)	(336,549)	-	-	(336,549)
Interest Expense	<u>(31,850)</u>	<u>(15,363)</u>	<u>-</u>	<u>(47,213)</u>	<u>(34,550)</u>	<u>(25,812)</u>	<u>-</u>	<u>(60,362)</u>
Net Cash Used in Capital Financing Activities	<u>(1,072,333)</u>	<u>(84,032)</u>	<u>-</u>	<u>(1,156,365)</u>	<u>(1,031,699)</u>	<u>(163,149)</u>	<u>-</u>	<u>(1,194,848)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Investment Income	26,990	-	-	26,990	16,444	-	-	16,444
Purchase of Investments	(2,410,000)	-	-	(2,410,000)	(947,000)	-	-	(947,000)
Proceeds from Sales and Maturities of Investments	<u>2,400,000</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Net Cash Used in Investing Activities	<u>16,990</u>	<u>-</u>	<u>-</u>	<u>16,990</u>	<u>(230,556)</u>	<u>-</u>	<u>-</u>	<u>(230,556)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,905	13,806	-	49,711	(528,656)	(73,388)	-	(602,044)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>2,053,407</u>	<u>56,130</u>	<u>-</u>	<u>2,109,537</u>	<u>2,582,063</u>	<u>129,518</u>	<u>-</u>	<u>2,711,581</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 2,089,312</u>	<u>\$ 69,936</u>	<u>\$ -</u>	<u>\$ 2,159,248</u>	<u>\$ 2,053,407</u>	<u>\$ 56,130</u>	<u>\$ -</u>	<u>\$ 2,109,537</u>

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WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>				<u>2015</u>			
	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>West Boylston Municipal Lighting Plant</u>	<u>Solar Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:								
Operating Income	\$ 1,148,905	\$ 9,248	\$ 6,065	\$ 1,164,218	\$ 794,633	\$ 79,289	\$ (123,344)	\$ 750,578
Adjustments to Reconcile Operating Income to Net Cash								
Provided by Operating Activities:								
Depreciation	344,003	74,784	-	418,787	329,416	74,784	-	404,200
Rate Stabilization Reserve	42,995	-	-	42,995	27,890	-	-	27,890
Changes in Assets and Liabilities:								
(Increase) Decrease in:								
Accounts Receivable - Customers	(35,337)	(10,376)	10,376	(35,337)	13,443	(24,527)	24,527	13,443
Accounts Receivable - Other	149,097	-	-	149,097	(140,489)	-	-	(140,489)
Deferred Outflows of Resources Related to Pensions	(349,366)	-	-	(349,366)	(16,845)	-	-	(16,845)
Unbilled Revenue	(119,320)	-	-	(119,320)	102,695	-	-	102,695
Materials and Supplies	15,118	-	-	15,118	(26,960)	-	-	(26,960)
Prepaid Expenses	22,386	1,248	-	23,634	(13,203)	(1,430)	-	(14,633)
Prepaid Purchased Power	28,393	-	-	28,393	(52,617)	-	-	(52,617)
Increase (Decrease) in:								
Accounts Payable	(90,797)	2,568	10,040	(78,189)	15,232	(3,310)	1,219	13,141
Accrued Expenses	7,363	-	-	7,363	112,292	-	-	112,292
Customer Deposits	(492)	-	-	(492)	621	-	-	621
Net Pension Liability	357,119	-	-	357,119	56,316	-	-	56,316
Other Post Employment Benefits Obligation	(27,625)	-	-	(27,625)	35,784	-	-	35,784
Deferred Inflows of Resources Related to Pensions	169,196	-	-	169,196	-	-	-	-
Billings in Excess of Costs to Participants	-	20,366	(20,366)	-	-	(35,045)	35,045	-
Amounts Recoverable/Payable in the Future	6,115	-	(6,115)	-	(62,553)	-	62,553	-
Miscellaneous Deferred Liabilities	(576,233)	-	-	(576,233)	(441,784)	-	-	(441,784)
Net Cash Provided by Operating Activities	<u>\$ 1,091,520</u>	<u>\$ 97,838</u>	<u>\$ -</u>	<u>\$ 1,189,358</u>	<u>\$ 733,871</u>	<u>\$ 89,761</u>	<u>\$ -</u>	<u>\$ 823,632</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following amounts are considered to be cash or cash equivalents for the statements of cash flows:

Petty Cash	\$ 1,800	\$ -	\$ -	\$ 1,800	\$ 1,800	\$ -	\$ -	\$ 1,800
Operating Cash	1,935,283	69,936	-	2,005,219	1,911,194	56,130	-	1,967,324
Operating Money Market	13,379	-	-	13,379	1,071	-	-	1,071
Customer Deposits Cash	138,850	-	-	138,850	139,342	-	-	139,342
	<u>\$ 2,089,312</u>	<u>\$ 69,936</u>	<u>\$ -</u>	<u>\$ 2,159,248</u>	<u>\$ 2,053,407</u>	<u>\$ 56,130</u>	<u>\$ -</u>	<u>\$ 2,109,537</u>

