



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

Financial Statements and Supplementary Information
For the Year Ended December 31, 2019

(With Independent Auditors' Report Thereon)

Templeton Municipal Light Plant

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Templeton Municipal Light Plant (the Plant) (an enterprise fund of the Town of Templeton) and the aggregate remaining fund information, as of and for the year ended December 31, 2019, 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

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Greenfield, Massachusetts
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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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Templeton Municipal Light Plant and the aggregate remaining fund information as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Plant's 2018 financial statements and expressed a qualified opinion on those audited financial statements in our report dated November 11, 2019. Management reported its December 31, 2018 portion of the net pension liability (NPL) based on reports provided by Worcester Regional Retirement System (WRRS) that were not in compliance with GASB standards. Government accounting standards requires that the actuarial valuation be performed as of a date no more than 30 months and 1 day from the employer's fiscal year end. The WRRS provided NPL information using data from an actuarial valuation dated January 1, 2016. The amount by which this departure would affect the assets, liabilities, fund balance, and revenues of the Plant has not been determined. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 certain Pension and OPEB schedules 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 46 through 51 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.

A handwritten signature in black ink that reads "Melanson".

Melanson

Andover, Massachusetts
September 17, 2020

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, 2019. 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, 2019, it shows our net worth of \$11,096,316 which comprises \$11,705,158 invested in capital assets, \$751,752 restricted for depreciation fund, and \$(1,360,594) unrestricted. This deficit results from unfunded OPEB and Net Pension Liabilities (see Notes 17 and 18).

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, 2019 was \$1,170,945.

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 Statement of Cash Flows indicates that cash receipts from operating activities adequately cover our operating expenses.

SUMMARY OF NET POSITION

	<u>2019</u>	<u>2018</u>
Current assets	\$ 3,117,626	\$ 2,835,426
Noncurrent assets	14,733,618	13,483,011
Deferred outflows of resources	<u>771,132</u>	<u>266,387</u>
Total assets and deferred outflows	18,622,376	16,584,824
Current liabilities	1,534,636	1,550,840
Noncurrent liabilities	4,796,319	3,775,553
Deferred inflows of resources	<u>1,195,105</u>	<u>1,333,060</u>
Total liabilities and deferred inflows	7,526,060	6,659,453
Net investment in capital assets	11,705,158	11,217,439
Restricted for depreciation fund	751,752	447,885
Unrestricted	<u>(1,360,594)</u>	<u>(1,739,953)</u>
Total net position	<u>\$ 11,096,316</u>	<u>\$ 9,925,371</u>

SUMMARY OF CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 7,268,039	\$ 7,264,004
Operating expenses	<u>(6,369,461)</u>	<u>(6,744,783)</u>
Operating income	898,578	519,221
Non-operating revenues	<u>272,367</u>	<u>37,815</u>
Change in net position	1,170,945	557,036
Beginning net position, as restated*	<u>9,925,371</u>	<u>9,368,335</u>
Ending net position	<u>\$ 11,096,316</u>	<u>\$ 9,925,371</u>

*Restated from prior year as described in Note 22.

B. FINANCIAL HIGHLIGHTS

Electric sales (net of discounts) were \$7,268,039 in 2019, an increase of 0.1% from the prior year.

Operating expenses totaled \$6,369,461 in 2019, a decrease of 5.6%. The largest portion of operating expenses, \$4,072,569, was for electric purchase power costs. Electric purchase power costs decreased by 2.7% in 2019. Other operating expenses included \$1,741,488 in

general operating and maintenance costs and \$555,404 in depreciation expense. In 2019, the depreciation rate for the Plant was 3.0%.

C. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Total investment in capital assets at year-end amounted to \$13,201,891 (net of accumulated depreciation), an increase of \$1,190,950 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 loans outstanding was \$1,496,729, 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 Plant. As such, the Cooperative's 2019 financial information is blended with the Plant 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
ENTERPRISE FUND
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current:		
Unrestricted cash and short-term investments	\$ 1,334,906	\$ 949,324
Receivables, net of allowance for uncollectable	343,306	602,400
Prepaid expenses	55,184	47,655
Inventory	123,759	137,348
MMWEC working capital	1,161,699	1,098,699
Due from MMWEC	<u>98,772</u>	<u>-</u>
Total current assets	3,117,626	2,835,426
Noncurrent:		
Restricted cash and investments	877,841	578,989
Massachusetts Reserve Trust	653,886	893,081
Capital Assets:		
Land and construction in progress	253,828	1,444,778
Other capital assets, net of accumulated depreciation	<u>12,948,063</u>	<u>10,566,163</u>
Total noncurrent assets	14,733,618	13,483,011
Total Assets	17,851,244	16,318,437
Deferred Outflows of Resources		
Related to pensions	619,161	243,323
Related to OPEB	<u>151,971</u>	<u>23,064</u>
Total Deferred Outflows of Resources	771,132	266,387
Liabilities		
Current:		
Accounts payable	1,191,379	1,284,481
Accrued liabilities	4,058	3,005
Customer deposits	126,089	131,104
Current portion of long-term liabilities:		
Loans payable	211,975	132,250
Accrued employee compensated absences	<u>1,135</u>	<u>-</u>
Total current liabilities	1,534,636	1,550,840
Noncurrent:		
Loans payable, net of current portion	1,284,754	661,250
Net pension liability	2,633,763	2,346,111
Net OPEB liability	859,217	751,588
Accrued employee compensated absences	<u>18,585</u>	<u>16,604</u>
Total noncurrent liabilities	4,796,319	3,775,553
Total Liabilities	6,330,955	5,326,393
Deferred Inflows of Resources		
Related to pensions	223,275	367,345
Related to OPEB	38,411	2,911
Other	<u>933,419</u>	<u>962,804</u>
Total Deferred Inflows of Resources	1,195,105	1,333,060
Net Position		
Net investment in capital assets	11,705,158	11,217,439
Restricted for depreciation fund	751,752	447,885
Unrestricted	<u>(1,360,594)</u>	<u>(1,739,953)</u>
Total Net Position	<u>\$ 11,096,316</u>	<u>\$ 9,925,371</u>

