WELLESLEY MUNICIPAL LIGHT PLANT
(An Enterprise Fund of the Town of Wellesley, Massachusetts)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

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Independent Auditor's Report

To the Municipal Light Board
Wellesley Municipal Light Plant

Report on the Financial Statements

We have audited the accompanying financial statements of the Wellesley Municipal Light Plant (the Plant) of the Town of Wellesley, Massachusetts, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wellesley Municipal Light Plant of the Town of Wellesley, Massachusetts, as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Wellesley Municipal Light Plant and do not purport to, and do not, present fairly the financial position of the Town of Wellesley, Massachusetts, as of June 30, 2017 and 2016, the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on the following pages, and the pension plan and other postemployment benefit plan schedules, as listed in the table of contents, located after the notes to the financial statements, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Wellesley Municipal Light Plant's financial statements. The Schedules of Kilowatt Hours Sold and Number of Customers and Utility Plant in Service, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, on our consideration of the Wellesley Municipal Light Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wellesley Municipal Light Plant's internal control over financial reporting and compliance.

Powers & Sullivan, LLC

October 27, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Wellesley Municipal Light Plant (Plant), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the years ended June 30, 2017 and 2016. The 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 financial statements include (1) the statements of net position (2) the statements of revenues, expenses and changes in net position (3) the cash flow statements and (4) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

The statement of net position is designed to indicate the Plant's financial position as of a specific point in time. At June 30, 2017, it shows the Plant's net position of $67,640,000, which is comprised of $59,665,000 (88%) net investment of capital assets, $2,000,000 (3%) restricted for depreciation, and $5,975,000 (9%) which is unrestricted.

The statements of revenues, expenses and changes in net position summarize the Plant's operating results and reveal how net position changed for the year. Net position increased for the year ended June 30, 2017 by $978,000 and increased for the year ended June 30, 2016 by $3,770,000.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the operating activities, non-capital and capital related financing activities, and investing activities for the same period.

Condensed Statement of Net Position

		2017		2016
Assets:				
Current assets……	$	16,734,286	$	14,975,767
Noncurrent assets (excluding capital)……		709,729		618,195
Capital assets, non depreciable……		372,597		253,849
Capital assets, net of accumulated depreciation……		60,356,755		60,590,440
Total assets……		**78,173,367**		**76,438,251**
Total Deferred Outflows of Resources……		**1,163,008**		**1,264,792**
Liabilities:				
Current liabilities (excluding debt)……		3,745,995		3,016,048
Noncurrent liabilities (excluding debt)……		6,358,001		6,541,562
Current debt……		84,043		84,043
Noncurrent debt……		979,871		1,063,914
Total liabilities……		**11,167,910**		**10,705,567**
Total Deferred Inflows of Resources……		**528,465**		**335,554**
Net Position:				
Net investment in capital assets……		59,665,438		59,696,332
Restricted for depreciation……		2,000,000		2,000,000
Unrestricted……		5,974,562		4,965,590
Total net position……	$	**67,640,000**	$	**66,661,922**

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

		2017		2016
Operating revenue……	$	34,592,291	$	34,885,520
Operating expenses……		33,275,576		31,751,139
Operating income……		1,316,715		3,134,381
Interest paid on customer security deposits……		(2,345)		(910)
Excess before contributions and transfers……		1,314,370		3,133,471
Capital contributions……		663,708		1,636,744
Transfers out - payment in lieu of taxes……		(1,000,000)		(1,000,000)
Change in net position……	$	978,078	$	3,770,215
Net position at beginning of year……		66,661,922		62,891,707
Net position at end of year……	$	67,640,000	$	66,661,922

Financial Highlights

Operating revenues were $34,592,000, in 2017, a decrease of $293,000 from 2016. Kilowatt hours sold increased to 240,209,000 in 2017, as compared to 236,712,333 in 2016.

Operating expenses were $33,276,000 in 2017, compared to $31,751,000 in 2016. The $1.5 million increase is mainly due to higher power acquisition costs in 2017, specifically in the areas of transmission and the forward capacity market charges.

Transfers out consists of a payment in lieu of taxes of $1,000,000 to the Town of Wellesley in both 2017 and 2016.

Forward Capacity Market

All load-serving electric utilities in New England are assessed a monthly Forward Capacity Market ("FCM") charge by ISO-New England. In Fiscal Year 2014 FCM costs were $3.1 million. WMLP costs increased to $5.9 million in Fiscal Year 2017, and are expected to exceed $11.4 million in 2018.

FCM charges are based on an ISO-New England policy to compensate generators to continue to operate existing plants and encourage the construction of new power plants. As a result of a minimal capacity shortfall in the Northeast Massachusetts load zone, generators were able to take advantage of ISO-New England's policy resulting in a 52% increase as compared to Fiscal Year 2016. The WMLP expects FCM costs to peak in Fiscal Year 2018 decreasing to $5.6 million in 2020.