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WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATED SCHEDULES OF ELECTRIC UTILITY PLANT IN SERVICE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
Capital Assets Not Being Depreciated:								
Land	\$ 666,428	\$ -	\$ -	\$ 666,428	\$ 666,428	\$ -	\$ -	\$ 666,428
Construction in Progress	31,494	-	(24,902)	6,592	-	31,494	-	31,494
Capital Assets Not Being Depreciated	697,922	-	(24,902)	673,020	666,428	31,494	-	697,922
Capital Assets Being Depreciated:								
Distribution Plant	9,010,612	338,396	(50,223)	9,298,785	8,534,120	484,310	(7,818)	9,010,612
General Plant	2,491,496	67,142	(50,527)	2,508,111	2,481,700	9,796	-	2,491,496
Generation Plant	1,869,639	4,380,120	-	6,249,759	1,869,639	-	-	1,869,639
Total	13,371,747	4,785,658	(100,750)	18,056,655	12,885,459	494,106	(7,818)	13,371,747
Less Accumulated Depreciation For:								
Distribution Plant	(5,597,060)	(269,259)	50,223	(5,816,096)	(5,349,912)	(254,966)	7,818	(5,597,060)
General Plant	(1,744,597)	(74,744)	50,527	(1,768,814)	(1,670,147)	(74,450)	-	(1,744,597)
Generation Plant	(385,232)	(74,784)	-	(460,016)	(310,448)	(74,784)	-	(385,232)
Total Accumulated Depreciation	(7,726,889)	(418,787)	100,750	(8,044,926)	(7,330,507)	(404,200)	7,818	(7,726,889)
Capital Assets Being Depreciated, Net	5,644,858	4,366,871	-	10,011,729	5,554,952	89,906	-	5,644,858
Utility Plant Assets, Net	<u>\$ 6,342,780</u>	<u>\$ 4,366,871</u>	<u>\$ (24,902)</u>	<u>\$ 10,684,749</u>	<u>\$ 6,221,380</u>	<u>\$ 121,400</u>	<u>\$ -</u>	<u>\$ 6,342,780</u>

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WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATED SCHEDULES OF ELECTRIC OPERATING AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>	<u>2015</u>
POWER PRODUCTION EXPENSES:		
Purchased Power	\$ 3,749,048	\$ 4,241,102
Transmission and Other Purchased Power Charges	<u>1,132,365</u>	<u>1,149,805</u>
TOTAL POWER PRODUCTION EXPENSES	<u>4,881,413</u>	<u>5,390,907</u>
DISTRIBUTION EXPENSES:		
Operation Labor	13,342	10,052
Miscellaneous Distribution Expense	31,146	19,836
Line Expenses	150,952	130,709
Maintenance Expense	318,740	279,471
Supplies Expense	<u>59,339</u>	<u>64,749</u>
TOTAL DISTRIBUTION EXPENSES	<u>573,519</u>	<u>504,817</u>
CUSTOMER ACCOUNTS:		
Customer Accounting and Collection	178,428	172,066
Meter Reading Expenses	6,743	6,025
Uncollectible Accounts	<u>14,118</u>	<u>7,979</u>
TOTAL CUSTOMER ACCOUNTS	<u>199,289</u>	<u>186,070</u>
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	129,866	130,495
Office Supplies and Expenses	57,618	48,844
Outside Services Employed	63,524	69,066
Injury and Damage Insurance	48,722	48,540
Employees Pensions and Benefits	554,187	463,173
Dues, Meetings, and Other General Expenses	<u>63,754</u>	<u>80,327</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>917,671</u>	<u>840,445</u>
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u><u>\$ 6,571,892</u></u>	<u><u>\$ 6,922,239</u></u>

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WEST BOYLSTON MUNICIPAL LIGHTING PLANT AND SUBSIDIARY
CONSOLIDATED SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	Net Revenues			Kilowatt Hours Sold			Net Revenue Per Kilowatt Hours Sold	
	2016	2015	Increases (Decreases)	2016	2015	Increases (Decreases)	2016	2015
Sales of Electricity								
Residential Sales	\$ 3,459,407	\$ 3,412,373	\$ 47,034	25,424,001	26,402,536	(978,535)	\$ 0.1361	\$ 0.1292
Commercial Sales	3,327,314	3,249,068	78,246	22,097,470	22,386,646	(289,176)	0.1506	0.1451
Industrial Sales	697,048	737,188	(40,140)	4,819,467	5,522,005	(702,538)	0.1446	0.1335
Private Lighting	72,873	70,873	2,000	390,647	274,664	115,983	0.1865	0.2580
Total Private Customers	<u>7,556,642</u>	<u>7,469,502</u>	<u>87,140</u>	<u>52,731,585</u>	<u>54,585,851</u>	<u>(1,854,266)</u>	<u>0.1433</u>	<u>0.1368</u>
Municipal Sales								
Street Lighting	76,285	85,113	(8,828)	377,464	593,638	(216,174)	0.2021	0.1434
Municipal Buildings	<u>372,895</u>	<u>362,423</u>	<u>10,472</u>	<u>2,373,384</u>	<u>2,434,507</u>	<u>(61,123)</u>	<u>0.1571</u>	<u>0.1489</u>
Total Municipal Sales	<u>449,180</u>	<u>447,536</u>	<u>1,644</u>	<u>2,750,848</u>	<u>3,028,145</u>	<u>(61,123)</u>	<u>0.1633</u>	<u>0.1478</u>
Total Sales of Electricity	<u>\$ 8,005,822</u>	<u>\$ 7,917,038</u>	<u>\$ 88,784</u>	<u>55,482,433</u>	<u>57,613,996</u>	<u>(1,915,389)</u>	<u>\$ 0.1443</u>	<u>\$ 0.1374</u>

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