

**TEMPLETON MUNICIPAL LIGHT PLANT  
AND SUBSIDIARY**  
Financial Statements  
December 31, 2013 and 2012

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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DECEMBER 31, 2013 AND 2012

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*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

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

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Templeton Municipal Light Plant of Templeton, Massachusetts and subsidiary as of and for the year ending December 31, 2013, and the related notes to the financial statements, which collectively comprise the Department'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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 2013 financial statements referred to above present fairly, in all material respects, the financial position of the Templeton Municipal Light Plant and subsidiary as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Adjustments to Prior Period Financial Statements**

The financial statements of Templeton Municipal Light Plant and subsidiary as of December 31, 2012, were audited by other auditors whose report dated August 30, 2013, expressed an adverse opinion on those statements. As discussed in Note 19 of the financial statements the Plant has adjusted its 2012 financial statements to retrospectively restate its 2012 financial statements to conform with accounting principles generally accepted in the United States of America. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2013 financial statements, we also audited the adjustments to the 2012 financial statements to retrospectively apply the change to generally accepted accounting principles as described in Note 19. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to Templeton Municipal Light Plant and subsidiary's 2012 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

## **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, 2013, and the changes in its 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 and Other Postemployment Benefits information, on pages four through seven and 33, 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 34-41 is presented for purposes of additional analysis and is not a required part of the basic 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

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

Worcester, Massachusetts

September 23, 2014

## 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, 2013 and 2012. 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, 2013 it shows our net worth has increased 0.64% over the year ending December 31, 2012.

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, 2013 and 2012 was \$59,977 and \$713,037, 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>2013</u>	<u>2012</u>
Current Assets	\$ 2,107,790	\$ 2,462,822
Noncurrent Assets	<u>13,321,790</u>	<u>13,205,887</u>
Total Assets	<u>\$ 15,429,580</u>	<u>\$ 15,668,709</u>
Current Liabilities	\$ 1,691,766	\$ 1,728,135
Noncurrent Liabilities	<u>2,899,794</u>	<u>3,162,532</u>
Total Liabilities	<u>4,591,560</u>	<u>4,890,667</u>
Deferred Inflows of Resources	<u>1,386,212</u>	<u>1,386,211</u>
Net Position:		
Net Investment in Capital Assets	8,731,495	8,645,934
Net Position Restricted for Depreciation	558,599	340,959
Unrestricted	<u>161,714</u>	<u>404,938</u>
Total Net Position	<u>9,451,808</u>	<u>9,391,831</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,429,580</u>	<u>\$ 15,668,709</u>

### Summary of Changes in Net Position

	2013	2012
Operating Revenues	\$ 7,516,618	\$ 7,676,807
Operating Expenses	7,229,182	6,791,943
Operating Income	287,436	884,864
Non-Operating Revenues (Expenses)	(77,459)	(71,827)
Income Before Contributions and Transfers	209,977	813,037
Net Position – January 1	9,391,831	7,377,068
Prior Period Adjustment	0	1,301,726
Transfers Out – Payment in Lieu of Taxes	(150,000)	(100,000)
Net Position – December 31	\$ 9,451,808	\$ 9,391,831

### 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 2013 and 2012 to the total consumption of electricity and revenue. The overall average cost per Kilowatt-hour in 2013 was 13.54 cents for all rate classes.

<i>Rate Classification</i>	<i>2013 Kilowatt Sales</i>	<i>2012 Kilowatt Sales</i>
Residential Sales	26,417,881	25,721,913
Commercial Sales	3,864,978	3,851,198
Industrial Sales	25,057,014	26,071,966
Municipal Sales	3,133,923	3,059,122
Street and Private Lighting Sales	822,228	854,670
<b>Total Sales</b>	<b>59,296,024</b>	<b>59,558,869</b>

<i>Rate Classification</i>	<i>2013 Revenue</i>	<i>2012 Revenue</i>
Residential Sales	\$3,699,268	\$3,710,519
Commercial Sales	485,662	508,324
Industrial Sales	2,766,484	2,925,443
Municipal Sales	393,890	411,966
Street and Private Lighting Sales	90,741	91,502
<b>Total Sales</b>	<b>\$7,436,045</b>	<b>\$7,647,754</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 2013, the Light Plant purchased 34,106 kilowatt-hours more than those purchased in 2012. The 2013 purchased power costs were \$233,858 more than 2012.

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. We also generated electricity with our wind turbine located at Narragansett Regional Middle/High School. Along with other Massachusetts municipal utilities, we continued to explore solar options as a means to obtain sources of clean renewable energy. The light plant will continue to 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 1.37% from 2012 to 2013 as a result of normal system additions and upgrades.

### Debt Administration

Debt outstanding at year end was \$2,751,000. 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, 2013 and 2012 was \$700,000 and \$780,000, 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, 2013 and 2012 was \$2,051,000 and \$2,282,625, 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, 2013 and 2012 was \$1,092,755 and \$973,284, 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, 2013 AND 2012

ASSETS

	2013	2012
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 8,862	\$ 189,148
Petty Cash	800	800
Accounts Receivable, Net of Allowance	410,143	458,611
Other Accounts Receivable	302,174	262,766
Materials and Supplies	127,655	119,115
MMWEC Working Capital Balance	583,341	511,341
Rate Stabilization Reserve Fund	566,211	566,211
Prepaid Expenses	108,604	354,830
 TOTAL CURRENT ASSETS	 2,107,790	 2,462,822
 <b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	558,599	340,959
Customer Meter Deposits	105,096	95,551
MA Reserve Trust	1,092,755	973,284
Preliminary Survey and Investigation Charges	82,845	82,845
Debt Issue Costs, Net of Amortization	0	4,689
Utility Plant Assets, Net	11,482,495	11,708,559
 TOTAL NONCURRENT ASSETS	 13,321,790	 13,205,887
 TOTAL ASSETS	 \$ 15,429,580	 \$ 15,668,709

