

**Town of Templeton, Massachusetts
Municipal Light Plant and Subsidiary**

**Financial Statements
And Supplementary Information**

**For the Year Ended
December 31, 2012**

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REPORT OF INDEPENDENT AUDITORS

To the Municipal Light Board
Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary
Baldwinville, Massachusetts

We have audited the accompanying financial statements of the **Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary** as of and for the year ended December 31, 2012, as listed in the table of contents. These financial statements are the responsibility of the Municipal Light Plant's management.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Massachusetts Department of Public Utilities. Management is also responsible for 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 audit. We did not audit the financial statements of Massachusetts Municipal Light Department Wind Energy Cooperative Corporation, which represents 24 percent of the net assets of the Municipal Light Plant and Subsidiary, 5% of the revenues and 20 percent of the expenses of the Municipal Light Plant and Subsidiary. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cooperative, is based solely on the report of the other audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2, the financial statements are prepared by the **Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary** on the basis of the financial reporting provisions of the Massachusetts Department of Public Utilities, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Massachusetts Department of Public Utilities. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the **Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary** as of December 31, 2012, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and surplus of the **Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary** as of December 31, 2012, and the results of its operations and its cash flows for the years then ended, on the basis of the financial reporting provisions of the Massachusetts Department of Public Utilities as described in Note 2.

Other - Matters

Our audit was conducted for the purpose of forming opinions on the financial statements of the **Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary's** financial statements as a whole. The management's discussion and analysis information on pages 3 through 6 and supplementary information on pages 23 through 33 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary 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 (except for kilowatt information, which was compiled without audit or review from information that is the representation of management, on which we do not express an opinion or any other form of assurance) has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Providence, Rhode Island
August 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Templeton, Massachusetts, Municipal Light Plant and Subsidiary (an enterprise fund of the Town of Templeton, Massachusetts) annual financial report, management provides narrative discussion and analysis of the financial activities of the electric light plant for the years ended December 31, 2012 and 2011. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements:

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

The Statements of Net Assets are designed to indicate the financial position as of a specific point in time. At December 31, 2012, it shows that net assets increased 8.4% or \$663,860 compared to December 31, 2011. Changes in net assets may serve as a useful barometer of Templeton Municipal Light's financial position. The increase consists of our net income for the year of \$763,860 less the payment to the Town of Templeton of \$100,000.

The Statements of Revenues, Expenses and Changes in Net Assets summarize the operating results and reveal how much income, if any, was earned for the year. As discussed in more detail below, there was net income for the year ended December 31, 2012, of \$763,860.

The Statements of Cash Flows provide information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of the Statements of Cash Flows indicates that the cash receipts from operating activities, (that is, electricity sales and related services) adequately covered the operating expenses but did not cover debt service and plant additions for the year ended December 31, 2012.

Summary of Net Assets

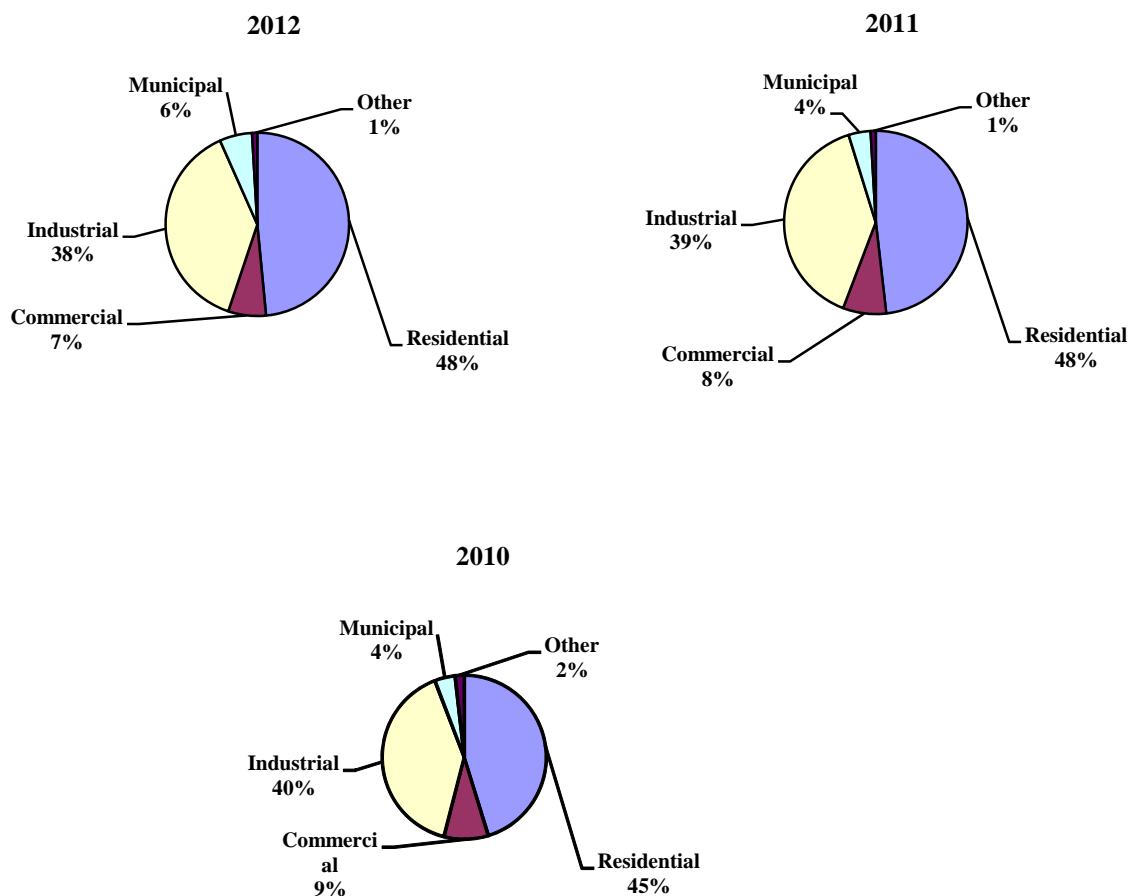
	<u>2012</u>	Restated <u>2011</u>	<u>2010</u>
Current assets	\$ 1,942,985	\$ 2,340,153	\$ 2,658,545
Noncurrent assets	<u>13,735,134</u>	<u>12,644,043</u>	<u>12,531,382</u>
Total assets	<u>\$ 15,678,119</u>	<u>\$ 14,984,196</u>	<u>\$ 15,189,927</u>
Current liabilities	1,846,325	1,693,867	1,663,520
Noncurrent liabilities	<u>5,286,866</u>	<u>5,913,261</u>	<u>6,025,556</u>
Total liabilities	<u>7,133,191</u>	<u>7,607,128</u>	<u>7,689,076</u>
Net assets invested in capital assets, net of related debt and capital contributions	6,463,403	5,808,881	5,738,386
Restricted net assets	340,959	349,335	161,628
Unrestricted net assets	<u>1,740,566</u>	<u>1,218,852</u>	<u>1,600,837</u>
Total net assets	<u>8,544,928</u>	<u>7,377,068</u>	<u>7,500,851</u>
Prior period adjustment	<u>-</u>	<u>504,000</u>	<u>-</u>
Net assets, end of year restated	<u>8,544,928</u>	<u>7,881,068</u>	<u>7,500,851</u>
Total liabilities and net assets	<u>\$ 15,678,119</u>	<u>\$ 14,984,196</u>	<u>\$ 15,189,927</u>

