

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT**

Annual Financial Statements

For the Year Ended December 31, 2017

Templeton Municipal Light Plant

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INDEPENDENT AUDITORS' REPORT

To the Board of Light Commissioners
Town of Templeton Municipal Light Plant

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities and the aggregate remaining fund information of the Town of Templeton Municipal Light Plant (an enterprise fund of the Town of Templeton), as of and for the year ended December 31, 2017, and the related consolidated notes to 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

The Plant's 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Town of Templeton Municipal Light Plant, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The predecessor auditors previously audited the Plant's fiscal year 2016 financial statements, and expressed an unmodified audit opinion on those audited financial statements in a report dated June 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Pension and OPEB schedules appearing on pages 37 to 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Plant's basic financial statements. The accompanying supplementary statements and schedules appearing on pages 42 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Melanson Heath

June 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Templeton Municipal Light Plant's (the "Plant") annual financial report, management provides a narrative discussion and analysis of the financial activities for the year ended December 31, 2017. The Plant's performance is discussed and analyzed within the context of the accompanying consolidated financial statements and disclosures following this section.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include (1) the Consolidated Statements of Net Position, (2) the Consolidated Statements of Revenues, Expenses, and Changes in Net Position, (3) the Consolidated Statements of Cash Flows, (4) the Statements of Fiduciary Net Position, (5) the Statements of Changes in Fiduciary Net Position, and (6) Consolidated Notes to Financial Statements.

The Consolidated Statements of Net Position is designed to indicate our financial position as of a specific point in time. At December 31, 2017, it shows our net worth of \$8,555,526, which comprises \$9,657,975 invested in capital assets, \$1,053,572 restricted for depreciation fund, and \$(2,156,021) unrestricted.

The Consolidated Statements of Revenues, Expenses, and Changes in Net Position summarize our operating results and reveal how much, if any, of a profit was earned for the year. Our increase in net position for the year ended December 31, 2017 was \$450,913.

The Consolidated Statements of Cash Flows provides information about the Plant's cash receipts and cash payments during the accounting period. It also provides information about the Plant's investing and financing activities for the same period. A review of our Consolidated Statements of Cash Flows indicates that cash receipts from operating activities adequately cover our operating expenses.

SUMMARY OF NET POSITION

	<u>2017</u>	<u>2016</u>
Current assets	\$ 2,688,871	\$ 2,281,731
Noncurrent assets	13,243,264	13,091,349
Deferred Outflows	<u>520,226</u>	<u>271,481</u>
Total assets and deferred outflows	16,452,361	15,644,561
Current liabilities	1,707,430	1,270,769
Noncurrent liabilities	3,862,685	3,997,571
Deferred inflows	<u>2,326,720</u>	<u>2,271,608</u>
Total liabilities and deferred inflows	7,896,835	7,539,948
Net position:		
Net investment in capital assets	9,657,975	9,235,099
Restricted for depreciation fund	1,053,572	908,075
Unrestricted	<u>(2,156,021)</u>	<u>(2,038,561)</u>
Total net position	<u>\$ 8,555,526</u>	<u>\$ 8,104,613</u>

SUMMARY OF CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 7,125,668	\$ 7,479,849
Operating expenses	<u>(7,056,296)</u>	<u>(7,376,503)</u>
Operating income	69,372	103,346
Non-operating revenues (expenses)	<u>381,541</u>	<u>37,218</u>
Change in net position	450,913	140,564
Beginning net position	<u>8,104,613</u>	<u>7,964,049</u>
Ending net position	<u>\$ 8,555,526</u>	<u>\$ 8,104,613</u>

B. FINANCIAL HIGHLIGHTS

Electric sales (net of discounts) were \$7,125,668 in fiscal 2017, a decrease of 4.7% from the prior year.

Operating expenses totaled \$7,056,296 in fiscal 2017, a decrease of 4.3%. The largest portion of operating expenses, \$4,443,352, was for electric purchase power costs. Electric purchase power costs decreased by 9.6% in fiscal 2017. Other operating expenses included \$2,085,920 in general operating and maintenance costs

and \$527,024 in depreciation expense. In 2017, the depreciation rate for the Plant is 3%.

C. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Total investment in capital assets at year-end amounted to \$10,963,725 (net of accumulated depreciation), a decrease of \$(87,497) from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment, and furnishings, and infrastructure.

Additional information on capital assets can be found in the Consolidated Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$1,305,750, all of which was backed by the full faith and credit of the Plant.

Additional information on long-term debt can be found in the Consolidated Notes to the Financial Statements.

D. MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY COOPERATIVE CORPORATION

In 2009, the Department joined the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation (Cooperative) to finance, own, construct and operate wind generation facilities located in the Town of Princeton, Massachusetts. In 2016, the Princeton Municipal Light Plant terminated its membership in the Cooperative, leaving TMLP as the only member. The Cooperative is considered to be a component unit of the Department. As such, the Cooperative's 2017 financial information is blended with the Department and reported as a single column in the Consolidated Statements of Net Position, the Consolidated Statements of Revenues, Expenses, and Changes in Net Position, and the Consolidated Statements of Cash Flows.

Additional information on the Cooperative can be found in the Consolidated Notes to Financial Statements and the supplementary statements and schedules appearing at the end of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Templeton Municipal Light Plant's finances for all those with an interest in the Plant's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Manager
Templeton Municipal Light Plant
86 Bridge Street
Baldwinville, MA 01436-0020