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2013	2012
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 1,328,476	\$ 1,326,147
Accrued Interest	6,144	7,169
Accrued Sales Tax	1,685	1,818
Current Portion of Long-Term Debt	311,625	311,625
Accrued Payroll and Vacation	18,707	25,500
Advance Deposits for Construction	25,129	55,876
	<u>1,691,766</u>	<u>1,728,135</u>
<b>NONCURRENT LIABILITIES:</b>		
Long-Term Debt, Less Current Portion	2,439,375	2,751,000
Customer Deposits	104,788	95,491
Other Postemployment Benefit Obligation	355,631	316,041
	<u>2,899,794</u>	<u>3,162,532</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>2,899,794</u>	<u>3,162,532</u>
<b>TOTAL LIABILITIES</b>	<u>4,591,560</u>	<u>4,890,667</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Rate Stabilization Reserve	566,211	566,211
Contribution in Aid of Construction	820,001	820,000
	<u>1,386,212</u>	<u>1,386,211</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,386,212</u>	<u>1,386,211</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	8,731,495	8,645,934
Net Position Restricted for Depreciation	558,599	340,959
Unrestricted Net Position	161,714	404,938
	<u>9,451,808</u>	<u>9,391,831</u>
<b>TOTAL NET POSITION</b>	<u>9,451,808</u>	<u>9,391,831</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES RESOURCES AND NET POSITION</b>	<u>\$ 15,429,580</u>	<u>\$ 15,668,709</u>

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, 2013 AND 2012

	2013	2012
OPERATING REVENUES:		
Sales of Electricity	\$ 7,441,272	\$ 7,652,593
Other Operating Revenues	75,346	24,214
TOTAL OPERATING REVENUES	7,516,618	7,676,807
OPERATING EXPENSES:		
Operating and Maintenance	6,707,789	6,289,943
Depreciation	521,393	502,000
TOTAL OPERATING EXPENSES	7,229,182	6,791,943
OPERATING INCOME	287,436	884,864
NONOPERATING REVENUES (EXPENSES):		
Miscellaneous Nonoperating Income	600	10,687
Interest Income	12,491	19,781
Interest Expense	(84,898)	(101,118)
Other Interest Expense	(963)	(729)
Amortization of Debt Issue Expense	(4,689)	(448)
TOTAL NONOPERATING REVENUES (EXPENSES)	(77,459)	(71,827)
Income Before Contributions and Transfers	209,977	813,037
NET POSITION - JANUARY 1	9,391,831	7,377,068
Prior Period Adjustments	0	1,301,726
Transfers Out - Payment in Lieu of Taxes	(150,000)	(100,000)
NET POSITION - DECEMBER 31	\$ 9,451,808	\$ 9,391,831

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 7,480,061	\$ 7,746,453
Other Operating Receipts - Renewable Energy Credits	73,152	92,725
Cash Paid to Suppliers	(5,404,145)	(4,955,807)
Cash Paid for Benefits	(374,027)	(389,188)
Cash Paid to Employees	(714,867)	(762,141)
Payment in Lieu of Taxes	(150,000)	(100,000)
	<u>910,174</u>	<u>1,632,042</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Additions to Utility Plant Assets	(295,329)	(959,770)
Repayment on Long-Term Debt	(311,625)	(311,625)
Interest Payments on Long-Term Debt	(85,923)	(105,160)
Net Transfers to Depreciation Fund	(217,640)	8,376
	<u>(910,517)</u>	<u>(1,368,179)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Transfers to MMWEC Working Capital	(72,000)	0
Transfers to MA Reserve Trust	(119,471)	(82,308)
Other Interest Expense	(963)	0
Interest Income	12,491	19,781
	<u>(179,943)</u>	<u>(62,527)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(180,286)</b>	<b>201,336</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>189,148</b>	<b>(12,188)</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 8,862</b>	<b>\$ 189,148</b>

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 287,436	\$ 1,001,586
Miscellaneous Nonoperating Income	600	0
Depreciation Expense	521,393	502,000
Payment in Lieu of Taxes	(150,000)	(100,000)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(27,678)	(61,217)
Meter Deposit Cash	(9,545)	(2,960)
Other Accounts Receivable	(39,408)	4,918
Materials and Supplies	(8,539)	16,954
Costs in Excess of Billings to Participants	22,699	25,988
Prepaid Expenses	246,226	45,346
Increase (Decrease) in Liabilities:		
Accounts Payable	7,028	196,527
Billings in Excess of Costs to Participants	41,822	0
Other Postemployment Benefit Obligation	39,590	0
Advance Deposits for Construction	(30,747)	0
Customer Deposit Liability	9,297	2,900
	<u>\$ 910,174</u>	<u>\$ 1,632,042</u>
Net Cash Provided by Operating Activities	<u>\$ 910,174</u>	<u>\$ 1,632,042</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2013	2012
Operating Fund	<u>\$ 8,862</u>	<u>\$ 189,148</u>

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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, 2013 AND 2012

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, 2013 and 2012 is \$13,187 and \$22,950, 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 2013 presentation. All financial statements have been reclassified in accordance with GASB Statements 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement 65, *Item Previously Reported as Assets and Liabilities*. Effects on previously reported net income are described in Note 19.

Net Position

The implementation of GASB Statement 63 requires the Department to categorize its net position. The Department's net position is categorized as net investment in capital assets, restricted for depreciation and unrestricted.



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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

Customer Accounts Receivable

Customer accounts receivable are recorded net of a reserve for uncollectible accounts. For the years ended December 31, 2013 and 2012 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.