Summary of Changes in Net Assets

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 7,652,594	\$ 7,706,222	\$ 8,109,983
Operating expenses	<u>6,838,349</u>	<u>7,906,411</u>	<u>7,676,352</u>
Operating income (loss)	814,245	(200,189)	433,631
Non-Operating revenues less Non-Operating Expenses	<u>(50,385)</u>	<u>176,406</u>	<u>(18,728)</u>
Increase in Net Assets before transfers	<u>763,860</u>	<u>(23,783)</u>	<u>414,903</u>
Transfer Out - Payment in Lieu of Taxes	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Increase (decrease) in Net Assets	<u>\$ 663,860</u>	<u>\$ (123,783)</u>	<u>\$ 314,903</u>

Financial Highlights:

Kilowatt-hour sales for the year ended December 31, 2012, were down 2.94 percent or 1.80 million kilowatt-hours compared to 2011. Operating revenues were \$53,628 or .7% less than 2011.



Power Supply:

Templeton Municipal Light provides electricity to its customers through both fixed purchase power contracts and purchases from the open market in an effort to diversify the Town's power resources and stabilize power costs. Purchased power costs are the costs associated with buying electric generating capacity and having it delivered to the Town of Templeton. There are circumstances that will make the cost of electric energy fluctuate, such as peak demands for electric energy caused by extended periods of time with above or below normal temperatures, unexpected power plant shutdowns for unforeseen repair, and fuel prices being affected by fluctuation in demand and the global economy. During 2012 the Department purchased 2.94% fewer kilowatt-hours than those purchased in 2011. The 2012 purchased power costs were .7% less than 2011.

We continue to monitor and contest charges from ISO New England, ("ISO") which operates the region's electric power system. We share the goal of making reliability a top priority in operating the power grid, but we also believe the cost to consumers can be minimized in the drive to enhance reliability. We continue to work with the Massachusetts Municipal Wholesale Electric Company ("MMWEC"), our power supply agent, to challenge the cost of Reliability Must Run ("RMR") agreements with certain merchant power plants. These generating plants, which the ISO determined are needed for reliability, are guaranteed payments to cover their operating costs.

We continued the transition period into the ISO's new forward capacity market ("FCM") whereby generating capacity prices will be set by auction. During the period of transition to the FCM, from December 2006 to June 2010, these prices were set by agreement. We also remained active participants in the finished Berkshire Wind project located on Brodie Mountain in Hancock, Massachusetts. We also generated electricity with our wind turbine located at the Narragansett Regional Middle/High School. Along with other Massachusetts municipal utilities, we continued to explore solar options as a means to obtain sources of clean renewable energy. The light plant will continue to monitor the changing regional markets and economic conditions to minimize the impact on our rates and customers.

Net Utility Plant and Debt Administration:

Net Utility Plant

Net utility plant increased by \$565,896 during 2012. This increase is the difference between the current year additions of \$952,994 and the annual depreciation (3%) expense of \$387,098. During 2012, the electric light plant spent \$470,229 on intangible assets and \$229,737 on new transportation.

The special projects discussed in the above paragraph are in addition to the process of continued upgrading of the distribution system to increase reliability and efficiency.

It should be noted that the above mentioned utility plant expenditures have been, and will continue to be funded with revenue received from the sale of electricity..

Debt Administration

Debt outstanding at year-end 2012 was \$3,062,625. The amount consists of three bond issues.

The Town of Templeton, Massachusetts Municipal Light Plant issue is a municipal bond, issued in June of 2003 to finance the building which houses administration and operations. The principal amount of this bond at inception was \$1,500,000. The amount payable on this bond is \$780,000 at December 31, 2012.

The Wind Energy Cooperative issues are for two municipal bonds, issued in October and December of 2009 to finance the 1.65- megawatt wind turbine at Templeton's wind farm in Baldwinville, Massachusetts. Principal amounts at inception were \$993,750 and \$2,116,000. The amount payable on these bonds is \$695,625 and \$1,587,000, respectively, at December 31, 2012.

Interest and principal payments have and will continue to be paid with revenue received from the sale of electricity.

Significant Balances and Transactions:

Purchased Power Working Capital

Prepayments include Purchased Power Working Capital which is an amount held by MMWEC, the Department's power supply agent. MMWEC requires that they hold a set amount of capital from which they may pay the power obligations when they are due. The fund is replenished as needed through invoices paid monthly to MMWEC.

Rate Stabilization Fund

Templeton Municipal Light's Rate Stabilization Fund is a contingency fund established to mitigate power costs on an as needed basis. A balance of \$566,211 is maintained in the Fund for that purpose

Depreciation Fund

Templeton Municipal Light maintains a Depreciation Fund, which is invested by the Town of Templeton's Treasurer. This Fund is used to pay for capital investments. These items are purchased from the Operating Funds, which are then replenished by funds transferred from the Depreciation Fund. The Depreciation Fund is required by state statute. We set aside three percent of our cost of plant annually to be used for future capital improvements and additions. Interest earned on the investments is retained in the account.

