

**TEMPLETON MUNICIPAL LIGHT PLANT  
AND SUBSIDIARY**  
Financial Statements  
December 31, 2016 and 2015

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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DECEMBER 31, 2016 AND 2015

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# GOULET, SALVIDIO & ASSOCIATES, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Templeton Municipal Light Plant of Templeton, Massachusetts and Subsidiary as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

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

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

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

#### **Basis for Qualified Opinion**

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

206 Southbridge St.  
Auburn, MA 01501

324 Grove St.  
Worcester, MA 01605

54 E Main St.  
Webster, MA 01570

## **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Plant as of December 31, 2016 and 2015, and the changes in financial position thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the 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, 2016 and 2015, and the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits, and Net Pension Liability information on pages three through six and 39 through 41, 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 42 through 48 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

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

Worcester, Massachusetts  
June 30, 2017

## 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, 2016 and 2015. 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, 2016 it shows our net position has increased 1.7% over the year ending December 31, 2015.

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, 2016 and 2015 was \$226,036 and \$18,157, 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>2016</u>	<u>2015</u>
Current Assets	\$ 2,281,732	\$ 2,633,543
Noncurrent Assets	<u>13,091,351</u>	<u>12,820,604</u>
Total Assets	<u>15,373,083</u>	<u>15,454,147</u>
Deferred Outflows of Resources	<u>271,481</u>	<u>58,900</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 15,644,564</u>	<u>\$ 15,513,047</u>
Current Liabilities	\$ 1,388,082	\$ 1,646,645
Noncurrent Liabilities	<u>3,880,257</u>	<u>4,207,568</u>
Total Liabilities	<u>5,268,339</u>	<u>5,854,213</u>
Deferred Inflows of Resources	<u>2,271,609</u>	<u>1,694,785</u>
Net Position:		
Net Investment in Capital Assets	9,235,099	9,099,105
Net Position Restricted for Depreciation	908,075	703,821
Unrestricted	<u>(2,038,558)</u>	<u>(1,838,877)</u>
Total Net Position	<u>8,104,616</u>	<u>7,964,049</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,644,564</u>	<u>\$ 15,513,047</u>

### Summary of Changes in Net Position

	2016	2015
Operating Revenues	\$ 7,559,096	\$ 7,596,580
Operating Expenses	7,288,295	7,483,220
Operating Income	270,801	113,360
Non-Operating Revenues (Expenses)	(44,765)	(52,995)
Income Before Contributions and Transfers	226,036	60,365
Net Position – January 1	7,964,049	7,946,502
Transfers Out – Payment in Lieu of Taxes	(85,469)	(42,818)
Net Position – December 31	\$ 8,104,616	\$ 7,964,049

### 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 & Private Lighting. The following charts indicate how each rate class contributed in 2016 and 2015 to the total consumption of electricity and revenue. The overall average cost per Kilowatt-hour in 2016 was 12.97 cents for all rate classes.

<i>Rate Classification</i>	<i>2016 Kilowatt Sales</i>	<i>2015 Kilowatt Sales</i>
Residential Sales	25,292,473	26,201,412
Commercial Sales	4,024,631	4,154,588
Industrial Sales	24,797,827	25,004,301
Municipal Sales	2,760,664	3,157,313
Street & Private Lighting Sales	754,692	784,897
<b>Total Sales</b>	<b>57,630,287</b>	<b>59,302,511</b>

<i>Rate Classification</i>	<i>2016 Revenue</i>	<i>2015 Revenue</i>
Residential Sales	\$3,581,216	\$3,607,174
Commercial Sales	538,073	540,963
Industrial Sales	2,899,213	2,831,028
Municipal Sales	368,076	413,455
Street & Private Lighting Sales	89,212	83,300
<b>Total Sales</b>	<b>\$7,475,790</b>	<b>\$7,475,920</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 2016, the Light Plant purchased 1,182,137 kilowatt-hours less than those purchased in 2015. The 2016 purchased power costs were \$574,148 less than 2015.

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

We continued the transition period into the ISO's new forward capacity market ("FCM") whereby generating capacity prices will be set by auction. During the period of transition to the FCM, from December 2006 to June 2010, these prices were set by agreement. We also remained active participants in the finished Berkshire Wind Project located on Brodie Mountain in Hancock, Massachusetts, which generated 2,604,462 kilowatt-hours of electricity in 2016. We also generated 1,524,392 kilowatt-hours of electricity in 2016 with our wind turbine located at Narragansett Regional Middle/High School. We also purchased 73,162 kilowatt-hours of electricity in 2016 from the Hancock Wind Project in Ellsworth, ME, a project which Templeton Municipal Light Plant joined in 2015 under a 20-year purchased power agreement. Along with other Massachusetts municipal utilities, we had 3,050 AC kilowatts of solar generation installed behind our wholesale meters and entered into a 20-year purchased power agreement with a third party as a means to obtain another source of clean energy. This solar facility generated 5,483,622 kilowatt-hours of electricity in 2016 which we purchased under a 20-year purchased power agreement. 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 1.56% from 2015 to 2016 as a result of normal system additions and upgrades less annual depreciation.

### Debt Administration

Debt outstanding at year end was \$1,816,125. 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, 2016 and 2015 was \$460,000 and \$540,000, 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, 2016 and 2015 was \$1,356,125 and \$1,587,750, 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.

### **Rate Stabilization Reserve**

Our Rate Stabilization Reserve 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 Rate Stabilization Reserve 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 Rate Stabilization Reserve balance at December 31, 2016 and 2015 was \$1,002,729 and \$773,408, 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, 2016 AND 2015

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2016	2015
CURRENT ASSETS:		
Operating Fund	\$ 48,736	\$ 373,930
Petty Cash	800	800
Accounts Receivable, Net of Allowance	580,410	345,982
Other Accounts Receivable	417,524	361,840
Materials and Supplies	120,131	112,198
MMWEC Working Capital	1,029,699	1,293,699
Prepaid Expenses	84,432	145,094
 TOTAL CURRENT ASSETS	 2,281,732	 2,633,543
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	908,075	703,821
Customer Meter Deposits	129,323	116,520
Rate Stabilization Reserve Fund	1,002,729	773,408
Utility Plant Assets, Net	11,051,224	11,226,855
 TOTAL NONCURRENT ASSETS	 13,091,351	 12,820,604
 TOTAL ASSETS	 15,373,083	 15,454,147
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	271,481	58,900
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 15,644,564	 \$ 15,513,047

