

**TEMPLETON MUNICIPAL LIGHT PLANT  
AND SUBSIDIARY**  
Financial Statements  
December 31, 2015 and 2014

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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DECEMBER 31, 2015 AND 2014

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# GOULET, SALVIDIO & ASSOCIATES, P.C.

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## INDEPENDENT AUDITORS' REPORT

To the Municipal Light Board  
Templeton Municipal Light Plant  
Templeton, Massachusetts 01436

We have audited the accompanying financial statements of Templeton Municipal Light Plant of Templeton, Massachusetts and Subsidiary as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Templeton Municipal Light Plant and Subsidiary as of December 31, 2015 and 2014, and the respective changes in financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Templeton Municipal Light Plant and Subsidiary and do not purport to, and do not, present fairly the financial position of the Town of Templeton, Massachusetts, as of December 31, 2015 and 2014, and the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits, and Net Pension Liability information on pages three through six and 37 through 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 40 through 46 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

*Goulet, Salvidio & Associates, P.C.*

Worcester, Massachusetts  
March 30, 2016

## Management's Discussion and Analysis

Within this section of the Templeton Municipal Light Plant and Subsidiary's annual financial report, management provides a narrative discussion and analysis of the financial activities of the Light Plant and Subsidiary for the years ending December 31, 2015 and 2014. 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 Statements of Net Position are designed to indicate our financial position as of a specific point in time. On December 31, 2015 it shows our net worth has decreased 0.25% over the year ending December 31, 2014.

The Statements of Revenues, Expenses, and Changes in Net Position summarize our operating results and reveals how much income was earned for the year. As discussed in more detail below, our income for December 31, 2015 and 2014 was \$22,407 and \$518,870, respectively.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financial activities for the same period. A review of our Statements of Cash Flows indicates that cash receipts from operating activities (i.e. electricity sales and related services) adequately cover our operating expenses.

### **Summary of Net Position**

	<u>2015</u>	<u>2014</u> <u>(As Revised)</u>
Current Assets	\$ 2,637,793	\$ 2,310,299
Noncurrent Assets	<u>12,820,604</u>	<u>12,960,115</u>
Total Assets	<u>15,458,397</u>	<u>15,270,414</u>
Deferred Outflows of Resources	<u>58,900</u>	<u>123,124</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 15,517,297</u>	<u>\$ 15,393,538</u>
Current Liabilities	\$ 1,666,322	\$ 1,278,094
Noncurrent Liabilities	<u>4,207,568</u>	<u>4,434,273</u>
Total Liabilities	<u>5,873,890</u>	<u>5,712,367</u>
Deferred Inflows of Resources	<u>1,467,911</u>	<u>1,485,264</u>
Net Position:		
Net Investment in Capital Assets	9,099,105	8,926,522
Net Position Restricted for Depreciation	703,821	669,015
Unrestricted	<u>(1,627,430)</u>	<u>(1,399,630)</u>
Total Net Position	<u>8,175,496</u>	<u>8,195,907</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,517,297</u>	<u>\$ 15,393,538</u>

### Summary of Changes in Net Position

	2015	2014 (As Revised)
Operating Revenues	\$ 7,596,580	\$ 7,796,731
Operating Expenses	7,521,178	7,212,184
Operating Income	75,402	584,547
Non-Operating Revenues (Expenses)	(52,995)	(65,677)
Income Before Contributions and Transfers	22,407	518,870
Net Position – January 1	8,195,907	7,739,090
Transfers Out – Payment in Lieu of Taxes	(42,818)	(62,053)
Net Position – December 31	\$ 8,175,496	\$ 8,195,907

### Financial Highlights

#### Revenue from Sale of Electricity

Templeton Municipal Light Plant has several rate classifications under which we provide service and derive income. These classifications are: Residential, Commercial, Industrial, Municipal and Street and Private Lighting. The following charts indicate how each rate class contributed in 2015 and 2014 to the total consumption of electricity and revenue. The overall average cost per Kilowatt-hour in 2015 was 12.61 cents for all rate classes.

Rate Classification	2015 Kilowatt Sales	2014 Kilowatt Sales
Residential Sales	26,201,412	26,199,989
Commercial Sales	4,154,588	4,120,601
Industrial Sales	25,004,301	25,804,748
Municipal Sales	3,157,313	3,219,958
Street and Private Lighting Sales	784,897	785,535
<b>Total Sales</b>	<b>59,302,511</b>	<b>60,130,831</b>

Rate Classification	2015 Revenue	2014 Revenue
Residential Sales	\$3,607,174	\$3,677,376
Commercial Sales	540,963	546,469
Industrial Sales	2,831,028	2,959,354
Municipal Sales	413,455	429,225
Street and Private Lighting Sales	83,300	95,268
<b>Total Sales</b>	<b>\$7,475,920</b>	<b>\$7,707,692</b>

### Power Supply

Templeton Municipal Light Plant 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 cost. Purchased Power costs are the costs associated with buying energy and having it delivered to the residents and businesses in the Town of Templeton. There are circumstances that will make prices 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 global issues. During 2015, the Light Plant purchased 1,462,680 kilowatt-hours less than those purchased in 2014. The 2015 purchased power costs were \$199,987 more than 2014.

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 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, which generated 2,709,808 kilowatt-hours of electricity in 2015. We also generated 1,297,096 kilowatt-hours of electricity in 2015 with our wind turbine located at Narragansett Regional Middle/High School. Along with other Massachusetts municipal utilities, we had 3,050 AC kilowatts of solar generation installed behind our wholesale meters and entered into a 20-year purchased power agreement with a third party as a means to obtain another source of clean energy. The Light Plant will continue 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.

### Utility Plant

Utility plant in service decreased 1.22% from 2014 to 2015 as a result of normal system additions and upgrades less annual depreciation.

### Debt Administration

Debt outstanding at year end was \$2,127,750. The amount consists of three bond issues.

The Town of Templeton, Massachusetts 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 at December 31, 2015 and 2014 was \$540,000 and \$620,000, respectively.

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 at December 31, 2015 and 2014 was \$1,587,750 and \$1,819,375, respectively.

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

## **Significant Balances and Transactions**

### Operating Cash

Templeton Municipal Light Plant maintains sufficient operating cash to support the day-to-day cash transactions of the plant. These transactions include but are not limited to, payroll and benefits, power supply cost, office supplies, and contracted services.

### MA Reserve Trust Fund

Our MA Reserve Trust Fund is managed by the Massachusetts Municipal Wholesale Electric Company (MMWEC). The fund was initially established to mitigate the difference in the market cost of energy and our long term energy contract costs. As market conditions exist today, our existing contracts, in many cases, are now below the average market price for energy. Given this situation it would seem, that the initial purpose for the MA Reserve Trust Fund has changed. There are many factors, other than the cost of energy, such as increased financial requirements of the ISO New England, the possibility of escalating costs at our nuclear facilities due to homeland security requirements and interruptions in supply due to natural disasters, which could dramatically affect the cost of energy. Our MA Reserve Trust Fund balance at December 31, 2015 and 2014 was \$969,454 and \$830,698, respectively.

### Depreciation Fund

Templeton Municipal Light Plant maintains a depreciation fund, which is managed by the Town of Templeton's Treasurer. This fund is used to pay for large capital investments such as new trucks and other long-term assets and 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.

### Purchased Power Working Capital

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

### PASNY

PASNY is an account held by MMWEC, our power supply agent. MMWEC requires that they hold a set amount of capital from which they may pay our power obligations for the delivery of power, and other obligations associated with the New York Power Authorities' hydro projects.