NOTE 2 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, is required to be implemented for periods beginning after June 15, 2014. 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:

	2013	2012
Accounts Receivable	\$ 482,143	\$ 530,611
Less: Allowance for Doubtful Accounts	72,000	72,000
Accounts Receivable, Net	\$ 410,143	\$ 458,611

Accounts Receivable – Other consists of the following:

	2013	2012
Merchandise and Jobbing	\$ 23,452	\$ 28,460
Associated Company - Templeton Water Receivable	194,958	160,712
Berkshire Wind Renewable Energy Credits Receivable	83,764	73,594
Total Other Accounts Receivable	\$ 302,174	\$ 262,766

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 5 – PREPAYMENTS:

Prepayments consist of the following items:

	2013	2012
Prepaid Insurance	\$ 30,621	\$ 25,223
Prepaid Retirement	62,712	52,414
Prepaid Purchase Power	15,271	277,193
 Total Prepayments	 \$ 108,604	 \$ 354,830

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, 2013 and 2012, 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 2013 and 2012 were \$34,246 and \$29,358, 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 was approximately \$419,311 and \$438,764 for December 31, 2013 and 2012, respectively. Accounts receivable from these departments was \$43,577 and \$36,107 for December 31, 2013 and 2012, respectively. The Plant contributed \$150,000 and \$100,000 in payments in lieu of taxes to the Town of Templeton in 2013 and 2012, respectively.

The Light Department reimburses the town for various employee benefits and services, including health insurance and Worcester Regional Retirement. During the years ended December 31, 2013 and 2012, the total amounts paid for these services were \$311,219 and \$308,236, respectively. At December 31, 2013 and 2012, amounts payable to the town were \$84,952 and \$100,899, 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.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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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, 2013 and 2012 was \$1,150,458 and \$973,284, 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, 2013 and 2012 is \$1,149,552 and \$1,077,552, respectively. The balance in the fund is offset by a deferred inflow of resources in the amount of \$566,211 as of December 31, 2013 and 2012.

NOTE 11 – BONDS PAYABLE:

*Town of Templeton, Massachusetts Municipal Light Department*

\$1,500,000 municipal bond, dated June 15, 2003; payable to First Southwest Company in twenty annual installments on June 15; interest at an average of 3.3% payable semi-annually on June 15 and December 15; matures June 15, 2022. Balance at December 31, 2013 is \$700,000.

Future payments on long-term debt are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 80,000	\$ 23,163	\$ 103,163
2015	80,000	20,723	100,723
2016	80,000	18,183	98,183
2017	80,000	15,523	95,523
2018	80,000	12,763	92,763
2019-2022	<u>300,000</u>	<u>23,044</u>	<u>323,044</u>
	<u>\$ 700,000</u>	<u>\$ 113,399</u>	<u>\$ 813,399</u>

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 12 – NET INVESTMENT IN CAPITAL ASSETS:

	2013	2012
Cost of Capital Assets Acquired	\$ 17,922,350	\$ 17,640,125
Less: Accumulated Depreciation	6,439,855	5,931,566
Less: Outstanding Debt Related to Capital Assets	2,751,000	3,062,625
Net Investment in Capital Assets	\$ 8,731,495	\$ 8,645,934

NOTE 13 – UTILITY PLANT ASSETS:

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
Capital Assets not being Depreciated:				
Construction Work in Progress	71,196	15,503	0	86,699
Land and Land Rights	189,178	0	0	189,178
Total Capital Assets Not Being Depreciated	260,374	15,503	0	275,877
Capital Assets Being Depreciated:				
Production Plant	4,022,989	441	0	4,023,430
Distribution Plant	9,779,127	236,042	(13,104)	10,002,065
General Plant	3,577,635	43,343	0	3,620,978
Total Capital Assets being Depreciated	17,379,751	279,826	(13,104)	17,646,473
Less Accumulated Depreciation for:				
Production Plant	(296,859)	(120,691)	0	(417,550)
Distribution Plant	(4,163,117)	(261,157)	13,104	(4,411,170)
General Plant	(1,471,590)	(139,545)	0	(1,611,135)
Total Accumulated Depreciation	(5,931,566)	(521,393)	13,104	(6,439,855)
Capital Assets being depreciated, net	11,448,185	(241,567)	0	11,206,618
Utility Plant Assets, Net	\$ 11,708,559	\$ (226,064)	\$ 0	\$ 11,482,495

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 14 – 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 15 – 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, 2013 and 2012, the Lighting Plant considers its pro rata share of these losses to be immaterial to its financial statements.

NOTE 16 – PENSION PLAN:

The 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 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.

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 a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

A \$30,000 salary cap, upon which members' benefits were calculated, was removed by the Worcester Regional Retirement System effective January 1, 1991. 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. 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 16 – PENSION PLAN (Continued):

Active members contribute 5, 7, 8 or 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. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employees' Retirement Administration's Commission (PERAC's) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted since 1981 and any increase in other benefits imposed by state law after that year is borne by the state.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total contributions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

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. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those contributions.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

The Department's contribution to the Retirement Plan is determined by an allocation of the total Town contribution, which is based upon projected benefits to be paid during the applicable year. The Department then reimburses the Town for the Department's share of the assessment.

The amount of pension expense charged to operations for the years ended December 31, 2013, 2012 and 2011 was \$115,126, \$102,753, and \$111,054, respectively.

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.