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2016	2015
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 1,033,756	\$ 1,298,281
Accrued Interest	3,091	4,109
Current Portion of Long-Term Debt	311,625	311,625
Accrued Payroll and Vacation	39,610	32,630
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,388,082</b>	<b>1,646,645</b>
<b>NONCURRENT LIABILITIES:</b>		
Long-Term Debt, Less Current Portion	1,504,500	1,816,125
Customer Deposits	129,039	115,731
Net Pension Liability	1,823,043	1,880,324
Other Postemployment Benefit Obligation	423,675	395,388
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,880,257</b>	<b>4,207,568</b>
<b>TOTAL LIABILITIES</b>	<b>5,268,339</b>	<b>5,854,213</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred Inflows of Resources Related to Pension	340,241	0
Rate Stabilization Reserve	1,002,729	773,408
Contribution in Aid of Construction	928,639	921,377
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,271,609</b>	<b>1,694,785</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	9,235,099	9,099,105
Net Position Restricted for Depreciation	908,075	703,821
Unrestricted Net Position	(2,038,558)	(1,838,877)
<b>TOTAL NET POSITION</b>	<b>8,104,616</b>	<b>7,964,049</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES RESOURCES AND NET POSITION</b>	<b>\$ 15,644,564</b>	<b>\$ 15,513,047</b>

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, 2016 AND 2015

OPERATING FUND

	2016	2015
OPERATING REVENUES:		
Sales of Electricity	\$ 7,479,849	\$ 7,490,868
Other Operating Revenues	79,247	105,712
 TOTAL OPERATING REVENUES	 7,559,096	 7,596,580
 OPERATING EXPENSES:		
Operating and Maintenance	6,768,746	6,974,547
Depreciation	519,549	508,673
 TOTAL OPERATING EXPENSES	 7,288,295	 7,483,220
 OPERATING INCOME	 270,801	 113,360
 NONOPERATING REVENUES (EXPENSES):		
Miscellaneous Nonoperating Income	300	500
Interest Income	12,883	14,367
Interest Expense	(57,539)	(66,674)
Other Interest Expense	(409)	(1,188)
 TOTAL NONOPERATING REVENUES (EXPENSES)	 (44,765)	 (52,995)
 Income Before Contributions and Transfers	 226,036	 60,365
 NET POSITION - JANUARY 1	 7,964,049	 7,946,502
 Transfers Out - Payment in Lieu of Taxes	 (85,469)	 (42,818)
 NET POSITION - DECEMBER 31	 \$ 8,104,616	 \$ 7,964,049

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 7,322,709	\$ 8,097,155
Other Operating Receipts - Renewable Energy Credits	71,419	96,073
Cash Paid to Participant - Renewable Energy Credits	(71,419)	(96,073)
Cash Paid to Suppliers	(5,268,470)	(5,530,338)
Cash Paid for Benefits	(609,514)	(541,648)
Cash Paid to Employees	(820,511)	(825,258)
Payment in Lieu of Taxes	(85,469)	(42,818)
	<u>538,745</u>	<u>1,157,093</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Additions to Utility Plant Assets	(372,556)	(397,940)
Contribution in Aid of Construction	35,900	10,956
Repayment on Long-Term Debt	(311,625)	(311,625)
Interest Payments on Long-Term Debt	(58,557)	(67,691)
Net Transfers to Depreciation Fund	(204,254)	(34,806)
	<u>(911,092)</u>	<u>(801,106)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net Transfers to MMWEC Working Capital	264,000	(72,000)
Net Transfer (to) / from Rate Stabilization Reserve Fund	(229,321)	42,208
Other Interest Expense	(409)	(1,188)
Interest Income	12,883	14,367
	<u>47,153</u>	<u>(16,613)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 <b>(325,194)</b>	 <b>339,374</b>
 <b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	 <b>373,930</b>	 <b>34,556</b>
 <b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	 <b>\$ 48,736</b>	 <b>\$ 373,930</b>

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 270,801	\$ 113,360
Miscellaneous Nonoperating Income	300	500
Depreciation Expense	519,549	508,673
Payment in Lieu of Taxes	(85,469)	(42,818)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(199,582)	46,675
Costs in Excess of Billings to Participants	(8,579)	0
Meter Deposit Cash	(12,803)	(6,933)
Other Accounts Receivable	(55,684)	46,612
Deferred Outflows of Resources Related to Pension	(212,581)	64,224
Materials and Supplies	(7,933)	24,801
Prepaid Expenses	60,662	15,554
Increase (Decrease) in Liabilities:		
Accounts Payable	(257,545)	402,754
Billings in Excess of Costs to Participants	(26,267)	(45,512)
Deferred Inflows of Resources Related to Pension	340,241	0
Other Postemployment Benefit Obligation	28,287	34,145
Net Pension Liability	(57,281)	44,482
Rate Stabilization Reserve	229,321	(42,208)
Advance Deposits for Construction	0	(13,509)
Customer Deposit Liability	13,308	6,293
Net Cash Provided by Operating Activities	\$ 538,745	\$ 1,157,093

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2016	2015
Operating Fund	\$ 48,736	\$ 373,930

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 STATEMENTS OF NET POSITION  
 DECEMBER 31, 2016 AND 2015

OPEB TRUST FUND

ASSETS

	2016	2015
Funds on Deposit with MMWEC		
Cash and Cash Equivalents	\$ 153,982	\$ 85,894

NET POSITION

NET POSITION - Restricted	\$ 153,982	\$ 85,894
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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 STATEMENTS OF CHANGES IN NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPEB TRUST FUND

	2016	2015
Contributions	\$ 60,000	\$ 52,617
Net Investment Income (Loss)	8,088	(1,002)
CHANGES IN NET POSITION	68,088	51,615
NET POSITION - JANUARY 1	85,894	34,279
NET POSITION - DECEMBER 31	\$ 153,982	\$ 85,894

See Accompanying Notes to Financial Statements

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of 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.

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.

Contribution in Aid of Construction

Contribution in Aid of Construction represents non-refundable payments received from consumers and developers for extension of electric services for assets owned and maintained by Templeton Municipal Light Plant. These amounts are recorded as a deferred inflow of resources net of amortization.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015 is \$14,728 and \$20,582, 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.

Revenues

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

Operating revenue includes revenues and expenses related to the continuing operations of the Light Plant. Principal operating revenues are charges to customers for sales of electricity or services. Operating expenses are the costs of providing electricity and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 2016 presentation.

Customer Accounts Receivable

Customer accounts receivable are recorded net of a reserve for uncollectible accounts. For the years ended December 31, 2016 and 2015 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.



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Union Labor

Non-management labor is covered by a three-year union contract which expires December 31, 2018. This agreement shall continue in effect from year to year, thereafter, unless changed or terminated.

Pensions

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

Deferred Outflows/Inflows of Resources

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

Financial Statement Revision

During 2015, the Light Plant revised its beginning net position through the implementation of GASB Statements #68 and #71 related to accounting for pensions. The cumulative effect of this revision was to reduce the prior year total net position by \$1,712,718.