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT
BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATED STATEMENTS OF NET POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current:		
Unrestricted cash and short-term investments	\$ 504,598	\$ 49,536
Receivables, net of allowance for uncollectable	978,169	997,933
Prepaid expenses	14,871	84,432
Inventory	128,534	120,131
MMWEC working capital	<u>1,062,699</u>	<u>1,029,699</u>
Total current assets	2,688,871	2,281,731
Noncurrent:		
Restricted cash and investments	1,182,460	1,037,398
Rate stabilization fund	1,097,079	1,002,729
Capital Assets:		
Land and construction in progress	389,604	285,952
Other capital assets, net of accumulated depreciation	<u>10,574,121</u>	<u>10,765,270</u>
Total noncurrent assets	13,243,264	13,091,349
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	<u>520,226</u>	<u>271,481</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	16,452,361	15,644,561
LIABILITIES		
Current:		
Accounts payable	1,366,241	1,033,757
Accrued liabilities	52	27,973
Customer deposits	128,887	129,039
Current portion of long-term liabilities:		
Bonds payable	<u>212,250</u>	<u>80,000</u>
Total current liabilities	1,707,430	1,270,769
Noncurrent:		
Bonds payable, net of current portion	1,093,500	1,736,125
Net pension liability	2,295,248	1,823,043
Net OPEB obligation	461,085	423,675
Accrued employee compensated absences	<u>12,852</u>	<u>14,728</u>
Total noncurrent liabilities	3,862,685	3,997,571
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	288,885	340,241
Other	<u>2,037,835</u>	<u>1,931,367</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,896,835	7,539,948
NET POSITION		
Net investment in capital assets	9,657,975	9,235,099
Restricted for depreciation fund	1,053,572	908,075
Unrestricted	<u>(2,156,021)</u>	<u>(2,038,561)</u>
TOTAL NET POSITION	<u>\$ 8,555,526</u>	<u>\$ 8,104,613</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT

BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Electric sales, net of discounts of \$172,174 and \$164,860, respectively	\$ 7,125,668	\$ 7,479,849
Total Operating Revenues	7,125,668	7,479,849
Operating Expenses:		
Cost of purchased electricity	4,443,352	4,915,649
Operating	1,764,538	1,737,279
Maintenance	321,382	204,026
Depreciation	527,024	519,549
Total Operating Expenses	7,056,296	7,376,503
Operating Income	69,372	103,346
Nonoperating Revenues (Expenses):		
MMWEC refund	559,619	88,204
Interest income	17,604	12,883
Payment in lieu of taxes	(82,066)	(85,469)
Interest expense	(49,368)	(57,947)
Other	(64,248)	79,547
Total Nonoperating Revenues (Expenses)	381,541	37,218
Change in Net Position	450,913	140,564
Net Position at Beginning of Year	8,104,613	7,964,049
Net Position at End of Year	\$ 8,555,526	\$ 8,104,613

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT

BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 7,750,921	\$ 7,394,128
Payments to vendors and employees	<u>(6,553,342)</u>	<u>(6,855,383)</u>
Net Cash Provided By (Used For) Operating Activities	1,197,579	538,745
<u>Cash Flows From Noncapital Financing Activities:</u>		
MMWEC refund	559,619	88,204
Payment in lieu of taxes	(82,066)	(85,469)
Other	<u>(64,249)</u>	<u>-</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	413,304	2,735
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(468,620)	(372,556)
Principal payments on bonds	(510,375)	(311,625)
Contributions in aid of construction	-	35,900
Other	<u>(49,368)</u>	<u>(265,546)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,028,363)	(913,827)
<u>Cash Flows From Investing Activities:</u>		
Investment income	17,604	12,883
Other	<u>-</u>	<u>251,327</u>
Net Cash Provided By (Used For) Investing Activities	<u>17,604</u>	<u>264,210</u>
Net Change in Cash and Short-Term Investments	600,124	(108,137)
Total Cash and Short Term Investments, Beginning of Year	<u>1,086,934</u>	<u>1,195,071</u>
Total Cash and Short Term Investments, End of Year	<u>\$ 1,687,058</u>	<u>\$ 1,086,934</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash:</u>		
Operating income	\$ 69,372	\$ 103,346
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	527,024	519,549
Changes in assets, liabilities, and deferred outflows/inflows:		
Accounts receivable	51,292	(255,266)
Prepaid expenses	69,561	60,662
Inventory	(8,403)	(7,933)
Rate stabilization fund	(94,350)	-
MMWEC working capital	(33,000)	-
Deferred outflows	(280,281)	(221,160)
Accounts payable	332,491	(257,545)
Accrued liabilities	(27,922)	-
Net OPEB obligation	37,410	28,287
Net pension liability	472,205	(57,281)
Other liabilities	(2,028)	312,112
Deferred inflows	<u>84,208</u>	<u>313,974</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,197,579</u>	<u>\$ 538,745</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT

FIDUCIARY FUND - OTHER POST-EMPLOYMENT BENEFITS TRUST
STATEMENTS OF FIDUCIARY NET POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Investments	\$ <u>236,935</u>	\$ <u>153,982</u>
TOTAL ASSETS	\$ <u><u>236,935</u></u>	\$ <u><u>153,982</u></u>
NET POSITION		
Net assets held in trust	\$ <u><u>236,935</u></u>	\$ <u><u>153,982</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT

FIDUCIARY FUND - OTHER POST-EMPLOYMENT BENEFITS TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Additions:		
Contributions:		
Employers	\$ <u>109,769</u>	\$ <u>60,000</u>
Total contributions	109,769	60,000
Investment Income:		
Investment income	<u>28,697</u>	<u>8,088</u>
Net investment income (loss)	<u>28,697</u>	<u>8,088</u>
Total additions	138,466	68,088
Deductions:		
Benefit payments to plan members, beneficiaries and other systems	<u>55,513</u>	<u>-</u>
Total deductions	<u>55,513</u>	<u>-</u>
Net increase in net assets	82,953	68,088
Net position restricted for OPEB:		
Beginning of year	<u>153,982</u>	<u>85,894</u>
End of year	<u>\$ <u>236,935</u></u>	<u>\$ <u>153,982</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF TEMPLETON
MUNICIPAL LIGHT PLANT**

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

The significant accounting policies of the Town of Templeton Municipal Light Plant (the Plant) (an enterprise fund of the Town of Templeton) are as follows:

A. Reporting Entity

The Plant is an enterprise fund of the Town of Templeton, Massachusetts. The Board of Light Commissioners appoints the General Manager, who is responsible for the operation and maintenance of the Plant. As required by generally accepted accounting principles, these financial statements present the Plant and all applicable component units for which the government is considered to be financially accountable.

The Massachusetts Municipal Light Department Wind Energy Cooperative Corporation (Cooperative) met the required GASB 14 (as amended) criteria to be considered a component unit of the Plant. As a result, the Cooperative's financial information is blended with the Plant's financial information and consolidated into a single column in the Plant's financial statements.

Additional information on the Cooperative's significant accounting policies and financial information can be found in Note 20 and in the consolidating statements and schedules appearing on pages 42 - 45 of this report.

B. Business Activity

The Plant purchases electricity which it distributes to consumers within the Town of Templeton, Massachusetts.