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

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

ENTERPRISE FUND
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Electric sales, net of discounts of \$178,710 and \$181,368 respectively	\$ <u>7,268,039</u>	\$ <u>7,264,004</u>
Total Operating Revenues	7,268,039	7,264,004
Operating Expenses		
Cost of purchased electricity	4,072,569	4,185,750
Operating	1,424,494	1,785,070
Maintenance	316,994	236,670
Depreciation	<u>555,404</u>	<u>537,293</u>
Total Operating Expenses	<u>6,369,461</u>	<u>6,744,783</u>
Operating Income	898,578	519,221
Nonoperating Revenues (Expenses):		
MMWEC refund	194,668	24,375
Interest income	26,576	25,185
Payment in lieu of taxes	(45,026)	(56,536)
Interest expense	(42,629)	(30,859)
Other	<u>138,778</u>	<u>75,650</u>
Total Nonoperating Revenues	<u>272,367</u>	<u>37,815</u>
Change in Net Position	1,170,945	557,036
Net Position at Beginning of Year, as restated	<u>9,925,371</u>	<u>9,368,335</u>
Net Position at End of Year	<u>\$ <u>11,096,316</u></u>	<u>\$ <u>9,925,371</u></u>

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

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

ENTERPRISE FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 7,655,480	\$ 7,971,396
Payments to vendors and employees	<u>(6,171,421)</u>	<u>(6,041,418)</u>
Net Cash Provided By Operating Activities	1,484,059	1,929,978
Cash Flows From Noncapital Financing Activities		
MMWEC refund	194,668	24,375
Payment in lieu of taxes	(45,025)	(56,536)
Other	<u>138,778</u>	<u>75,649</u>
Net Cash Provided By Noncapital Financing Activities	288,421	43,488
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,775,222)	(1,614,287)
Loan proceeds	900,000	-
Principal payments on loans	(196,771)	(512,250)
Other	<u>(42,629)</u>	<u>(30,859)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,114,622)	(2,157,396)
Cash Flows From Investing Activities		
Investment income	<u>26,576</u>	<u>25,185</u>
Net Cash Provided By Investing Activities	<u>26,576</u>	<u>25,185</u>
Net Change in Cash and Short-Term Investments	684,434	(158,745)
Total Cash and Short Term Investments, Beginning of Year	<u>1,528,313</u>	<u>1,687,058</u>
Total Cash and Short Term Investments, End of Year	\$ <u>2,212,747</u>	\$ <u>1,528,313</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Operating income	\$ 898,578	\$ 519,221
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	555,404	537,293
Changes in assets, liabilities, and deferred outflows/inflows:		
Accounts receivable	169,826	424,923
Prepaid expenses	(7,920)	(32,784)
Inventory	13,589	(8,814)
Due from MMWEC	(98,381)	-
Massachusetts Reserve Trust	239,195	203,998
MMWEC working capital	(63,000)	(36,000)
Deferred outflows - related to pensions	(375,838)	276,903
Deferred outflows - related to OPEB	(146,205)	(23,064)
Deferred outflows - other	89,267	(49,152)
Accounts payable	(93,102)	(81,761)
Accrued liabilities	1,054	2,952
Net pension liability	287,652	50,863
Net OPEB liability	107,629	6,234
Other liabilities	(1,901)	5,970
Deferred inflows - related to pensions	(144,070)	78,460
Deferred inflows - related to OPEB	52,798	2,911
Deferred inflows - other	<u>(516)</u>	<u>51,825</u>
Net Cash Provided By Operating Activities	\$ <u>1,484,059</u>	\$ <u>1,929,978</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Investments:		
External investment pool	\$ <u>363,986</u>	\$ <u>266,573</u>
Total Assets	\$ <u><u>363,986</u></u>	\$ <u><u>266,573</u></u>
Net Position		
Net assets held in trust	\$ <u><u>363,986</u></u>	\$ <u><u>266,573</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Additions		
Contributions:		
Employers	\$ <u>82,282</u>	\$ <u>84,862</u>
Total contributions	82,282	84,862
Investment Income (Loss):		
Investment income (Loss)	<u>55,774</u>	<u>(12,001)</u>
Net investment income (loss)	<u>55,774</u>	<u>(12,001)</u>
Total additions	138,056	72,861
Deductions		
Benefit payments to plan members, beneficiaries and other systems	<u>40,643</u>	<u>43,223</u>
Total deductions	<u>40,643</u>	<u>43,223</u>
Net increase in net assets	97,413	29,638
Net position restricted for OPEB		
Beginning of year	<u>266,573</u>	<u>236,935</u>
End of year	\$ <u><u>363,986</u></u>	\$ <u><u>266,573</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 21 and in the consolidating statements and schedules appearing on pages 46 - 49 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 nonoperating 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 revenues 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 2019, 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 2019, 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, 2019 the Plant had a bank balance of \$1,977,405 subject to custodial credit risk.

As of December 31, 2019, the Cooperative's bank balance of \$79,635 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	\$ 126,089
Depreciation fund	<u>751,752</u>
Total	<u>\$ 877,841</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 - OPEB Trust Fund

The following is a summary of the OPEB Trust Fund's investments as of December 31, 2019:

<u>Investment Type</u>	<u>Amount</u>
External investment pool	\$ <u>363,986</u>
Total investments	\$ <u><u>363,986</u></u>

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The OPEB Trust Fund is not subject to credit risk.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The OPEB Trust Fund does not have formal investment policies related to custodial credit risk. The external investment pool is not subject to custodial credit risk.

C. Concentration of Credit Risk

The OPEB Trust Fund places no limit on the amount the OPEB Trust Fund may invest in any one issuer. The OPEB Trust Fund does not have formal investment policies related to concentration of credit risk exposure.

As of December 31, 2019, the OPEB Trust Fund has 100% of their investments in the external investment pool.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The OPEB Trust Fund does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The OPEB Trust Fund does not have formal investment policies related to foreign currency risk.