NOTE 2 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

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

NOTE 3 – UNBILLED REVENUE:

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

NOTE 4 – ACCOUNTS RECEIVABLE:

Accounts Receivable - Customers consists of the following:

	2016	2015
Accounts Receivable	\$ 643,831	\$ 417,982
Less: Allowance for Doubtful Accounts	72,000	72,000
Accounts Receivable, Net	\$ 571,831	\$ 345,982

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 4 – ACCOUNTS RECEIVABLE (Continued):

Accounts Receivable – Other consists of the following:

	2016	2015
Merchandise and Jobbing	\$ 69,725	\$ 50,240
Associated Company - Templeton Water Receivable	275,821	241,577
Berkshire Wind Renewable Energy Credits Receivable	71,978	70,023
Total Other Accounts Receivable	\$ 417,524	\$ 361,840

NOTE 5 – PREPAYMENTS:

Prepayments consist of the following items:

	2016	2015
Prepaid Insurance	\$ 11,428	\$ 24,642
Prepaid Purchase Power	73,004	120,452
Total Prepayments	\$ 84,432	\$ 145,094

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, 2016 and 2015, the total advanced to the Cooperative was \$641,625.

NOTE 7 – RELATED PARTIES:

The Light Plant occupies common administrative space with the Town of Templeton Water Plant (Water) and performs certain administrative duties for Water. The Light Plant is reimbursed for employee's labor and for certain expenses. Charges to Water for these services during 2016 and 2015 were \$34,244 and \$15,791, respectively. The Light Plant owns the building and does not charge rent for the occupied space used by Water.

Electric sales to municipal buildings included in revenue were approximately \$387,435 and \$423,194 for December 31, 2016 and 2015, respectively. Accounts receivable from these departments was \$12,413 and \$13,596 for December 31, 2016 and 2015, respectively. The Light Plant contributed \$85,469 and \$42,818 in payments in lieu of taxes to the Town of Templeton in 2016 and 2015, respectively.

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

The Light Plant reimburses the town for various employee benefits and services, including health insurance and Worcester Regional Retirement. During the years ended December 31, 2016 and 2015, the total amounts paid for these services were \$317,105 and \$269,767, respectively. At December 31, 2016 and 2015, amounts payable to the town were \$44,642 and \$115,819, respectively.

NOTE 8 – DEPRECIATION FUND:

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

NOTE 9 – RATE STABILIZATION RESERVE:

The Rate Stabilization Reserve 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 Reserve balance at December 31, 2016 and 2015 was \$1,002,729 and \$773,408, respectively. The balance in the reserve is offset by a corresponding deferred inflow of resources. These funds are commingled and deposited in investment pools. Accordingly, it is not practical to disclose the credit risk of such funds. The total amount of these investment pools as of December 31, 2016 was \$75,376,417, of which Templeton Municipal Light Plant's ownership was approximately 1.3%.

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, 2016 and 2015 is \$1,029,699 and \$1,293,699, respectively.

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

On June 15, 2003, the Town of Templeton issued a municipal bond in the aggregate amount of \$1,500,000, bearing interest at an average rate of 3.3%. Payable to First Southwest Company, principal payments are due annually on June 15. Interest is due semi-annually on each June 15 and December 15. The bond matures June 15, 2022. At December 31, 2016 and 2015 the outstanding balance was \$460,000 and \$540,000, respectively.

Future payments on long-term debt are:

	Principal	Interest	Total
2017	\$ 80,000	\$ 15,523	\$ 95,523
2018	80,000	12,763	92,763
2019	75,000	9,994	84,994
2020	75,000	7,219	82,219
2021	75,000	4,369	79,369
Thereafter	75,000	1,463	76,463
	\$ 460,000	\$ 51,331	\$ 511,331

NOTE 12 – CONCENTRATIONS OF CREDIT RISK:

The Plant's funds are deposited with the Town and are commingled and invested with deposits from other Town funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Plant deposits is not determinable because the limits of insurance are computed on a Town-wide basis.

NOTE 13 – RISK MANAGEMENT:

Self-Insurance Trust

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

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 14 – NET INVESTMENT IN CAPITAL ASSETS:

	2016	2015
Cost of Capital Assets Acquired	\$ 19,055,220	\$ 18,695,877
Less: Accumulated Depreciation	8,003,996	7,469,022
Less: Outstanding Debt Related to Capital Assets	1,816,125	2,127,750
Net Investment in Capital Assets	\$ 9,235,099	\$ 9,099,105

NOTE 15 – UTILITY PLANT ASSETS:

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
Capital Assets Not Being Depreciated:				
Construction Work in Progress	\$ 25,820	\$ 70,954	\$ -	\$ 96,774
Land and Land Rights	189,178	-	-	189,178
Total Capital Assets Not Being Depreciated	214,998	70,954	-	285,952
Capital Assets Being Depreciated:				
Production Plant	4,023,430	-	-	4,023,430
Distribution Plant	10,452,754	268,379	(13,213)	10,707,920
General Plant	4,004,695	33,223	(23,927)	4,013,991
Total Capital Assets Being Depreciated	18,480,879	301,602	(37,140)	18,745,341
Less Accumulated Depreciation for:				
Production Plant	(658,953)	(120,701)	-	(779,654)
Distribution Plant	(4,980,131)	(129,842)	13,213	(5,096,760)
General Plant	(1,829,938)	(297,644)	23,927	(2,103,655)
Total Accumulated Depreciation	(7,469,022)	(548,187)	37,140	(7,980,069)
Capital Assets Being Depreciated, Net	11,011,857	(246,585)	-	10,765,272
Utility Plant Assets, Net	\$ 11,226,855	\$ (175,631)	\$ -	\$ 11,051,224

Depreciation expense for the years ended December 31, 2016 and 2015 was \$548,187 and \$536,983, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$28,638 and \$28,310 related to contribution in aid of construction for the years ended December 31, 2016 and 2015, respectively.

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

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

The schedule and any future updates shall be designed, consistent with standards issued by the Governmental Accounting Standards Board, to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The Fund is held under the custodianship of the Treasurer of the Massachusetts Municipal Wholesale Electric Company (MMWEC). The balance in the trust as of December 31, 2016 and 2015 was \$153,982 and \$85,894, respectively.

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

Level 1

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

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

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

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

The following is a description of the valuation methodologies used for assets measured at fair value.

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

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

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

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

	December 31, 2016 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>	
Mutual Funds	\$ 146,354
 <u>Other Securities:</u>	
Money Market	7,628
 Total	 \$ 153,982

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

NOTE 17 – PENSION PLAN:

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 17 – PENSION PLAN (Continued):

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

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

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

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

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

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

*Contributions*— Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. The Plant is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study. The actuarially determined Plant contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Plant's required contributions to the System for the years ended December 31, 2016 and 2015 were \$115,541 and \$124,874, respectively, which were paid during calendar year 2015 and 2014, respectively.



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

NOTE 17 – PENSION PLAN (Continued):

*Pension Liabilities-* At December 31, 2016 and 2015, the Light Plant reported a liability of \$1,823,043 and \$1,880,324, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At the measured date of December 31, 2015 and 2014, the Town's proportion was 1.361660% and 1.726128%, respectively.

The Plant's portion of the net pension liability was based on the percentage of the Plant's payroll to the total Town's payroll as of the measured date of December 31, 2015 and 2014. At the measured date of December 31, 2015 and 2014, the Plant's portion was 18.862% 18.306%, respectively, of the Town's total payroll.