Customer Accounts Receivable

Customer Accounts Receivable is reported net of the Allowance for Doubtful Accounts. Increases and decreases to the Allowance are offset to Bad Debt Expense.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Statement of Net Assets December 31, 2012

Assets

Electric utility plant	
Production plant, at cost	\$ 4,022,989
Distribution plant, at cost	9,892,447
General plant, at cost	<u>3,653,493</u>
Total electric utility plant	17,568,929
Accrued depreciation	<u>5,931,566</u>
Net electric utility plant in service	11,637,363
Construction in progress	<u>71,196</u>
Total electric utility plant	<u>11,708,559</u>
Other assets	
Depreciation fund	340,959
MA reserve trust	973,284
Rate Stabilization Reserve fund	566,211
Preliminary survey and investigation charges	82,845
Unamortized debt issue cost, net of accumulated amortization	<u>63,276</u>
Total other assets	<u>2,026,575</u>
Current and accrued assets	
Cash and cash equivalents	189,148
Meter deposit cash	95,551
Working funds	800
Accounts receivable, net of allowance for bad debts of \$72,000	458,611
Other accounts receivable	213,589
Materials and supplies	119,115
Prepaid expenses	337,032
MMWEC working capital deposit	<u>529,139</u>
Total current and accrued assets	<u>1,942,985</u>
Total assets	<u>\$ 15,678,119</u>

The accompanying notes are an integral part of these financial statements

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Statement of Net Assets (Continued) December 31, 2012

Liabilities and Net Assets

Net assets	
Invested in capital assets, net of related debt and contributions	\$ 6,463,403
Restricted for depreciation	340,959
Unrestricted	<u>1,740,566</u>
Total surplus	<u>8,544,928</u>
Current and accrued liabilities	
Current portion, long-term debt	311,625
Accounts payable, operations	1,340,349
Accounts payable, other	8,497
Accrued interest	7,169
Accrued sales tax	1,818
Accrued payroll and vacation	25,500
Advance deposits for construction	55,876
Customer deposits	<u>95,491</u>
Total current and accrued liabilities	<u>1,846,325</u>
Long-term debt	
Bonds payable, less current portion	<u>2,751,000</u>
Other liabilities	
Provision for rate refund	566,211
Accrued other post employment liability	316,041
Amounts payable in the future	754,993
Contribution in aid of construction	<u>898,621</u>
Total other liabilities	<u>2,535,866</u>
Total liabilities	<u>7,133,191</u>
Total liabilities and net assets	<u><u>\$ 15,678,119</u></u>

The accompanying notes are an integral part of these financial statements

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended December 31, 2012

Operating income	
Operating revenues	<u>\$ 7,652,594</u>
Operating expenses	
Operating expenses	6,151,923
Maintenance expenses	184,426
Depreciation	<u>502,000</u>
Total operating expenses	<u>6,838,349</u>
Total operating income	<u>814,245</u>
Other income	
Interest income	19,781
Merchandising and contracting	53,099
Miscellaneous non-operating income	10,687
Total other income	<u>83,567</u>
Miscellaneous income deductions	
Oher expenses (recoveries)	(3,603)
Utility plant leased to others, net	28,873
Work done for Town of Templeton	12
Amortization of debt expense	6,823
Interest on long-term debt	101,118
Other interest expense	<u>729</u>
Total miscellaneous income deductions	<u>133,952</u>
Net income	<u><u>\$ 763,860</u></u>
Changes in net assets	
Net assets, beginning of year	\$ 7,377,068
Prior period adjustment	<u>504,000</u>
Net assets, beginning of year restated	7,881,068
Balance transferred from net income	763,860
Transfer to Town of Templeton in lieu of taxes	<u>(100,000)</u>
Net assets, at end of year	<u><u>\$ 8,544,928</u></u>

The accompanying notes are an integral part of these financial statements

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Statement of Cash Flows For the Year Ended December 31, 2012

Cash flows from operating activities	
Cash received from customers	\$ 7,533,228
Cash payments to suppliers and employees	(5,981,472)
Cash paid for services	(96,050)
Other revenues received	191,999
Other recoveries (expenses) paid	<u>84,337</u>
Net cash provided by operating activities	<u>1,732,042</u>
Cash flows used for non-capital financing activities	
Payment to Town of Templeton in lieu of taxes	<u>(100,000)</u>
Net cash used in non-capital financing activities	<u>(100,000)</u>
Cash flows from capital and related financing activities	
Additions to plant and construction in progress	(959,770)
Payments on long-term debt	(311,625)
Interest on long-term debt	(105,160)
Net transfers from depreciation fund	<u>8,376</u>
Net cash used in capital and related financing activities	<u>(1,368,179)</u>
Cash flows from investing activities	
Interest income	19,781
Net transfers to Massachusetts Reserve Trust	<u>(82,308)</u>
Net cash used by investing activities	<u>(62,527)</u>
Net increase in cash	201,336
Cash and cash equivalents, beginning of year	<u>(12,188)</u>
Cash and cash equivalents, end of year	<u>\$ 189,148</u>
Cash is listed on the balance sheet as:	
Cash and cash equivalents	<u>\$ 189,148</u>

The accompanying notes are an integral part of these financial statements

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

**Statement of Cash Flows (Continued)
For the Year Ended December 31, 2012**

Reconciliation of operating loss to net cash provided by operating activities		
Operating income	\$	814,245
Adjustments to reconcile operating income to net cash from operating activities:		
Other non-operating income		99,274
Other income recoveries (deductions)		(29,614)
Depreciation		502,000
Decrease (increase) in:		
Accounts receivable		(57,487)
Meter deposit cash		(2,960)
Other accounts receivable		4,918
Unbilled revenue		25,988
Materials and supplies		16,954
Prepayments		45,346
Increase in:		
Accounts payable and accrued liabilities		310,478
Customer deposit liability		2,900
		<hr/>
Net cash provided by operating activities	\$	<u><u>1,732,042</u></u>

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements For the Year Ended December 31, 2012

1. Organization

The Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary ("the Plant") is an enterprise fund of the Town of Templeton, Massachusetts. The Plant purchases electricity which it distributes to consumers within the Town of Templeton. The Plant constructed a wind generation facility through a subsidiary cooperative with the Massachusetts Municipal Wholesale Electric Company ("MMWEC").

2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the Town of Templeton, Massachusetts Municipal Light Plant and its divisible share of its subsidiary, Massachusetts Municipal Light Department Wind Energy Cooperative Corporation (the "Coop"). Intercompany transactions have been eliminated.

Reporting Entity

The Municipal Light Plant is an enterprise fund of the Town of Templeton, Massachusetts. The Municipal Light Plant purchases power, predominantly from the Massachusetts Municipal Wholesale Electric Company (MMWEC), and sells it to consumers in the Town of Templeton at rates submitted to the Massachusetts Department of Public Utilities (DPU). The Municipal Light Plant appoints a General Manager who, under the direction of the Municipal Light Board, has full charge of the operation and management of the department.

Regulation and Basis of Presentation

The Plant's policy is to prepare its financial statements in conformity with the accounting practices prescribed by the Massachusetts Department of Public Utilities ("DPU") which require that certain items be charged or credited directly to surplus. Generally accepted accounting principles would require the same items to be charged or credited to operating income. Accordingly, the accompanying financial statements are not intended to present financial positions and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The Plant is considered an enterprise fund of the Town of Templeton, Massachusetts. The operations of the Plant are accounted for with a separate set of self-balancing accounts organized on a Proprietary Fund type (Enterprise Fund) basis.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Plant considers only unrestricted cash on deposit with the Town Treasurer and certificates of deposit with original maturities of three months or less as cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Industry

The Plant operates within the electric utility industry which can be prone to significant restructuring and varying degrees of regulation.