F. Fair Value

The OPEB Trust Fund 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 and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The OPEB Trust Fund has the following fair value measurements as of December 31, 2019:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments measured at the net asset value (NAV):				
External investment pools	<u>363,986</u>	-	-	-
Total	<u>\$ 363,986</u>			

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pools	\$ 363,986	\$ -	Monthly	30 Days

5. Accounts Receivable

Accounts receivable consists of the following at December 31, 2019:

User charges receivable:

Billed	\$ 386,498
Less reserve for uncollectibles	<u>(72,000)</u>
Subtotal	314,498

Other receivables:

Associated companies - water department	109
Other	24,086
Other - Cooperative	<u>4,613</u>
Subtotal	<u>28,808</u>
Total	<u>\$ 343,306</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, 2019 (net of accumulated depreciation):

Electric plant	\$	10,439,659
Cooperative		<u>2,762,232</u>
Property and equipment, net	\$	<u><u>13,201,891</u></u>

The following is a summary of 2019 activity in capital assets:

	Beginning Balance	Increases	Decreases	2019 Adjustments	Ending Balance
Capital assets, being depreciated:					
Production plant	\$ 4,023,428	\$ -	\$ -	\$ -	\$ 4,023,428
Distribution plant	11,290,467	2,963,438	-	112,512	14,366,417
General plant	<u>4,147,630</u>	<u>57,893</u>	<u>-</u>	<u>(181,953)</u>	<u>4,023,570</u>
Total capital assets, being depreciated	19,461,525	3,021,331	-	(69,441)	22,413,415
Less accumulated depreciation for:					
Production plant	(1,021,054)	(120,701)	-	14,283	(1,127,472)
Distribution plant	(5,793,975)	(339,144)	-	-	(6,133,119)
General plant	<u>(2,080,333)</u>	<u>(124,428)</u>	<u>-</u>	<u>-</u>	<u>(2,204,761)</u>
Total accumulated depreciation	<u>(8,895,362)</u>	<u>(584,273)</u>	<u>-</u>	<u>14,283</u>	<u>(9,465,352)</u>
Total capital assets, being depreciated, net	10,566,163	2,437,058	-	(55,158)	12,948,063
Capital assets, not being depreciated:					
Land	189,178	-	-	-	189,178
Construction in progress	<u>1,255,600</u>	<u>1,328,581</u>	<u>(2,521,075)</u>	<u>1,544</u>	<u>64,650</u>
Total capital assets, not being depreciated	<u>1,444,778</u>	<u>1,328,581</u>	<u>(2,521,075)</u>	<u>1,544</u>	<u>253,828</u>
Total capital assets, net	<u>\$ 12,010,941</u>	<u>\$ 3,765,639</u>	<u>\$ (2,521,075)</u>	<u>\$ (53,614)</u>	<u>\$ 13,201,891</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 have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Accounts Payable

Accounts payable represent 2019 expenses that were paid after December 31, 2019.

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. Loans Payable

The Templeton Municipal Light Plant issues through the Massachusetts Municipal Wholesale Electric Company loans to provide funds for the acquisition and construction of major capital facilities. Loans have been issued for both the Plant and the Cooperative. Loans currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>12/31/19</u>
<u>Loans - Direct Borrowing</u>			
Battery storage	03/19/29	3.20%	\$ <u>835,479</u>
Total Department			835,479
Clean renewable energy	12/30/24	2.00%	<u>661,250</u>
Total Cooperative			<u>661,250</u>
Total			\$ <u><u>1,496,729</u></u>

B. Future Debt Service

The annual payments to retire all loans outstanding as of December 31, 2019 are as follows:

<u>Plant</u>	<u>Direct Borrowing</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 79,725	\$ 25,541	\$ 105,266
2021	82,310	22,955	105,265
2022	84,980	20,285	105,265
2023	87,736	17,529	105,265
2024	90,582	14,684	105,266
2025 - 2029	<u>410,146</u>	<u>28,460</u>	<u>438,606</u>
Total	<u>\$ 835,479</u>	<u>\$ 129,454</u>	<u>\$ 964,933</u>

<u>Cooperative</u>	<u>Direct Borrowing</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 132,250	\$ 13,445	\$ 145,695
2021	132,250	10,756	143,006
2022	132,250	8,067	140,317
2023	132,250	5,378	137,628
2024	<u>132,250</u>	<u>2,689</u>	<u>134,939</u>
Total	<u>\$ 661,250</u>	<u>\$ 40,335</u>	<u>\$ 701,585</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities (in thousands):

Total Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Loans payable	\$ 794	\$ 900	\$ (197)	\$ 1,497	\$ (212)	\$ 1,285
Net pension liability	2,346	288	-	2,634	-	2,634
Net OPEB liability	752	107	-	859	-	859
Compensated absences	<u>17</u>	<u>3</u>	<u>-</u>	<u>20</u>	<u>(1)</u>	<u>19</u>
Totals	<u>\$ 3,909</u>	<u>\$ 1,298</u>	<u>\$ (197)</u>	<u>\$ 5,010</u>	<u>\$ (213)</u>	<u>\$ 4,797</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 and contributions in aid of construction. Deferred inflows relating to contributions in aid of construction will be amortized as a reduction to depreciation expense in future years. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes.

15. Subsequent Events

Management has evaluated subsequent events through September 17, 2020, which is the date the financial statements were available to be issued.

COVID-19

The COVID-19 outbreak in the United States and across the globe resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, special acts or legislation by the state or federal government, and the impact on our taxpayers, customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

16. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typical pending legal issues in which the Plant is involved. The Plant’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

17. 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 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 on or 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.

Participant Retirement Benefits

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.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-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 100%, 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.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

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 Plant 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.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions,

including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

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%.

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, 2019 was \$334,222, which was greater than its annual required contribution. The contribution equals the annual required contribution for calendar year 2018 and 2019.

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, 2019, the Plant reported a liability of \$2,633,763 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 and rolled forward to December 31, 2018. 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, 2018, the Plant's proportion was 0.290458%.

For the year ended December 31, 2019, the Plant recognized pension expense of \$250,303. In addition, the Plant reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 11,674	\$ (19,525)
Changes of assumptions	163,652	-
Net difference between projected and actual investment earnings on pension plan investments	99,090	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,523	(203,750)
Contributions subsequent to the measurement date	<u>334,222</u>	<u>-</u>
Total	<u>\$ 619,161</u>	<u>\$ (223,275)</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2020.