NOTE 17 – 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 Department 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.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

*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, 2012, the Plant’s membership consisted of the following:

Current retirees and beneficiaries	5	
Current active members	11	<u>11</u>
Total		<u><u>16</u></u>

*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 \$191,784 and \$188,458 for the years ended December 31, 2013 and 2012, 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 shows the components of the Light Plant’s annual OPEB cost for the years ending December 31, 2013 and 2012 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, 2012:

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 120,970	\$ 120,970
Interest on net OPEB obligation	10,452	10,452
Adjustments to annual required contribution	(22,598)	(22,598)
Amortization of actuarial (Gain)/Losses	<u>(13,068)</u>	<u>(13,068)</u>
Annual OPEB expense	95,756	95,756
Expected benefit payments	<u>(48,589)</u>	<u>(41,012)</u>
Change in actuarial assumptions	(7,577)	0
Increase in net OPEB obligation	39,590	54,744
Net OPEB obligation, Beginning of year	<u>316,041</u>	<u>261,297</u>
Net OPEB obligation, End of year	<u><u>\$ 355,631</u></u>	<u><u>\$ 316,041</u></u>

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

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:

<u>Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 124,855	29.5%	\$ 261,297
2012	\$ 95,756	57.2%	\$ 316,041
2013	\$ 95,756	50.7%	\$ 355,631

*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 did not create a trust for the year ending December 31, 2013.

The funded status is as follows:

Actuarial accrued liability (AAL)	\$ 1,329,744
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability	<u>\$ 1,329,744</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 714,867
UAAL as a percentage of covered payroll	186.01%

*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 the January 1, 2012 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.



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 18 – 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 19 – RESTATEMENT OF 2012 FINANCIAL STATEMENTS:

Net Position for 2011 was previously restated to include an adjustment to rate stabilization funds that were returned to ratepayers in previous years.

Beginning Net Position was restated.	\$ 504,000
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Net Position for 2011 has been restated to include amounts recoverable in the future relating to the MMLD Wind Cooperative not previously recorded.

Beginning Net Position was restated.	602,384
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Net Position for 2012 has been restated to include amounts recoverable in the future relating to the MMLD Wind Cooperative not previously recorded.

Net Position has been restated.	116,722
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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 19 – RESTATEMENT OF 2012 FINANCIAL STATEMENTS (Continued):

Net Position for 2012 has been restated to reclassify customer advances for construction projects that were completed in prior years.

Net Position has been restated. 78,620

Total Prior Period Adjustments \$ 1,301,726

Net Position for 2012 has been restated to include renewable energy credits related to the Berkshire Wind Cooperative that were not previously recorded.

The impact of this restatement is an increase to the prior year Net Income and Net Position. \$ 49,177

As part of the audit of the 2013 financial statements, the above restatements were made. These adjustments are appropriate and have been properly applied to conform to accounting principles generally accepted in the United States of America.

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.

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.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 20 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

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, 2013 and 2012. 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 2013 and 2012 was \$114,902.

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, 2013 and 2012 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.

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.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 20 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
 COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Revenues and Expenses

The Cooperative distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility’s principal ongoing operations. The principal operating revenues of the Cooperative will be the contract charges to the TMLP. 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.

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:*

	2013		2012	
	Carrying Value	Bank Value	Carrying Value	Bank Value
Checking Account	\$ 39,792	\$ 39,677	\$ 5,868	\$ 6,888

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.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2013 presentation. All financial statements have been reclassified in accordance with GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities* with no effect on previously reported net income.

*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.

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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, 2013 and 2012, 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, 2013 and 2012.

*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, 2013 and 2012 were \$596,250 and \$695,625, 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, 2013 and 2012, the Cooperative had \$1,454,750 and \$1,587,000, respectively, outstanding on the CREB.

The Cooperative adopted GASB Statement 65 for the year ending December 31, 2012. The adoption of this statement eliminated the remaining deferred costs related to the loans of \$58,585 with no effect on previously stated net position.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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, 2013:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 231,625	\$ 53,828	\$ 285,453
2015	231,625	47,096	278,721
2016	231,625	40,367	271,992
2017	231,625	33,636	265,261
2018	231,625	26,907	258,532
2019-2023	760,625	57,823	818,448
2024	<u>132,250</u>	<u>2,690</u>	<u>134,940</u>
Totals	<u>\$ 2,051,000</u>	<u>\$ 262,346</u>	<u>\$ 2,313,346</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, 2013 AND 2012

NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative (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, 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, 2013, total capital expenditures for the Berkshire Wind Facility amounted to \$58,990,077, of which \$3,235,000, 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 \$60,210,000 of which \$3,302,000 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, 2013, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$91,789,000, of which \$5,034,000 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, 2013 and estimated for future years is shown below.

For years ended December 31,

2014	296,000
2015	296,000
2016	296,000
2017	296,000
2018	296,000
2019-2023	1,480,000
2024-2028	1,480,000
2029-2030	<u>594,000</u>
Total	<u>\$ 5,034,000</u>

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

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.

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.

Total capital expenditures for MMWEC's Projects amounted to \$1,607,269,000, of which \$27,231,000 represents the amount associated with the Plant's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Plant.

MMWEC's debt outstanding for the Projects includes Power Supply Project Revenue Bonds totaling \$225,280,000, of which \$3,695,000 is associated with the Plant's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Plant. As of December 31, 2013, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$218,518,000, of which \$3,597,000 is anticipated to be billed to the Plant in the future.



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2013 AND 2012

NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies and Liabilities (continued)

The estimated aggregate amount of Templeton Municipal Light Plant’s required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2013 and estimated for future years is shown below.

For years ended December 31,	<u>ANNUAL COSTS</u>
2014	\$ 1,073,000
2015	995,000
2016	913,000
2017	447,000
2018	101,000
2019	<u>68,000</u>
TOTAL	<u>\$ 3,597,000</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 \$2,749,000 and 2,747,000 for the years ended December 31, 2013 and 2012, respectively.