C. Regulation and Basis of Accounting

Under Massachusetts General Laws, the Plant's electric rates are set by the Board of Light Commissioners and may be changed once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Plant, the Plant's rates are not subject to DPU approval.

Proprietary funds distinguish 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 a proprietary fund's principal ongoing operations. The principal operating rev-

venues of the proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Concentrations

The Plant operates within the electric utility industry, which has undergone significant restructuring and deregulation. Legislation was enacted by the Commonwealth of Massachusetts in 1998 which changed the electric industry. The law introduced competition and provided consumers with choices while assuring continued reliable service. Municipal utilities are not currently subject to this regulation.

E. Revenues

Revenues are based on rates established by the Plant and filed with the DPU. Revenues from the sale of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis and are stated net of sales discounts. No recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal period.

F. Cash and Short-term Investments

For the purposes of the Consolidated Statements of Cash Flows, the Plant considers both restricted and unrestricted cash on deposit with the Town Treasurer and the Cooperative to be cash and short-term investments. For purposes of the Consolidated Statements of Net Position, the Plant considers investments with original maturities of three months or less to be short-term investments.

G. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Fiduciary funds are invested in by the Massachusetts Municipal Wholesale Electric Company (MMWEC). The Commission appointed MMWEC to act as a custodian of the Trust and investments consist of equities and fixed income. Investments are carried at fair value, except certificates of deposit which are reported at cost.

H. Inventory

Inventory consists of supplies and materials purchased for use in the utility business for construction, operation, and maintenance purposes. Inventory is stated at cost.

I. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value, and any cash proceeds, is charged to the Plant's unrestricted net position account.

Massachusetts General Laws requires utility plant in service to be depreciated at an annual rate of 3%. To change this rate, the Plant must obtain approval from the DPU. Changes in annual depreciation rates may be made for financial reasons relating to cash flow for plant improvement or expansion, rather than for engineering factors relating to estimates of useful lives.

In fiscal year 2017, the Plant adopted approved depreciation rate of 3% for its electric capital assets.

J. Accrued Compensated Absences

In accordance with Plant policies, employees are allowed to accumulate sick days, up to an unlimited amount. Upon retirement from employment with the 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 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 Plant's policy is to recognize vacation costs when earned. The Plant records accumulated unused vested vacation and sick pay as a liability. The amount recorded is the amount to be paid at termination at the current rate of pay.

K. Rate of Return

The Plant's rates must be set such that adjusted earnings attributable to electric operations do not exceed eight percent of the cost of plant. In fiscal year 2017, the Plant's earnings did not exceed this threshold.

L. Use of Estimates

The preparation of consolidated 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.

2. Unrestricted Cash and Short-Term Investments

A. Custodial Credit Risk

Custodial Credit Risk for *deposits* is the risk that, in the event of the failure of a depository institution, the Plant will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2017 the Plant had a bank balance of \$1,944,707 subject to custodial credit risk.

As of December 31, 2017, the Cooperative's bank balance of \$2,501 was not subject to custodial credit risk.

3. Restricted Cash and Investments

A. Restricted Cash and Investments – Proprietary Fund

The Plant maintains the following restricted cash and investments in its proprietary fund:

Customer deposits	\$ 128,888
Depreciation fund	<u>1,053,572</u>
Total	<u>\$ 1,182,460</u>

B. Investments – Fiduciary Fund (OPEB Trust)

All of the Plant's OPEB Trust assets are invested by the Massachusetts Municipal Wholesale Electric Company (MMWEC), which was established under the provisions of Massachusetts General Laws Chapter 32A, Section 24. MMWEC acts as a custodian of the funds and was appointed by the Plant's Commissioners.

4. Investments

Fair Value

The Plant categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plant has the following fair value measurements as of December 31, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:			
Equity securities:			
Equities	\$ 157,825	\$ 157,825	\$ -
Fixed Income	<u>79,110</u>	79,110	-
Total	<u>\$ 236,935</u>		

5. Accounts Receivable

Accounts receivable consists of the following at December 31, 2017:

User charges receivable:	
Billed	\$ 539,993
Less reserve for uncollectibles	<u>(72,000)</u>
Subtotal	467,993
Other receivables:	
Associated companies - Water department	304,727
Other	122,893
Other - Cooperative	<u>82,556</u>
Subtotal	<u>510,176</u>
Total	<u>\$ 978,169</u>

6. Prepaid Expenses

Prepaid expenses for the Plant consist primarily of prepaid purchase power, pooled loans due from the Massachusetts Municipal Wholesale Electric Company (MMWEC), and working capital purchase power reserves on deposit with MMWEC.

7. Inventory

Inventory comprises supplies and materials and is valued at cost.

8. Capital Assets

Capital assets consist of the following at December 31, 2017 (net of accumulated depreciation):

Electric plant	\$ 7,971,693
Cooperative	<u>2,992,032</u>
Property and equipment, net	<u>\$ 10,963,725</u>

The following is a summary of fiscal year 2017 activity in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Production plant	\$ 4,023,428	\$ -	\$ -	\$ 4,023,428
Distribution plant	10,648,259	338,287	-	10,986,546
General plant	<u>3,865,756</u>	<u>26,683</u>	<u>-</u>	<u>3,892,439</u>
Total capital assets, being depreciated	18,537,443	364,970	-	18,902,413
Less accumulated depreciation for:				
Production plant	(779,652)	(120,701)	-	(900,353)
Distribution plant	(5,144,932)	(319,447)	-	(5,464,379)
General plant	<u>(1,847,589)</u>	<u>(115,971)</u>	<u>-</u>	<u>(1,963,560)</u>
Total accumulated depreciation	<u>(7,772,173)</u>	<u>(556,119)</u>	<u>-</u>	<u>(8,328,292)</u>
Total capital assets, being depreciated, net	10,765,270	(191,149)	-	10,574,121
Capital assets, not being depreciated:				
Land	189,178	-	-	189,178
Construction in progress	<u>96,774</u>	<u>103,652</u>	<u>-</u>	<u>200,426</u>
Total capital assets, not being depreciated	<u>285,952</u>	<u>103,652</u>	<u>-</u>	<u>389,604</u>
Business-type activities capital assets, net	<u>\$ 11,051,222</u>	<u>\$ (87,497)</u>	<u>\$ -</u>	<u>\$ 10,963,725</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Plant that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of

resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 15.