*Pension Expense-* For the years ended December 31, 2016 and 2015 the Plant recognized a pension expense of \$194,706 and \$168,225, respectively. For the years ended December 31, 2016 and 2015, the Plant reported deferred outflows of resources related to pensions of \$271,481 and \$58,900, consisting of the differences between projected and actual investment earnings which amounted to \$90,022 and \$1,131, respectively, changes in assumption which amounted to \$67,404 and zero, respectively, the amount paid for contributions made subsequent to the measurement date which amounted to \$66,555 and \$57,769, respectively and consisting of the changes in proportion and differences between employer contributions and proportionate share of contributions at the Plant level, which amounted to \$47,500 and zero, respectively. For the years ended December 31, 2016 and 2015, the Plant reported deferred inflows of resources related to pensions of \$340,241 and zero, respectively, consisting of the changes in proportion and differences between employer contributions and proportionate share of contributions at the Plan level.

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

For the Years Ended December 31, 2017	\$ (19,664)
2018	(19,664)
2019	(19,664)
2020	(19,664)
2021	<u>(56,659)</u>
Total	<u>\$ (135,315)</u>

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

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal

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

*Actuarial Assumptions (Continued):*

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

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

*Actuarial Assumptions (Continued):*

Mortality Rates:

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

Investment Rate of Return                      7.75%, net of pension plan investment expense, including inflation

Annuity Savings Fund Interest Rate              2.00% per year

*Investment Policy-* The Plan’s asset allocation policies are established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the Plan.

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

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

*Discount Rate-*The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
Proportionate share of the Net Pension Liability	\$ 2,194,968	\$ 1,823,043	\$ 1,507,233

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

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS:

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

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

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

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

*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 \$183,996 and \$154,229 for the years ended December 31, 2016 and 2015, 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.

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

The following shows the components of the Light Plant's annual OPEB cost for the years ending December 31, 2016 and 2015 the amount actually contributed to the plan, and changes in the Light Plant's net OPEB obligation based on an actuarial valuation as of January 1, 2015.

	2016	2015
Annual required contribution	\$ 137,498	\$ 134,748
Interest on net OPEB obligation	17,920	14,383
Adjustments to annual required contribution	(24,912)	(19,995)
Amortization of actuarial (Gain)/Losses	10,782	5,865
Annual OPEB expense	141,288	135,001
Expected benefit payments	(53,001)	(46,577)
Change in actuarial assumptions	0	(1,662)
Increase in net OPEB obligation	88,287	86,762
Transfers to OPEB Trust Fund	(60,000)	(52,617)
Net OPEB obligation, Beginning of year	395,388	361,243
Net OPEB obligation, End of year	\$ 423,675	\$ 395,388

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

Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 141,288	82.2%	\$ 423,675
2015	\$ 135,001	73.6%	\$ 395,388
2014	\$ 97,763	75.3%	\$ 361,243

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

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

The funded status is as follows:

Actuarial accrued liability (AAL)	\$	1,555,661
Actuarial value of plan assets		<u>153,982</u>
Unfunded actuarial accrued liability		<u>\$ 1,401,679</u>
Funded ratio (actuarial value of plan assets/AAL)		9.90%
Covered payroll (active plan members)	\$	820,511
UAAL as a percentage of covered payroll		170.83%

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

As of January 1, 2015, the most recent actuarial valuation, liabilities were determined using the projected unit cost credit method. The actuarial assumptions included a 4% rate of return and an annual healthcare cost trend rate initially of 11%, graded to an ultimate rate of 5% after seven years. Costs rate trend for dental benefits is projected at 8.5% initially, graded to 5% after seven years. Both rates included a 2.5% general inflation assumption. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years at a level dollar amount.

NOTE 19 – MMWEC PARTICIPATION:

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
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NOTE 19 – MMWEC PARTICIPATION (Continued):

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

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

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

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

Reporting Entity

The Cooperative is organized under Chapter 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and the Princeton Municipal Light Department (PMLD) for the purpose of financing, owning, constructing and operating wind generation facilities located in the town of Princeton, Massachusetts (Princeton Facilities). In October 2009, the Templeton Municipal Light & Water Plant (Templeton) joined the Cooperative in order to finance, purchase or otherwise acquire, construct, install, operate and maintain, or cause to be operated and maintained a wind turbine and ancillary equipment for the production of wind energy to be installed in Baldwinville, Massachusetts (Templeton Facilities). In March 2016, PMLD terminated its membership in the Cooperative.

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 one Director who represents Templeton.

Nature of Operations

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

Regulation and Basis of Accounting

The financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded 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.

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

Fair Value of Financial Instruments

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

Depreciation

Property and equipment is stated at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives using straight line method. Depreciation expense for 2016 and 2015 was \$114,900.

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, 2016 and 2015 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.

Revenues and Expenses

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

Reclassification

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



TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

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

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.

<i>Cash:</i>	2016		2015	
	Carrying Value	Bank Value	Carrying Value	Bank Value
Checking Account	\$ <u>18,398</u>	\$ <u>20,339</u>	\$ <u>70,707</u>	\$ <u>70,707</u>

Custodial Credit Risk

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

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

*Related Parties:*

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

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

Under the 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.

During the years ended December 31, 2016 and 2015, the Cooperative incurred charges of \$7,629 and \$8,650, respectively, for services provided by or paid by MMWEC on behalf of the Cooperative. As of December 31, 2016 and 2015, the Cooperative had an outstanding balance due to MMWEC of \$0 and \$1,024, respectively.

Occasionally, Templeton will incur costs related to the Templeton Facilities. During the years ended December 31, 2016 and 2015, the Cooperative incurred costs related to the Templeton Facilities in the amounts of \$102,981 and \$34,870, respectively. The Cooperative has an outstanding balance due to Templeton of \$641,625 at December 31, 2016 and 2015.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

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

*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, 2016 and 2015 were \$298,125 and \$397,500, 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, 2016 and 2015, the Cooperative had \$1,058,000 and \$1,190,250, respectively, outstanding on the CREB.

The following is a summary of total debt service requirements for the bond and loans outstanding at December 31, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 231,625	\$ 33,636	\$ 265,261
2018	231,625	26,907	258,532
2019	231,625	20,175	251,800
2020	132,250	13,446	145,696
2021	132,250	10,756	143,006
Thereafter	<u>396,750</u>	<u>16,135</u>	<u>412,885</u>
Totals	<u>\$ 1,356,125</u>	<u>\$ 121,055</u>	<u>\$ 1,477,180</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 a material adverse effect on the financial position of the Cooperative.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

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

*Restatement of 2015 Financial Statements:*

During 2016, the Cooperative discovered a financial statement error related to the recording of expenses incurred by Templeton on behalf of the Templeton Wind facilities. Accordingly, an adjustment of \$34,870 was made to the 2015 amounts to both the sales for resale and the Templeton Wind Facilities expense accounts. The net effect of this adjustment was zero.