Other Power Supply

The Plant has entered into an All Requirements Bulk Power Sales 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 \$540,138 in 2014, \$251,084 in 2015, \$157,673 in 2016 and \$167,009 in 2017.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(\$000)

	PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES TO DATE	PARTICIPANT'S SHARE	DEBT ISSUED & OUTSTANDING 12/31/2013	PARTICIPANT'S SHARE	TOTAL DEBT SERVICE ON BONDS OUTSTANDING	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ 59,239	\$ 1,415	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.5361	173,640	2,667	-	-	-	-
Nuclear Mix No. 1-SBK	2.2550	13,840	312	447	10	233	5
Nuclear Mix No. 1-MLS	2.2550	119,239	2,689	3,848	87	2,005	45
Nuclear Project No. 3-MLS	1.0583	149,093	1,578	44,760	474	42,720	452
Nuclear Project No. 4-SBK	1.3300	342,585	4,556	45,180	601	42,628	567
Nuclear Project No. 5-SBK	0.6488	93,026	604	13,355	87	12,801	83
Wyman Project	0.0000	8,790	-	-	-	-	-
Project No. 6-SBK	2.0700	647,817	13,410	117,690	2,436	118,131	2,445
TOTAL		<u>\$ 1,607,269</u>	<u>\$ 27,231</u>	<u>\$ 225,280</u>	<u>\$ 3,695</u>	<u>\$ 218,518</u>	<u>\$ 3,597</u>

	PERCENTAGE SHARE	OPERATION & MAINTENANCE 41,274	PARTICIPANT'S SHARE	OPERATION & MAINTENANCE 41,639	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ 3,693	\$ 88	\$ 3,591	\$ 86
Stony Brook Intermediate Project	1.5361	18,800	289	21,672	333
Nuclear Mix No. 1-SBK	2.2550	1,129	25	1,378	31
Nuclear Mix No. 1-MLS	2.2550	14,547	328	11,868	268
Nuclear Project No. 3-MLS	1.0583	26,267	278	25,453	269
Nuclear Project No. 4-SBK	1.3300	33,870	450	34,522	459
Nuclear Project No. 5-SBK	0.6488	9,082	59	9,018	59
Wyman Project	0.0000	1,169	-	1,693	-
Project No. 6-SBK	2.0700	59,400	1,230	60,105	1,244
TOTAL		<u>\$ 167,957</u>	<u>\$ 2,747</u>	<u>\$ 169,300</u>	<u>\$ 2,749</u>

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(\$000)

	PERCENTAGE SHARE	2014 ANNUAL COST	PARTICIPANT'S SHARE	2015 ANNUAL COST	PARTICIPANT'S SHARE	2016 ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.5361	-	-	-	-	-	-
Nuclear Mix No. 1-SBK	2.2550	215	5	-	-	-	-
Nuclear Mix No. 1-MLS	2.2550	2,023	46	-	-	-	-
Nuclear Project No. 3 - MLS	1.0583	14,063	149	14,311	151	9,182	97
Nuclear Project No. 4-SBK	1.3300	13,957	186	13,142	175	11,128	148
Nuclear Project No. 5-SBK	0.6488	3,934	26	3,821	25	3,370	22
Wyman Project	0.0000	-	-	-	-	-	-
Project No. 6-SBK	2.0700	31,951	661	31,087	644	31,225	646
TOTAL		\$ 66,143	\$ 1,073	\$ 62,361	\$ 995	\$ 54,905	\$ 913

	PERCENTAGE SHARE	2,017 ANNUAL COST	PARTICIPANT'S SHARE	2,018 ANNUAL COST	PARTICIPANT'S SHARE	2019 to 2022 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	3,492	37	1,672	18	-	-
Nuclear Project No. 4-SBK	1.3300	4,401	59	-	-	-	-
Nuclear Project No. 5-SBK	0.6488	1,559	10	117	1	-	-
Wyman Project	0.0000	-	-	-	-	-	-
Project No. 6-SBK	2.0700	16,460	341	3,980	82	3,728	68
TOTAL		\$ 25,912	\$ 447	\$ 5,769	\$ 101	\$ 3,728	\$ 68

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2013 AND 2012

**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%

**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	1/1/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year Level Dollar Basis
Remaining Amortization Period	25 years

Actuarial Assumptions:

Assumed Retirement	Age 65
Discount Rate	4.00%
Projected Salary Increases	3.00%
Healthcare Cost Trend Rate	Initially 11%, graded to 5% over 4 years

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2013</u>				<u>2012</u>			
	<b>Templeton Municipal Light Department</b>	<b>Wind Energy Cooperative Corporation</b>	<b>Eliminations</b>	<b>Consolidated Amount</b>	<b>Templeton Municipal Light Department</b>	<b>Wind Energy Cooperative Corporation</b>	<b>Eliminations</b>	<b>Consolidated Amount</b>
<b>CURRENT ASSETS:</b>								
Funds on Deposit with Town Treasurer								
Operating Fund	\$ (30,930)	\$ 39,792	\$ 0	\$ 8,862	\$ 183,280	\$ 5,868	\$ 0	\$ 189,148
Petty Cash	800	0	0	800	800	0	0	800
Accounts Receivable, Net of Allowance	405,757	80,532	(76,146)	410,143	375,043	83,568	0	458,611
Other Accounts Receivable	302,174	0	0	302,174	262,766	0	0	262,766
Materials and Supplies	127,655	0	0	127,655	119,115	0	0	119,115
MMWEC Working Capital Balance	583,341	0	0	583,341	511,341	0	0	511,341
Rate Stabilization Reserve Fund	566,211	0	0	566,211	566,211	0	0	566,211
Prepaid Expenses	96,946	11,658	0	108,604	343,533	11,297	0	354,830
<b>TOTAL CURRENT ASSETS</b>	<b>2,051,954</b>	<b>131,982</b>	<b>(76,146)</b>	<b>2,107,790</b>	<b>2,362,089</b>	<b>100,733</b>	<b>-</b>	<b>2,462,822</b>
<b>NONCURRENT ASSETS:</b>								
Funds on Deposit with Town Treasurer								
Depreciation Fund	558,599	0	0	558,599	340,959	0	0	340,959
Customer Meter Deposits	105,096	0	0	105,096	95,551	0	0	95,551
Advances to MMLD Wind Energy Cooperative	641,625	0	(641,625)	0	641,625	0	(641,625)	0
MA Reserve Trust	1,092,755	0	0	1,092,755	973,284	0	0	973,284
Preliminary Survey and Investigation Charges	82,845	0	0	82,845	82,845	0	0	82,845
Debt Issue Costs, Net of Amortization	0	0	0	0	4,689	0	0	4,689
Utility Plant Assets, Net	8,030,862	3,451,633	0	11,482,495	8,142,024	3,566,535	0	11,708,559
<b>TOTAL NONCURRENT ASSETS</b>	<b>10,511,782</b>	<b>3,451,633</b>	<b>(641,625)</b>	<b>13,321,790</b>	<b>10,280,977</b>	<b>3,566,535</b>	<b>(641,625)</b>	<b>13,205,887</b>
<b>TOTAL ASSETS</b>	<b>12,563,736</b>	<b>3,583,615</b>	<b>(717,771)</b>	<b>15,429,580</b>	<b>12,643,066</b>	<b>3,667,268</b>	<b>(641,625)</b>	<b>15,668,709</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>								
Costs in Excess of Billings to Participants	0	0	0	0	0	22,699	(22,699)	0
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 12,563,736</b>	<b>\$ 3,583,615</b>	<b>\$ (717,771)</b>	<b>\$ 15,429,580</b>	<b>\$ 12,643,066</b>	<b>\$ 3,689,967</b>	<b>\$ (664,324)</b>	<b>\$ 15,668,709</b>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2013 AND 2012