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:	
2020	\$ 9,246
2021	(13,435)
2022	39,069
2023	28,881
2024	<u>(2,097)</u>
Total	\$ <u>61,664</u>

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to the measurement date of December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0% per year
Projected salary increases	Group 1: 4.25-6.00%, based on service
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Cost of living increases	3% of the first \$16,000 of the annual retirement allowance are provided at the discretion of the System's Retirement Board.

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.

E. Target Allocations

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>	Target Asset Allocation	Long-term Expected Real Rate of Return
Global equity	39.00%	4.75%
Fixed income	23.00%	2.28%
Private equity	13.00%	8.15%
Real estate	10.00%	3.43%
Timber/Natural resources	4.00%	4.00%
Portfolio Completion Strategies	<u>11.00%</u>	3.76%
Total	<u>100.00%</u>	

F. 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.

G. 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 one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
\$ 3,172,531	\$ 2,633,763	\$ 2,178,613

H. Pension Plan Fiduciary Net Position

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

18. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In 2013, the Plant established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of December 31, 2019.

A. General Information about the OPEB Plan

Plan Description

The Plant provides post-employment healthcare benefits for retired employees through the Plant's plan. The Plant provides health insurance coverage through Blue Cross Blue Shield of Massachusetts. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Plant provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Plant and meet the eligibility criteria will receive these benefits.

Funding Policy

The Plant's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based actuarially determined amounts.

Plan Membership

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	9
Active employees	<u>10</u>
Total	<u><u>19</u></u>

B. Investments

The OPEB trust fund assets consist of pooled investments held in custodian with MMWEC.

Rate of return. For the year ended December 31, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 18.77%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% as of December 31, 2019 and for future periods
Salary increases	3.00% annually as of December 31, 2019 and for future periods
Investment rate of return	6.24%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	3.26% as of December 31, 2019 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)
Discount rate	5.50%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	Increase of 5.00% per year for Active plans and 5.00% per year for Medicare supplement plans.
Participation rate	80% of eligible employees

Mortality rates were based on the following:

Pre-Retirement Mortality: RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

Post-Retirement Mortality: RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

Disabled Mortality: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study performed during 2014.

D. Target Allocations

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, 2019 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	35.00%	4.80%
Domestic Equity - Small/Mid Cap	25.00%	5.29%
International Equity - Developed Market	5.00%	5.45%
International Equity - Emerging Market	0.00%	6.42%
Domestic Fixed Income	35.00%	2.05%
International Fixed Income	0.00%	3.00%
Alternatives	0.00%	6.50%
Real estate	0.00%	6.25%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the net OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

F. Net OPEB Liability

The components of the net OPEB liability, measured as of December 31, 2019, were as follows:

Total OPEB liability	\$ 1,223,203
Plan fiduciary net position	<u>363,986</u>
Net OPEB liability	<u><u>\$ 859,217</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	29.76%

G. Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 1,018,161	\$ 266,573	\$ 751,588
Changes for the year:			
Service cost	29,054	-	29,054
Interest	66,769	-	66,769
Contributions - employer	-	82,282	(82,282)
Net investment income	-	55,774	(55,774)
Differences between expected and actual experience	(27,438)	-	(27,438)
Changes in assumptions or other inputs	177,300	-	177,300
Benefit payments	(40,643)	(40,643)	-
Net changes	<u>205,042</u>	<u>97,413</u>	<u>107,629</u>
Balances, end of year	<u>\$ 1,223,203</u>	<u>\$ 363,986</u>	<u>\$ 859,217</u>

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

H. 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 one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1%</u> <u>Decrease</u>	Current Discount <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 1,086,007	\$ 859,217	\$ 681,717

I. 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 as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 620,858	\$ 859,217	\$ 1,173,943

J. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Plant recognized an OPEB expense of \$96,504. At December 31, 2019, the Plant reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (25,944)
Change in assumptions	151,971	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(12,467)</u>
Total	<u>\$ 151,971</u>	<u>\$ (38,411)</u>

Amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2020	\$ 19,249
2021	19,249
2022	19,249
2023	13,482
2024	20,923
Thereafter	<u>21,408</u>
Total	<u>\$ 113,560</u>

19. Berkshire Wind Cooperative Corporation

The Templeton Municipal Light and Water 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 16 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative 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.

The Berkshire Wind Facility is comprised of two Phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines which have been commercially operating since 2011, and Phase 2 is comprised of two 2.3-megawatt wind turbines which began commercial operations in November 2019.

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 and its pro rata

share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. 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. Additionally, 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.

The total capital expenditures, debt service and operation and maintenance (O&M) costs associated with the Plant's pro rata share of the Phases in which it participates for the years ended December 31, 2019 and 2018, respectively are listed in the table below.

TEMPLETON MUNICIPAL LIGHT & WATER PLANT						
YEARS ENDED						
PHASE	PERCENTAGE SHARE	TOTAL CAPITAL EXPENDITURES	DEBT SERVICE BILLED	DEBT SERVICE BILLED	OPERATIONS & MAINTENANCE BILLED	OPERATIONS & MAINTENANCE BILLED
		2019	2019	2018	2019	2018
Berkshire Phase 1	5.484%	\$ 3,002,672	\$ 269,247	\$ 283,777	\$ 80,775	\$ 134,504
Berkshire Phase 2	-	-	-	-	-	-
		<u>\$ 3,002,672</u>	<u>\$ 269,247</u>	<u>\$ 283,777</u>	<u>\$ 80,775</u>	<u>\$ 134,504</u>

In addition, the estimated aggregate amount of the required payments for future years for the Plant's pro rata share of the Phases in which it participates is shown below.

2020	\$ 265,453
2021	265,371
2022	265,453
2023	265,398
2024	265,741
2025 - 2029	1,327,334
2030 - 2033	265,453
	<u>\$ 2,920,203</u>

20. Participation in Massachusetts Municipal Wholesale Electric Company

Town [City] of Templeton acting through its Light Department 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 operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 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.