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF NET POSITION  
DECEMBER 31, 2015 AND 2014

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2015</u>	<u>2014</u> (As Revised)
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 373,930	\$ 34,556
Petty Cash	800	800
Accounts Receivable, Net of Allowance	350,232	347,145
Other Accounts Receivable	361,840	408,452
Materials and Supplies	112,198	136,999
MMWEC Working Capital	727,488	655,488
Rate Stabilization Reserve Fund	566,211	566,211
Prepaid Expenses	145,094	160,648
	<u>2,637,793</u>	<u>2,310,299</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	703,821	669,015
Customer Meter Deposits	116,520	109,587
MA Reserve Trust	773,408	815,616
Utility Plant Assets, Net	11,226,855	11,365,897
	<u>12,820,604</u>	<u>12,960,115</u>
<b>TOTAL NONCURRENT ASSETS</b>		
	<u>15,458,397</u>	<u>15,270,414</u>
<b>TOTAL ASSETS</b>		
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Outflows of Resources Related to Pension	58,900	123,124
	<u>58,900</u>	<u>123,124</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
	<u><u>\$ 15,517,297</u></u>	<u><u>\$ 15,393,538</u></u>

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF NET POSITION  
DECEMBER 31, 2015 AND 2014

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2015	2014 (As Revised)
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,298,281	\$ 905,558
Accrued Interest	4,109	5,126
Current Portion of Long-Term Debt	311,625	311,625
Accrued Payroll and Vacation	32,630	22,599
Advance Deposits for Construction	19,677	33,186
	1,666,322	1,278,094
NONCURRENT LIABILITIES:		
Long-Term Debt, Less Current Portion	1,816,125	2,127,750
Customer Deposits	115,731	109,438
Net Pension Liability	1,880,324	1,835,842
Other Postemployment Benefit Obligation	395,388	361,243
	4,207,568	4,434,273
TOTAL NONCURRENT LIABILITIES	4,207,568	4,434,273
TOTAL LIABILITIES	5,873,890	5,712,367
DEFERRED INFLOWS OF RESOURCES:		
Rate Stabilization Reserve	566,211	566,211
Contribution in Aid of Construction	901,700	919,053
	1,467,911	1,485,264
TOTAL DEFERRED INFLOWS OF RESOURCES	1,467,911	1,485,264
NET POSITION:		
Net Investment in Capital Assets	9,099,105	8,926,522
Net Position Restricted for Depreciation	703,821	669,015
Unrestricted Net Position	(1,627,430)	(1,399,630)
	8,175,496	8,195,907
TOTAL NET POSITION	8,175,496	8,195,907
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES RESOURCES AND NET POSITION	\$ 15,517,297	\$ 15,393,538

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	2015	2014 (As Revised)
OPERATING REVENUES:		
Sales of Electricity	\$ 7,490,868	\$ 7,713,162
Other Operating Revenues	105,712	83,569
	7,596,580	7,796,731
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operating and Maintenance	7,012,505	6,707,391
Depreciation	508,673	504,793
	7,521,178	7,212,184
TOTAL OPERATING EXPENSES		
OPERATING INCOME	75,402	584,547
NONOPERATING REVENUES (EXPENSES):		
Miscellaneous Nonoperating Income	500	300
Interest Income	14,367	10,412
Interest Expense	(66,674)	(75,825)
Other Interest Expense	(1,188)	(564)
	(52,995)	(65,677)
TOTAL NONOPERATING REVENUES (EXPENSES)		
Income Before Contributions and Transfers	22,407	518,870
NET POSITION - JANUARY 1	8,195,907	7,739,090
Transfers Out - Payment in Lieu of Taxes	(42,818)	(62,053)
NET POSITION - DECEMBER 31	\$ 8,175,496	\$ 8,195,907

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	<u>2015</u>	<u>2014</u> (As Revised)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 8,062,285	\$ 8,142,670
Other Operating Receipts - Renewable Energy Credits	96,073	113,408
Cash Paid to Participant - Renewable Energy Credits	(96,073)	(113,408)
Cash Paid to Suppliers	(5,484,512)	(6,189,425)
Cash Paid for Benefits	(541,648)	(379,482)
Cash Paid to Employees	(825,258)	(789,176)
Payment in Lieu of Taxes	(42,818)	(62,053)
	<u>1,168,049</u>	<u>722,534</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Additions to Utility Plant Assets	(397,940)	(412,796)
Repayment on Long-Term Debt	(311,625)	(311,625)
Interest Payments on Long-Term Debt	(67,691)	(76,843)
Net Transfers to Depreciation Fund	(34,806)	(110,416)
	<u>(812,062)</u>	<u>(911,680)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net Transfers to MMWEC Working Capital	(72,000)	(72,147)
Net Transfer (to)/from MA Reserve Trust	42,208	277,139
Other Interest Expense	(1,188)	(564)
Interest Income	14,367	10,412
	<u>(16,613)</u>	<u>214,840</u>
<b>NET INCREASE IN CASH</b>	<b>339,374</b>	<b>25,694</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b><u>34,556</u></b>	<b><u>8,862</u></b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b><u>\$ 373,930</u></b>	<b><u>\$ 34,556</u></b>

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	2015	2014 (As Revised)
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 75,402	\$ 584,547
Miscellaneous Nonoperating Income	500	300
Abandonment of Preliminary Surveys	0	82,845
Depreciation Expense	508,673	504,793
Payment in Lieu of Taxes	(42,818)	(62,053)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	46,675	67,365
Meter Deposit Cash	(6,933)	(4,491)
Other Accounts Receivable	46,612	(106,278)
Deferred Outflows of Resources Related to Pension	64,224	0
Materials and Supplies	24,801	(9,344)
Prepaid Expenses	15,554	(52,044)
Increase (Decrease) in Liabilities:		
Accounts Payable	402,754	(455,035)
Billings in Excess of Costs to Participants	(49,762)	29,957
Contribution in Aid of Construction	10,956	123,653
Other Postemployment Benefit Obligation	34,145	5,612
Net Pension Liability	44,482	0
Advance Deposits for Construction	(13,509)	8,057
Customer Deposit Liability	6,293	4,650
Net Cash Provided by Operating Activities	\$ 1,168,049	\$ 722,534

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2015	2014 (As Revised)
Operating Fund	\$ 373,930	\$ 34,556

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 STATEMENTS OF NET POSITION  
 DECEMBER 31, 2015 AND 2014

OPEB TRUST FUND

ASSETS

	2015	2014
Funds on Deposit with MMWEC		
Cash and Cash Equivalents	\$ 85,894	\$ 34,279

NET POSITION

NET POSITION - Restricted	\$ 85,894	\$ 34,279
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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPEB TRUST FUND

	2015	2014
Contributions	\$ 52,617	\$ 32,617
Net Investment Income (Loss)	(1,002)	1,662
CHANGES IN NET POSITION	51,615	34,279
NET POSITION - JANUARY 1	34,279	0
NET POSITION - DECEMBER 31	\$ 85,894	\$ 34,279

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of Templeton Municipal Light Plant are as follows:

Reporting Entity

The Templeton Municipal Light Plant (TMLP) is an enterprise fund and a component unit of the Town of Templeton, Massachusetts. The Light Plant purchases electricity and sells it to the Town's residents and businesses at rates submitted to the Massachusetts Department of Public Utilities (DPU). The Light Plant appoints a manager who shall, under the direction of the Municipal Light Board, have full charge of the operation and management of the Plant.

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.

Regulation and Basis of Accounting

TMLP's financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Under Massachusetts law, electric rates of the Lighting Plant are set by the Municipal Light Board and may be changed not more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities. While the DPU exercises general supervisory authority over the Lighting Plant, the Lighting Plant's rates are not subject to DPU approval. Rates must be set such that net earnings from operations, less bond principal payments, do not exceed 8% of the cost of the utility plant.

Utility Plant

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

The 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.

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.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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

Compensated Absences

In accordance with the Light Plant policies, employees are allowed to accumulate sick days, up to an unlimited amount. Upon retirement from employment with the Light Plant, the employee will be paid 25% for accumulated sick time to a maximum of 25 days. Upon termination the employee will not be paid for accumulated sick time. Employees are permitted to carry over up to one week of vacation time from one year to the next. Upon termination of employment with the Light Plant, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination. The amount of vacation and sick time accrued as of December 31, 2015 and 2014 is \$20,582 and \$14,868, respectively.

Taxes

The Light Plant is exempt from federal and state income taxes. Although also exempt from property taxes, the Light Plant provides payments in lieu of taxes to the Town of Templeton.