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2013</u>				<u>2012</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	\$ 1,355,604	\$ 7,196	\$ (34,324)	\$ 1,328,476	\$ 1,309,403	\$ 39,443	\$ (22,699)	\$ 1,326,147
Accrued Interest	0	6,144	0	6,144	0	7,169	0	7,169
Accrued Sales Tax	1,685	0	0	1,685	1,818	0	0	1,818
Current Portion of Long-Term Debt	80,000	231,625	0	311,625	80,000	231,625	0	311,625
Accrued Payroll and Vacation	18,707	0	0	18,707	25,500	0	0	25,500
Advance Deposits for Construction	25,129	0	0	25,129	55,876	0	0	55,876
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,481,125</u>	<u>244,965</u>	<u>(34,324)</u>	<u>1,691,766</u>	<u>1,472,597</u>	<u>278,237</u>	<u>(22,699)</u>	<u>1,728,135</u>
<b>NONCURRENT LIABILITIES:</b>								
Long-Term Debt, Less Current Portion	620,000	1,819,375	0	2,439,375	700,000	2,051,000	0	2,751,000
Customer Deposits	104,788	0	0	104,788	95,491	0	0	95,491
Other Postemployment Benefit Obligation	355,631	0	0	355,631	316,041	0	0	316,041
Advances from Templeton Municipal Light Plant	0	641,625	(641,625)	0	0	641,625	(641,625)	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,080,419</u>	<u>2,461,000</u>	<u>(641,625)</u>	<u>2,899,794</u>	<u>1,111,532</u>	<u>2,692,625</u>	<u>(641,625)</u>	<u>3,162,532</u>
<b>TOTAL LIABILITIES</b>	<u>2,561,544</u>	<u>2,705,965</u>	<u>(675,949)</u>	<u>4,591,560</u>	<u>2,584,129</u>	<u>2,970,862</u>	<u>(664,324)</u>	<u>4,890,667</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>								
Amounts Recoverable/Payable in the Future	(835,828)	835,828	0	0	(719,105)	719,105	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	41,822	(41,822)	0	0	0	0	0
Contribution in Aid of Construction	820,001	0	0	820,001	820,000	0	0	820,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>550,384</u>	<u>877,650</u>	<u>(41,822)</u>	<u>1,386,212</u>	<u>667,106</u>	<u>719,105</u>	<u>0</u>	<u>1,386,211</u>
<b>NET POSITION:</b>								
Net Investment in Capital Assets	7,330,862	1,400,633	0	8,731,495	7,362,024	1,283,910	0	8,645,934
Net Position Restricted for Depreciation	558,599	0	0	558,599	340,959	0	0	340,959
Unrestricted Net Position	1,562,347	(1,400,633)	0	161,714	1,688,848	(1,283,910)	0	404,938
<b>TOTAL NET POSITION</b>	<u>9,451,808</u>	<u>0</u>	<u>0</u>	<u>9,451,808</u>	<u>9,391,831</u>	<u>0</u>	<u>0</u>	<u>9,391,831</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 12,563,736</u>	<u>\$ 3,583,615</u>	<u>\$ (717,771)</u>	<u>\$ 15,429,580</u>	<u>\$ 12,643,066</u>	<u>\$ 3,689,967</u>	<u>\$ (664,324)</u>	<u>\$ 15,668,709</u>