10. Accounts Payable

Accounts payable represent 2017 expenses that were paid after December 31, 2017.

11. Customer Deposits

This balance represents deposits received from customers that are held in escrow.

12. Accrued Employee Compensated Absences

Plant employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, employees or their beneficiaries are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rate of pay.

13. Long-Term Debt

A. General Obligation Bonds

The Plant issues general obligation bonds through the Town of Templeton and the Massachusetts Municipal Wholesale Electric Company to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>12/31/17</u>
<u>Templeton Municipal Light Plant</u>			
General obligation bonds	06/30/22	2.60-3.90%	\$ <u>380,000</u>
Total Department Activities			380,000
<u>Templeton Municipal Cooperative Corporation:</u>			
Clean renewable energy bond	12/30/24	2.00%	<u>925,750</u>
Total Cooperative Activities			<u>925,750</u>
Total			\$ <u><u>1,305,750</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2017 are as follows:

<u>Plant</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2022	<u>75,000</u>	<u>1,463</u>	<u>76,463</u>
Total	\$ <u>380,000</u>	\$ <u>35,808</u>	\$ <u>415,808</u>

<u>Cooperative</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 132,250	\$ 9,412	\$ 141,662
2019	132,250	8,067	140,317
2020	132,250	6,723	138,973
2021	132,250	5,378	137,628
2022	132,250	4,034	136,284
2023 - 2027	<u>264,500</u>	<u>4,034</u>	<u>268,534</u>
Total	\$ <u>925,750</u>	\$ <u>37,648</u>	\$ <u>963,398</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities (in thousands):

	<u>Total</u>			<u>Total</u>	<u>Less</u>	<u>Equals</u>
	<u>Balance</u>		<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
<u>Total Activities</u>	<u>1/1/17</u>	<u>Additions</u>		<u>12/31/17</u>	<u>Portion</u>	<u>Portion</u>
Bonds payable	\$ 1,816	\$ -	\$ (510)	\$ 1,306	\$ (212)	\$ 1,094
Net pension liability	1,823	472	-	2,295	-	2,295
Net OPEB obligation	424	37	-	461	-	461
Compensated absences	<u>15</u>	<u>-</u>	<u>(2)</u>	<u>13</u>	<u>-</u>	<u>13</u>
Totals	\$ <u>4,078</u>	\$ <u>509</u>	\$ <u>(512)</u>	\$ <u>4,075</u>	\$ <u>(212)</u>	\$ <u>3,863</u>

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Plant that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Plant reports deferred inflows of resources which are attributable to changes in the net pension liability, rate stabilization fund, and contributions in aid of construction. Deferred inflows relating to rate stabilization fund and contributions in aid of construction will be recognized through purchase power costs in future years. Deferred inflows of

resources related to pension will be recognized in pension expense in future years and is more fully described in Note 15.

15. Retirement System

The Plant follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Plant are members of the Worcester Regional Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that

participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Plant's contribution to the System for the year ended December 31, 2017 was \$133,109, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Plant reported a liability of \$2,295,248 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 and rolled forward to December 31, 2016. The Plant's proportion of the net pension liability was based on a projection of the Plant's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the Plant's proportion was 0.274029%.

For the year ended December 31, 2017, the Plant recognized pension expense of \$209,430. In addition, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,716	\$ -
Changes of assumptions	271,489	-
Net difference between projected and actual investment earnings on pension plan investments	79,646	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,793	288,885
Contributions subsequent to the measurement date	<u>145,582</u>	<u>-</u>
Total	<u>\$ 520,226</u>	<u>\$ 288,885</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 162,006
2019	16,424
2020	16,179
2021	(5,311)
2022	<u>42,043</u>
Total	<u>\$ 231,341</u>

D. Actuarial Assumptions

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

Inflation	3.0% per year
Projected salary increases	4.20-6.00% for Group 1 and 4.75-7.00% for Group 4
Investment rate of return	7.75%

Mortality rates were based on RP-2000 Employee Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	40.0%	4.97%
Fixed income	22.0%	2.29%
Private equity	11.0%	6.50%
Real estate	10.0%	3.50%
Timber/Natural resources	4.0%	3.00%
Hedge funds	13.0%	3.48%
Total	<u>100.00%</u>	

E. 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 the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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.

F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Plant's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Plant's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 2,764,653	\$ 2,295,248	\$ 1,898,992

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

16. Other Post-Employment Benefits – OPEB (GASB 45)

The Plant follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Consolidated Statements of Revenues, Expenses, and Changes in Net Position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Consolidated Statements of Net Position over time.

A. Plan Description

In addition to providing pension benefits, the Plant provides post-employment health care and life insurance benefits for retired employees through the Town of Templeton's plan. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of the January 1, 2015 actuarial valuation, approximately 10 active employees and 6 retirees, beneficiaries, and dependents meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Plant provides post-employment medical, prescription drug, mental health/substance abuse, and life insurance benefits to all eligible retirees and their covered dependents. All active employees who retire from the Plant and meet the eligibility criteria are eligible to receive these benefits.

C. Funding Policy

Retirees contribute 25% of the cost of the health plan, as determined by the Town of Templeton. The Plant contributes the remainder of the health plan costs.

D. Annual OPEB Costs and Net OPEB Obligation

The Plant's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Plant's annual OPEB cost for the year ending December 31, 2017, the amount actually contributed to the plan, and the change in the Plant's net OPEB asset based on an actuarial valuation as of January 1, 2015.

Annual Required Contribution (ARC)	\$ 139,857
Interest on net OPEB obligation	21,452
Adjustment to ARC	(29,822)
Amortization of actuarial (gains)/losses	<u>15,692</u>
Annual OPEB cost	147,179
Expected employer contributions	(55,513)
Contributions to Trust Fund	<u>(54,256)</u>
Increase (decrease) in net OPEB asset	37,410
Net OPEB obligation - beginning of year	<u>423,675</u>
Net OPEB obligation - end of year	<u><u>\$ 461,085</u></u>

The Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2017 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 147,179	74.58%	\$ 461,085
2016	\$ 141,288	73.60%	\$ 395,388
2015	\$ 97,763	75.30%	\$ 361,243

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 1,493,000
Actuarial value of plan assets	<u>(34,279)</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 1,458,721</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>2.3%</u></u>
Covered payroll (active plan members)	\$ 756,312
UAAL as a percentage of covered payroll	192.9%

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

future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on 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 Plant and 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.