Transmission

Transmission costs are also regulated by ISO-New England. These costs have steadily increased each year with an average annual increase of more than 10% over the past seven years. Transmission costs increased $454,000 from 2016 to 2017. Transmission owners receive an 11.14% rate of return on all regional network service upgrades which has resulted in unprecedented investments in transmission infrastructure. The WMLP, along with a number of other public power systems, have filed an appeal with the Federal Energy Regulatory Commission formally opposing the need for many of the upgrades and the overly generous rate of return.

The WMLP plans to fund these additional costs by implementing a 5% rate increase in Fiscal Year 2018 and establishing a $3.6 million Rate Stabilization Fund from available cash.

Utility Plant

Utility Plant

The Plant had total acquisitions of approximately $3.6 million in 2017. The Plant expended approximately $3.0 million for distribution plant, $16,000 for transmission plan, and $376,000 mainly for vehicles and communication equipment, as well as the $235,000, of construction in progress for various projects.

Requests for Information

This financial report is designed to provide a general overview of the Wellesley Municipal Light Plant's finances for all those with an interest in the Plant's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Light Plant Director, 4 Municipal Way, Wellesley, Massachusetts 02481.

Financial Statements

STATEMENTS OF NET POSITION

JUNE 30,

		2017		2016
ASSETS				
CURRENT:				
Unrestricted cash and cash equivalents	$	9,419,915	$	7,493,803
Restricted cash and cash equivalents		2,000,000		2,000,000
Receivables, net of allowance for uncollectibles:		3,231,260		3,274,011
Purchased power advance deposits		1,309,862		1,490,498
Inventory		652,582		596,788
Other assets		120,667		120,667
Total current assets		16,734,286		14,975,767
NONCURRENT:				
Investment in Energy New England, LLC		150,000		150,000
Other postemployment benefits asset		559,729		468,195
Capital assets, nondepreciable		372,597		253,849
Capital assets, net of accumulated depreciation		60,356,755		60,590,440
Total noncurrent assets		61,439,081		61,462,484
TOTAL ASSETS		78,173,367		76,438,251
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions		1,163,008		1,264,792
LIABILITIES				
CURRENT:				
Warrants payable		3,391,563		2,692,188
Accrued payroll		51,600		-
Customer advances for construction		287,468		308,660
Compensated absences		15,364		15,200
Note payable, current portion		84,043		84,043
Total current liabilities		3,830,038		3,100,091
NONCURRENT LIABILITIES:				
Note payable, net of current portion		979,871		1,063,914
Compensated absences		10,243		10,125
Customer deposits		838,047		820,758
Net pension liability		5,509,711		5,710,679
Total noncurrent liabilities		7,337,872		7,605,476
TOTAL LIABILITIES		11,167,910		10,705,567
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions		528,465		335,554
NET POSITION				
Net investment in capital assets		59,665,438		59,696,332
Restricted for depreciation		2,000,000		2,000,000
Unrestricted		5,974,562		4,965,590
TOTAL NET POSITION	$	67,640,000	$	66,661,922

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30,

	2017	2016
OPERATING REVENUES:		
Distribution wheeling	$ 16,702	$ 15,591
Residential	14,944,785	14,558,774
Commercial	9,123,814	9,122,996
Municipal	1,480,568	1,446,145
Street lighting	247,509	243,030
Industrial	6,004,892	6,074,535
Partial industrial	661,656	626,670
Customer discounts	(796,613)	(811,149)
Net customer sales	31,683,313	31,276,592
Contracted services	1,611,740	2,258,762
Other operating revenue	1,297,238	1,350,166
TOTAL OPERATING REVENUES	34,592,291	34,885,520
OPERATING EXPENSES:		
Purchase power	14,738,406	15,579,078
Transmission	5,384,449	4,930,431
Forward capacity market charge	5,857,181	3,857,370
Cost of contracted services	974,033	1,401,516
Cost associated with other revenue	433,998	384,480
Distribution	1,077,255	1,015,230
Customer accounts	587,351	570,571
Administration and general	528,019	557,734
Depreciation	3,694,884	3,454,729
TOTAL OPERATING EXPENSES	33,275,576	31,751,139
OPERATING INCOME	1,316,715	3,134,381
NONOPERATING REVENUES (EXPENSES):		
Interest expense	(2,345)	(910)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,314,370	3,133,471
CONTRIBUTIONS IN AID OF CONSTRUCTION	663,708	1,636,744
TRANSFERS:		
Payment in lieu of taxes, Town of Wellesley	(1,000,000)	(1,000,000)
CHANGE IN NET POSITION	978,078	3,770,215
NET POSITION AT BEGINNING OF YEAR	66,661,922	62,891,707
NET POSITION AT END OF YEAR	$ 67,640,000	$ 66,661,922