Revenue

Revenues from sales of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by the Plant, which are applied to customer's consumption of electricity. Revenues are stated net of discounts.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Plant considers only unrestricted cash on deposit with the Town Treasurer and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Sales Tax

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

Reclassification

Certain prior year amounts have been reclassified to conform to the 2015 presentation.

Customer Accounts Receivable

Customer accounts receivable are recorded net of a reserve for uncollectible accounts. For the years ended December 31, 2015 and 2014 the allowance for doubtful account balance was \$72,000. Accounts are included in the reserve when all legal avenues have been exhausted and the possibility of collection is remote.

Union Labor

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



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (System) and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

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

Financial Statement Revision

The Light Plant revised its beginning net position through the implementation of GASB Statements #68 and #71 related to accounting for pensions. The cumulative effect of this revision was to reduce the prior year total net position by \$1,712,718.

NOTE 2 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

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

NOTE 3 – UNBILLED REVENUE:

No recognition is given to the amount of sales to customers which are unbilled at the end of the accounting period.

NOTE 4 – ACCOUNTS RECEIVABLE:

Accounts Receivable - Customers consists of the following:

	2015	2014
Accounts Receivable	\$ 422,232	\$ 419,145
Less: Allowance for Doubtful Accounts	72,000	72,000
Accounts Receivable, Net	\$ 350,232	\$ 347,145

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 4 – ACCOUNTS RECEIVABLE (Continued):

Accounts Receivable – Other consists of the following:

	2015	2014
Merchandise and Jobbing	\$ 50,240	\$ 101,380
Associated Company - Templeton Water Receivable	241,577	225,786
Berkshire Wind Renewable Energy Credits Receivable	70,023	81,286
 Total Other Accounts Receivable	 \$ 361,840	 \$ 408,452

NOTE 5 – PREPAYMENTS:

Prepayments consist of the following items:

	2015	2014
Prepaid Insurance	\$ 24,642	\$ 30,846
Prepaid Retirement	0	61,562
Prepaid Purchase Power	120,452	68,240
 Total Prepayments	 \$ 145,094	 \$ 160,648

NOTE 6 – ADVANCES TO SUBSIDIARY:

Templeton Municipal Light Plant has advanced amounts to the MMLD Wind Energy Cooperative Corporation in order to pay for development costs associated with the Templeton Facilities, as well as some construction costs that were in excess of the bond proceeds. There are no specific repayment terms. As of December 31, 2015 and 2014, the total advanced to the Cooperative was \$641,625.

NOTE 7 – RELATED PARTIES:

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 employee's labor and for certain expenses. Charges for 2015 and 2014 were \$15,791 and \$30,828, respectively. The Plant owns the building in which the Water Plant occupies space. The Plant does not charge for rent to the Water Plant.

The Plant is owned by the Town of Templeton. Electric sales to municipal buildings included in revenue were approximately \$423,194 and \$451,514 for December 31, 2015 and 2014, respectively. Accounts receivable from these departments was \$13,596 and \$31,561 for December 31, 2015 and 2014, respectively. The Plant contributed \$42,818 and \$62,053 in payments in lieu of taxes to the Town of Templeton in 2015 and 2014, respectively.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 7 – RELATED PARTIES (Continued):

The Light Plant reimburses the town for various employee benefits and services, including health insurance and Worcester Regional Retirement. During the years ended December 31, 2015 and 2014, the total amounts paid for these services were \$269,767 and \$320,657, respectively. At December 31, 2015 and 2014, amounts payable to the town were \$115,819 and \$19,127, respectively.

NOTE 8 – DEPRECIATION FUND:

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

NOTE 9 – MA RESERVE TRUST FUND:

The MA Reserve Trust Fund was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The Rate Stabilization Fund balance at December 31, 2015 and 2014 was \$773,408 and \$815,616, respectively. These funds are commingled and deposited in investment pools. Accordingly, it is not practical to disclose the credit risk of such funds.

NOTE 10 – PURCHASED POWER WORKING CAPITAL:

The Plant is a member and participant of the Massachusetts Municipal Wholesale Electric Company (MMWEC). The purchased power working capital is an amount held by MMWEC. The implementation of the Working Capital Program began August 1, 1985. MMWEC participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that they hold a set amount of capital from which it may pay power obligations when they are due. They replenish the fund as needed from the monthly invoice payments. The income earned allocated to the Light Plant will be applied as a credit to MMWEC Power Sales Billing. The balance in the fund as of December 31, 2015 and 2014 is \$1,293,699 and \$1,221,699, respectively. The balance in the fund is offset by a deferred inflow of resources in the amount of \$566,211 as of December 31, 2015 and 2014.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 11 – BONDS PAYABLE:

On June 15, 2003, the Town of Templeton issued a municipal bond in the aggregate amount of \$1,500,000, bearing interest at an average rate of 3.3%. Payable to First Southwest Company, principal payments are due annually on June 15. Interest is due semi-annually on each June 15 and December 15. The bond matures June 15, 2022. At December 31, 2015 and 2014 the outstanding balance was \$540,000 and \$620,000, respectively.

Future payments on long-term debt are:

	Principal	Interest	Total
2016	\$ 80,000	\$ 18,183	\$ 98,183
2017	80,000	15,523	95,523
2018	80,000	12,763	92,763
2019	75,000	9,993	84,993
2020	75,000	7,218	82,218
2021-2022	150,000	5,831	155,831
	\$ 540,000	\$ 69,511	\$ 609,511

NOTE 12 – CONCENTRATIONS OF CREDIT RISK:

The Plant’s funds are deposited with the Town and 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 Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Plant deposits is not determinable because the limits of insurance are computed on a Town-wide basis.

NOTE 13 – RISK MANAGEMENT:

Self-Insurance Trust

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

Generally accepted accounting principles require that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2015 and 2014, the Lighting Plant considers its pro rata share of these losses to be immaterial to its financial statements.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 14 – NET INVESTMENT IN CAPITAL ASSETS:

	2015	2014
Cost of Capital Assets Acquired	\$ 18,695,877	\$ 18,297,936
Less: Accumulated Depreciation	7,469,022	6,932,039
Less: Outstanding Debt Related to Capital Assets	2,127,750	2,439,375
Net Investment in Capital Assets	\$ 9,099,105	\$ 8,926,522

NOTE 15 – UTILITY PLANT ASSETS:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
Capital Assets Not Being Depreciated:				
Construction Work in Progress	\$ 74,119	\$ 25,820	\$ (74,119)	\$ 25,820
Land and Land Rights	189,178	-	-	189,178
Total Capital Assets Not Being Depreciated	263,297	25,820	(74,119)	214,998
Capital Assets Being Depreciated:				
Production Plant	4,023,430	-	-	4,023,430
Distribution Plant	10,264,656	188,098	-	10,452,754
General Plant	3,746,553	258,142	-	4,004,695
Total Capital Assets Being Depreciated	18,034,639	446,240	-	18,480,879
Less Accumulated Depreciation for:				
Production Plant	(538,252)	(120,701)	-	(658,953)
Distribution Plant	(4,674,022)	(306,109)	-	(4,980,131)
General Plant	(1,719,765)	(110,173)	-	(1,829,938)
Total Accumulated Depreciation	(6,932,039)	(536,983)	-	(7,469,022)
Capital Assets Being Depreciated, Net	11,102,600	(90,743)	-	11,011,857
Utility Plant Assets, Net	\$ 11,365,897	\$ (64,923)	\$ (74,119)	\$ 11,226,855

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS TRUST FUND:

The Other Postemployment Benefits Liability Trust Fund was established by vote of the Board of Light Commissioners on December 10, 2013. The Board voted to accept the provisions of MGL Chapter 32B, Section 20 which establishes a separate Fund and a funding schedule for the Fund.

The schedule and any future updates shall be designed, consistent with standards issued by the Governmental Accounting Standards Board, to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The Fund is held under the custodianship of the Treasurer of the Massachusetts Municipal Wholesale Electric Company (MMWEC). The balance in the trust as of December 31, 2015 and 2014 was \$85,894 and \$34,279, respectively.