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). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. 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. 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. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations 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).

Pursuant to the PSAs, the MMWEC 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 Millstone and Seabrook 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.

As of July 1, 2019, MMWEC has no debt service obligations outstanding relating to the Projects. 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.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with

the Department's Project Capability of the Projects in which it participates for the years ended December 31, 2019 and 2018, respectively are listed in the table below.

PROJECTS	PERCENTAGE SHARE	TEMPLETON MUNICIPAL LIGHT & WATER PLANT		
		YEARS ENDED		
		TOTAL CAPITAL EXPENDITURES	CAPACITY, FUEL & TRANSMISSION BILLED	CAPACITY, FUEL & TRANSMISSION BILLED
		2019	2019	2018
Stony Brook Peaking Project	2.3894%	\$ 1,427,038	\$ 87,184	\$ 110,960
Stony Brook Intermediate Project	1.5361%	2,750,106	199,263	306,936
Nuclear Mix No. 1-Seabrook	2.2550%	227,894	12,312	11,675
Nuclear Mix No. 1-Millstone	2.2550%	1,365,242	132,226	152,837
Nuclear Project No. 3-Millstone	1.0583%	1,566,739	124,729	144,610
Nuclear Project No. 4-Seabrook	1.3300%	3,980,834	194,425	189,872
Nuclear Project No. 5-Seabrook	0.6488%	526,059	24,333	23,827
Project No. 6-Seabrook	2.0700%	11,522,557	476,029	500,865
		<u>\$ 23,366,469</u>	<u>\$ 1,250,501</u>	<u>\$ 1,441,582</u>

21. 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 2019 and 2018 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, 2019 and 2018 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.

22. **Beginning Net Position Restatement**

The beginning (January 1, 2018) net position of the Plant has been restated as follows:

	Proprietary <u>Fund</u>
As previously reported	\$ 8,271,256
Rate Stabilization Recognition	<u>1,097,079</u>
As restated	<u><u>\$ 9,368,335</u></u>

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

DECEMBER 31, 2019
 (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, 2019	December 31, 2018	0.290458%	\$2,633,763	\$ 788,226	334.14%	43.05%
December 31, 2018	December 31, 2017	0.303850%	\$2,346,111	\$ 736,916	318.37%	46.40%
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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

DECEMBER 31, 2019
(Unaudited)

Worcester Regional Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Contractually Required Contribution	Contractually Required Contribution				
December 31, 2019	December 31, 2018	\$ 172,511	\$ 334,222	\$ (161,711)	\$ 788,226	42.40%	
December 31, 2018	December 31, 2017	\$ 161,711	\$ -	\$ 161,711	\$ 736,916	0.00%	
December 31, 2017	December 31, 2016	\$ 145,582	\$ 145,582	\$ -	\$ 685,763	21.23%	
December 31, 2016	December 31, 2015	\$ 133,109	\$ 133,109	\$ -	\$ 820,511	16.22%	
December 31, 2015	December 31, 2014	\$ 115,541	\$ 115,541	\$ -	\$ 825,258	14.00%	

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
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)

(Unaudited)

	<u>2018</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 29,054	\$ 18,803	\$ 26,725
Interest on unfunded liability - time value of \$	66,769	63,688	82,396
Differences between expected and actual experience	(27,438)	(3,396)	(339,549)
Changes of assumptions	177,300	-	-
Benefit payments, including refunds of member contributions	<u>(40,643)</u>	<u>(43,223)</u>	<u>(55,513)</u>
Net change in total OPEB liability	205,042	35,872	(285,941)
Total OPEB liability - beginning	<u>1,018,161</u>	<u>982,289</u>	<u>1,268,230</u>
Total OPEB liability - ending (a)	1,223,203	1,018,161	982,289
Plan Fiduciary Net Position*			
Contributions - employer	82,282	85,404	109,769
Net investment income	55,774	(12,543)	28,697
Benefit payments, including refunds of member contributions	<u>(40,643)</u>	<u>(43,223)</u>	<u>(55,513)</u>
Net change in plan fiduciary net position	97,413	29,638	82,953
Plan fiduciary net position - beginning	<u>266,573</u>	<u>236,935</u>	<u>153,982</u>
Plan fiduciary net position - ending (b)	<u>363,986</u>	<u>266,573</u>	<u>236,935</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 859,217</u>	<u>\$ 751,588</u>	<u>\$ 745,354</u>

*May reflect certain rounding and immaterial classification differences from page 12.

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 and 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 1,223,203	\$ 1,018,161	\$ 982,289
Plan fiduciary net position	<u>363,986</u>	<u>266,573</u>	<u>236,935</u>
Net OPEB liability (asset)	<u>\$ 859,217</u>	<u>\$ 751,588</u>	<u>\$ 745,354</u>
Plan fiduciary net position as a percentage of the total OPEB liability	29.76%	26.18%	24.12%
Covered employee payroll	\$ 854,568	\$ 829,678	\$ 802,371
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	100.5%	90.6%	92.9%
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 85,091	\$ 72,845	\$ 105,073
Contributions in relation to the actuarially determined contribution	<u>82,282</u>	<u>85,404</u>	<u>109,769</u>
Contribution deficiency (excess)	<u>\$ 2,809</u>	<u>\$ (12,559)</u>	<u>\$ (4,696)</u>
Covered employee payroll	\$ 854,568	\$ 829,678	\$ 802,371
Contributions as a percentage of covered employee payroll	9.6%	10.3%	13.7%
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	18.77%	-4.86%	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**