See notes to financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 34,547,096	$ 35,444,658
Payments to vendors	(27,597,580)	(27,014,938)
Wages paid to employees, not capitalized	(1,002,501)	(1,059,283)
NET CASH FROM OPERATING ACTIVITIES	5,947,015	7,370,437
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment in lieu of taxes, Town of Wellesley	(1,000,000)	(1,000,000)
Prefunding transfer for other postemployment benefits	(91,534)	(145,861)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,091,534)	(1,145,861)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	663,708	1,636,744
Acquisition and construction of capital assets	(3,590,732)	(4,103,069)
Interest expense	(2,345)	(910)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(2,929,369)	(2,467,235)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,926,112	3,757,341
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,493,803	5,736,462
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,419,915	$ 9,493,803
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Income	$ 1,316,715	$ 3,134,380
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	3,694,884	3,454,729
Amortization of note payable	(84,043)	(84,043)
Deferred (outflows)/inflows related to pensions	294,695	(531,102)
Loss on disposal of capital assets	10,785	44,972
Changes in assets and liabilities:		
Accounts receivable	42,751	627,862
Purchased power advance deposits	180,636	64,747
Inventory	(55,794)	(62,292)
Warrants payable	699,375	108,385
Accrued payroll	51,600	(57,500)
Customer advances for construction	(21,192)	(14,820)
Compensated absences	282	(1,632)
Customer deposits	17,289	30,139
Net pension liability	(200,968)	656,612
Total adjustments	4,630,300	4,236,057
NET CASH FROM OPERATING ACTIVITIES	$ 5,947,015	$ 7,370,437

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The WMLP purchases power from various sources and distributes it to consumers within the Town of Wellesley. The WMLP operates under the provisions of Chapter 164 of the Massachusetts General Laws. The Board of Electric Commissioners (Board) is comprised of 5 members; 3 of the members are elected and 2 members are appointed by the Town's Board of Selectmen. The Board appoints a manager of municipal lighting who shall, under the direction of the Board, have full charge of the operation and management of the WMLP.

Regulation and Basis of Accounting

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

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

The WMLP adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in 2003.

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

The electric rates are proposed by the Plant. The rates are approved by Wellesley's Board of Electric Commissioners. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Plant, rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of the utility plant.

Revenues

Revenues from the sale of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by the Plant, which are applied to customers' consumption of electricity.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the WMLP considers all unrestricted and restricted cash on deposit with the Town Treasurer as cash or cash equivalents. For purposes of the statements of net position, investments with original maturities of three months or less are considered to be cash equivalents. Investments are carried at fair value based on quoted market prices for those or similar investments. As the Plant's cash balances are comingled with other funds under the control of the Town's Treasurer, specific details about the fair value of investments are not available.

Inventories

Material and supplies inventory consists of parts and accessories purchased for use in the utility business for construction, operation, and maintenance purposes and are stated at cost using the average cost method. Meters and transformers are capitalized when purchased.

Utility Plant

Capital assets, which include property, plant, equipment, and infrastructure, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Generally, all purchases and construction costs in excess of $500 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

The estimated useful lives of capital assets being depreciated are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Transmission plant……………………………	25-33
Distribution plant………………………………	10-40
Vehicles and other equipment………………	3-10

Deferred Outflows/Inflows of Resources

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

Compensated Absences

In accordance with the negotiated labor settlement with the AFSCME, Local 335, employees are allowed to accumulate personal days up to a maximum of 8 days. Upon retirement or separation from the department, the employees will be paid one day's pay for each of the accumulated personal days up to the maximum of 8 days.

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 Wellesley Contributory Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Taxes

The WMLP is exempt from federal and state income taxes. Although also exempt from property taxes, the WMLP pays amounts in lieu of taxes to the Town of Wellesley. A sales and use tax is assessed by the Commonwealth on a portion of the sale of electricity. Taxes are remitted to the Commonwealth monthly.

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.

NOTE 2 – CASH AND INVESTMENTS

Cash of the WMLP is in the control of the Town Treasurer, as required by state law. State and local statutes place certain limitations on the nature of deposits and investments available to the Plant. Separate general ledger accounts are maintained for the Plant's Operating cash fund, Depreciation fund and Escrow fund.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Plant's deposits may not be returned to it. Responsibility for enforcing policies addressing custodial credit risk of Plant deposits vests with the Town Treasurer. The Town's policy for mitigating custodial credit risk is that the Town will not have on deposit amounts exceeding 10% of capital and surplus and 10% of net equity, unless those deposits carry full FDIC insurance or are collateralized. In addition, it is the Town's policy that at no time shall any single bank or bank holding company hold an excess of 25% of the cash balance under the control of the Treasurer for more than three consecutive days. At year-end, the carrying amount of deposits, including the escrow fund, totaled $11,419,915 in 2017, and $9,493,803 in 2016.

NOTE 3 – RESTRICTED CASH

Restricted cash consists of the following at June 30,

	2017	2016
Depreciation Fund…………………	$ 2,000,000	$ 2,000,000

The depreciation fund is a statutory reserve where the department maintains a $2,000,000 balance for future capital improvements.

NOTE 4 – ESCROW FUND

The WMLP has set up an escrow fund which is to be used to offset the possible future payment of an unresolved issue with NSTAR. The monies were maintained in a certificate of deposit with Wellesley Bank in the amounts of approximately $236,000 during years 2017 and 2016.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30,

		2017		2016
Receivables, net of allowance for uncollectibles:				
User charges	$	2,887,979	$	2,565,897
Utility liens		18,711		22,068
Other services		324,570		686,046
Total	$	3,231,260	$	3,274,011

Accounts receivable are net of an allowance for doubtful accounts in the amounts of $42,000 and $51,000, at June 30, 2017 and 2016, respectively.