NOTE 17 – PENSION PLAN:

*Plan Description*-The Light Plant, through the Town of Templeton, is a member of the Worcester Regional Retirement System which, in turn, is a member of the Massachusetts Contributory Retirement System which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a cost-sharing multiple-employer contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by teachers' retirement board. The Plan's separately issued financial statements can be obtained by contacting Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

*Benefits Provided*-The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of member's highest three-year average annual rate of regular compensation. For members who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 17 – PENSION PLAN (Continued):

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

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

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

*Contributions-* Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. The Plant is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study. The actuarially determined Plant contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Plant's required contribution to the System for the year ended December 31, 2015 was \$124,874, which was paid during calendar year 2014.

*Pension Liabilities-* At December 31, 2015, the Light Plant reported a liability of \$1,880,324 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At December 31, 2014, the Town's proportion was 1.726128%. The Plant's portion of the net pension liability was based on the percentage of the Plant's payroll to the total Town's payroll as of the measured date of December 31, 2014. At December 31, 2014, the Plant's portion was 18.306% of the Town's total payroll.

*Pension Expense-* For the year ended December 31, 2015 the Plant recognized a pension expense of \$168,225. For the year ended December 31, 2015, the Plant reported deferred outflows of resources related to pensions of \$58,900, consisting of the differences between projected and actual investment earnings which amounted to \$1,131, and the amount paid for contributions made subsequent to the measurement date which amounted to \$57,769. Additionally, the changes in proportion of differences between employer contributions and proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statements #68 and #71.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 17 – PENSION PLAN (Continued):

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

Year Ended December 31:		
	2016	\$ 58,052
	2017	283
	2018	283
	2019	<u>282</u>
	Total	<u>\$ 58,900</u>

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

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	<p><i>Unfunded Actuarial Accrued Liability (UAL):</i>  Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035.</p> <p><i>Early Retirement Incentive Programs (ERI) for 2002 and 2003:</i>  Increasing dollar amount at 4.5% to reduce the unfunded Actuarial Accrued Liability attributable to ERI to zero on or before June 30, 2028.</p> <p><i>Early Retirement Incentive Program (ERI) for 2010:</i>  Level dollar amount to reduce the Unfunded Actuarial Accrued Liability attributable to ERI to zero on or before June 30, 2022.</p>
Remaining Amortization Period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (8 years)
Asset Valuation Method	<p>The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:</p> <ol style="list-style-type: none"> <li>a. 80% of gains and losses of the prior year,</li> <li>b. 60% of gains and losses of the second prior year,</li> <li>c. 40% of gains and losses of the third prior year and</li> <li>d. 20% of gains and losses of the fourth prior year</li> </ol>



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 17 – PENSION PLAN (Continued):

*Actuarial Assumptions (Continued):*

Inflation Rate	Not explicitly assumed
Projected Salary Increases	The assumed rates for salary increases including longevity is 3%
Cost of Living Allowance	Cost-of Living Allowances (COLA) are assumed to be 3% of the pension amount, capped at \$480 per year. Previously, capped at \$420.
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Healthy Retirees	RP-2000 Mortality Table Projected to 2014 with Scale AA.
Disabled Retirees	RP-2000 Mortality Table set forward two years for disabled members.
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation
Annuity Savings Fund Interest Rate	2.00% per year

*Investment Policy-* The Plan’s asset allocation policies are 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 Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major category asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan’s target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	43%	8.23%
Fixed Income	23%	5.05%
Private Equity	10%	9.75%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	6.88%
Hedge Funds	10%	7.00%

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 17 – PENSION PLAN (Continued):

*Discount Rate*-The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*- The following presents the net pension liability calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Proportionate share of the Net Pension Liability	\$ 2,289,375	\$ 1,880,324	\$ 1,532,977

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

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS:

The Plant implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions* for the year ended December 31, 2009. As allowed by GASB 45, the Plant has established the net OPEB obligation at zero at the beginning of the transition year and has applied the measurement recognition requirements of GASB 45 on a prospective basis.

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

As of January 1, 2015, the Plant’s membership consisted of the following:

Current retirees and beneficiaries	6
Current active members	<u>10</u>
Total	<u><u>16</u></u>

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

*Funding Policy.* The Plant recognizes the cost of providing these benefits, in accordance with government accounting standards, on a pay-as-you-go basis, by expensing the annual insurance premiums charged to the Plant by the Town, which aggregated approximately \$154,229 and \$195,783 for the years ended December 31, 2015 and 2014, respectively. 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.

*Annual OPEB Costs.* The Plant’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following page shows the components of the Light Plant’s annual OPEB cost for the years ending December 31, 2015 and 2014 the amount actually contributed to the plan, and changes in the Light Plant’s net OPEB obligation based on an actuarial valuation as of January 1, 2015.

	2015	2014
Annual required contribution	\$ 134,748	\$ 119,297
Interest on net OPEB obligation	14,383	14,132
Adjustments to annual required contribution	(19,995)	(30,557)
Amortization of actuarial (Gain)/Losses	5,865	(5,109)
Annual OPEB expense	135,001	97,763
Expected benefit payments	(46,577)	(57,235)
Change in actuarial assumptions	(1,662)	(2,299)
Increase in net OPEB obligation	86,762	38,229
Transfers to OPEB Trust Fund	(52,617)	(32,617)
Net OPEB obligation, Beginning of year	361,243	355,631
Net OPEB obligation, End of year	\$ 395,388	\$ 361,243

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

Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 135,001	34.5%	\$ 395,388
2014	\$ 97,763	58.5%	\$ 361,243
2013	\$ 95,756	50.7%	\$ 355,631

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

*Funded Status and Funding Progress.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Legislature was passed allowing municipalities to create a trust, in order to fund their OPEB obligation. Templeton Municipal Light Plant created a trust for the year ending December 31, 2014.

The funded status is as follows:

Actuarial accrued liability (AAL)	\$	1,493,000
Actuarial value of plan assets		<u>85,894</u>
Unfunded actuarial accrued liability	\$	<u>1,407,106</u>
Funded ratio (actuarial value of plan assets/AAL)		5.75%
Covered payroll (active plan members)	\$	825,258
UAAL as a percentage of covered payroll		170.50%

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

As of January 1, 2015, the most recent actuarial valuation, liabilities were determined using the projected unit cost credit method. The actuarial assumptions included a 4% rate of return and an annual healthcare cost trend rate initially of 11%, graded to an ultimate rate of 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 unfunded actuarial accrued liability (UAAL) is being amortized over 30 years at a level dollar amount.

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NOTE 19 – MMWEC PARTICIPATION:

The 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 a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund.

In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

Templeton Municipal Light Plant has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Light Plant is required to make certain payments to MMWEC payable solely from Light Plant revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

NOTE 20 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE):

The significant accounting principles and policies utilized by the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation (Cooperative) are as follows:

Reporting Entity

The Cooperative is organized under Chapter 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and the Princeton Municipal Light Department (PMLD) for the purpose of financing, owning, constructing and operating wind generation facilities located in the town of Princeton, Massachusetts (Princeton Facilities). In October 2009, the Templeton Municipal Light & Water Plant (Templeton) joined the Cooperative in order to finance, purchase or otherwise acquire, construct, install, operate and maintain, or cause to be operated and maintained a wind turbine and ancillary equipment for the production of wind energy to be installed in Baldwinville, Massachusetts (Templeton Facilities).

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 20 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Nature of Operations

The Cooperative has constructed and is operating two 1.5-megawatt wind turbines at the PMLD's wind farm in Princeton, Massachusetts and one 1.65-megawatt wind turbine at the Templeton's wind farm in Baldwinville, Massachusetts. The Cooperative provides wind energy to PMLD and Templeton. This business is a self-sustaining operation, providing both operational and financial value to the PMLD and Templeton.

Regulation and Basis of Accounting

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

Fair Value of Financial Instruments

The Cooperative's financial instruments consist of cash and cash equivalents, accounts payable and accrued expenses and debt instruments. The estimated fair values of these financial instruments approximate their carrying values at December 31, 2015 and 2014. The estimated fair values have been determined through information obtained from market sources and management estimates.

Depreciation

Property and equipment is stated at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives using straight line method. Depreciation expense for 2015 and 2014 was \$114,900 and \$114,901, respectively.