NOTE 21 – RESTATEMENT OF 2015 FINANCIAL STATEMENTS:

During 2016, the Plant discovered a financial statement error related to the omitted recording of rate stabilization reserve liability that caused an overstatement of net position. Accordingly, an adjustment was made to decrease net position in the amount of \$249,405 for the year ended December 31, 2014, as previously stated, and an adjustment was made to increase net position in the amount of \$42,208 for the year ended December 31, 2015, as previously stated. The following table summarizes the prior period adjustments:

Net Position at December 31, 2014, as previously stated	\$ 8,195,907
Prior period adjustment related to 2014 Rate Stabilization Reserve Liability	(249,405)
Net Position at December 31, 2014, as restated	\$ 7,946,502
Income for 2015, as previously reported	18,157
2015 Transfers Out – Payment in Lieu of Taxes	(42,818)
Prior period adjustment related to 2015 Rate Stabilization Reserve Liability	42,208
Net Position at December 31, 2015, as restated	\$ 7,964,049

NOTE 22 – COMMITMENTS AND CONTINGENCIES:

Legal and Environmental Matters

The Plant is not party to any pending legal proceedings. The Plant is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment. These standards affect the siting of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on the Plant's operations in the past and they will continue to have an impact on future operations, capital costs and construction.

Berkshire Wind Cooperative Corporation

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).

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 22 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Corporation (continued)

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

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

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

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

As of December 31, 2016, total capital expenditures for the Berkshire Wind Facility amounted to \$59,256,145, of which \$3,250,000, 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 \$52,855,000 of which \$2,899,000 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, 2016, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$75,587,000, of which \$4,145,000 is anticipated to be billed to the Plant in the future.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 22 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Corporation (continued)

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, 2016 and estimated for future years is below.

For the years ended December 31,	2017	\$ 296,000
	2018	296,000
	2019	296,000
	2020	296,000
	2021	296,000
	2022-2026	1,481,000
	2027-2030	<u>1,184,000</u>
	Total	<u>\$ 4,145,000</u>

Other Power Supply

The Plant has entered into an All Requirements Bulk Power Sales Agreement (All Requirements 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 \$443,995 in 2017, \$225,980 in 2018, \$152,115 in 2019 and \$91,031 in 2020.

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.

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

NOTE 22 – COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies and Liabilities (continued)

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

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

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

As of December 31, 2016, total capital expenditures amounted to \$1,636,374,000, of which \$27,709,000 represents the amount associated with the Plant’s Project Capability. MMWEC’s debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$55,795,000 of which \$983,000 is associated with the Plant’s share of Project Capability. As of December 31, 2016, MMWEC’s total future debt service requirement on outstanding bonds issued for the Projects is \$59,281,000, of which \$1,047,000 is anticipated to be billed to the Plant in the future.

The 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, 2016 and estimated for future years is shown below.

		<u>ANNUAL COSTS</u>	
For the years ended December 31,	2017	\$ 846,000	
	2018	47,000	
	2019	<u>154,000</u>	
	<b>TOTAL</b>	<b>\$ <u>1,047,000</u></b>	

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 \$2,490,000 and 2,666,000 for the years ended December 31, 2016 and 2015, respectively.

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

	PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES TO DATE	PARTICIPANT'S SHARE	DEBT ISSUED & OUTSTANDING 12/31/2016	PARTICIPANT'S SHARE	TOTAL DEBT SERVICE ON BONDS OUTSTANDING	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ 59,762	\$ 1,428	-	-	-	-
Stony Brook Intermediate Project	1.5361	174,182	2,676	-	-	-	-
Nuclear Mix No. 1-SBK	2.2550	14,443	326	-	-	-	-
Nuclear Mix No. 1-MLS	2.2550	120,538	2,718	-	-	-	-
Nuclear Project No. 3-MLS	1.0583	152,231	1,611	6,540	69	6,984	74
Nuclear Project No. 4-SBK	1.3300	351,298	4,672	8,455	112	8,802	117
Nuclear Project No. 5-SBK	0.6488	95,231	618	2,970	19	3,119	20
Wynman Project	0.0000	8,805	-	-	-	-	-
Project No. 6-SBK	2.0700	659,884	13,660	37,830	783	40,376	836
TOTAL		\$ 1,636,374	\$ 27,709	\$ 55,795	\$ 983	\$ 59,281	\$ 1,047

	PERCENTAGE SHARE	OPERATION & MAINTENANCE 12/31/2015	PARTICIPANT'S SHARE	OPERATION & MAINTENANCE 12/31/2016	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ 3,730	\$ 89	\$ 4,008	\$ 96
Stony Brook Intermediate Project	1.5361	40,083	616	28,039	431
Nuclear Mix No. 1-SBK	2.2550	576	13	723	16
Nuclear Mix No. 1-MLS	2.2550	6,369	144	6,038	136
Nuclear Project No. 3-MLS	1.0583	27,329	289	22,939	243
Nuclear Project No. 4-SBK	1.3300	28,086	374	27,748	369
Nuclear Project No. 5-SBK	0.6488	7,530	49	7,615	49
Wynman Project	0.0000	2,591	-	961	-
Project No. 6-SBK	2.0700	52,773	1,092	55,538	1,150
TOTAL		\$ 169,067	\$ 2,666	\$ 153,609	\$ 2,490

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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 (\$000)

	PERCENTAGE SHARE	2017 ANNUAL COST	PARTICIPANT'S SHARE	2018 ANNUAL COST	PARTICIPANT'S SHARE	2019 ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	2.3894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	3,639	39	3,345	35	-	-
Nuclear Project No. 4-SBK	1.3300	8,802	117	-	-	-	-
Nuclear Project No. 5-SBK	0.6488	2,884	19	235	2	-	-
Wyman Project	0.0000	-	-	-	-	-	-
Project No. 6-SBK	2.0700	32,417	671	503	10	7,456	154
TOTAL		\$ 47,742	\$ 846	\$ 4,083	\$ 47	\$ 7,456	\$ 154



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

OPERATING FUND

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

Actuarial Valuation Date	For the Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
1/1/2008	12/31/2009	\$ -	\$ 1,534,774	\$ 1,534,774	0.00%	\$ 719,860	213.20%
1/1/2010	12/31/2010	\$ -	\$ 1,591,993	\$ 1,591,993	0.00%	\$ 813,045	195.81%
1/1/2010	12/31/2011	\$ -	\$ 1,647,816	\$ 1,647,816	0.00%	\$ 767,333	214.75%
1/1/2012	12/31/2012	\$ -	\$ 1,329,744	\$ 1,329,744	0.00%	\$ 779,214	170.65%
1/1/2012	12/31/2013	\$ -	\$ 1,329,744	\$ 1,329,744	0.00%	\$ 714,867	186.01%
1/1/2012	12/31/2014	\$ 34,279	\$ 1,406,400	\$ 1,372,121	2.44%	\$ 789,176	173.87%
1/1/2015	12/31/2015	\$ 85,894	\$ 1,493,000	\$ 1,407,106	5.75%	\$ 825,258	170.50%
1/1/2015	12/31/2016	\$ 153,982	\$ 1,555,661	\$ 1,401,679	9.90%	\$ 820,511	170.83%