In the January 1, 2015 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial value of assets was \$34,279. The actuarial assumptions included a 4.00% investment rate of return. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years.

17. Other Post-Employment Benefits – OPEB (GASB 74)

In 2013 the Plant established an OPEB Trust fund to provide funding for future employee health care costs.

Investments

The OPEB Trust fund does have a formal investment policy. At December 31, 2017, investments consisted of pooled funds with the Massachusetts Municipal Wholesale Electric Company (MMWEC). Concentration and rate of return information was not available.

Net OPEB Liability

The components of the net OPEB liability were as follows:

Total OPEB liability	\$ 982,289
Plan fiduciary net position	<u>236,935</u>
Net OPEB liability	<u>\$ 745,354</u>
Plan fiduciary net position as a percentage of the total OPEB liability	24.12%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per annum
Salary increases	3.00% per annum
Investment rate of return	6.50%, net of OPEB plan investment expense

It is assumed that pre-retirement mortality is represented by RP-2000 Employees Mortality Table projected generationally with scale BB and a base year of 2009 for males and females. It is assumed that post-retirement mortality is represented by the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year of 2009 for males and females. It is assumed that disabled mortality is represented by the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2012 for males and females.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	28.50%	4.00%
Domestic equity - small/mid cap	25.25%	6.00%
International equity - developed market	9.50%	4.50%
International equity - emerging market	0.00%	7.00%
Domestic fixed income	36.75%	2.00%
International fixed income	0.00%	3.00%
Alternatives	0.00%	6.50%
Real estate	0.00%	6.25%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan member will be made at the current contribution rate. Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current discount rate:

1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
\$ 912,090	\$ 745,354	\$ 598,890

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00% decreasing to 4.00%) or 1-percentage-point higher (5.00% increasing to 6.00%) than the current healthcare cost trend rates:

1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
\$ 552,192	\$ 745,354	\$ 995,951

18. Berkshire Wind Cooperative Corporation

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

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

The Berkshire 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 Berkshire Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Berkshire 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 Berkshire Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Berkshire Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Berkshire 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 Berkshire 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 Berkshire Cooperative Member fail to make any payment when due, other Berkshire Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Berkshire 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 Berkshire Cooperative's cost of owning and operating the Berkshire Wind Facility.

The Plant has entered into a PPA with the Berkshire Cooperative. Under this PPA, the Department is required to make certain payments to the Berkshire Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Cooperative, 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 Department is required to pay to the Berkshire Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of December 31, 2017, total capital expenditures for the Berkshire Wind Facility amounted to \$59,256,145, of which \$3,250,000, represents the amount associated with the Department share of the Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the Department. The Berkshire Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$46,000,000, of which \$2,523,000 is associated with the Department share of Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Department. As of December 31, 2017, the Berkshire Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$62,399,000, of which \$3,422,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of the Plant required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Berkshire Cooperative at December 31, 2017 and estimated for future years is shown below.

2018	\$	280,000
2019		277,000
2020		262,000
2021		261,000
2022		261,000
2023 - 2027		1,303,000
2028 - 2031		<u>778,000</u>
	\$	<u><u>3,422,000</u></u>

19. Participation in Massachusetts Municipal Wholesale Electric Company

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

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

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

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

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

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

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

As of December 31, 2017, total capital expenditures amounted to \$1,583,481,000, of which \$26,848,000 represents the amount associated with the Plant's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$10,680,000, of which \$185,000 is associated with the Plant's share of Project Capability. As of December 31, 2017, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$11,425,000, of which \$200,000 is anticipated to be billed to the Plant in the future.

The aggregate amount of the Plant's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2017 and estimated for future years is shown below.

For the years ended December 31, 2018	\$	47,000
2019		<u>153,000</u>
	\$	<u><u>200,000</u></u>

In addition, under the PSAs, the Plant is required to pay MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Plant's total O&M costs including debt service under the PSAs were \$1,723,000 and \$2,490,000 for the years ended December 31, 2017 and 2016, respectively.

20. Massachusetts Municipal Light Department Wind Energy Cooperative Corporation

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

A. 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.

B. 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.

C. Capital Assets and 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 2017 and 2016 was \$114,900.

D. 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, 2017, and 2016 the total advances to the Cooperative were \$641,625.

E. 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.

F. 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.

G. 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.

H. Cash and Short-Term Investments

For purposes of the statements of cash flows, the Cooperative considers monies on deposit in its disbursement accounts to be cash and short-term investments.

I. 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.

21. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Templeton Municipal Light Plant beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

TEMPLETON MUNICIPAL LIGHT PLANT
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

DECEMBER 31, 2017

(Unaudited)

Worcester Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2017	December 31, 2016	0.274029%	\$2,295,248	\$ 685,763	334.70%	42.00%
December 31, 2016	December 31, 2015	0.273138%	\$1,823,043	\$ 820,511	222.18%	44.52%
December 31, 2015	December 31, 2014	0.256800%	\$1,880,324	\$ 825,258	227.85%	47.94%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**TEMPLETON MUNICIPAL LIGHT PLANT
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

DECEMBER 31, 2017

(Unaudited)

Worcester Regional Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$ 133,109	\$ 133,109	\$ -	\$ 685,763	19.41%
June 30, 2016	\$ 115,541	\$ 115,541	\$ -	\$ 820,511	14.08%
June 30, 2015	\$ 124,874	\$ 124,874	\$ -	\$ 825,258	15.13%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**TEMPLETON MUNICIPAL LIGHT PLANT
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)**

**June 30, 2017
(Unaudited)
(Amounts Expressed in thousands)**

Other Post-Employment Benefits						
Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
01/01/15	\$ 34	\$ 1,493	\$ 1,459	2.3%	\$ 756	193.0%
01/01/12	\$ -	\$ 1,330	\$ 1,330	0.0%	\$ 779	170.7%
01/01/09	\$ -	\$ 1,535	\$ 1,535	0.0%	\$ 720	213.2%

See Independent Auditors' Report.