Taxes

The Cooperative is exempt from federal income taxes.

Advances from Templeton Municipal Light Plant

Templeton has advanced amounts to the Cooperative in order to pay for development costs associated with the Templeton Facilities that are in excess of the bond proceeds. The advances are classified as long term as repayment is not anticipated within the current year. There are no specific repayment terms. As of December 31, 2015 and 2014 the total advances to the Cooperative were \$641,625.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Insurance

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 20 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Amounts Recoverable / Payable in the Future

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

Revenues and Expenses

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

Reclassification

Certain prior year amounts have been reclassified to conform to the 2015 presentation.

Cash and Cash Equivalents

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

*Cash:*

	2015		2014	
	Carrying Value	Bank Value	Carrying Value	Bank Value
Checking Account	\$ 70,707	\$ 70,707	\$ 64,267	\$ 64,151

Custodial Credit Risk

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

No formal investment policy has been adopted by the Cooperative to address custodial credit risk.

*Related Parties:*

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

The Cooperative entered into a service contract with MMWEC on October 15, 2009, under which MMWEC is to serve as the Cooperative's agent in all matters with respect to financing the construction, purchase, ownership, lease or other acquisition by the Cooperative of the Templeton Facilities or energy generated from other facilities and other property or interest therein.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 20 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

*Related Parties (Continued):*

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

Occasionally, Templeton will incur costs related to the Templeton Facilities and then invoice the Cooperative for these costs. During the years ended December 31, 2014 and 2013, the Cooperative incurred no charges for costs related to the Templeton Facilities. The Cooperative has an outstanding balance due to Templeton of \$641,625 at December 31, 2015 and 2014.

*Debt:*

During October 2009, the Cooperative obtained a Commercial Term Loan with a bank in the amount \$993,750 (Loan) to provide term financing for the installation and operation of the Templeton Facilities. The Loan had a fixed interest rate of 5.5% per annum which was modified on August 1, 2012 to a new rate of 4% and principal on the loan is payable over 10 years in annual payments of \$99,375 commencing on October 1, 2010, and then on October 1 of each year thereafter.

Interest is payable in semi-annual installments on April 1 and October 1 of each year, with the first interest payment due on April 1, 2010. All principal and accrued interest is due and payable on demand on October 1, 2019. The Term loan is subject to a prepayment penalty of 1% of the principal prepaid if paid on or before August 1, 2017. The Term Loan is collateralized by equipment and the purchase power agreement (PPA). The outstanding balances as of December 31, 2015 and 2014 were \$397,500 and \$496,875, respectively.

A Commercial Line of Credit with a bank in the amount of \$2,000,000 (Templeton Line of Credit) was issued October 2009 in order to provide bridge financing to support the acquisition of turbines for the Templeton Facilities. On December 31, 2009, the Templeton Line of Credit was converted to a Clean Renewable Energy Bond (CREB) in the amount of \$2,116,000. The CREB has a payment term of up to sixteen years but not greater than the maximum term for a clean renewable energy bond as determined by the U.S. Treasury Department. Principal payments are due in equal installments of \$132,250 commencing December 30, 2009 and then on December 30 of each year thereafter. Interest on the CREB is fixed at 2% and is payable in semi-annual installments on June 30 and December 30 of each year. The CREB is collateralized by the purchase power agreement (PPA). As of December 31, 2015 and 2014, the Cooperative had \$1,190,250 and \$1,322,500, respectively, outstanding on the CREB.



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 20 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

*Debt (Continued):*

The following is a summary of total debt service requirements for the bond and loans outstanding at December 31, 2015:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 231,625	\$ 40,367	\$ 271,992
2017	231,625	33,636	265,261
2018	231,625	26,907	258,532
2019	231,625	20,175	251,800
2020	132,250	13,446	145,696
2021-2024	<u>529,000</u>	<u>26,892</u>	<u>555,892</u>
Totals	<u>\$ 1,587,750</u>	<u>\$ 161,423</u>	<u>\$ 1,749,173</u>

*Commitments and Contingencies:*

Legal

The Cooperative is involved in various legal actions. In the opinion of Management, the outcome of such actions will not have material adverse effect on the financial position of the Cooperative.

NOTE 21 – COMMITMENTS AND CONTINGENCIES:

Berkshire Wind Cooperative Corporation

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

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

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Corporation (continued)

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

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

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

As of December 31, 2015, total capital expenditures for the Berkshire Wind Facility amounted to \$59,081,577, of which \$3,240,000, presents the amount associated with the Plant's share of the Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Plant. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$55,420,000 of which \$3,039,000 is associated with the Plant's share of Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Plant.

As of December 31, 2015, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$80,988,000, of which \$4,441,000 is anticipated to be billed to the Plant in the future.

The estimated aggregate amount of the Templeton Municipal Light Plant required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2015 and estimated for future years is shown on the following page.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Corporation (continued)

For the years ended December 31,	2016	\$ 296,000
	2017	296,000
	2018	296,000
	2019	296,000
	2020	296,000
	2021-2025	1,480,000
	2026-2030	<u>1,481,000</u>
	Total	<u>\$ 4,441,000</u>

MMWEC Contingencies and Liabilities

Town of Templeton, acting through its Light Plant, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

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

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

A substantial portion of MMWEC’s plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) the majority owner and an indirect subsidiary of NextEra Energy Resources LLC.

The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2015 AND 2014

NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies and Liabilities (continued)

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 company.

As of December 31, 2015, total capital expenditures amounted to \$1,626,959,000, of which \$27,553,000 represents the amount associated with the Plant’s Project Capability.

MMWEC’s debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$112,510,000, of which \$1,876,000 is associated with the Plant’s share of Project Capability. As of December 31, 2015, MMWEC’s total future debt service requirement on outstanding bonds issued for the Projects is \$121,353,000, of which \$2,029,000 is anticipated to be billed to the Plant in the future.

The aggregate amount of Templeton Municipal Light & Water Plant’s required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2015 and estimated for future years is shown below.

		<u>ANNUAL COSTS</u>	
For the years ended December 31,	2016	\$	982,000
	2017		846,000
	2018		47,000
	2019		<u>154,000</u>
	TOTAL	\$	<u>2,029,000</u>

In addition, under the PSAs, the Plant is required to pay to MMWEC its share of the Operations 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 \$2,666,000 and 2,720,000 for the years ended December 31, 2015 and 2014, respectively.

Other Power Supply

The Plant has entered into an All Requirements Bulk Power Sales Agreement (All Requirement Agreement) with MMWEC, under which MMWEC provides, delivers and sells all electric power and energy to the Plant whether through owned generation, purchased power contracts or other power supply arrangements.

Under the terms of the All Requirements Agreement, the Plant is committed to purchase additional power through MMWEC in the amount of \$438,504 in 2016, \$349,473 in 2017, 212,059 in 2018, \$122,306 in 2019 and \$91,031 in 2020.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(\$000)

	PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES TO DATE	PARTICIPANT'S SHARE	DEBT ISSUED & OUTSTANDING 12/31/2015	PARTICIPANT'S SHARE	TOTAL DEBT SERVICE ON BONDS OUTSTANDING	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ 59,332	\$ 1,418	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.5361	174,118	2,675	-	-	-	-
Nuclear Mix No. 1-SBK	2.2550	11,150	251	-	-	-	-
Nuclear Mix No. 1-MLS	2.2550	123,182	2,778	-	-	-	-
Nuclear Project No. 3-MLS	1.0583	151,141	1,600	20,310	215	21,710	230
Nuclear Project No. 4-SBK	1.3300	348,576	4,636	20,950	279	22,257	296
Nuclear Project No. 5-SBK	0.6488	94,542	613	6,535	42	6,976	45
Wyman Project	0.0000	8,805	-	-	-	-	-
Project No. 6-SBK	2.0700	656,113	13,582	64,715	1,340	70,410	1,458
TOTAL		<u>\$ 1,626,959</u>	<u>\$ 27,553</u>	<u>\$ 112,510</u>	<u>\$ 1,876</u>	<u>\$ 121,353</u>	<u>\$ 2,029</u>