NOTE 6 – PURCHASED POWER ADVANCE DEPOSITS

Purchased power advance deposits consist of advance payments for monthly purchases of power. As of June 30, 2017 and 2016, these advances totaled $1,309,862 and $1,490,498, respectively.

NOTE 7 – INVENTORY

Inventories are comprised of the following as of June 30,

		2017		2016
Street light materials	$	82,363	$	74,791
Wire and cable		366,176		335,307
Overhead materials		74,394		62,399
Underground materials		129,649		124,291
Total	$	652,582	$	596,788

NOTE 8 – INVESTMENT IN ENERGY NEW ENGLAND, LLC

In May 2007, the WMLP invested in a capital subscription for 5% ownership interest in Energy New England, LLC in the amount of $150,000. The investment is carried at cost.

The WMLP purchases approximately 90% of its energy through its affiliation with Energy New England, LLC. The WMLP has entered into tradable hedging contracts with Energy New England, LLC through 2022.

The following are the WMLP's future purchase commitments at June 30, 2017:

Energy Purchase Commitments
Megawatt-Hour (MWH)

Fiscal Year	Projected MWH's (1)	Committed MWH's	Average Cost Per MWH	Total Commitments
2018	250,279	254,473	52	$ 13,335,843
2019	252,781	258,723	56	14,565,032
2020	255,309	200,079	50	10,027,444
2021	257,862	131,604	49	6,428,206
2022	260,441	81,777	53	4,098,759
	1,276,672	926,656		$ 48,455,284

Amounts are based on Energy New England's analysis, through June 2022, of the Plant's firm commitment with respect to future energy purchases. The WMLP has locked-in energy prices through this period that are approximately $3.3 million (2) above market prices as of June 30, 2017. However, these hedge rates may not necessarily be lower than historical rates paid for prior year's purchased power.

(1) Assumes annual growth rate of 1%.
(2) Includes assumption for higher spot market prices during New England summer and winter peak periods.

NOTE 9 – UTILITY PLANT ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	$ 137,770	$ -	$ -	$ 137,770
Construction in progress	116,079	234,827	(116,079)	234,827
	-			
Total capital assets not being depreciated	253,849	234,827	(116,079)	372,597
Capital assets being depreciated:				
Transmission plant	12,813,988	15,941	-	12,829,929
Distribution plant	87,001,443	3,080,353	(28,954)	90,052,842
Vehicles and other equipment	5,307,995	375,690	(95,953)	5,587,732
Total capital assets being depreciated	105,123,426	3,471,984	(124,907)	108,470,503
Less accumulated depreciation for:				
Transmission plant	(9,111,174)	(421,324)	-	(9,532,498)
Distribution plant	(33,128,917)	(2,829,639)	18,169	(35,940,387)
Vehicles and other equipment	(2,292,895)	(443,921)	95,953	(2,640,863)
Total accumulated depreciation	(44,532,986)	(3,694,884)	114,122	(48,113,748)
Total capital assets being depreciated, net	60,590,440	(222,900)	(10,785)	60,356,755
Total business-type activities capital assets, net	$ 60,844,289	$ 11,927	$ (126,864)	$ 60,729,352

Depreciation expense amounted to $3,694,884 and $3,454,729, for the years ended June 30, 2017 and 2016, respectively.

NOTE 10 – NOTE PAYABLE, POLE SALE AGREEMENT

In December 2014, the Plant entered into a Pole Sale Agreement (the Agreement) with Verizon New England, Inc. to purchase Verizon's interests in a 1956 Joint Ownership Agreement (JOA) where the Plant and Verizon jointly owned utility poles within the Town of Wellesley. Upon execution by both parties, the Agreement will supersede the JOA in its entirety and the JOA shall be deemed terminated without the need for any further action. Under the Agreement, the Plant agreed to purchase Verizon's ownership interests in the poles for $1,540,000. The purchase price will be paid by the Plant as follows: (a) an initial cash payment of $308,000 at closing on December 12, 2014, and (b) the balance of $1,232,000 will be paid to seller in the form of a zero dollar attachment fee under the Agreement, which will provide Verizon with continued attachment rights regarding new and existing poles without charge by the Plant until August 12, 2029. The Agreement specifies that the annual attachment fees associated with the non-cash purchase price to be $84,043 per year based on the number of poles and existing per pole attachment fees that Verizon would be responsible for under the old JOA. The Plant has the right to purchase the net remaining value of the Transferred Poles at any time during this Agreement.

At June 30, 2017, the Plant has recorded a note payable in the amount of $1,063,914. Over the next 13 years the Plant will amortize the liability as attachment fees in the annual amount of approximately $84,000. Since the original JOA never required any cash payments to be made by either party the Plant has not imputed an interest factor into the transaction. If interest was to be imputed, the Plant deems the amount not to be material to its financial statements.