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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>				<u>2012</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	\$ 7,441,272	\$ 357,644	\$ (357,644)	\$ 7,441,272	\$ 7,652,593	\$ 418,812	\$ (418,812)	\$ 7,652,593
Other Operating Revenues	75,346	0	0	75,346	24,214	0	0	24,214
<b>TOTAL OPERATING REVENUES</b>	<b>7,516,618</b>	<b>357,644</b>	<b>(357,644)</b>	<b>7,516,618</b>	<b>7,676,807</b>	<b>418,812</b>	<b>(418,812)</b>	<b>7,676,807</b>
OPERATING EXPENSES:								
Operating and Maintenance	6,998,789	66,644	(357,644)	6,707,789	6,478,180	113,853	(302,090)	6,289,943
Depreciation	406,491	114,902	0	521,393	387,098	114,902	0	502,000
<b>TOTAL OPERATING EXPENSES</b>	<b>7,405,280</b>	<b>181,546</b>	<b>(357,644)</b>	<b>7,229,182</b>	<b>6,865,278</b>	<b>228,755</b>	<b>(302,090)</b>	<b>6,791,943</b>
<b>OPERATING INCOME</b>	<b>111,338</b>	<b>176,098</b>	<b>0</b>	<b>287,436</b>	<b>811,529</b>	<b>190,057</b>	<b>(116,722)</b>	<b>884,864</b>
NONOPERATING REVENUES (EXPENSES):								
Miscellaneous Nonoperating Income	600	0	0	600	10,687	0	0	10,687
Interest Income	12,491	0	0	12,491	19,781	0	0	19,781
Interest Expense	(25,523)	(59,375)	0	(84,898)	(27,783)	(73,335)	0	(101,118)
Other Interest Expense	(963)	0	0	(963)	(729)	0	0	(729)
Amortization of Debt Issue Expense	(4,689)	0	0	(4,689)	(448)	0	0	(448)
Change in Amounts Payable in the Future	116,723	(116,723)	0	0	0	(116,722)	116,722	0
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>98,639</b>	<b>(176,098)</b>	<b>0</b>	<b>(77,459)</b>	<b>1,508</b>	<b>(190,057)</b>	<b>116,722</b>	<b>(71,827)</b>
Income Before Contributions and Transfers	209,977	0	0	209,977	813,037	0	0	813,037
<b>NET POSITION - JANUARY 1</b>	<b>9,391,831</b>	<b>0</b>	<b>0</b>	<b>9,391,831</b>	<b>7,377,068</b>	<b>0</b>	<b>0</b>	<b>7,377,068</b>
Prior Period Adjustments	0	0	0	0	1,301,726	0	0	1,301,726
Transfers Out - Payment in Lieu of Taxes	(150,000)	0	0	(150,000)	(100,000)	0	0	(100,000)
<b>NET POSITION - DECEMBER 31</b>	<b>\$ 9,451,808</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,451,808</b>	<b>\$ 9,391,831</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,391,831</b>

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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>				<u>2012</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	\$ 7,485,656	\$ 352,049	\$ (357,644)	\$ 7,480,061	\$ 7,746,453	\$ 304,861	\$ (304,861)	\$ 7,746,453
Other Operating Receipts - Renewable Energy Credits	0	73,152	0	73,152	0	92,725	0	92,725
Cash Paid to Suppliers	(5,662,537)	(99,252)	357,644	(5,404,145)	(5,164,618)	(96,050)	304,861	(4,955,807)
Cash Paid for Benefits	(374,027)	0	0	(374,027)	(389,188)	0	0	(389,188)
Cash Paid to Employees	(714,867)	0	0	(714,867)	(762,141)	0	0	(762,141)
Payment in Lieu of Taxes	(150,000)	0	0	(150,000)	(100,000)	0	0	(100,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>584,225</u>	<u>325,949</u>	<u>0</u>	<u>910,174</u>	<u>1,330,506</u>	<u>301,536</u>	<u>0</u>	<u>1,632,042</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Additions to Utility Plant Assets	(295,329)	0	0	(295,329)	(959,770)	0	0	(959,770)
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	(25,523)	(60,400)	0	(85,923)	(27,783)	(77,377)	0	(105,160)
Net Transfers to Depreciation Fund	(217,640)	0	0	(217,640)	8,376	0	0	8,376
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(618,492)</u>	<u>(292,025)</u>	<u>0</u>	<u>(910,517)</u>	<u>(1,059,177)</u>	<u>(309,002)</u>	<u>0</u>	<u>(1,368,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Transfers to MMWEC Working Capital	(72,000)	0	0	(72,000)	0	0	0	0
Transfers to MA Reserve Trust	(119,471)	0	0	(119,471)	(82,308)	0	0	(82,308)
Other Interest Expense	(963)	0	0	(963)	0	0	0	0
Interest Income	12,491	0	0	12,491	19,781	0	0	19,781
NET CASH USED BY INVESTING ACTIVITIES	<u>(179,943)</u>	<u>0</u>	<u>0</u>	<u>(179,943)</u>	<u>(62,527)</u>	<u>0</u>	<u>0</u>	<u>(62,527)</u>
NET INCREASE (DECREASE) IN CASH	(214,210)	33,924	0	(180,286)	208,802	(7,466)	0	201,336
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>183,280</u>	<u>5,868</u>	<u>0</u>	<u>189,148</u>	<u>(25,522)</u>	<u>13,334</u>	<u>0</u>	<u>(12,188)</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ (30,930)</u>	<u>\$ 39,792</u>	<u>\$ 0</u>	<u>\$ 8,862</u>	<u>\$ 183,280</u>	<u>\$ 5,868</u>	<u>\$ 0</u>	<u>\$ 189,148</u>