Credit

The Plant extends credit to its customers located within the Town of Templeton.

Union Labor

Non-management labor is covered by a three-year union contract which expires December 31, 2015.

Utility Plant

The statutory provision for depreciation of utility plant is computed on a straight-line method at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. Massachusetts law stipulates that the Municipal Light Plant may exceed the 3 percent depreciation rate only with the approval of the DPU.

The Department uses from five to twenty percent calculated depreciation for equipment and trucks and two to three percent calculated depreciation for structures and distribution facilities to achieve an overall rate of three percent depreciation.

The Municipal Light Plant charges maintenance to expense when incurred. Replacements and betterments are charged to utility plant. At the time properties are retired, the cost of the property retired less accumulated depreciation, salvage value, and any cash proceeds is charged to unappropriated earned surplus.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

2. Summary of Significant Accounting Policies (Continued)

Customer Accounts Receivable

Customer accounts receivable are recorded net of a reserve for uncollectible accounts. Accounts are included in the reserve when all legal avenues have been exhausted and the possibility of collection is remote.

Materials and Supplies

Materials and supplies inventory consists of parts and accessories purchased for use in the utility business for construction, operation and maintenance purposes, and is valued at last cost applied to all items on hand.

Revenue Recognition

Revenues are based on rates established by the Plant and filed with the DPU. The Plant's rates must be set such that earnings attributable to electric operations, less bond principal payments, do not exceed eight percent of the gross cost of plant. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis. Revenues are stated net of discounts.

Fair Value of Financial Instruments

The Plant's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and debt instruments. The estimated fair values of these financial instruments approximate their carrying values at December 31, 2012. The estimated fair values have been determined through information obtained from market sources and management estimates.

Preliminary Survey and Investigation Charges

This account has been charged with expenditures for the preliminary and secondary generator facilities study for MMWEC Project 2006A.

Taxes

The Plant is exempt from federal and state income taxes as well as local property taxes but makes voluntary payments in lieu of taxes to the Town of Templeton.

Subsequent Events

The Plant has evaluated all subsequent events through August 30, 2013, the date the financial statements were available to be issued.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

3. Prepayments

Prepayments consist of the following items:

Prepaid insurance and retirement	\$	77,637
Prepaid purchased power		259,395
 Total	 \$	 <u><u>337,032</u></u>

4. Bonds Payable

Town of Templeton, Massachusetts Municipal Light Department

\$1,500,000 municipal bond, dated June 15, 2003; payable to First Southwest Company in twenty annual installments on June 15; interest at an average of 3.3% payable semi-annually on June 15 and December 15; matures June 15, 2022. Balance at December 31, 2012, is \$780,000.

Balance, beginning of year	\$	860,000
Payments		(80,000)
Balance, end of year		780,000
Less current portion		(80,000)
Total long-term debt	\$	<u><u>700,000</u></u>

Future payments on long-term debt are:	Interest	Principal	Total
2013	\$ 25,522	\$ 80,000	\$ 105,522
2014	23,163	80,000	103,163
2015	20,723	80,000	100,723
2016	18,183	80,000	98,183
2017	15,523	80,000	95,523
2018-2022	35,806	380,000	415,806
	\$ 138,920	\$ 780,000	\$ 918,920

Wind Energy Cooperative

Dated December 30, 2009, Clean Renewable Energy Bond ("CREB") for \$2,116,000 payable in sixteen annual installments beginning on December 30, 2009; interest at 2% payable semi-annually on June 30 and December 30; matures December 30, 2025. Balance at December 31, 2012, is \$1,587,000. Dated October 1, 2009, Commercial Term Loan in the amount of \$993,750 payable in ten annual installments of \$99,375 beginning on October 1, 2010; interest at 5.5% payable semi-annually on April 1 and October 1; matures October 1, 2019. Balance at December 31, 2012, is \$695,625.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

4. Bonds Payable (Continued)

Balance, beginning of year	\$ 2,514,250
Additions	-
Payments	(231,625)
Balance, end of year	2,282,625
Less current portion	(231,625)
Total long-term debt	\$ 2,051,000

Future payments on long-term debt in the Cooperative are:

	Interest	Principal	Total
2013	\$ 60,557	\$ 231,625	292,182
2014	53,828	231,625	285,453
2015	47,097	231,625	278,722
2016	40,367	231,625	271,992
2017	33,637	231,625	265,262
2018-2022	79,351	860,000	939,351
2023-2024	8,067	264,500	272,567
	\$ 322,904	\$ 2,282,625	\$ 2,605,529

The current bond liabilities of \$80,000 and \$231,625 equal total current bond liabilities of \$311,625. The long-term bond liabilities of \$700,000 and \$2,051,000 equal long-term bond liabilities of \$2,751,000.

5. Pension Plan

The Plant follows the provisions of GASB Statement No. 27, as amended by GASB Statement No. 50, "Accounting for Pensions for State and Local Government Employees," with respect to the employees' retirement funds.

Plan Description

The Plant provides retirement benefits to employees through a contributory retirement system administered by the Worcester County Retirement System ("System"), a cost-sharing, multiemployer public employee retirement system.

The System provides retirement, disability and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws ("MGL"). The System issues a publicly available financial report which can be obtained through the Worcester County Retirement System in Worcester, Massachusetts.

Membership in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees. Members become fully vested after ten years of creditable service.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

5. Pension Plan (Continued)

Funding Policy

Active members are required to contribute from five to nine percent of their gross regular compensation depending on the date upon which their membership began. The Plant is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Town of Templeton is assessed by the System, and the Town allocates the required contribution among its departments based on covered payroll. The Plant's contributions to the System for the years ended December 31, 2012, 2011, and 2010, were \$102,753, \$111,054 and \$93,197, respectively, which were equal to its annual required contribution.

6. Post-Retirement Benefits Other than Pensions (OPEB)

Templeton Municipal Light Plant implemented GASB 45 Other Post-Employment Benefits ("OPEB") during the calendar year 2009. The Plant participates in the town-wide health plan which provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of Massachusetts General Law assigns authority to establish and amend benefit provisions of that plan. At the latest actuarial valuation, January 1, 2012, the Plant's membership in the plan consisted of the following:

	Medical/Life	Dental
Current retirees, beneficiaries, and dependents	5	4
Current active employees	11	11
	16	15

Funding Policy

The Plant funds the cost of providing benefits on a pay-as-you-go basis by expensing the annual insurance premiums charged to the Plant by the Town of Templeton. Retired plan members and beneficiaries currently receiving benefits are required to contribute 25% of the premium cost for their post-retirement medical, dental and life insurance costs. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. Neither the Town nor the Plant has established a Trust to accept funding for OPEB liabilities.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

6. Post-Retirement Benefits Other than Pensions (OPEB) (Continued)

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 generally accepted accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The components of the annual OPEB costs for the year, the amount actually contributed to the plan, and changes in net OPEB obligation are summarized in the following table.