ENTERPRISE FUND
CONSOLIDATING STATEMENTS OF NET POSITION

DECEMBER 31, 2019 AND 2018

	2019				2018			
	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	\$ 1,255,271	\$ 79,635	\$ -	\$ 1,334,906	\$ 946,565	\$ 2,759	\$ -	\$ 949,324
Receivables, net of allowance for uncollectable	338,693	4,613	-	343,306	494,843	18,290	89,267	602,400
Prepaid expenses	55,184	-	-	55,184	47,655	-	-	47,655
Inventory	123,759	-	-	123,759	137,348	-	-	137,348
MMWEC working capital	1,161,699	-	-	1,161,699	1,098,699	-	-	1,098,699
Due from MMWEC	98,772	-	-	98,772	-	-	-	-
Total current assets	3,033,378	84,248	-	3,117,626	2,725,110	21,049	89,267	2,835,426
Noncurrent:								
Restricted cash and investments	877,841	-	-	877,841	578,989	-	-	578,989
Advances to Wind Energy Cooperative	641,625	-	(641,625)	-	641,625	-	(641,625)	-
Massachusetts Reserve Trust	653,886	-	-	653,886	893,081	-	-	893,081
Capital Assets:								
Land and construction in progress	253,828	-	-	253,828	1,444,778	-	-	1,444,778
Other capital assets, net of accumulated depreciation	10,185,831	2,762,232	-	12,948,063	7,689,031	2,877,132	-	10,566,163
Total noncurrent assets	12,613,011	2,762,232	(641,625)	14,733,618	11,247,504	2,877,132	(641,625)	13,483,011
Deferred Outflows of Resources								
Related to pensions	619,161	-	-	619,161	243,323	-	-	243,323
Related to OPEB	151,971	-	-	151,971	23,064	-	-	23,064
Other	-	-	-	-	-	89,267	(89,267)	-
Total Assets and Deferred Outflows of Resources	16,417,521	2,846,480	(641,625)	18,622,376	14,239,001	2,987,448	(641,625)	16,584,824
Liabilities								
Current:								
Accounts payable	1,183,987	7,392	-	1,191,379	1,251,029	33,452	-	1,284,481
Accrued liabilities	4,021	37	-	4,058	2,960	45	-	3,005
Customer deposits	126,089	-	-	126,089	131,104	-	-	131,104
Current portion of long-term liabilities:								
Loans payable	79,725	132,250	-	211,975	-	132,250	-	132,250
Accrued employee compensated absences	1,135	-	-	1,135	-	-	-	-
Total current liabilities	1,394,957	139,679	-	1,534,636	1,385,093	165,747	-	1,550,840
Noncurrent:								
Loans payable, net of current portion	755,754	529,000	-	1,284,754	-	661,250	-	661,250
Net pension liability	2,633,763	-	-	2,633,763	2,346,111	-	-	2,346,111
Net OPEB liability	859,217	-	-	859,217	751,588	-	-	751,588
Accrued employee compensated absences	18,585	-	-	18,585	16,604	-	-	16,604
Advances to Wind Energy Cooperative	-	641,625	(641,625)	-	-	641,625	(641,625)	-
Total noncurrent liabilities	4,267,319	1,170,625	(641,625)	4,796,319	3,114,303	1,302,875	(641,625)	3,775,553
Deferred Inflows of Resources								
Related to pensions	223,275	-	-	223,275	367,345	-	-	367,345
Related to OPEB	38,411	-	-	38,411	2,911	-	-	2,911
Other	(602,757)	1,536,176	-	933,419	(556,022)	1,518,826	-	962,804
Total Liabilities and Deferred Inflows of Resources	5,321,205	2,846,480	(641,625)	7,526,060	4,313,630	2,987,448	(641,625)	6,659,453
Net Position								
Net investment in capital assets	9,604,180	2,100,978	-	11,705,158	9,133,809	2,083,630	-	11,217,439
Restricted for depreciation fund	751,752	-	-	751,752	447,885	-	-	447,885
Unrestricted	740,384	(2,100,978)	-	(1,360,594)	343,677	(2,083,630)	-	(1,739,953)
Total Net Position	\$ 11,096,316	\$ -	\$ -	\$ 11,096,316	\$ 9,925,371	\$ -	\$ -	\$ 9,925,371

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

ENTERPRISE FUND
CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	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 \$178,710	\$ 7,268,039	\$ 222,631	\$ (222,631)	\$ 7,268,039	\$ 7,264,004	\$ 280,251	\$ (280,251)	\$ 7,264,004
Total Operating Revenues	7,268,039	222,631	(222,631)	7,268,039	7,264,004	280,251	(280,251)	7,264,004
Operating Expenses								
Cost of purchased electricity	4,295,200	-	(222,631)	4,072,569	4,466,001	-	(280,251)	4,185,750
Operating	1,350,181	74,313	-	1,424,494	1,655,826	129,244	-	1,785,070
Maintenance	316,994	-	-	316,994	236,670	-	-	236,670
Depreciation	440,504	114,900	-	555,404	422,393	114,900	-	537,293
Total Operating Expenses	6,402,879	189,213	(222,631)	6,369,461	6,780,890	244,144	(280,251)	6,744,783
Operating Income	865,160	33,418	-	898,578	483,114	36,107	-	519,221
Nonoperating Revenues (Expenses)								
MMWEC refund	194,668	-	-	194,668	24,375	-	-	24,375
Interest income	26,576	-	-	26,576	25,185	-	-	25,185
Payment in lieu of taxes	(45,026)	-	-	(45,026)	(56,536)	-	-	(56,536)
Interest expense	(26,561)	(16,068)	-	(42,629)	(12,102)	(18,757)	-	(30,859)
Change in amounts payable in the future	17,350	(17,350)	-	-	17,350	(17,350)	-	-
Other	138,778	-	-	138,778	75,650	-	-	75,650
Total Nonoperating Revenues (Expenses)	305,785	(33,418)	-	272,367	73,922	(36,107)	-	37,815
Change in Net Position	1,170,945	-	-	1,170,945	557,036	-	-	557,036
Net position - beginning of year, as restated	9,925,371	-	-	9,925,371	9,368,335	-	-	9,368,335
Net Position at End of Year	\$ 11,096,316	\$ -	\$ -	\$ 11,096,316	\$ 9,925,371	\$ -	\$ -	\$ 9,925,371