**Schedule of Actuarial Methods and Assumptions**

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

**Actuarial Methods:**

Valuation Date	1/1/2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year Level Dollar Basis
Remaining Amortization Period	22 years

**Actuarial Assumptions:**

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

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

OPERATING FUND

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

Actuarial Valuation Date	Measurement Date	For the Year Ending	Plant's Portion of the NPL	Plant's Proportionate Share of the NPL	Plant's Total Employee Payroll	NPL as a Percentage of Total Employee Payroll	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability
1/1/2014	12/31/2014	12/31/2015	0.3160%	\$ 1,880,324	\$ 825,258	227.85%	47.94%
1/1/2014	12/31/2015	12/31/2016	0.2568%	\$ 1,823,043	\$ 820,511	222.18%	44.52%

Schedule of Contributions

Actuarial Valuation Date	Measurement Date	For the Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Plant's Total Employee Payroll	Contribution as a Percentage of Plant's Total Employee Payroll
1/1/2014	12/31/2014	12/31/2015	\$ 124,874	\$ 124,874	\$ -	\$ 825,258	15.13%
1/1/2014	12/31/2015	12/31/2016	\$ 115,541	\$ 115,541	\$ -	\$ 820,511	14.08%

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

See Independent Auditors' Report

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

OPERATING FUND

NOTE A – PENSION PLAN

Changes of Benefit Terms

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

Changes of Assumptions

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

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015

OPERATING FUND

ASSETS

	2016				2015			
	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
<b>CURRENT ASSETS:</b>								
Operating Fund	\$ 30,338	\$ 18,398	\$ 0	\$ 48,736	\$ 303,223	\$ 70,707	\$ 0	\$ 373,930
Petty Cash	800	0	0	800	800	0	0	800
Accounts Receivable, Net of Allowance	518,898	52,933	8,579	580,410	340,539	31,710	(26,267)	345,982
Other Accounts Receivable	417,524	0	0	417,524	361,840	0	0	361,840
Materials and Supplies	120,131	0	0	120,131	112,198	0	0	112,198
MMWEC Working Capital	1,029,699	0	0	1,029,699	1,293,699	0	0	1,293,699
Prepaid Expenses	84,432	0	0	84,432	138,701	6,393	0	145,094
<b>TOTAL CURRENT ASSETS</b>	<b>2,201,822</b>	<b>71,331</b>	<b>8,579</b>	<b>2,281,732</b>	<b>2,551,000</b>	<b>108,810</b>	<b>(26,267)</b>	<b>2,633,543</b>
<b>NONCURRENT ASSETS:</b>								
Funds on Deposit with Town Treasurer								
Depreciation Fund	908,075	0	0	908,075	703,821	0	0	703,821
Customer Meter Deposits	129,323	0	0	129,323	116,520	0	0	116,520
Advances to MMLD Wind Energy Cooperative	641,625	0	(641,625)	0	641,625	0	(641,625)	0
Rate Stabilization Reserve Fund	1,002,729	0	0	1,002,729	773,408	0	0	773,408
Utility Plant Assets, Net	7,944,292	3,106,932	0	11,051,224	8,005,023	3,221,832	0	11,226,855
<b>TOTAL NONCURRENT ASSETS</b>	<b>10,626,044</b>	<b>3,106,932</b>	<b>(641,625)</b>	<b>13,091,351</b>	<b>10,240,397</b>	<b>3,221,832</b>	<b>(641,625)</b>	<b>12,820,604</b>
<b>TOTAL ASSETS</b>	<b>12,827,866</b>	<b>3,178,263</b>	<b>(633,046)</b>	<b>15,373,083</b>	<b>12,791,397</b>	<b>3,330,642</b>	<b>(667,892)</b>	<b>15,454,147</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>								
Costs in Excess of Billings to Participants	0	8,579	(8,579)	0	0	0	0	0
Deferred Outflows of Resources Related to Pension	271,481	0	0	271,481	58,900	0	0	58,900
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>271,481</b>	<b>8,579</b>	<b>(8,579)</b>	<b>271,481</b>	<b>58,900</b>	<b>0</b>	<b>0</b>	<b>58,900</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 13,099,347</b>	<b>\$ 3,186,842</b>	<b>\$ (641,625)</b>	<b>\$ 15,644,564</b>	<b>\$ 12,850,297</b>	<b>\$ 3,330,642</b>	<b>\$ (667,892)</b>	<b>\$ 15,513,047</b>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2016				2015			
	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
<b>CURRENT LIABILITIES:</b>								
Accounts Payable	\$ 1,033,756	\$ 0	\$ 0	\$ 1,033,756	\$ 1,296,666	\$ 1,615	\$ 0	\$ 1,298,281
Accrued Interest	0	3,091	0	3,091	0	4,109	0	4,109
Current Portion of Long-Term Debt	80,000	231,625	0	311,625	80,000	231,625	0	311,625
Accrued Payroll and Vacation	39,610	0	0	39,610	32,630	0	0	32,630
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,153,366</b>	<b>234,716</b>	<b>0</b>	<b>1,388,082</b>	<b>1,409,296</b>	<b>237,349</b>	<b>0</b>	<b>1,646,645</b>
<b>NONCURRENT LIABILITIES:</b>								
Long-Term Debt, Less Current Portion	380,000	1,124,500	0	1,504,500	460,000	1,356,125	0	1,816,125
Customer Deposits	129,039	0	0	129,039	115,731	0	0	115,731
Net Pension Liability	1,823,043	0	0	1,823,043	1,880,324	0	0	1,880,324
Other Postemployment Benefit Obligation	423,675	0	0	423,675	395,388	0	0	395,388
Advances from Templeton Municipal Light Plant	0	641,625	(641,625)	0	0	641,625	(641,625)	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,755,757</b>	<b>1,766,125</b>	<b>(641,625)</b>	<b>3,880,257</b>	<b>2,851,443</b>	<b>1,997,750</b>	<b>(641,625)</b>	<b>4,207,568</b>
<b>TOTAL LIABILITIES</b>	<b>3,909,123</b>	<b>2,000,841</b>	<b>(641,625)</b>	<b>5,268,339</b>	<b>4,260,739</b>	<b>2,235,099</b>	<b>(641,625)</b>	<b>5,854,213</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>								
Amounts Recoverable/Payable in the Future	(1,186,001)	1,186,001	0	0	(1,069,276)	1,069,276	0	0
Deferred Inflows of Resources Related to Pension	340,241	0	0	340,241	0	0	0	0
Rate Stabilization Reserve	1,002,729	0	0	1,002,729	773,408	0	0	773,408
Billings in Excess of Costs to Participants	0	0	0	0	0	26,267	(26,267)	0
Contribution in Aid of Construction	928,639	0	0	928,639	921,377	0	0	921,377
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,085,608</b>	<b>1,186,001</b>	<b>0</b>	<b>2,271,609</b>	<b>625,509</b>	<b>1,095,543</b>	<b>(26,267)</b>	<b>1,694,785</b>
<b>NET POSITION:</b>								
Net Investment in Capital Assets	7,484,292	1,750,807	0	9,235,099	7,465,023	1,634,082	0	9,099,105
Net Position Restricted for Depreciation	908,075	0	0	908,075	703,821	0	0	703,821
Unrestricted Net Position	(287,751)	(1,750,807)	0	(2,038,558)	(204,795)	(1,634,082)	0	(1,838,877)
<b>TOTAL NET POSITION</b>	<b>8,104,616</b>	<b>0</b>	<b>0</b>	<b>8,104,616</b>	<b>7,964,049</b>	<b>0</b>	<b>0</b>	<b>7,964,049</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 13,099,347</b>	<b>\$ 3,186,842</b>	<b>\$ (641,625)</b>	<b>\$ 15,644,564</b>	<b>\$ 12,850,297</b>	<b>\$ 3,330,642</b>	<b>\$ (667,892)</b>	<b>\$ 15,513,047</b>