The Plant's annual OPEB cost, the percentage of the annual OPEB cost contributed, and the net OPEB obligation for 2012 and the three preceding years were as follows.

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$ 127,108	\$ 45,776	36.0%	\$ 81,332
12/31/10	\$ 126,226	\$ 34,259	27.1%	\$ 173,299
12/31/11	\$ 124,855	\$ 36,857	29.5%	\$ 261,297
12/31/12	\$ 95,756	\$ 41,012	57.2%	\$ 316,041

Funded Status and Funding Progress

As of December 31, 2012, the plan was unfunded. An actuarial valuation was completed for the year ended December 31, 2012, projecting the accrued liability for benefits at December 31, 2012, at \$1,329,744. There are no assets in the plan, and the unfunded actuarial accrued liability ("UAAL") at December 31, 2012 is projected at \$1,329,744. The covered payroll of the Plant (annual payroll of active employees covered by the plan) was \$779 thousand, and the ratio of the UAAL to the covered payroll was 170.7%.

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 contribution 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 in the required supplementary information following the 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.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

6. Post-Retirement Benefits Other than Pensions (OPEB) (Continued)

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the 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 January 1, 2012, actuarial valuation, actuarial liabilities were determined using the projected unit cost credit method. The actuarial methods and assumptions included a 4% rate of return and an annual health care cost rate trend ranging from 11% initially, graded to 5% after seven years. Costs rate trend for dental benefits is projected at 8.5% initially, graded to 5% after seven years. Both rates included a 2.5% general inflation assumption. The UAAL is being amortized over 30 years at a level dollar amount. The remaining amortization period at January 1, 2012 is 27 years.

7. Commitments and Contingencies

Town of Templeton, acting through its Light 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 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.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

7. Commitments and Contingencies (Continued)

MMWEC has issued separate 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, an indirect subsidiary of NextEra Energy Resources, LLC (formerly FPL Energy, LLC) and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. ("DNCI"), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

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

Templeton Municipal Light Plant has entered into PSAs and power purchase agreements ("PPAs") with MMWEC. Under both the PSAs and PPAs, the Plant is required to make certain payments to MMWEC payable solely from 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).

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

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

**Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2012**

7. Commitments and Contingencies (Continued)

Seven municipal light departments that are participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. The arbitration demand has been stayed by agreement of the parties. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

Total capital expenditures for MMWEC's projects amounted to \$1,593,344,000, of which \$27,012,000 represents the amount associated with the Plant's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Plant. MMWEC's debt outstanding for the projects includes power supply system revenue bonds totaling \$284,005,000, of which \$4,760,000 is projects in which it participates, although such amount is not allocated to the Plant. As of December 31, 2012, MMWEC's total future debt service requirement on outstanding bonds issued for the projects is \$380,165,000 of which \$4,760,000 is anticipated to be billed to the Plant in the future.

The estimated aggregate amount of Templeton Municipal Light Plant's required payments under the PSAs and PPAs, exclusive of the reserve and contingency fund billings, to MMWEC at December 31, 2012, and estimated for future years is shown below.

For years ended December 31, 2013	\$	1,161,000
2014		1,067,000
2015		995,000
2016		913,000
2017		447,000
2018 to 2020		<u>177,000</u>
Total	\$	<u><u>4,760,000</u></u>

In addition, under the PSAs, the Plant is required to pay 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 \$2,747,000 and \$3,139,000 for the years ended December 31, 2012 and 2011, respectively.

8. Related Party Transactions

The Plant occupies common administrative space with the Town of Templeton Water Plant and performs certain administrative duties for the Water Plant. The Plant is reimbursed by the Water Plant for employees' labor and for certain expenses. Charges for 2012 and 2011 were \$29,358 and \$28,632, respectively. The Light Plant owns the building in which the Water Plant occupies space. The Light Plant does not charge rent to the Water Plant.

The Light Plant is owned by the Town of Templeton. Electric sales to municipal buildings totaled \$438,764 and \$298,101 for 2012 and 2011, respectively. The Plant contributed \$100,000 annually of in lieu of tax payments to the Town of Templeton in 2012 and 2011.

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2012

9. Concentration of Credit Risk

The Light Plant's deposits with the Town Treasurer are commingled and invested with deposits from other Town funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Light Plant.

The maximum deposit insurance amount is \$250,000 for interest bearing accounts, which is applied per depositor, per insured depository institution for each ownership category. Non-interest bearing transaction deposit accounts are provided unlimited insurance coverage through December 31, 2012. Beginning on January 1, 2013, non-interest bearing accounts will no longer be insured separately from depositors' other accounts at the same insured depository institution. Instead, non-interest bearing transaction accounts will be added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance is insured up to \$250,000, per depositor, per insured depository institution for each account ownership category. The amount of insurance coverage for the Light Plant deposits is not determinable because the limits of insurance are computed on a town-wide basis.

10. Prior Period Adjustment

Net assets of the Light Plant have been restated to include a \$504,000 adjustment for prior years. The adjustment consists of \$504,000 of rate stabilization funds used in prior years. The impact of this adjustment would have resulted in an increase in prior years' operating revenues and a decrease in the rate stabilization liability. Funds were returned to ratepayers in previous years and were not reflected in prior years' financial statements. Beginning net assets have been restated accordingly.

Supplementary Information

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

**Other Post-Employment Benefit Plan
Other Supplementary Information
December 31, 2012**

Schedule of Funding Progress

Actuarial Valuation Date Projected to	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
12/31/09	\$ -	\$ 1,534,774	\$ 1,534,774	0.00%	\$ 719,860	213.2%
12/31/10	\$ -	\$ 1,591,993	\$ 1,591,993	0.00%	\$ 813,045	195.8%
12/31/11	\$ -	\$ 1,647,816	\$ 1,647,816	0.00%	\$ 767,333	214.7%
12/31/12	\$ -	\$ 1,329,744	\$ 1,329,744	0.00%	\$ 779,214	170.7%

Schedule of Actuarial Methods and Assumptions

Actuarial methods:

Valuation date	01/01/12
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount over 30 years
Remaining amortization period	27 years as of January 1, 2012

Actuarial assumptions:

Investment rate of return	4.00%
Inflation rate	3.50%
Projected salary increases	3.00%
Medical/drug cost trend rate	11% decreasing to 5% in 2015
Dental cost trend rate	8.5% decreasing to 5% in 2015

Plan membership:

	Medical/Life	Dental
Current retirees, beneficiaries, and dependents	5	4
Current active members	11	11
Total	<u>16</u>	<u>15</u>

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Note to Other Supplementary Information

December 31, 2012

1. The Plant participates in the town-sponsored single employer defined benefit health plan which provides lifetime health care and life insurance benefits for eligible retirees and their spouses through the Town of Templeton health plan, which covers both active and retired members.