NOTE 11 – RELATED PARTY TRANSACTIONS

The WMLP provides electric service to the Town for all schools, municipal buildings, and street lighting at discounted rates. During 2017 the Plant's kilowatt-hour (kWh) charges were 12.74 cents/kwh and 13.16 cents/kwh for school & municipal buildings and street lights, respectively.

Revenues from billings to the Town for the years ending June 30 were as follows:

	2017	2016
Schools & Municipal buildings	$ 1,480,568	$ 1,446,145
Street lighting	247,509	243,030
Total	$ 1,728,077	$ 1,689,175

The WMLP made payments in lieu of property taxes to the Town of Wellesley, Massachusetts in the amount of $1,000,000 for years 2017 and 2016, respectively.

NOTE 12 – PENSION PLAN

Plan Description – The Plant contributes to the Wellesley Contributory Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Wellesley Retirement Board (the "Board"). Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available audited financial report. That report may be obtained by contacting the System located at 525 Washington Street, Wellesley, Massachusetts 02481.

Benefits Provided

The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and the Town. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding $30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The Plant is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study. The Plant’s proportionate share of the required contribution equaled it actual contribution for the year ended June 30, 2017 which was $744,853 and 34.07% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to fiancé the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2017, the Plant reported a liability of $5,509,711 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The Plant’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, 2016, the Plant’s proportion was 9.220% of the Town of Wellesley’s overall percentage.

Pension Expense

For the year ended June 30, 2017, the Plant recognized a pension expense of $838,580. At June 30, 2017, the Plant reported deferred outflows and deferred (inflows) of resources related to pensions of $1,163,008 and ($528,465), respectively.

The deferred outflows and (inflows) for the Plant at June 30, 2017 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience……….	$ -	$ (486,929)	$ (486,929)
Changes of assumptions………………………………………..	651,378	-	651,378
Difference between projected and actual earnings……………	408,606	-	408,606
Changes in proportionate share of contributions………………	103,024	(41,536)	61,488
Total Deferred Outflows/(Inflows) of Resources………………	$ 1,163,008	$ (528,465)	$ 634,543

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

Year ended June 30:	
2018………………………………………………	$ 216,851
2019………………………………………………	216,850
2020………………………………………………	230,814
2021………………………………………………	(29,972)
Total………………………………………………	$ 634,543

Actuarial Assumptions

The total pension liability as of December 31, 2016 was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement date:

Valuation date…………………………………	January 1, 2017
Actuarial cost method…………………………	Entry Age Normal Cost Method
Amortization method…………………………	Level dollar for 2010 ERI liability and 3.5% increasing payments for the remaining unfunded liability
Remaining amortization period………………	7 years from July 1, 2015 for 2010 ERI and 15 years from July 1, 2015 for the remaining unfunded liability
Asset valuation method………………………	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the expected return and the actuarial investment return on a market value basis and is recognized over a five-year period with a fresh start as of January 1, 2015. The actuarial value of assets is adjusted, if necessary, to be within 20% of the market value.
Inflation rate……………………………………	3.5%
Projected salary increases…………………	Based on years of service, ranging from 7.00% decreasing to 3.50% after 11 years of service from Group 1 and 2 employees, and ranging from 8.00% decreasing to 4.00% after 11 years for Group 4 employees.
Cost of living adjustments………………….	3.0% of the first $15,000 of retirement income
Rates of retirement………………………….	Varies based upon age for general employees, police and fire employees
Rates of disability…………………………….	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement…………………………	The RP-2000 Employee Mortality Table projected generationally with a Scale AA from 2010.
Healthy Retiree…………………………	The RP-2014 Blue Collar Healthy Employee and Annuitant Mortality Tables with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D
Disabled Retiree……………………….	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 3 years for males with MP-2014 improvement projections backed out to a base year of 2006 projected generationally with Scle BB2D
Investment rate of return/Discount rate……	6.75%, net of pension plan investment expense, including inflation (previously, 7.00%)

Investment Policy

The pension plan’s policy in regard to the allocation of invested assets is established by 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 pension 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 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 pension plan's target asset allocation as of January 1, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Domestic equity	6.44%	18.00%
International developed markets equity	7.40%	16.00%
International emerging markets equity	9.42%	6.00%
Core fixed income	2.02%	13.00%
High-yield fixed income	4.43%	10.00%
Real estate	5.00%	10.00%
Commodities	4.43%	4.00%
Hedge fund, GTAA, Risk parity	3.75%	13.00%
Private equity	10.47%	10.00%
		100.00%

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
The Plant's proportionate share of the net pension liability	$ 8,052,380	$ 5,509,711	$ 3,380,377

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Wellesley administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”), which the WMLP participates in. The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 17.7% and 50% of the cost of benefits provided depending on the plan they choose. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Plant contributed $568,889, during the current year towards these benefits including the pre-funding amount discussed below. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. The Town has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB Fund as such has authorized the OPEB Trust funds to be invested entirely in the State Retirements Benefits Trust Fund (SRBT Fund). Massachusetts General Law directs the HSCBT to invest the SRBT Fund in the Pension Reserves Investment Trust (PRIT) Fund. The Trustees have adopted a trust agreement detailing their duties and responsibilities as Trustees. The PRIT fund is subject to oversight by the Pension Reserves Investment Management (PRIM) Board. A nine member Board of Trustees governs the PRIM Board. The board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and other as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

During 2017, the Plant pre-funded future OPEB liabilities in the amount of $302,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution.