**TEMPLETON MUNICIPAL LIGHT PLANT
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the Net OPEB Liability (GASB 74)

(Unaudited)

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 26,725
Interest on unfunded liability - time value of \$	82,396
Differences between expected and actual experience	(339,549)
Benefit payments, including refunds of member contributions	<u>(55,513)</u>
Net change in total OPEB liability	(285,941)
Total OPEB liability - beginning	<u>1,268,230</u>
Total OPEB liability - ending (a)	<u><u>\$ 982,289</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 109,769
Net investment income	28,697
Benefit payments, including refunds of member contributions	<u>(55,513)</u>
Net change in plan fiduciary net position	82,953
Plan fiduciary net position - beginning	<u>153,982</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 236,935</u></u>
Net OPEB liability (asset) - ending (a-b)	<u><u>\$ 745,354</u></u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Plant's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TEMPLETON MUNICIPAL LIGHT PLANT
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2017</u>
Total OPEB liability	\$ 982,289
Plan fiduciary net position	<u>236,935</u>
Net OPEB liability (asset)	<u>\$ 745,354</u>
Plan fiduciary net position as a percentage of the total OPEB liability	24.1%
Covered payroll	\$ 829,678
Participating employer net OPEB liability (asset) as a percentage of covered payroll	89.8%

Schedule of Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 139,857
Contributions in relation to the actuarially determined contribution	<u>54,256</u>
Contribution deficiency (excess)	<u>\$ 85,601</u>
Covered payroll	\$ 829,678
Contributions as a percentage of covered payroll	6.5%

Schedule of Investment Returns

	<u>2017</u>
Annual money weighted rate of return, net of investment expense	14.80%

*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to Plant's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT
BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATING STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	2017				2016			
	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Total	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Total
ASSETS								
Current:								
Unrestricted cash and short-term investments	\$ 502,097	\$ 2,501	\$ -	\$ 504,598	\$ 31,138	\$ 18,398	\$ -	\$ 49,536
Receivables, net of allowance for uncollectable	855,498	82,556	40,115	978,169	936,421	52,933	8,579	997,933
Prepaid expenses	14,871	-	-	14,871	84,432	-	-	84,432
Inventory	128,534	-	-	128,534	120,131	-	-	120,131
MMWEC working capital	1,062,699	-	-	1,062,699	1,029,699	-	-	1,029,699
Total current assets	2,563,699	85,057	40,115	2,688,871	2,201,821	71,331	8,579	2,281,731
Noncurrent:								
Restricted cash and investments	1,182,460	-	-	1,182,460	1,037,398	-	-	1,037,398
Advances to Wind Energy Cooperative	641,625	-	(641,625)	-	641,625	-	(641,625)	-
Rate stabilization fund	1,097,079	-	-	1,097,079	1,002,729	-	-	1,002,729
Capital Assets:								
Land and construction in progress	389,604	-	-	389,604	285,952	-	-	285,952
Other capital assets, net of accumulated depreciation	7,582,089	2,992,032	-	10,574,121	7,658,338	3,106,932	-	10,765,270
Total noncurrent assets	10,892,857	2,992,032	(641,625)	13,243,264	10,626,042	3,106,932	(641,625)	13,091,349
DEFERRED OUTFLOWS OF RESOURCES								
Related to pensions	520,226	-	-	520,226	271,481	-	-	271,481
Other	-	40,115	(40,115)	-	-	8,579	(8,579)	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	13,976,782	3,117,204	(641,625)	16,452,361	13,099,344	3,186,842	(641,625)	15,644,561
LIABILITIES								
Current:								
Accounts payable	1,317,940	48,301	-	1,366,241	1,033,757	-	-	1,033,757
Accrued liabilities	-	52	-	52	24,882	3,091	-	27,973
Customer deposits	128,887	-	-	128,887	129,039	-	-	129,039
Current portion of long-term liabilities:								
Bonds payable	80,000	132,250	-	212,250	80,000	-	-	80,000
Total current liabilities	1,526,827	180,603	-	1,707,430	1,267,678	3,091	-	1,270,769
Noncurrent:								
Bonds payable, net of current portion	300,000	793,500	-	1,093,500	380,000	1,356,125	-	1,736,125
Net pension liability	2,295,248	-	-	2,295,248	1,823,043	-	-	1,823,043
Net OPEB obligation	461,085	-	-	461,085	423,675	-	-	423,675
Accrued employee compensated absences	12,852	-	-	12,852	14,728	-	-	14,728
Advances to Wind Energy Cooperative	-	641,625	(641,625)	-	-	641,625	(641,625)	-
Total noncurrent liabilities	3,069,185	1,435,125	(641,625)	3,862,685	2,641,446	1,997,750	(641,625)	3,997,571
DEFERRED INFLOWS OF RESOURCES								
Related to pensions	288,885	-	-	288,885	340,241	-	-	340,241
Other	536,359	1,501,476	-	2,037,835	745,366	1,186,001	-	1,931,367
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,421,256	3,117,204	(641,625)	7,896,835	4,994,731	3,186,842	(641,625)	7,539,948
NET POSITION								
Net investment in capital assets	7,591,693	2,066,282	-	9,657,975	7,484,292	1,750,807	-	9,235,099
Restricted for depreciation fund	1,053,572	-	-	1,053,572	908,075	-	-	908,075
Unrestricted	(89,739)	(2,066,282)	-	(2,156,021)	(287,754)	(1,750,807)	-	(2,038,561)
TOTAL NET POSITION	\$ 8,555,526	\$ -	\$ -	\$ 8,555,526	\$ 8,104,613	\$ -	\$ -	\$ 8,104,613