The Plant currently finances its other post-employment benefits ("OPEB") on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with *Governmental Accounting Standards*, the Plant has recorded its OPEB cost equal to the actuarially 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.

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

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

**Combining Statement of Net Assets
December 31, 2012**

<i>Assets</i>	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
Utility plant				
Production plant	\$ 192,921	\$ 3,830,068	\$ -	\$ 4,022,989
Distribution plant	9,892,447	-	-	9,892,447
General plant	3,653,493	-	-	3,653,493
	<hr/>	<hr/>	<hr/>	<hr/>
Total utility plant in service	13,738,861	3,830,068	-	17,568,929
Accumulated depreciation	5,668,033	263,533	-	5,931,566
	<hr/>	<hr/>	<hr/>	<hr/>
Net utility plant in service	8,070,828	3,566,535	-	11,637,363
Construction in progress	71,196	-	-	71,196
	<hr/>	<hr/>	<hr/>	<hr/>
Total utility plant	8,142,024	3,566,535	-	11,708,559
	<hr/>	<hr/>	<hr/>	<hr/>
Other assets				
Preliminary survey and investigation charges	82,845	-	-	82,845
Unamortized debt issue cost net of accumulated amortization	4,689	58,587	-	63,276
Advances to subsidiary	641,625	-	(641,625)	-
Rate Stabilization Reserve Fund	566,211	-	-	566,211
MA reserve trust	973,284	-	-	973,284
Depreciation fund	340,959	-	-	340,959
	<hr/>	<hr/>	<hr/>	<hr/>
Total other assets	2,609,613	58,587	(641,625)	2,026,575
	<hr/>	<hr/>	<hr/>	<hr/>
Current and accrued assets				
Cash and short-term investments	183,280	5,868	-	189,148
Meter deposit cash	95,551	-	-	95,551
Working funds	800	-	-	800
Customer accounts receivable, net of allowance for bad debts of \$72,000	375,043	83,568	-	458,611
Other accounts receivable	213,589	-	-	213,589
Unbilled revenue	-	22,699	(22,699)	-
Materials and supplies	119,115	-	-	119,115
MMWEC working capital deposit	529,139	-	-	529,139
Prepayments	325,735	11,297	-	337,032
	<hr/>	<hr/>	<hr/>	<hr/>
Total current and accrued assets	1,842,252	123,432	(22,699)	1,942,985
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 12,593,889</u>	<u>\$ 3,748,554</u>	<u>\$ (664,324)</u>	<u>\$ 15,678,119</u>

See report of independent auditors

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Combining Statement of Net Assets (Continued)

December 31, 2012

Liabilities and Net Assets

	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
Net assets				
Invested in plant, net of debt and contributions	\$ 6,463,403	\$ -	\$ -	\$ 6,463,403
Assets restricted for capital	340,959	-	-	340,959
Unappropriated net assets	<u>1,740,566</u>	<u>-</u>	<u>-</u>	<u>1,740,566</u>
 Total net assets	 <u>8,544,928</u>	 <u>-</u>	 <u>-</u>	 <u>8,544,928</u>
Current and accrued liabilities				
Current portion, long-term debt	80,000	231,625	-	311,625
Accounts payable	1,307,009	33,340	-	1,340,349
Accounts payable, MMWEC	2,394	6,103	-	8,497
Accrued interest	-	7,169	-	7,169
Accrued sales tax	1,818	-	-	1,818
Accrued payroll and vacation	25,500	-	-	25,500
Customers' meter deposits	95,491	-	-	95,491
Advance deposits for construction	<u>55,876</u>	<u>-</u>	<u>-</u>	<u>55,876</u>
 Total current and accrued liabilities	 <u>1,568,088</u>	 <u>278,237</u>	 <u>-</u>	 <u>1,846,325</u>
Noncurrent liabilities				
Bonds payable, net of current portion	700,000	2,051,000	-	2,751,000
Provision for rate refund	566,211	-	-	566,211
Accrued other post-employment liability	316,041	-	-	316,041
Advances from Templeton	-	641,625	(641,625)	-
Amounts payable in the future	-	777,692	(22,699)	754,993
Contribution in aid of construction	<u>898,621</u>	<u>-</u>	<u>-</u>	<u>898,621</u>
 Total other liabilities	 <u>2,480,873</u>	 <u>3,470,317</u>	 <u>(664,324)</u>	 <u>5,286,866</u>
 Total liabilities	 <u>4,048,961</u>	 <u>3,748,554</u>	 <u>(664,324)</u>	 <u>7,133,191</u>
 Total liabilities and net assets	 <u>\$ 12,593,889</u>	 <u>\$ 3,748,554</u>	 <u>\$ (664,324)</u>	 <u>\$ 15,678,119</u>

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Combining Statement of Revenue and Expenses and Changes in Net Assets For the Year Ended December 31, 2012

	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
Operating income				
Operating revenues	\$ 7,652,594	\$ 418,812	\$ (418,812)	\$ 7,652,594
Operating expenses				
Operating expense	6,389,294	67,490	(304,861)	6,151,923
Maintenance expense	138,063	46,363		184,426
Depreciation	387,098	114,902		502,000
Total operating expenses	6,914,455	228,755	(304,861)	6,838,349
Total operating income	738,139	190,057	(113,951)	814,245
Other income				
Miscellaneous non-operating income	10,687	-	-	10,687
Merchandising and jobbing	53,099	-	-	53,099
Interest income	19,781	-	-	19,781
Total other income	83,567	-	-	83,567
Miscellaneous income deductions				
Other expenses (recoveries)	-	110,348	(113,951)	(3,603)
Utility plant leased to others, net	28,873	-	-	28,873
Work done for Town of Templeton	12	-	-	12
Interest on long-term debt	27,783	73,335	-	101,118
Amortization of debt issue expense	449	6,374	-	6,823
Other interest expense	729	-	-	729
Total miscellaneous income deductions	57,846	190,057	(113,951)	133,952
Net income	\$ 763,860	\$ -	\$ -	\$ 763,860
Changes in net assets				
Total net assets - beginning of year	\$ 7,377,068	\$ -	\$ -	\$ 7,377,068
Prior period adjustment	504,000	-	-	504,000
Total net assets - beginning of year, after adjustment	7,881,068	-	-	7,881,068
Balance transferred from income	763,860	-	-	763,860
Transfer to Town of Templeton in lieu of taxes	(100,000)	-	-	(100,000)
Total net assets - end of year	\$ 8,544,928	\$ -	\$ -	\$ 8,544,928