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

ENTERPRISE FUND
CONSOLIDATING STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	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	\$ 7,419,173	\$ 236,307	\$ -	\$ 7,655,480	\$ 7,626,878	\$ 344,518	\$ -	\$ 7,971,396
Payments to vendors and employees	<u>(6,177,658)</u>	<u>6,237</u>	<u>-</u>	<u>(6,171,421)</u>	<u>(5,865,515)</u>	<u>(175,903)</u>	<u>-</u>	<u>(6,041,418)</u>
Net Cash Provided By Operating Activities	1,241,515	242,544	-	1,484,059	1,761,363	168,615	-	1,929,978
Cash Flows From Noncapital Financing Activities								
MMWEC refund	194,668	-	-	194,668	24,375	-	-	24,375
Payment in lieu of taxes	(45,025)	-	-	(45,025)	(56,536)	-	-	(56,536)
Other	<u>138,778</u>	<u>-</u>	<u>-</u>	<u>138,778</u>	<u>75,649</u>	<u>-</u>	<u>-</u>	<u>75,649</u>
Net Cash Provided By Noncapital Financing Activities	288,421	-	-	288,421	43,488	-	-	43,488
Cash Flows From Capital and Related Financing Activities								
Change in amounts payable in the future	17,350	(17,350)	-	-	17,350	(17,350)	-	-
Acquisition and construction of capital assets	(1,775,222)	-	-	(1,775,222)	(1,614,287)	-	-	(1,614,287)
Loan proceeds	900,000	-	-	900,000	-	-	-	-
Principal payments on loans	(64,521)	(132,250)	-	(196,771)	(380,000)	(132,250)	-	(512,250)
Other	<u>(26,561)</u>	<u>(16,068)</u>	<u>-</u>	<u>(42,629)</u>	<u>(12,102)</u>	<u>(18,757)</u>	<u>-</u>	<u>(30,859)</u>
Net Cash (Used For) Capital and Related Financing Activities	(948,954)	(165,668)	-	(1,114,622)	(1,989,039)	(168,357)	-	(2,157,396)
Cash Flows From Investing Activities								
Investment income	<u>26,576</u>	<u>-</u>	<u>-</u>	<u>26,576</u>	<u>25,185</u>	<u>-</u>	<u>-</u>	<u>25,185</u>
Net Cash Provided By Investing Activities	<u>26,576</u>	<u>-</u>	<u>-</u>	<u>26,576</u>	<u>25,185</u>	<u>-</u>	<u>-</u>	<u>25,185</u>
Net Change in Cash and Short-Term Investments	607,558	76,876	-	684,434	(159,003)	258	-	(158,745)
Total Cash and Short Term Investments, Beginning of Year	<u>1,525,554</u>	<u>2,759</u>	<u>-</u>	<u>1,528,313</u>	<u>1,684,557</u>	<u>2,501</u>	<u>-</u>	<u>1,687,058</u>
Total Cash and Short Term Investments, End of Year	<u>\$ 2,133,112</u>	<u>\$ 79,635</u>	<u>\$ -</u>	<u>\$ 2,212,747</u>	<u>\$ 1,525,554</u>	<u>\$ 2,759</u>	<u>\$ -</u>	<u>\$ 1,528,313</u>
Reconciliation of Operating Income (Loss) to Net Cash								
Operating income	\$ 865,160	\$ 33,418	\$ -	\$ 898,578	\$ 483,114	\$ 36,107	\$ -	\$ 519,221
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation expense	440,504	114,900	-	555,404	422,393	114,900	-	537,293
Changes in assets and liabilities:								
Accounts receivable	156,150	13,676	-	169,826	360,656	64,267	-	424,923
Prepaid expenses	(7,920)	-	-	(7,920)	(32,784)	-	-	(32,784)
Inventory	13,589	-	-	13,589	(8,814)	-	-	(8,814)
Due from MMWEC	(98,381)	-	-	(98,381)	-	-	-	-
Massachusetts Reserve Trust	239,195	-	-	239,195	203,998	-	-	203,998
MMWEC working capital	(63,000)	-	-	(63,000)	(36,000)	-	-	(36,000)
Deferred outflows - related to pension	(375,838)	-	-	(375,838)	276,903	-	-	276,903
Deferred outflows - related to OPEB	(146,205)	-	-	(146,205)	(23,064)	-	-	(23,064)
Deferred outflows - other	-	89,267	-	89,267	-	(49,152)	-	(49,152)
Accounts payable	(67,042)	(26,060)	-	(93,102)	(66,912)	(14,849)	-	(81,761)
Accrued liabilities	1,061	(7)	-	1,054	2,960	(8)	-	2,952
Net pension liability	287,652	-	-	287,652	50,863	-	-	50,863
Net OPEB liability	107,629	-	-	107,629	6,234	-	-	6,234
Other liabilities	(1,901)	-	-	(1,901)	5,970	-	-	5,970
Deferred inflows - related to pensions	(144,070)	-	-	(144,070)	78,460	-	-	78,460
Deferred inflows - related to OPEB	52,798	-	-	52,798	2,911	-	-	2,911
Deferred inflows - other	<u>(17,866)</u>	<u>17,350</u>	<u>-</u>	<u>(516)</u>	<u>34,475</u>	<u>17,350</u>	<u>-</u>	<u>51,825</u>
Net Cash Provided By Operating Activities	<u>\$ 1,241,515</u>	<u>\$ 242,544</u>	<u>\$ -</u>	<u>\$ 1,484,059</u>	<u>\$ 1,761,363</u>	<u>\$ 168,615</u>	<u>\$ -</u>	<u>\$ 1,929,978</u>