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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>				<u>2012</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	\$ 111,338	\$ 176,098	\$ 0	\$ 287,436	\$ 811,529	\$ 190,057	\$ 0	\$ 1,001,586
Miscellaneous Nonoperating Income	600	0	0	600	0	0	0	0
Depreciation Expense	406,491	114,902	0	521,393	387,098	114,902	0	502,000
Payment in Lieu of Taxes	(150,000)	0	0	(150,000)	(100,000)	0	0	(100,000)
Changes in Assets and Liabilities:								
(Increase) Decrease in Assets:								
Accounts Receivable	(30,714)	3,036	0	(27,678)	(14,003)	(47,214)	0	(61,217)
Meter Deposit Cash	(9,545)	0	0	(9,545)	(2,960)	0	0	(2,960)
Other Accounts Receivable	(39,408)	0	0	(39,408)	4,918	0	0	4,918
Materials and Supplies	(8,539)	0	0	(8,539)	16,954	0	0	16,954
Costs in Excess of Billings to Participants	0	22,699	0	22,699	0	25,988	0	25,988
Prepaid Expenses	246,587	(361)	0	246,226	49,703	(4,357)	0	45,346
Increase (Decrease) in Liabilities:								
Accounts Payable	39,275	(32,247)	0	7,028	174,367	22,160	0	196,527
Billings in Excess of Costs to Participants	0	41,822	0	41,822	0	0	0	0
Other Postemployment Benefit Obligation	39,590	0	0	39,590	0	0	0	0
Advance Deposits for Construction	(30,747)	0	0	(30,747)	0	0	0	0
Customer Deposit Liability	9,297	0	0	9,297	2,900	0	0	2,900
NET CASH PROVIDED BY								
OPERATING ACTIVITIES	<u>\$ 584,225</u>	<u>\$ 325,949</u>	<u>\$ 0</u>	<u>\$ 910,174</u>	<u>\$ 1,330,506</u>	<u>\$ 301,536</u>	<u>\$ 0</u>	<u>\$ 1,632,042</u>

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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF ELECTRIC OPERATING AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<b>POWER SUPPLY EXPENSE:</b>		
Purchased Power	\$ 5,243,337	\$ 4,796,669
Other Expenses	86,867	90,896
<b>TOTAL POWER SUPPLY EXPENSE</b>	<b>5,330,204</b>	<b>4,887,565</b>
<b>DISTRIBUTION EXPENSES:</b>		
Operation, Supervision and Engineering	89,618	87,102
Operation Labor	64,590	89,633
Operation Supplies and Expenses	8,064	3,966
Overhead Line Expense	2,982	47,043
Underground Line Expense	4,771	6,015
Street Light and Signal System Expense	7,337	7,080
Meter Expenses	5,985	6,368
Customer Installation Expense	174	0
Miscellaneous Distribution Expenses	71,201	74,114
Maintenance of Station Equipment	2,297	1,344
Maintenance of Overhead Lines	103,445	88,746
Maintenance of Underground Lines	150	0
Maintenance of Line Transformers	76	2,647
Maintenance of Street Lights and Signal Systems	6,280	7,605
<b>TOTAL DISTRIBUTION EXPENSES</b>	<b>366,970</b>	<b>421,663</b>
<b>CUSTOMER ACCOUNT EXPENSES:</b>		
Meter Reading	44,966	44,607
Accounting and Collection Expense	102,273	105,958
<b>TOTAL CUSTOMER ACCOUNT EXPENSES</b>	<b>147,239</b>	<b>150,565</b>
<b>ADMINISTRATIVE AND GENERAL EXPENSES:</b>		
Administration and General Salaries	133,359	134,673
Office Supplies and Expenses	39,137	32,470
Outside Services Employed	96,680	78,352
Property Insurance	36,773	35,942
Injuries and Damages	82,312	56,738
Employee Pensions and Benefits	374,027	389,188
Miscellaneous General Expense	54,470	25,331
Transportation Expense	(10,499)	(6,628)
Maintenance of General Plant	57,117	84,084
<b>TOTAL ADMINISTRATIVE AND GENERAL EXPENSES</b>	<b>863,376</b>	<b>830,150</b>
<b>TOTAL OPERATING AND MAINTENANCE EXPENSES</b>	<b>\$ 6,707,789</b>	<b>\$ 6,289,943</b>

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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
SCHEDULES OF SALES OF ELECTRICITY  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Net Revenues			Kilowatt Hours Sold			Net Revenue Per Kilowatt Hours Sold	
	2013	2012	Increases (Decreases)	2013	2012	Increases (Decreases)	2013	2012
<b>SALES OF ELECTRICITY</b>								
<b>PRIVATE CUSTOMERS:</b>								
Residential Sales	\$ 3,699,268	\$ 3,710,519	\$ (11,251)	26,417,881	25,721,913	695,968	\$ 0.14003	\$ 0.14426
Commercial and Industrial Sales								
Industrial	2,766,484	2,925,443	(158,959)	25,057,014	26,518,217	(1,461,203)	0.11041	0.11032
Commercial	485,662	508,324	(22,662)	3,864,978	3,404,947	460,031	0.12566	0.14929
Private Area Lighting	60,273	59,363	910	595,716	624,936	(29,220)	0.10118	0.09499
Public Authority	5,046	5,341	(295)	39,336	38,298	1,038	0.12828	0.13946
<b>Total Private Customers</b>	<b>7,016,733</b>	<b>7,208,990</b>	<b>(192,257)</b>	<b>55,974,925</b>	<b>56,308,311</b>	<b>(333,386)</b>	<b>0.12535</b>	<b>0.12803</b>
<b>MUNICIPAL CUSTOMERS:</b>								
Industrial	316,307	338,539	(22,232)	2,515,640	2,524,480	(8,840)	0.12574	0.13410
Commercial	77,583	73,427	4,156	618,283	534,642	83,641	0.12548	0.13734
Street Lighting	25,422	26,798	(1,376)	187,176	191,436	(4,260)	0.13582	0.13998
<b>Total Municipal Customers</b>	<b>419,312</b>	<b>438,764</b>	<b>(19,452)</b>	<b>3,321,099</b>	<b>3,250,558</b>	<b>70,541</b>	<b>0.12626</b>	<b>0.13498</b>
Other Electric Revenues	5,227	4,839	388	-	-	-	-	-
<b>TOTAL SALES OF ELECTRICITY</b>	<b>\$ 7,441,272</b>	<b>\$ 7,652,593</b>	<b>\$ (211,321)</b>	<b>59,296,024</b>	<b>59,558,869</b>	<b>(262,845)</b>	<b>\$ 0.12549</b>	<b>\$ 0.12849</b>

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