See report of independent auditors

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Combining Statement of Cash Flows For the Year Ended December 31, 2012

	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
Cash flows from operating activities				
Cash received from customers	\$ 7,647,179	\$ 304,861	\$ (418,812)	\$ 7,533,228
Cash payments to suppliers and employees	(6,286,333)	-	304,861	(5,981,472)
Cash paid for services	-	(96,050)	-	(96,050)
Other revenues	99,274	92,725	-	191,999
Other recoveries (expenses)	(29,614)	-	113,951	84,337
Net cash provided by operating activities	<u>1,430,506</u>	<u>301,536</u>	<u>-</u>	<u>1,732,042</u>
Cash flows from non-capital financing activities				
Payment to Town of Templeton in lieu of taxes	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net cash used in non-capital financing activities	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Cash flows from capital and related financing activities				
Additions to plant and construction in progress	(959,770)	-	-	(959,770)
Payments on long-term debt	(80,000)	(231,625)	-	(311,625)
Interest on long-term debt	(27,783)	(77,377)	-	(105,160)
Net deposits to depreciation fund	8,376	-	-	8,376
	<u>(1,059,177)</u>	<u>(309,002)</u>	<u>-</u>	<u>(1,368,179)</u>
Cash flows from investing activities				
Transfer to Massachusetts Reserve Trust	(82,308)	-	-	(82,308)
Interest income	19,781	-	-	19,781
Net cash used in investing activities	<u>(62,527)</u>	<u>-</u>	<u>-</u>	<u>(62,527)</u>
Net increase (decrease) in cash	208,802	(7,466)	-	201,336
Cash and cash equivalents, beginning of year	<u>(25,522)</u>	<u>13,334</u>	<u>-</u>	<u>(12,188)</u>
Cash and cash equivalents, end of year	<u>\$ 183,280</u>	<u>\$ 5,868</u>	<u>\$ -</u>	<u>\$ 189,148</u>

Town of Templeton, Massachusetts, Municipal Light Plant and Subsidiary

Combining Statement of Cash Flows (Continued) For the Year Ended December 31, 2012

	<u>Templeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
Reconcile operating income to net cash provided				
by operating activities:				
Operating income	\$ 738,139	\$ 190,057	\$ (113,951)	\$ 814,245
Depreciation of utility property	387,098	114,902		502,000
Other income deductions	(29,614)			(29,614)
Other non-operating income	99,274			99,274
Decrease (increase) in				
Accounts receivable	(10,273)	(47,214)		(57,487)
Meter deposit cash	(2,960)	-		(2,960)
Other accounts receivable	4,918	-		4,918
Materials and supplies	16,954	-		16,954
Unbilled revenue		25,988		25,988
Prepayments	49,703	(4,357)		45,346
Increase in				
Accounts payable and accrued liabilities	174,367	22,160	113,951	310,478
Customer deposit liability	2,900	-	-	2,900
	<u>\$ 1,430,506</u>	<u>\$ 301,536</u>	<u>\$ -</u>	<u>\$ 1,732,042</u>
Net cash provided by operating activities	<u>\$ 1,430,506</u>	<u>\$ 301,536</u>	<u>\$ -</u>	<u>\$ 1,732,042</u>

TOWN OF TEMPLETON, MASSACHUSETTS MUNICIPAL LIGHT PLANT

**Schedule of Cost of Utility Plant in Service and Accumulated Depreciation - Light Plant
December 31, 2012**

	<u>Cost</u> <u>1/1/2012</u>	<u>Net Cost</u> <u>Property</u> <u>Added</u> <u>2012</u>	<u>Net Cost</u> <u>Property</u> <u>Disposed Of</u> <u>2012</u>	<u>Cost</u> <u>12/31/2012</u>	<u>Accumulated</u> <u>Depreciation</u> <u>1/1/2012</u>	<u>Depreciation</u> <u>2012</u>	<u>Reversed</u> <u>Depreciation</u> <u>2012</u>	<u>Accumulated</u> <u>Depreciation</u> <u>12/31/2012</u>	<u>Book</u> <u>Value</u> <u>12/31/2012</u>
Electric utility plant in service									
Electric other production									
Structures and improvements	\$ 192,921	\$ -	\$ -	\$ 192,921	\$ 27,538	\$ 5,788	\$ -	\$ 33,326	\$ 159,595
Total electric other production	<u>192,921</u>	<u>-</u>	<u>-</u>	<u>192,921</u>	<u>27,538</u>	<u>5,788</u>	<u>-</u>	<u>33,326</u>	<u>159,595</u>
Electric distribution plant									
Land and land rights	113,320	-	-	113,320	-	-	-	-	113,320
Structures and improvements	51,879	-	-	51,879	20,332	1,556	-	21,888	29,991
Intangible plant - miscellaneous	-	470,229	-	470,229	-	-	-	-	470,229
Station equipment	3,465,477	78	-	3,465,555	1,136,823	121,688	-	1,258,511	2,207,044
Storage battery equipment	4,028	-	-	4,028	4,028	-	-	4,028	-
Poles, towers and fixtures	740,325	71,603	-	811,928	280,639	22,210	-	302,849	509,079
Overhead conductors and devices	1,669,124	97,595	-	1,766,719	921,131	40,060	-	961,191	805,527
Underground conduits	153,140	7,188	-	160,328	58,583	4,594	-	63,177	97,151
Underground conductors and devices	254,628	-	-	254,628	91,728	7,637	-	99,365	155,263
Line transformers	959,677	12,847	754	971,770	527,585	28,791	754	555,622	416,147
Services	801,201	3,517	-	804,718	415,558	12,018	-	427,576	377,142
Meters	423,550	7,359	864	430,045	144,360	12,707	864	156,203	273,842
Leased property customers' premises	320,726	3,403	-	324,129	161,860	9,623	-	171,483	152,647
Street lighting and signal systems	221,349	41,822	-	263,171	136,797	4,427	-	141,224	121,948
Total electric distribution plant	<u>9,178,424</u>	<u>715,641</u>	<u>1,618</u>	<u>9,892,447</u>	<u>3,899,424</u>	<u>265,311</u>	<u>1,618</u>	<u>4,163,117</u>	<u>5,729,330</u>
Electric general plant									
Land and land rights	75,858	-	-	75,858	-	-	-	-	75,858
Structures and improvements	2,194,048	-	-	2,194,048	523,851	65,821	-	589,672	1,604,376
Office furniture and equipment	224,321	6,003	-	230,324	184,262	4,006	-	188,268	42,056
Transportation equipment	773,539	229,737	304,955	698,321	560,232	43,045	304,955	298,322	399,999
Stores equipment	21,252	-	-	21,252	12,062	638	-	12,700	8,552
Tools, shop and garage equipment	70,021	-	-	70,021	26,769	2,100	-	28,869	41,152
Laboratory equipment	25,204	-	-	25,204	25,204	-	-	25,204	-
Power operated equipment	235,402	-	-	235,402	235,402	-	-	235,402	-
Communication equipment	66,365	1,613	-	67,978	59,784	180	-	59,964	8,014
Miscellaneous equipment	35,085	-	-	35,085	32,980	209	-	33,189	1,896
Total electric general plant	<u>3,721,095</u>	<u>237,353</u>	<u>304,955</u>	<u>3,653,493</u>	<u>1,660,546</u>	<u>115,999</u>	<u>304,955</u>	<u>1,471,590</u>	<u>2,181,903</u>
Total electric utility plant in service	<u>\$ 13,092,440</u>	<u>\$ 952,994</u>	<u>\$ 306,573</u>	<u>\$ 13,738,861</u>	<u>\$ 5,587,508</u>	<u>\$ 387,098</u>	<u>\$ 306,573</u>	<u>\$ 5,668,033</u>	<u>\$ 8,070,828</u>
Non-depreciable assets included above:									
Land and land rights	\$ 189,178	\$ -	\$ -	\$ 189,178	\$ -	\$ -	\$ -	\$ -	\$ 189,178