	PERCENTAGE SHARE	OPERATION & MAINTENANCE 12/31/2014	PARTICIPANT'S SHARE	OPERATION & MAINTENANCE 12/31/2015	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ 4,648	\$ 111	\$ 3,730	\$ 89
Stony Brook Intermediate Project	1.5361	32,241	495	40,083	616
Nuclear Mix No. 1-SBK	2.2550	971	22	576	13
Nuclear Mix No. 1-MLS	2.2550	8,743	197	6,369	144
Nuclear Project No. 3-MLS	1.0583	26,549	281	27,329	289
Nuclear Project No. 4-SBK	1.3300	30,617	407	28,086	374
Nuclear Project No. 5-SBK	0.6488	8,122	53	7,530	49
Wyman Project	0.0000	3,094	-	2,591	-
Project No. 6-SBK	2.0700	55,736	1,154	52,773	1,092
TOTAL		<u>\$ 170,721</u>	<u>\$ 2,720</u>	<u>\$ 169,067</u>	<u>\$ 2,666</u>

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(\$000)

	PERCENTAGE SHARE	2016 ANNUAL COST	PARTICIPANT'S SHARE	2017 ANNUAL COST	PARTICIPANT'S SHARE	2018 ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.5361	-	-	-	-	-	-
Nuclear Mix No. 1-SBK	2.2550	-	-	-	-	-	-
Nuclear Mix No. 1-MLS	2.2550	-	-	-	-	-	-
Nuclear Project No. 3 - MLS	1.0583	14,725	156	3,639	39	3,346	35
Nuclear Project No. 4-SBK	1.3300	13,455	179	8,802	117	-	-
Nuclear Project No. 5-SBK	0.6488	3,857	25	2,884	19	235	2
Wyman Project	0.0000	-	-	-	-	-	-
Project No. 6-SBK	2.0700	30,034	622	32,417	671	503	10
TOTAL		<u>\$ 62,071</u>	<u>\$ 982</u>	<u>\$ 47,742</u>	<u>\$ 846</u>	<u>\$ 4,084</u>	<u>\$ 47</u>

	PERCENTAGE SHARE	2019 ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ -	\$ -
Stony Brook Intermediate Project	1.5361	-	-
Nuclear Mix No. 1-SBK	2.2550	-	-
Nuclear Mix No. 1-MLS	2.2550	-	-
Nuclear Project No. 3-MLS	1.0583	-	-
Nuclear Project No. 4-SBK	1.3300	-	-
Nuclear Project No. 5-SBK	0.6488	-	-
Wyman Project	0.0000	-	-
Project No. 6-SBK	2.0700	7,456	154
TOTAL		<u>\$ 7,456</u>	<u>\$ 154</u>

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POSTEMPLOYMENT BENEFITS

OPERATING FUND

**Schedule of Funding Progress - Other Postemployment Benefits**

Actuarial Valuation Date	For the Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
1/1/2008	12/31/2009	\$ -	\$ 1,534,774	\$ 1,534,774	0.00%	\$ 719,860	213.20%
1/1/2010	12/31/2010	\$ -	\$ 1,591,993	\$ 1,591,993	0.00%	\$ 813,045	195.81%
1/1/2010	12/31/2011	\$ -	\$ 1,647,816	\$ 1,647,816	0.00%	\$ 767,333	214.75%
1/1/2012	12/31/2012	\$ -	\$ 1,329,744	\$ 1,329,744	0.00%	\$ 779,214	170.65%
1/1/2012	12/31/2013	\$ -	\$ 1,329,744	\$ 1,329,744	0.00%	\$ 714,867	186.01%
1/1/2012	12/31/2014	\$ 34,279	\$ 1,406,400	\$ 1,372,121	2.44%	\$ 789,176	173.87%
1/1/2015	12/31/2015	\$ 85,894	\$ 1,493,000	\$ 1,407,106	5.75%	\$ 825,258	170.50%

**Schedule of Actuarial Methods and Assumptions**

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

Actuarial Methods:

Valuation Date	1/1/2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year Level Dollar Basis
Remaining Amortization Period	23 years

Actuarial Assumptions:

Assumed Retirement	Age 65
Discount Rate	4.00%
Projected Salary Increases	3.00%
Healthcare Cost Trend Rate	5.00%

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY

OPERATING FUND

**Schedule of the Plant's Proportionate Share of the Net Pension Liability**

Plant's Proportion of the Net Pension Liability		.3160%
Plant's Proportionate Share of the Net Pension Liability	\$	1,880,324
Plant Total Employee Payroll	\$	825,258
Net Pension Liability as a Percentage of Total Employee Payroll		227.85%
Plant's Proportionate Share of the Plan's Fiduciary Net Position as a Percentage of the Plant's Total Pension Liability		47.94%

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.



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY

OPERATING FUND

**Schedule of Contributions**

Actuarially Determined Contribution	\$ 124,874
Contributions in Relation to the Actuarially Determined Contribution	<u>124,874</u>
Contribution deficiency (excess)	<u>\$ -</u>
Total Employee Payroll	\$ 825,258
Contribution as a Percentage of Total Employee Payroll	15.13%

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.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF NET POSITION  
DECEMBER 31, 2015 AND 2014

OPERATING FUND

ASSETS

	<u>2015</u>			<u>2014</u> <u>(As Revised)</u>				
	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
CURRENT ASSETS:								
Funds on Deposit with Town Treasurer								
Operating Fund	\$ 303,223	\$ 70,707	\$ 0	\$ 373,930	\$ (29,711)	\$ 64,267	\$ 0	\$ 34,556
Petty Cash	800	0	0	800	800	0	0	800
Accounts Receivable, Net of Allowance	340,539	31,710	(22,017)	350,232	340,732	78,192	(71,779)	347,145
Other Accounts Receivable	361,840	0	0	361,840	408,452	0	0	408,452
Materials and Supplies	112,198	0	0	112,198	136,999	0	0	136,999
MMWEC Working Capital	727,488	0	0	727,488	655,488	0	0	655,488
Rate Stabilization Reserve Fund	566,211	0	0	566,211	566,211	0	0	566,211
Prepaid Expenses	138,701	6,393	0	145,094	148,040	12,608	0	160,648
<b>TOTAL CURRENT ASSETS</b>	<b>2,551,000</b>	<b>108,810</b>	<b>(22,017)</b>	<b>2,637,793</b>	<b>2,227,011</b>	<b>155,067</b>	<b>(71,779)</b>	<b>2,310,299</b>
NONCURRENT ASSETS:								
Funds on Deposit with Town Treasurer								
Depreciation Fund	703,821	0	0	703,821	669,015	0	0	669,015
Customer Meter Deposits	116,520	0	0	116,520	109,587	0	0	109,587
Advances to MMLD Wind Energy Cooperative	641,625	0	(641,625)	0	641,625	0	(641,625)	0
MA Reserve Trust	773,408	0	0	773,408	815,616	0	0	815,616
Utility Plant Assets, Net	8,005,023	3,221,832	0	11,226,855	8,029,165	3,336,732	0	11,365,897
<b>TOTAL NONCURRENT ASSETS</b>	<b>10,240,397</b>	<b>3,221,832</b>	<b>(641,625)</b>	<b>12,820,604</b>	<b>10,265,008</b>	<b>3,336,732</b>	<b>(641,625)</b>	<b>12,960,115</b>
<b>TOTAL ASSETS</b>	<b>12,791,397</b>	<b>3,330,642</b>	<b>(663,642)</b>	<b>15,458,397</b>	<b>12,492,019</b>	<b>3,491,799</b>	<b>(713,404)</b>	<b>15,270,414</b>
DEFERRED OUTFLOWS OF RESOURCES:								
Deferred Outflows of Resources Related to Pension	58,900	0	0	58,900	123,124	0	0	123,124
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 12,850,297</b>	<b>\$ 3,330,642</b>	<b>\$ (663,642)</b>	<b>\$ 15,517,297</b>	<b>\$ 12,615,143</b>	<b>\$ 3,491,799</b>	<b>\$ (713,404)</b>	<b>\$ 15,393,538</b>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2015 AND 2014