See Independent Auditors' Report

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

OPERATING FUND

	2016				2015			
	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
<b>OPERATING REVENUES:</b>								
Sales of Electricity	\$ 7,479,849	\$ 408,251	\$ (408,251)	\$ 7,479,849	\$ 7,490,868	\$ 382,802	\$ (382,802)	\$ 7,490,868
Other Operating Revenues	79,247	0	0	79,247	105,712	0	0	105,712
<b>TOTAL OPERATING REVENUES</b>	<b>7,559,096</b>	<b>408,251</b>	<b>(408,251)</b>	<b>7,559,096</b>	<b>7,596,580</b>	<b>382,802</b>	<b>(382,802)</b>	<b>7,596,580</b>
<b>OPERATING EXPENSES:</b>								
Operating and Maintenance	7,039,727	137,270	(408,251)	6,768,746	7,252,123	105,226	(382,802)	6,974,547
Depreciation	404,649	114,900	0	519,549	393,773	114,900	0	508,673
<b>TOTAL OPERATING EXPENSES</b>	<b>7,444,376</b>	<b>252,170</b>	<b>(408,251)</b>	<b>7,288,295</b>	<b>7,645,896</b>	<b>220,126</b>	<b>(382,802)</b>	<b>7,483,220</b>
<b>OPERATING INCOME</b>	<b>114,720</b>	<b>156,081</b>	<b>0</b>	<b>270,801</b>	<b>(49,316)</b>	<b>162,676</b>	<b>0</b>	<b>113,360</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>								
Miscellaneous Nonoperating income	300	0	0	300	500	0	0	500
Interest Income	12,883	0	0	12,883	14,367	0	0	14,367
Interest Expense	(18,183)	(39,356)	0	(57,539)	(20,723)	(45,951)	0	(66,674)
Other Interest Expense	(409)	0	0	(409)	(1,188)	0	0	(1,188)
Change in Amounts Payable in the Future	116,725	(116,725)	0	0	116,725	(116,725)	0	0
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>111,316</b>	<b>(156,081)</b>	<b>0</b>	<b>(44,765)</b>	<b>109,681</b>	<b>(162,676)</b>	<b>0</b>	<b>(52,995)</b>
Income Before Contributions and Transfers	226,036	0	0	226,036	60,365	0	0	60,365
<b>NET POSITION - JANUARY 1</b>	<b>7,964,049</b>	<b>0</b>	<b>0</b>	<b>7,964,049</b>	<b>7,946,502</b>	<b>0</b>	<b>0</b>	<b>7,946,502</b>
Transfers Out - Payment in Lieu of Taxes	(85,469)	0	0	(85,469)	(42,818)	0	0	(42,818)
<b>NET POSITION - DECEMBER 31</b>	<b>\$ 8,104,616</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,104,616</b>	<b>\$ 7,964,049</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,964,049</b>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	2016				2015			
	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>								
Cash Received from Customers	\$ 6,970,527	\$ 352,182	\$ 0	\$ 7,322,709	\$ 7,709,133	\$ 388,022	\$ 0	\$ 8,097,155
Other Operating Receipts - Renewable Energy Credits	0	71,419	0	71,419	0	96,073	0	96,073
Cash Paid to Participant - Renewable Energy Credits	0	(71,419)	0	(71,419)	0	(96,073)	0	(96,073)
Cash Paid to Suppliers	(5,135,978)	(132,492)	0	(5,268,470)	(5,427,349)	(102,989)	0	(5,530,338)
Cash Paid for Benefits	(609,514)	0	0	(609,514)	(541,648)	0	0	(541,648)
Cash Paid to Employees	(820,511)	0	0	(820,511)	(825,258)	0	0	(825,258)
Payment in Lieu of Taxes	(85,469)	0	0	(85,469)	(42,818)	0	0	(42,818)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>319,055</b>	<b>219,690</b>	<b>0</b>	<b>538,745</b>	<b>872,060</b>	<b>285,033</b>	<b>0</b>	<b>1,157,093</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Additions to Utility Plant Assets	(372,556)	0	0	(372,556)	(397,940)	0	0	(397,940)
Contribution in Aid of Construction	35,900	0	0	35,900	10,956	0	0	10,956
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	(18,183)	(40,374)	0	(58,557)	(20,723)	(46,968)	0	(67,691)
Net Transfers to Depreciation Fund	(204,254)	0	0	(204,254)	(34,806)	0	0	(34,806)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(639,093)</b>	<b>(271,999)</b>	<b>0</b>	<b>(911,092)</b>	<b>(522,513)</b>	<b>(278,593)</b>	<b>0</b>	<b>(801,106)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Net Transfers to MMWEC Working Capital	264,000	0	0	264,000	(72,000)	0	0	(72,000)
Net Transfer (to) / from Rate Stabilization Reserve Fund	(229,321)	0	0	(229,321)	42,208	0	0	42,208
Other Interest Expense	(409)	0	0	(409)	(1,188)	0	0	(1,188)
Interest Income	12,883	0	0	12,883	14,367	0	0	14,367
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>47,153</b>	<b>0</b>	<b>0</b>	<b>47,153</b>	<b>(16,613)</b>	<b>0</b>	<b>0</b>	<b>(16,613)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(272,885)</b>	<b>(52,309)</b>	<b>0</b>	<b>(325,194)</b>	<b>332,934</b>	<b>6,440</b>	<b>0</b>	<b>339,374</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>303,223</b>	<b>70,707</b>	<b>0</b>	<b>373,930</b>	<b>(29,711)</b>	<b>64,267</b>	<b>0</b>	<b>34,556</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 30,338</b>	<b>\$ 18,398</b>	<b>\$ 0</b>	<b>\$ 48,736</b>	<b>\$ 303,223</b>	<b>\$ 70,707</b>	<b>\$ 0</b>	<b>\$ 373,930</b>