TOWN OF TEMPLETON, MASSACHUSETTS MUNICIPAL LIGHT PLANT

**Schedule of Electric Operating Revenues
For the Year Ended December 31, 2012**

	<u>Net Revenue</u>	<u>Kilowatt Hours Sold</u>	<u>Revenue Per Kilowatt Hour Sold</u>
Sales of electricity			
Residential sales	\$ 3,710,519	25,721,913	\$ 0.14426
Commercial and industrial sales			
Industrial	2,925,443	26,518,217	0.11032
Commercial	508,324	3,404,947	0.14929
Private area lighting	59,363	624,936	0.09499
Public authority	5,341	38,298	0.13946
Total private consumers	<u>7,208,990</u>	<u>56,308,311</u>	0.12803
Municipal sales			
Industrial	338,539	2,524,480	0.13410
Commercial	73,427	534,642	0.13734
Street lighting	26,798	191,436	0.13998
Total municipal sales	<u>438,764</u>	<u>3,250,558</u>	0.13498
Other electric revenue	<u>4,840</u>	<u>-</u>	
Total electric operating revenues	<u>\$ 7,652,594</u>	<u>59,558,869</u>	\$ 0.12849

TOWN OF TEMPLETON, MASSACHUSETTS MUNICIPAL LIGHT PLANT

Schedule of Electric Operating and Maintenance Expenses For the Year Ended December 31, 2012

	<u>Operating</u>	<u>Maintenance</u>	<u>Total</u>
Power production expenses			
Purchased power	5,147,936	\$ -	\$ 5,147,936
Other expenses	90,896	-	90,896
	<u>5,238,832</u>	<u>-</u>	<u>5,238,832</u>
Total power production expenses			
Distribution expenses			
Operation, supervision and engineering	87,102	-	87,102
Operation labor	89,633	-	89,633
Operation supplies and expense	3,966	-	3,966
Overhead line expense	47,043	-	47,043
Underground line expense	6,015	-	6,015
Street light and signal system expenses	7,080	-	7,080
Meter expenses	6,368	-	6,368
Customer installation expense	-	-	-
Miscellaneous distribution expenses	74,114	-	74,114
Maintenance of station equipment	-	1,344	1,344
Maintenance of overhead lines	-	88,746	88,746
Maintenance of underground lines	-	-	-
Maintenance of line transformers	-	2,647	2,647
Maintenance of street lighting and signal systems	-	7,605	7,605
	<u>321,321</u>	<u>100,342</u>	<u>421,663</u>
Total distribution expenses			
Customer account expenses			
Meter reading, labor and expense	44,607	-	44,607
Accounting and collecting labor and expense	88,254	-	88,254
Uncollectible accounts	-	-	-
	<u>132,861</u>	<u>-</u>	<u>132,861</u>
Total customer account expenses			
Administrative and general expenses			
Administrative and general salaries	134,673	-	134,673
Office supplies and expenses	32,470	-	32,470
Outside services employed	50,875	-	50,875
Property insurance	13,633	-	13,633
Injuries and damages	56,738	-	56,738
Employee pensions and benefits	389,188	-	389,188
Miscellaneous general expenses	25,331	-	25,331
Transportation expense	(6,628)	-	(6,628)
Maintenance of general plant	-	37,721	37,721
	<u>696,280</u>	<u>37,721</u>	<u>734,001</u>
Total administrative and general expenses			
Total operating and maintenance expenses	<u>\$ 6,389,294</u>	<u>\$ 138,063</u>	<u>\$ 6,527,357</u>

See report of independent auditors

TOWN OF TEMPLETON, MASSACHUSETTS MUNICIPAL LIGHT PLANT
Schedule of Electric Energy - Unaudited
For the Year Ended December 31, 2012

	<u>Kilowatt Hours</u>
Kilowatt hours sold	
Private consumers	
Residential	25,721,913
Commercial and industrial	29,923,164
Private area lighting	624,936
Public authority	38,298
Municipal use	
Street lighting	191,436
Lighting municipal buildings	3,059,122
Total kilowatt hours sold	59,558,869
Kilowatt hours used by department	121,037
Transmission and conversion losses	289,639
Total kilowatt hours accounted for	59,969,545
Kilowatt hours purchased	
Seabrook #3, #4, #5, #6	19,110,555
NEPEX	14,541,530
System Power	11,556,116
Millstone #3, Seabrook #1	4,187,036
Seaman Paper Company	2,700,731
Berkshire Wind Power	2,607,806
PASNY	2,528,181
Stony Brook	1,799,019
Hydro units	1,688,207
Wind Energy Cooperative Corporation	1,539,799
New England Power	88,939
National Grid	28,490
Total kilowatt hours purchased	62,376,409
Total kilowatt hours unaccounted for	2,406,864
Ratio of unaccounted for kilowatt hours (%)	3.86%