See Independent Auditors' Report.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT
BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Total	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Total
Operating Revenues:								
Electric sales, net of discounts of \$172,174 and \$164,860 respectively	\$ 7,125,668	\$ 574,113	\$ (574,113)	\$ 7,125,668	\$ 7,479,849	\$ 408,251	\$ (408,251)	\$ 7,479,849
Total Operating Revenues	7,125,668	574,113	(574,113)	7,125,668	7,479,849	408,251	(408,251)	7,479,849
Operating Expenses:								
Cost of purchased electricity	5,017,465	-	(574,113)	4,443,352	5,323,900	-	(408,251)	4,915,649
Operating	1,652,421	112,117	-	1,764,538	1,600,009	137,270	-	1,737,279
Maintenance	321,382	-	-	321,382	204,026	-	-	204,026
Depreciation	412,124	114,900	-	527,024	404,649	114,900	-	519,549
Total Operating Expenses	7,403,392	227,017	(574,113)	7,056,296	7,532,584	252,170	(408,251)	7,376,503
Operating Income	(277,724)	347,096	-	69,372	(52,735)	156,081	-	103,346
Nonoperating Revenues (Expenses):								
MMWEC refund	559,619	-	-	559,619	88,204	-	-	88,204
Interest income	17,604	-	-	17,604	12,883	-	-	12,883
Payment in lieu of taxes	(82,066)	-	-	(82,066)	(85,469)	-	-	(85,469)
Interest expense	(17,747)	(31,621)	-	(49,368)	(18,591)	(39,356)	-	(57,947)
Change in amounts payable in the future	315,475	(315,475)	-	-	116,725	(116,725)	-	-
Other	(64,248)	-	-	(64,248)	79,547	-	-	79,547
Total Nonoperating Revenues (Expenses)	728,637	(347,096)	-	381,541	193,299	(156,081)	-	37,218
Change in Net Position	450,913	-	-	450,913	140,564	-	-	140,564
Net position - beginning of year	8,104,613	-	-	8,104,613	7,964,049	-	-	7,964,049
Net Position at End of Year	\$ 8,555,526	\$ -	\$ -	\$ 8,555,526	\$ 8,104,613	\$ -	\$ -	\$ 8,104,613

See Independent Auditors' Report.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT

BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATING STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Total	Templeton Municipal Light Plant	Wind Energy Cooperative Corporation	Eliminations	Consolidated Total
Cash Flows From Operating Activities:								
Receipts from customers and users	\$ 7,206,437	\$ 544,484	\$ -	\$ 7,750,921	\$ 6,970,527	\$ 423,601	\$ -	\$ 7,394,128
Payments to vendors and employees	(6,770,432)	217,090	-	(6,553,342)	(6,651,472)	(203,911)	-	(6,855,383)
Net Cash Provided By (Used For) Operating Activities	436,005	761,574	-	1,197,579	319,055	219,690	-	538,745
Cash Flows From Noncapital Financing Activities:								
MMWEC refund	559,619	-	-	559,619	88,204	-	-	88,204
Payment in lieu of taxes	(82,066)	-	-	(82,066)	(85,469)	-	-	(85,469)
Other	(64,249)	-	-	(64,249)	-	-	-	-
Net Cash Provided By (Used For) Noncapital Financing Activities	413,304	-	-	413,304	2,735	-	-	2,735
Cash Flows From Capital and Related Financing Activities:								
Change in amounts payable in the future	315,475	(315,475)	-	-	-	-	-	-
Acquisition and construction of capital assets	(468,620)	-	-	(468,620)	(372,556)	-	-	(372,556)
Principal payments on bonds	(80,000)	(430,375)	-	(510,375)	(80,000)	(231,625)	-	(311,625)
Contribution in aid of construction	-	-	-	-	35,900	-	-	35,900
Other	(17,747)	(31,621)	-	(49,368)	(225,172)	(40,374)	-	(265,546)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(250,892)	(777,471)	-	(1,028,363)	(641,828)	(271,999)	-	(913,827)
Cash Flows From Investing Activities:								
Investment income	17,604	-	-	17,604	12,883	-	-	12,883
Other	-	-	-	-	251,327	-	-	251,327
Net Cash Provided By (Used For) Investing Activities	17,604	-	-	17,604	264,210	-	-	264,210
Net Change in Cash and Short-Term Investments	616,021	(15,897)	-	600,124	(55,828)	(52,309)	-	(108,137)
Total Cash and Short Term Investments, Beginning of Year	1,068,536	18,398	-	1,086,934	1,124,364	70,707	-	1,195,071
Total Cash and Short Term Investments, End of Year	\$ 1,684,557	\$ 2,501	\$ -	\$ 1,687,058	\$ 1,068,536	\$ 18,398	\$ -	\$ 1,086,934
Reconciliation of Operating Income (Loss) to Net Cash:								
Operating income	\$ (277,724)	\$ 347,096	\$ -	\$ 69,372	\$ (52,735)	\$ 156,081	\$ -	\$ 103,346
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation expense	412,124	114,900	-	527,024	404,649	114,900	-	519,549
Changes in assets and liabilities:								
Accounts receivable	80,921	(29,629)	-	51,292	(234,043)	(21,223)	-	(255,266)
Prepaid expenses	69,561	-	-	69,561	54,269	6,393	-	60,662
Inventory	(8,403)	-	-	(8,403)	(7,933)	-	-	(7,933)
Rate stabilization und	(94,350)	-	-	(94,350)	-	-	-	-
MMWEC working capital	(33,000)	-	-	(33,000)	-	-	-	-
Deferred outflows	(248,745)	(31,536)	-	(280,281)	(212,581)	(8,579)	-	(221,160)
Accounts payable	284,184	48,307	-	332,491	(255,930)	(1,615)	-	(257,545)
Accrued liabilities	(24,883)	(3,039)	-	(27,922)	-	-	-	-
Net pension liability	472,205	-	-	472,205	(57,281)	-	-	(57,281)
Net OPEB obligation	37,410	-	-	37,410	28,287	-	-	28,287
Other liabilities	(2,028)	-	-	(2,028)	312,112	-	-	312,112
Deferred inflows	(231,267)	315,475	-	84,208	340,241	(26,267)	-	313,974
Net Cash Provided By (Used For) Operating Activities	\$ 436,005	\$ 761,574	\$ -	\$ 1,197,579	\$ 319,055	\$ 219,690	\$ -	\$ 538,745

See Independent Auditors' Report.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT

BUSINESS-TYPE PROPRIETARY FUND
CONSOLIDATING SCHEDULE OF UTILITY PLANT IN SERVICE

FOR THE YEAR ENDED DECEMBER 31, 2017

	Templeton Municipal Light Plant				Wind Energy Cooperative Corporation				Total			
	Beginning Balance			Ending Balance	Beginning Balance			Ending Balance	Beginning Balance			Ending Balance
	1/1/17	Increases	Decreases	12/31/17	1/1/17	Increases	Decreases	12/31/17	1/1/17	Increases	Decreases	12/31/17
Capital assets being depreciated:												
Production plant	\$ 193,360	\$ -	\$ -	\$ 193,360	\$ 3,830,068	\$ -	\$ -	\$ 3,830,068	\$ 4,023,428	\$ -	\$ -	\$ 4,023,428
Distribution plant	10,648,259	338,287	-	10,986,546	-	-	-	-	10,648,259	338,287	-	10,986,546
General plant	3,865,756	26,683	-	3,892,439	-	-	-	-	3,865,756	26,683	-	3,892,439
Total capital assets being depreciated	14,707,375	364,970	-	15,072,345	3,830,068	-	-	3,830,068	18,537,443	364,970	-	18,902,413
Less accumulated depreciation for:												
Production plant	(56,516)	(5,801)	-	(62,317)	(723,136)	(114,900)	-	(838,036)	(779,652)	(120,701)	-	(900,353)
Distribution plant	(5,144,932)	(319,447)	-	(5,464,379)	-	-	-	-	(5,144,932)	(319,447)	-	(5,464,379)
General plant	(1,847,589)	(115,971)	-	(1,963,560)	-	-	-	-	(1,847,589)	(115,971)	-	(1,963,560)
Total accumulated depreciation	(7,049,037)	(441,219)	-	(7,490,256)	(723,136)	(114,900)	-	(838,036)	(7,772,173)	(556,119)	-	(8,328,292)
Total capital assets being depreciated, net	7,658,338	(76,249)	-	7,582,089	3,106,932	(114,900)	-	2,992,032	10,765,270	(191,149)	-	10,574,121
Capital assets not being depreciated												
Land	189,178	-	-	189,178	-	-	-	-	189,178	-	-	189,178
Construction in progress	96,774	103,652	-	200,426	-	-	-	-	96,774	103,652	-	200,426
Total capital assets not being depreciated	285,952	103,652	-	389,604	-	-	-	-	285,952	103,652	-	389,604
Utility plant capital assets, net	\$ 7,944,290	\$ 27,403	\$ -	\$ 7,971,693	\$ 3,106,932	\$ (114,900)	\$ -	\$ 2,992,032	\$ 11,051,222	\$ (87,497)	\$ -	\$ 10,963,725

See Independent Auditors' Report.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT

CONSOLIDATING SCHEDULE OF ELECTRIC
OPERATIONS AND MAINTENANCE EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Power Supply Expenses:		
Purchased power	\$ 4,555,869	\$ 4,931,140
Other expenses	<u>148,448</u>	<u>114,682</u>
Total Power Supply Expenses	4,704,317	5,045,822
Distribution Expenses:		
Operation, supervision and engineering	99,666	94,876
Operation labor	82,171	88,388
Operation supplies and expenses	4,138	5,161
Overhead line expenses	37,186	30,337
Underground line expense	9,617	7,944
Street light and signal system expense	6,812	6,288
Meter expenses	7,316	7,780
Customer installation expense	312	327
Miscellaneous distribution expenses	85,398	84,517
Maintenance of station equipment	11,481	15,808
Maintenance of overhead lines	239,419	148,056
Maintenance of underground lines	2,261	997
Maintenance of line transformers	14,645	4,247
Maintenance of street lights and signal systems	<u>5,539</u>	<u>5,391</u>
Total Distribution Expenses	605,961	500,117
Customer Account Expenses:		
Meter reading	20,396	28,734
Accounting and collection expense	<u>76,393</u>	<u>84,603</u>
Total Customer Account Expenses	96,789	113,337
Administration and General Expenses:		
Administration and general salaries	170,677	158,818
Office supplies and expenses	44,806	45,500
Outside services employed	44,946	95,197
Property insurance	10,768	22,070
Injuries and damages	57,957	97,095
Employee pensions and benefits	736,542	609,514
Miscellaneous general expense	50,812	46,368
Transportation expense	(41,941)	-
Maintenance of general plant	<u>47,638</u>	<u>123,116</u>
Total Administration and General Expenses	1,122,205	1,197,678
Total Operating and Maintenance Expenses	<u>\$ 6,529,272</u>	<u>\$ 6,856,954</u>

See Independent Auditors' Report.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL LIGHT PLANT

SCHEDULE OF SALES OF ELECTRICITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Net Revenues			Kilowatt Hours Sold			Net Revenues Per Kilowatt Hour Sold	
	<u>2017</u>	<u>2016</u>	Increase (Decrease)	<u>2017</u>	<u>2016</u>	Increase (Decrease)	<u>2017</u>	<u>2016</u>
Sales of Electricity								
Private Customers:								
Residential Sales	\$ 3,424,681	\$ 3,582,031	\$ (157,350)	25,412,956	25,292,473	120,483	\$ 0.13476	\$ 0.14162
Commercial and Industrial Sales								
Industrial	2,783,275	2,899,213	(115,938)	25,399,308	24,797,827	601,481	0.10958	0.11691
Commercial	477,414	533,377	(55,963)	3,841,106	3,995,155	(154,049)	0.12429	0.13351
Private Area Lighting	71,937	69,667	2,270	603,864	593,676	10,188	0.11913	0.11735
Public Authority	8,580	4,046	4,534	68,356	29,476	38,880	0.12552	0.13726
Total Private Customers	<u>6,765,887</u>	<u>7,088,334</u>	<u>(322,447)</u>	<u>55,325,590</u>	<u>54,708,607</u>	<u>616,983</u>	<u>0.12229</u>	<u>0.12957</u>
Municipal Customers								
Industrial	274,871	295,334	(20,463)	2,200,800	2,212,060	(11,260)	0.12490	0.13351
Commercial	60,954	72,741	(11,787)	493,580	548,604	(55,024)	0.12349	0.13259
Street Lighting	18,556	19,360	(804)	161,532	161,016	516	0.11488	0.12024
Total Municipal Customers	<u>354,381</u>	<u>387,435</u>	<u>(33,054)</u>	<u>2,855,912</u>	<u>2,921,680</u>	<u>(65,768)</u>	<u>0.12409</u>	<u>0.13261</u>
Other Electric Revenues	<u>5,400</u>	<u>4,080</u>	<u>1,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Sales of Electricity	<u>\$ 7,125,668</u>	<u>\$ 7,479,849</u>	<u>\$ (354,181)</u>	<u>58,181,502</u>	<u>57,630,287</u>	<u>551,215</u>	<u>\$ 0.12247</u>	<u>\$ 0.12979</u>

See Independent Auditors' Report.