See Independent Auditors' Report

TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>				<u>2015</u>			
	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
RECONCILIATION OF OPERATING INCOME TO								
NET CASH PROVIDED BY OPERATING								
ACTIVITIES:								
Operating Income	\$ 114,720	\$ 156,081	\$ 0	\$ 270,801	\$ (49,316)	\$ 162,676	\$ 0	\$ 113,360
Miscellaneous Nonoperating Income	300	0	0	300	500	0	0	500
Depreciation Expense	404,649	114,900	0	519,549	393,773	114,900	0	508,673
Payment in Lieu of Taxes	(85,469)	0	0	(85,469)	(42,818)	0	0	(42,818)
Changes in Assets and Liabilities:								
(Increase) Decrease in Assets:								
Accounts Receivable	(178,359)	(21,223)	0	(199,582)	193	46,482	0	46,675
Costs in Excess of Billings to Participants	0	(8,579)	0	(8,579)	0	0	0	0
Deferred Outflows Related to Pension	(212,581)	0	0	(212,581)	64,224	0	0	64,224
Meter Deposit Cash	(12,803)	0	0	(12,803)	(6,933)	0	0	(6,933)
Other Accounts Receivable	(55,684)	0	0	(55,684)	46,612	0	0	46,612
Materials and Supplies	(7,933)	0	0	(7,933)	24,801	0	0	24,801
Prepaid Expenses	54,269	6,393	0	60,662	9,339	6,215	0	15,554
Increase (Decrease) in Liabilities:								
Accounts Payable	(255,930)	(1,615)	0	(257,545)	402,482	272	0	402,754
Billings in Excess of Costs to Participants	0	(26,267)	0	(26,267)	0	(45,512)	0	(45,512)
Deferred Inflows Related to Pension	340,241	0	0	340,241	0	0	0	0
Net Pension Liability	(57,281)	0	0	(57,281)	44,482	0	0	44,482
Rate Stabilization Reserve	229,321	0	0	229,321	(42,208)	0	0	(42,208)
Other Postemployment Benefit Obligation	28,287	0	0	28,287	34,145	0	0	34,145
Advance Deposits for Construction	0	0	0	0	(13,509)	0	0	(13,509)
Customer Deposit Liability	13,308	0	0	13,308	6,293	0	0	6,293
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 319,055</b>	<b>\$ 219,690</b>	<b>\$ 0</b>	<b>\$ 538,745</b>	<b>\$ 872,060</b>	<b>\$ 285,033</b>	<b>\$ 0</b>	<b>\$ 1,157,093</b>

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

OPERATING FUND

	2016	2015
POWER SUPPLY EXPENSE:		
Purchased Power	\$ 4,842,936	\$ 5,144,134
Other Expenses	114,682	102,725
 TOTAL POWER SUPPLY EXPENSE	 4,957,618	 5,246,859
 DISTRIBUTION EXPENSES:		
Operation, Supervision and Engineering	94,876	96,851
Operation Labor	88,388	88,486
Operation Supplies and Expenses	5,161	16,870
Overhead Line Expense	30,337	34,932
Underground Line Expense	7,944	10,004
Street Light and Signal System Expense	6,288	8,357
Meter Expenses	7,780	5,763
Customer Installation Expense	326	1,328
Miscellaneous Distribution Expenses	84,517	75,135
Maintenance of Station Equipment	15,808	8,657
Maintenance of Overhead Lines	148,056	138,576
Maintenance of Underground Lines	997	428
Maintenance of Line Transformers	4,247	1,225
Maintenance of Street Lights and Signal Systems	5,391	4,497
 TOTAL DISTRIBUTION EXPENSES	 500,116	 491,109
 CUSTOMER ACCOUNT EXPENSES:		
Meter Reading	28,734	47,310
Accounting and Collection Expense	84,602	89,862
 TOTAL CUSTOMER ACCOUNT EXPENSES	 113,336	 137,172
 ADMINISTRATIVE AND GENERAL EXPENSES:		
Administration and General Salaries	158,818	173,210
Office Supplies and Expenses	45,500	45,411
Outside Services Employed	95,196	57,418
Property Insurance	22,070	40,315
Injuries and Damages	97,095	89,916
Employee Pensions and Benefits	609,514	541,648
Miscellaneous General Expense	46,368	55,719
Transportation Expense	0	2,084
Maintenance of General Plant	123,115	93,686
 TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	 1,197,676	 1,099,407
 TOTAL OPERATING AND MAINTENANCE EXPENSES	 \$ 6,768,746	 \$ 6,974,547

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TEMPLETON MUNICIPAL LIGHT PLANT AND SUBSIDIARY  
SCHEDULES OF SALES OF ELECTRICITY  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	Net Revenues			Kilowatt Hours Sold			Net Revenue Per Kilowatt Hours Sold	
	2016	2015	Increases (Decreases)	2016	2015	Increases (Decreases)	2016	2015
<b>SALES OF ELECTRICITY</b>								
<b>PRIVATE CUSTOMERS:</b>								
Residential Sales	\$ 3,582,031	\$ 3,607,175	\$ (25,144)	25,292,473	26,201,412	(908,939)	\$ 0.14162	\$ 0.13767
Commercial and Industrial Sales								
Industrial	2,899,213	2,831,028	68,185	24,797,827	25,004,301	(206,474)	0.11691	0.11322
Commercial	533,377	540,963	(7,586)	3,995,155	4,154,588	(159,433)	0.13351	0.13021
Private Area Lighting	69,667	69,524	143	593,676	589,152	4,524	0.11735	0.11801
Public Authority	4,046	4,037	9	29,476	30,331	(855)	0.13726	0.13310
Total Private Customers	<u>7,088,334</u>	<u>7,052,727</u>	<u>35,607</u>	<u>54,708,607</u>	<u>55,979,784</u>	<u>(1,271,177)</u>	<u>0.12957</u>	<u>0.12599</u>
<b>MUNICIPAL CUSTOMERS:</b>								
Industrial	295,334	332,210	(36,876)	2,212,060	2,546,380	(334,320)	0.13351	0.13046
Commercial	72,741	81,245	(8,504)	548,604	610,933	(62,329)	0.13259	0.13299
Street Lighting	19,360	19,946	(586)	161,016	165,414	(4,398)	0.12024	0.12058
Total Municipal Customers	<u>387,435</u>	<u>433,401</u>	<u>(45,966)</u>	<u>2,921,680</u>	<u>3,322,727</u>	<u>(401,047)</u>	<u>0.13261</u>	<u>0.13044</u>
Other Electric Revenues	4,080	4,740	(660)	-	-	-	-	-
<b>TOTAL SALES OF ELECTRICITY</b>	<u>\$ 7,479,849</u>	<u>\$ 7,490,868</u>	<u>\$ (11,019)</u>	<u>57,630,287</u>	<u>59,302,511</u>	<u>(1,672,224)</u>	<u>\$ 0.12979</u>	<u>\$ 0.12632</u>

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