The annual money-weighted rate of return on OPEB plan investments was 12.80%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership – The following table represent the Plant’s membership at June 30, 2016:

Current active members………………………………….	27
Total………………………………………………………	67

Components of OPEB Liability – The following table represents the components of the Plant's OPEB liability as of June 30, 2017:

Total OPEB liability……	$	5,489,001
Less: OPEB plan's fiduciary net positon……		(4,756,375)
Net OPEB liability……	$	732,626
The OPEB plan's fiduciary net positons as a percentage of the total OPEB liability……		86.7%

Significant Actuarial Methods and Assumptions – The Plan's total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date that was updated to June 30, 2017 to be in accordance with GASB Statement No. 74:

Valuation date……	June 30, 2016
Actuarial cost method……	Individual Entry Age Nornal
Asset valuation method……	Market value
Discount rate……	6.75%
Norminal investment rate of return……	6.75%, including inflation of 3.5%
Long-term expected real rate of investment return……	3.25%, nominal rate of 6.75% less inflation of 3.5%
Inflation……	3.5% as of June 30, 2016 and for future periods
Salary increases……	Based on years of service, ranging from 7.00% decreasing to 3.50% after 10 years of service for Group 1 and 2 employees and ranging from 8.00% decreasing to 4.00% after 10 years for Group 4 employees
Healthcare cost trend rate……	Medical and prescription drug 7% decreasing by .5% for 4 years to an ultimate level of 5.0% Medicare Part B premium 5%
Pre-retirement mortality……	RP-2014 Blue Collar Healthy Employee mortality Table MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D
Healthy……	RP-2014 Blue Collar Healthy Employee mortality Table MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D
Disabled mortality……	RP-2014 Blue Collar Healthy Employee mortality Table MP-2014 improvement projections backed out to a base

Investment policy

The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity……………………………………	18.00%	6.44%
International developed markets equity………	16.00%	7.40%
International emerging markets equity……….	6.00%	9.42%
Core fixed income………………………………	12.00%	2.02%
High-yield fixed income………………………..	10.00%	4.43%
Real estate………………………………………	10.00%	5.00%
Commodities……………………………………	4.00%	4.43%
Hedge fund, GTAA, Risk parity………………	13.00%	3.75%
Private equity……………………………………	11.00%	10.47%
Total asset allocation……………………………	100.00%	

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 6.75%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability……………………………………………	$ 1,415,254	$ 732,626	$ 165,720

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability would be if it was 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability……………………………………………	$ 68,156	$ 732,626	$ 1,553,904

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

Annual required contribution	$	(478,266)
Interest on net OPEB (obligation)/asset		22,753
Adjustments to annual required contribution		(21,842)
Annual OPEB cost		(477,355)
Contributions made		568,889
Increase/(Decrease) in net OPEB asset/(obligation)		91,534
Net OPEB asset/(obligation) - beginning of year		468,195
Net OPEB asset/(obligation) - end of year	$	559,729

The Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset/(obligation) for 2017, and the two preceding years is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset/ (Obligation)
6/30/2017	$ 477,355	119%	$ 559,729
6/30/2016	470,803	123%	468,195
6/30/2015	475,392	101%	322,334

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Percentage of Covered Payroll ((B-A)/C)
06/30/16	$ 3,927,206	$ 6,076,126	$ 2,148,920	64.63%	$ 6,596,736	32.6%
06/30/14	2,922,193	5,729,447	2,807,254	51.00%	6,101,485	46.0%

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

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 6.75 percent investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 7.0 percent initially, graded to 5 percent over 4 years. The UAAL is being amortized over a 6 year period, with amortization payments increasing at 3.5 percent per year.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The WMLP is involved in legal proceedings and claims arising in the normal course of business. In the opinion of management and legal counsel, Wellesley Municipal Light Plant’s liability, if any, would not materially affect its financial condition or results of operations.

See Note 8 regarding energy purchase commitments with Energy New England, LLC.