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
<b>CURRENT LIABILITIES:</b>								
Accounts Payable	\$ 1,296,666	\$ 1,615	\$ 0	\$ 1,298,281	\$ 904,215	\$ 1,343	\$ 0	\$ 905,558
Accrued Interest	0	4,109	0	4,109	0	5,126	0	5,126
Current Portion of Long-Term Debt	80,000	231,625	0	311,625	80,000	231,625	0	311,625
Accrued Payroll and Vacation	32,630	0	0	32,630	22,599	0	0	22,599
Advance Deposits for Construction	19,677	0	0	19,677	33,186	0	0	33,186
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,428,973</b>	<b>237,349</b>	<b>0</b>	<b>1,666,322</b>	<b>1,040,000</b>	<b>238,094</b>	<b>0</b>	<b>1,278,094</b>
<b>NONCURRENT LIABILITIES:</b>								
Long-Term Debt, Less Current Portion	460,000	1,356,125	0	1,816,125	540,000	1,587,750	0	2,127,750
Customer Deposits	115,731	0	0	115,731	109,438	0	0	109,438
Net Pension Liability	1,880,324	0	0	1,880,324	1,835,842	0	0	1,835,842
Other Postemployment Benefit Obligation	395,388	0	0	395,388	361,243	0	0	361,243
Advances from Templeton Municipal Light Plant	0	641,625	(641,625)	0	0	641,625	(641,625)	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,851,443</b>	<b>1,997,750</b>	<b>(641,625)</b>	<b>4,207,568</b>	<b>2,846,523</b>	<b>2,229,375</b>	<b>(641,625)</b>	<b>4,434,273</b>
<b>TOTAL LIABILITIES</b>	<b>4,280,416</b>	<b>2,235,099</b>	<b>(641,625)</b>	<b>5,873,890</b>	<b>3,886,523</b>	<b>2,467,469</b>	<b>(641,625)</b>	<b>5,712,367</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>								
Amounts Recoverable/Payable in the Future	(1,069,276)	1,069,276	0	0	(952,551)	952,551	0	0
Rate Stabilization Reserve	566,211	0	0	566,211	566,211	0	0	566,211
Billings in Excess of Costs to Participants	0	22,017	(22,017)	0	0	71,779	(71,779)	0
Contribution in Aid of Construction	901,700	0	0	901,700	919,053	0	0	919,053
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>398,635</b>	<b>1,091,293</b>	<b>(22,017)</b>	<b>1,467,911</b>	<b>532,713</b>	<b>1,024,330</b>	<b>(71,779)</b>	<b>1,485,264</b>
<b>NET POSITION:</b>								
Net Investment in Capital Assets	7,465,023	1,634,082	0	9,099,105	7,409,165	1,517,357	0	8,926,522
Net Position Restricted for Depreciation	703,821	0	0	703,821	669,015	0	0	669,015
Unrestricted Net Position	2,402	(1,629,832)	0	(1,627,430)	117,727	(1,517,357)	0	(1,399,630)
<b>TOTAL NET POSITION</b>	<b>8,171,246</b>	<b>4,250</b>	<b>0</b>	<b>8,175,496</b>	<b>8,195,907</b>	<b>0</b>	<b>0</b>	<b>8,195,907</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 12,850,297</b>	<b>\$ 3,330,642</b>	<b>\$ (663,642)</b>	<b>\$ 15,517,297</b>	<b>\$ 12,615,143</b>	<b>\$ 3,491,799</b>	<b>\$ (713,404)</b>	<b>\$ 15,393,538</b>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
OPERATING REVENUES:								
Sales of Electricity	\$ 7,490,868	\$ 352,182	\$ (352,182)	\$ 7,490,868	\$ 7,713,162	\$ 332,027	\$ (332,027)	\$ 7,713,162
Other Operating Revenues	105,712	0	0	105,712	83,569	0	0	83,569
<b>TOTAL OPERATING REVENUES</b>	<b>7,596,580</b>	<b>352,182</b>	<b>(352,182)</b>	<b>7,596,580</b>	<b>7,796,731</b>	<b>332,027</b>	<b>(332,027)</b>	<b>7,796,731</b>
OPERATING EXPENSES:								
Operating and Maintenance	7,294,331	70,356	(352,182)	7,012,505	6,991,678	47,740	(332,027)	6,707,391
Depreciation	393,773	114,900	0	508,673	389,892	114,901	0	504,793
<b>TOTAL OPERATING EXPENSES</b>	<b>7,688,104</b>	<b>185,256</b>	<b>(352,182)</b>	<b>7,521,178</b>	<b>7,381,570</b>	<b>162,641</b>	<b>(332,027)</b>	<b>7,212,184</b>
<b>OPERATING INCOME</b>	<b>(91,524)</b>	<b>166,926</b>	<b>0</b>	<b>75,402</b>	<b>415,161</b>	<b>169,386</b>	<b>0</b>	<b>584,547</b>
NONOPERATING REVENUES (EXPENSES):								
Miscellaneous Nonoperating Income	500	0	0	500	300	0	0	300
Interest Income	14,367	0	0	14,367	10,412	0	0	10,412
Interest Expense	(20,723)	(45,951)	0	(66,674)	(23,163)	(52,662)	0	(75,825)
Other Interest Expense	(1,188)	0	0	(1,188)	(564)	0	0	(564)
Change in Amounts Payable in the Future	116,725	(116,725)	0	0	116,724	(116,724)	0	0
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>109,681</b>	<b>(162,676)</b>	<b>0</b>	<b>(52,995)</b>	<b>103,709</b>	<b>(169,386)</b>	<b>0</b>	<b>(65,677)</b>
Income Before Contributions and Transfers	18,157	4,250	0	22,407	518,870	0	0	518,870
NET POSITION - JANUARY 1	8,195,907	0	0	8,195,907	7,739,090	0	0	7,739,090
Transfers Out - Payment in Lieu of Taxes	(42,818)	0	0	(42,818)	(62,053)	0	0	(62,053)
<b>NET POSITION - DECEMBER 31</b>	<b>\$ 8,171,246</b>	<b>\$ 4,250</b>	<b>\$ 0</b>	<b>\$ 8,175,496</b>	<b>\$ 8,195,907</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,195,907</b>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
CASH FLOW FROM OPERATING ACTIVITIES:								
Cash Received from Customers	\$ 7,709,133	\$ 353,152	\$ 0	\$ 8,062,285	\$ 7,778,346	\$ 364,324	\$ 0	\$ 8,142,670
Other Operating Receipts - Renewable Energy Credits	0	96,073	0	96,073	0	113,408	0	113,408
Cash Paid to Participant - Renewable Energy Credits	0	(96,073)	0	(96,073)	0	(113,408)	0	(113,408)
Cash Paid to Suppliers	(5,416,393)	(68,119)	0	(5,484,512)	(6,134,882)	(54,543)	0	(6,189,425)
Cash Paid for Benefits	(541,648)	0	0	(541,648)	(379,482)	0	0	(379,482)
Cash Paid to Employees	(825,258)	0	0	(825,258)	(789,176)	0	0	(789,176)
Payment in Lieu of Taxes	(42,818)	0	0	(42,818)	(62,053)	0	0	(62,053)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>883,016</u>	<u>285,033</u>	<u>0</u>	<u>1,168,049</u>	<u>412,753</u>	<u>309,781</u>	<u>0</u>	<u>722,534</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Additions to Utility Plant Assets	(397,940)	0	0	(397,940)	(412,796)	0	0	(412,796)
Repayment on Long-Term Debt	(80,000)	(231,625)	0	(311,625)	(80,000)	(231,625)	0	(311,625)
Interest Payments on Long-Term Debt	(20,723)	(46,968)	0	(67,691)	(23,162)	(53,681)	0	(76,843)
Net Transfers to Depreciation Fund	(34,806)	0	0	(34,806)	(110,416)	0	0	(110,416)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(533,469)</u>	<u>(278,593)</u>	<u>0</u>	<u>(812,062)</u>	<u>(626,374)</u>	<u>(285,306)</u>	<u>0</u>	<u>(911,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Net Transfers to MMWEC Working Capital	(72,000)	0	0	(72,000)	(72,147)	0	0	(72,147)
Net Transfer (to)/from MA Reserve Trust	42,208	0	0	42,208	277,139	0	0	277,139
Other Interest Expense	(1,188)	0	0	(1,188)	(564)	0	0	(564)
Interest Income	14,367	0	0	14,367	10,412	0	0	10,412
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(16,613)</u>	<u>0</u>	<u>0</u>	<u>(16,613)</u>	<u>214,840</u>	<u>0</u>	<u>0</u>	<u>214,840</u>
NET INCREASE (DECREASE) IN CASH	332,934	6,440	0	339,374	1,219	24,475	0	25,694
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>(29,711)</u>	<u>64,267</u>	<u>0</u>	<u>34,556</u>	<u>(30,930)</u>	<u>39,792</u>	<u>0</u>	<u>8,862</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 303,223</u>	<u>\$ 70,707</u>	<u>\$ 0</u>	<u>\$ 373,930</u>	<u>\$ (29,711)</u>	<u>\$ 64,267</u>	<u>\$ 0</u>	<u>\$ 34,556</u>