Required Supplementary Information

Pension Plan Schedules

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

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

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

SCHEDULE OF THE PLANT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Wellesley Contributory Retirement System

		December 31, 2014		December 31, 2015	December 31, 2016
Plant's proportion of the net pension liability (asset)…………………………………………		9.193%		9.071%	9.220%
Plant's proportionate share of the net pension liability (asset)………………………………	$	5,054,067	$	5,710,679	5,509,711
Plant's covered employee payroll………………………………………………………………	$	2,452,473	$	2,303,625	2,186,311
Net pension liability as a percentage of covered employee payroll…………………………		206.08%		247.90%	252.01%
Plant's proportionate share of the Plan's fiduciary net position as a percentage of the plant's total pension liability………………………………………………………………………		73.56%		70.92%	73.33%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

Wellesley Contributory Retirement System

		June 30, 2015		June 30, 2016		June 30, 2017
Actuarially determined contribution	$	748,559	$	774,704	$	744,853
Contributions in relation to the actuarially determined contribution		748,559		774,704		744,853
Contribution deficiency (excess)	$	-	$	-	$	-
Covered employee payroll	$	2,452,473	$	2,303,625	$	2,186,311
Contribution as a percentage of covered employee payroll		30.52%		33.63%		34.07%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the Plant's net other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

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

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

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

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

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

		June 30, 2017
Total OPEB Liability		
Service Cost…………………………………………………	$	150,131
Interest…………………………………………………………		355,671
Changes of benefit terms………………………………………		-
Differences between expected and actual experience……….		-
Changes of assumptions………………………………………		-
Benefit payments………………………………………………		(267,372)
Net change in total OPEB liability………………………………		238,430
Total OPEB liability- beginning…………………………………		5,250,571
Total OPEB liability- ending (a)…………………………………		5,489,001
Plan fiduciary net position		
Contributions- employer ………………………………………	$	568,889
Net investment income…………………………………………		529,951
Benefit payments………………………………………………		(267,372)
Net change in plan fiduciary net position………………………		831,468
Plan fiduciary net position- beginning…………………………		3,924,907
Plan fiduciary net position- ending (b)…………………………	$	4,756,375
Town's net OPEB liability- ending (a)-(b)……………………	$	732,626
Plan fiduciary net position as a percentage of the total OPEB liability………………………………………		86.7%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF PLANT CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

		June 30, 2017
Actuarially determined contribution………………………………………	$	478,266
Contributions in relation to the actuarially determined contribution……………………………………………		(568,889)
Contribution deficiency (excess)………………………………………	$	(90,623)

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS

OTHER POSTEMPLOYMENT BENEFIT PLAN

	June 30, 2017
Annual money-weighted rate of return, net of investment expense…………………………………………….	12.80%

The annual money-weighted rate of return has been calculated by the Pension Reserves Investment Management Board (PRIM).

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/16	$ 3,927,206	$ 6,076,126	$ 2,148,920	64.63%	$ 6,596,736	32.6%
06/30/14	2,922,193	5,729,447	2,807,254	51.00%	6,101,485	46.0%
06/30/12	1,881,358	6,229,027	4,347,669	30.20%	5,615,464	77.4%
06/30/10	1,006,559	7,066,080	6,059,521	14.24%	4,325,330	140.1%
06/30/08	483,790	6,346,687	5,862,897	7.62%	4,055,488	144.6%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Net OPEB Obligation
6/30/2017	$ 478,266	$ 568,889	118.9%
6/30/2016	478,440	616,664	128.9%
6/30/2015	477,825	585,125	122.5%
6/30/2014	628,828	628,828	100.0%
6/30/2013	606,372	625,906	103.2%
6/30/2012	680,500	680,520	100.0%
6/30/2011	482,071	497,618	103.2%
6/30/2010	429,736	499,770	116.3%
6/30/2009	412,199	550,706	133.6%

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

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date…………………………………………	June 30, 2016
Actuarial cost method……………………………………	Projected Unit Credit
Amortization method……………………………………	Amortization payments increasing at 3.5%
Remaining amortization period…………………………	6 years as of July 1, 2016, closed
Asset valuation method…………………………………	Market value
Actuarial Assumptions:	
Investment rate of return………………………………	6.75%
Inflation rate……………………………………………	3.5%
Medical/drug cost trend rate……………………………	7.0% decreasing by 0.50% for 4 years to an ultimate level of 5.0% per year

Plan Membership:

Current retirees, beneficiaries, and dependents………	40
Current active members…………………………………	27
Total………………………………………………………	67

See notes to required supplementary information.

NOTE A – PENSION PLAN

A. Schedule of the Plant's Proportionate Share of the Net Pension Liability

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

B. Schedule of Plant's Contributions

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

C. Changes of Assumptions

- The investment return assumption was reduced from 7% to 6.75%. A reduction in the investment return assumption increases the plan's liabilities.

- The mortality assumption was changed from the RP-2000 Healthy Employee and Annuitant Mortality Tables projected 15 years with Scale AA to the RP-2015 Blue Collar Healthy Employee and Annuitant Mortality Tables with MP-2015 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D.

- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Employee and Annuitant Mortality Tables set forward 3 years for males to the to the RP-2015 Blue Collar Healthy Employee and Annuitant Mortality Tables set forward 3 years for males projected with MP-2015 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D.

- The asset valuation method was changed from an actuarial value of assets with a fresh start as of January 1, 2013 to an actuarial value of assets with a fresh start as of January 1, 2016.

- The retirement rates were reduced for certain ages.

- The retirement age for inactive vested participants was changed from age 55 to age 60 for Group 1 and 2 members and from age 45 to age 50 from Group 4 members.

D. Changes of Plan Provisions

Chapter 176 of the Acts of 2011, An Act Providing for Pension Reform and Benefit Modernization made a number of changes to the Chapter 32 pension law. There are several changes that will have the most impact on decreasing plan liabilities over the longer term. These include an increase in the normal retirement age by two years (for example, from age 65 to age 67 for Group 1 members), an increase in the age (early retirement) reduction factor for ages below the maximum age (from a 4.0% to a 6.0% annual reduction), and an increase in the period for determining a member's average annual compensation (from 3 years to 5 years). Since these changes are effective only for members hired after April 1, 2012, this is the first actuarial valuation to reflect these changes.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“The Other Postemployment Benefit Plan”), which WMLP participates in. The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members.

The Other Postemployment Benefit Plan

Schedule of the Plant’s Proportionate Share of the Net Other Postemployment benefit Liability

The Schedule of the Plant’s Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan’s net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan’s net positon as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered payroll.

Schedule of the Plant’s Contributions

The Schedule of the Town’s Contributions included the Town’s annual required contribution to the plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expenses.

The Plant

The Plant currently finances it’s other postemployment benefits (OPEB) on combined pre-funded and a pay-as-you-go basis whereby the funding schedule is designed to pay the normal cost currently and amortize the unfunded liability over an original period of 15 years, with 6 years remaining at June 30, 2017. As a result, the Plant’s funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) as of the most recent valuation was 64.63%. In accordance with Governmental Accounting Standards, the Plant has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets. The Schedule of Employer Contributions presents a multi-year trend of contributions related to the plan.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Other Supplementary Information

SCHEDULE OF KILOWATT HOURS SOLD AND NUMBER OF CUSTOMERS

FOR THE YEARS ENDED JUNE 30,

	Kilowatt Hours Sold		
	2017	2016	Percentage Increase/ (Decrease)
Class of Customer			
Distribution wheeling……………………..…	556,768	519,684	7.14%
Residential……………………………………	105,206,689	102,588,630	2.55%
Commercial…………………………………	65,732,787	65,606,258	0.19%
Municipal……………………………………	11,626,264	11,283,168	3.04%
Street lighting………………………………	1,880,192	1,880,308	-0.01%
Primary………………………………………	46,862,250	47,376,655	-1.09%
Partial primary………………………………	8,343,991	7,457,530	11.89%
Total KWH's Sold……………………………	240,208,941	236,712,233	1.48%

	Number of Customers		
	2017	2016	Percentage Increase/ (Decrease)
Class of Customer			
Distribution wheeling……………………..…	1	1	0.00%
Residential……………………………………	8,921	8,966	-0.50%
Commercial…………………………………	1,096	1,091	0.46%
Municipal……………………………………	87	89	-2.25%
Street lighting………………………………	1	1	0.00%
Primary………………………………………	4	4	0.00%
Partial primary………………………………	1	1	0.00%
Total Customer Accounts…………………	10,111	10,153	-0.41%

SCHEDULE OF UTILIITY PLANT IN SERVICE

AS OF JUNE 30, 2017

FERC Account	Description of the Asset Class		Original Cost		Accumulated Depreciation		Net Book Value
107	Construction in progress	$	234,828	$	-	$	234,828
353	Station Equipment - Use Rights		6,386,646		4,949,723		1,436,923
357	Underground Conduits		2,256,256		1,363,944		892,312
358	Underground Conductors & Devices		4,187,026		3,218,831		968,195
360	Land		137,770		-		137,770
361	Structures & Improvements		11,887,067		2,551,738		9,335,329
362	Station Equipment		6,170,455		3,116,851		3,053,604
364	Poles, Towers and Fixtures		8,082,440		2,972,859		5,109,581
365	Overhead Conductors & Devices		12,725,052		3,772,673		8,952,379
366	Underground Conduit		5,737,516		3,276,338		2,461,178
367	Underground Conductors & Devices		20,822,382		7,602,682		13,219,700
368	Line Transformers		5,913,630		3,196,821		2,716,809
369	Services		11,587,077		4,735,182		6,851,895
370	Meters		2,082,313		1,157,858		924,455
373	Street Lighting & Signal Systems		4,729,498		3,494,303		1,235,195
389	Land Improvements		315,410		63,082		252,328
391	Office Furniture & Equipment		361,096		278,881		82,215
392	Transportation Equipment		2,138,369		1,116,209		1,022,160
393	Stores Equipment		137,436		108,161		29,275
394	Tools, Shop & Garage Equipment		126,819		76,726		50,093
395	Laboratory Equipment		61,854		44,151		17,703
396	Power Operated Equipment		37,688		11,150		26,538
397	Communication Equipment		2,693,243		984,797		1,708,446
398	Miscellaneous Equipment		31,229		20,788		10,441
	Totals…………………………………………….	$	108,843,100	$	48,113,748	$	60,729,352

Report on Internal Control Over Financial Reporting and on Compliance

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Municipal Light Board
Wellesley Municipal Light Plant

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wellesley Municipal Light Plant (the Plant); an enterprise fund of the Town of Wellesley, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Powers + Sullivan, LLC

October 27, 2017