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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	<u>Templeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>Templeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
RECONCILIATION OF OPERATING INCOME TO								
NET CASH PROVIDED BY OPERATING								
ACTIVITIES:								
Operating Income	\$ (91,524)	\$ 166,926	\$ 0	\$ 75,402	\$ 415,161	\$ 169,386	\$ 0	\$ 584,547
Miscellaneous Nonoperating Income	500	0	0	500	300	0	0	300
Abandonment of Preliminary Surveys	0	0	0	0	82,845	0	0	82,845
Depreciation Expense	393,773	114,900	0	508,673	389,892	114,901	0	504,793
Payment in Lieu of Taxes	(42,818)	0	0	(42,818)	(62,053)	0	0	(62,053)
Changes in Assets and Liabilities:								
(Increase) Decrease in Assets:								
Accounts Receivable	193	46,482	0	46,675	65,025	2,340	0	67,365
Deferred Outflows Related to Pension	64,224	0	0	64,224	0	0	0	0
Meter Deposit Cash	(6,933)	0	0	(6,933)	(4,491)	0	0	(4,491)
Other Accounts Receivable	46,612	0	0	46,612	(106,278)	0	0	(106,278)
Materials and Supplies	24,801	0	0	24,801	(9,344)	0	0	(9,344)
Prepaid Expenses	9,339	6,215	0	15,554	(51,094)	(950)	0	(52,044)
Increase (Decrease) in Liabilities:								
Accounts Payable	402,482	272	0	402,754	(449,182)	(5,853)	0	(455,035)
Billings in Excess of Costs to Participants	0	(49,762)	0	(49,762)	0	29,957	0	29,957
Contribution in Aid of Construction	10,956	0	0	10,956	123,653	0	0	123,653
Net Pension Liability	44,482	0	0	44,482	0	0	0	0
Other Postemployment Benefit Obligation	34,145	0	0	34,145	5,612	0	0	5,612
Advance Deposits for Construction	(13,509)	0	0	(13,509)	8,057	0	0	8,057
Customer Deposit Liability	6,293	0	0	6,293	4,650	0	0	4,650
NET CASH PROVIDED BY								
OPERATING ACTIVITIES	<u>\$ 883,016</u>	<u>\$ 285,033</u>	<u>\$ 0</u>	<u>\$ 1,168,049</u>	<u>\$ 412,753</u>	<u>\$ 309,781</u>	<u>\$ 0</u>	<u>\$ 722,534</u>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF ELECTRIC OPERATING AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	2015	2014 (As Revised)
<b>POWER SUPPLY EXPENSE:</b>		
Purchased Power	\$ 5,216,962	\$ 5,128,653
Other Expenses	102,725	125,233
<b>TOTAL POWER SUPPLY EXPENSE</b>	<b>5,319,687</b>	<b>5,253,886</b>
<b>DISTRIBUTION EXPENSES:</b>		
Operation, Supervision and Engineering	96,851	92,775
Operation Labor	88,486	82,988
Operation Supplies and Expenses	16,870	4,626
Overhead Line Expense	34,932	14,525
Underground Line Expense	10,004	4,145
Street Light and Signal System Expense	8,357	6,690
Meter Expenses	5,763	5,490
Customer Installation Expense	1,328	1,809
Miscellaneous Distribution Expenses	75,135	69,555
Maintenance of Station Equipment	8,657	10,384
Maintenance of Overhead Lines	138,576	119,891
Maintenance of Underground Lines	428	419
Maintenance of Line Transformers	1,225	(293)
Maintenance of Street Lights and Signal Systems	4,497	4,263
<b>TOTAL DISTRIBUTION EXPENSES</b>	<b>491,109</b>	<b>417,267</b>
<b>CUSTOMER ACCOUNT EXPENSES:</b>		
Meter Reading	47,310	44,305
Accounting and Collection Expense	97,879	114,412
<b>TOTAL CUSTOMER ACCOUNT EXPENSES</b>	<b>145,189</b>	<b>158,717</b>
<b>ADMINISTRATIVE AND GENERAL EXPENSES:</b>		
Administration and General Salaries	173,210	142,630
Office Supplies and Expenses	43,927	35,424
Outside Services Employed	49,401	89,716
Property Insurance	40,315	38,247
Injuries and Damages	89,916	88,275
Employee Pensions and Benefits	541,648	379,482
Miscellaneous General Expense	50,719	51,476
Transportation Expense	2,084	(1,366)
Maintenance of General Plant	65,300	53,637
<b>TOTAL ADMINISTRATIVE AND GENERAL EXPENSES</b>	<b>1,056,520</b>	<b>877,521</b>
<b>TOTAL OPERATING AND MAINTENANCE EXPENSES</b>	<b>\$ 7,012,505</b>	<b>\$ 6,707,391</b>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
SCHEDULES OF SALES OF ELECTRICITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	Net Revenues			Kilowatt Hours Sold			Net Revenue Per Kilowatt Hours Sold	
	2015	2014	Increases (Decreases)	2015	2014	Increases (Decreases)	2015	2014
SALES OF ELECTRICITY								
PRIVATE CUSTOMERS:								
Residential Sales	\$ 3,607,175	\$ 3,677,376	\$ (70,201)	26,201,412	26,199,989	1,423	\$ 0.13767	\$ 0.14036
Commercial and Industrial Sales								
Industrial	2,831,028	2,959,354	(128,326)	25,004,301	25,804,748	(800,447)	0.11322	0.11468
Commercial	540,963	546,469	(5,506)	4,154,588	4,120,601	33,987	0.13021	0.13262
Private Area Lighting	69,524	69,124	400	589,152	594,660	(5,508)	0.11801	0.11624
Public Authority	4,037	3,855	182	30,331	28,479	1,852	0.13310	0.13536
Total Private Customers	<u>7,052,727</u>	<u>7,256,178</u>	<u>(203,451)</u>	<u>55,979,784</u>	<u>56,748,477</u>	<u>(768,693)</u>	<u>0.12599</u>	<u>0.12787</u>
MUNICIPAL CUSTOMERS:								
Industrial	334,192	341,713	(7,521)	2,537,830	2,596,819	(58,989)	0.13168	0.13159
Commercial	79,263	87,512	(8,249)	619,483	623,139	(3,656)	0.12795	0.14044
Street Lighting	19,946	22,289	(2,343)	165,414	162,396	3,018	0.12058	0.13725
Total Municipal Customers	<u>433,401</u>	<u>451,514</u>	<u>(18,113)</u>	<u>3,322,727</u>	<u>3,382,354</u>	<u>(59,627)</u>	<u>0.13044</u>	<u>0.13349</u>
Other Electric Revenues	<u>4,740</u>	<u>5,470</u>	<u>(730)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SALES OF ELECTRICITY	<u>\$ 7,490,868</u>	<u>\$ 7,713,162</u>	<u>\$ (222,294)</u>	<u>59,302,511</u>	<u>60,130,831</u>	<u>(828,320)</u>	<u>\$ 0.12632</u>	<u>\$ 0.12827</u>

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