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

ENTERPRISE FUND
CONSOLIDATING SCHEDULE OF UTILITY PLANT IN SERVICE

FOR THE YEAR ENDED DECEMBER 31, 2019

	Templeton Municipal Light Plant					Wind Energy Cooperative Corporation				Total				
	Beginning Balance 1/1/19	Increases	Decreases	2019 Adjustments	Ending Balance 12/31/19	Beginning Balance 1/1/19	Increases	Decreases	Ending Balance 12/31/19	Beginning Balance 1/1/19	Increases	Decreases	2019 Adjustments	Ending Balance 12/31/19
Capital assets being depreciated:														
Production plant	\$ 193,360	\$ -	\$ -	\$ -	\$ 193,360	\$ 3,830,068	\$ -	\$ -	\$ 3,830,068	\$ 4,023,428	\$ -	\$ -	\$ -	\$ 4,023,428
Distribution plant	11,290,467	2,963,438	-	112,512	14,366,417	-	-	-	-	11,290,467	2,963,438	-	112,512	14,366,417
General plant	4,147,630	57,893	-	(181,953)	4,023,570	-	-	-	-	4,147,630	57,893	-	(181,953)	4,023,570
Total capital assets being depreciated	15,631,457	3,021,331	-	(69,441)	18,583,347	3,830,068	-	-	3,830,068	19,461,525	3,021,331	-	(69,441)	22,413,415
Less accumulated depreciation for:														
Production plant	(68,118)	(5,801)	-	14,283	(59,636)	(952,936)	(114,900)	-	(1,067,836)	(1,021,054)	(120,701)	-	14,283	(1,127,472)
Distribution plant	(5,793,975)	(339,144)	-	-	(6,133,119)	-	-	-	-	(5,793,975)	(339,144)	-	-	(6,133,119)
General plant	(2,080,333)	(124,428)	-	-	(2,204,761)	-	-	-	-	(2,080,333)	(124,428)	-	-	(2,204,761)
Total accumulated depreciation	(7,942,426)	(469,373)	-	14,283	(8,397,516)	(952,936)	(114,900)	-	(1,067,836)	(8,895,362)	(584,273)	-	14,283	(9,465,352)
Total capital assets being depreciated, net	7,689,031	2,551,958	-	(55,158)	10,185,831	2,877,132	(114,900)	-	2,762,232	10,566,163	2,437,058	-	(55,158)	12,948,063
Capital assets not being depreciated														
Land	189,178	-	-	-	189,178	-	-	-	-	189,178	-	-	-	189,178
Construction in progress	1,255,600	1,328,581	(2,521,075)	1,544	64,650	-	-	-	-	1,255,600	1,328,581	(2,521,075)	1,544	64,650
Total capital assets not being depreciated	1,444,778	1,328,581	(2,521,075)	1,544	253,828	-	-	-	-	1,444,778	1,328,581	(2,521,075)	1,544	253,828
Utility plant capital assets, net	\$ 9,133,809	\$ 3,880,539	\$ (2,521,075)	\$ (53,614)	\$ 10,439,659	\$ 2,877,132	\$ (114,900)	\$ -	\$ 2,762,232	\$ 12,010,941	\$ 3,765,639	\$ (2,521,075)	\$ (53,614)	\$ 13,201,891

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

CONSOLIDATING SCHEDULES OF ELECTRIC
OPERATIONS AND MAINTENANCE EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Power Supply Expenses:		
Purchased power	\$ 4,146,882	\$ 4,314,994
Other expenses	<u>59,863</u>	<u>51,561</u>
Total Power Supply Expenses	4,206,745	4,366,555
Distribution Expenses:		
Operation, supervision and engineering	105,970	103,908
Operation labor	99,152	95,370
Operation supplies and expenses	4,253	5,422
Overhead line expenses	23,196	26,309
Underground line expense	9,387	10,299
Street light and signal system expense	11,219	10,390
Meter expenses	4,830	6,583
Customer installation expense	-	132
Miscellaneous distribution expenses	102,870	97,460
Maintenance of station equipment	5,300	16,061
Maintenance of overhead lines	232,131	167,677
Maintenance of underground lines	185	117
Maintenance of line transformers	3,841	5,093
Maintenance of street lights and signal systems	<u>5,517</u>	<u>3,646</u>
Total Distribution Expenses	607,851	548,467
Customer Account Expenses:		
Meter reading	4,003	19,695
Accounting and collection expense	<u>115,553</u>	<u>90,147</u>
Total Customer Account Expenses	119,556	109,842
Administration and General Expenses:		
Administration and general salaries	181,055	181,508
Office supplies and expenses	53,796	48,313
Outside services employed	49,263	44,637
Property insurance	13,853	12,497
Injuries and damages	64,832	52,913
Employee pensions and benefits	439,451	727,224
Miscellaneous general expense	43,787	80,624
Transportation expense	(36,152)	(9,166)
Maintenance of general plant	<u>70,020</u>	<u>44,076</u>
Total Administration and General Expenses	879,905	1,182,626
Total Operating and Maintenance Expenses	<u>\$ 5,814,057</u>	<u>\$ 6,207,490</u>

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

SCHEDULE OF SALES OF ELECTRICITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Net Revenues			Kilowatt Hours Sold			Net Revenues Per Kilowatt Hour Sold	
	<u>2019</u>	<u>2018</u>	Increase <u>(Decrease)</u>	<u>2019</u>	<u>2018</u>	Increase <u>(Decrease)</u>	<u>2019</u>	<u>2018</u>
Sales of Electricity								
Private Customers:								
Residential Sales	\$ 3,510,555	\$ 3,576,237	\$ (65,682)	26,664,720	27,149,083	(484,363)	\$ 0.13166	\$ 0.13173
Commercial and Industrial Sales								
Industrial	2,590,324	2,645,965	(55,641)	25,494,117	25,512,034	(17,917)	0.10160	0.10371
Commercial	526,355	539,906	(13,551)	4,412,434	4,453,520	(41,086)	0.11929	0.12123
Private Area Lighting	71,056	70,051	1,005	619,104	619,104	-	0.11477	0.11315
Public Authority	74,844	65,077	9,767	628,065	542,968	85,097	0.11917	0.11985
Total Private Customers	6,773,134	6,897,236	(124,102)	57,818,440	58,276,709	(458,269)	0.11714	0.11835
Municipal Customers								
Industrial	417,442	276,487	140,955	3,438,700	2,261,920	1,176,780	0.12140	0.12224
Commercial	57,169	66,771	(9,602)	463,020	559,337	(96,317)	0.12347	0.11938
Street Lighting	18,869	18,370	499	161,532	161,532	-	0.11681	0.11372
Total Municipal Customers	493,480	361,628	131,852	4,063,252	2,982,789	1,080,463	0.12145	0.12124
Other Electric Revenues	1,425	5,140	(3,715)	-	-	-	-	-
Total Sales of Electricity	\$ <u>7,268,039</u>	\$ <u>7,264,004</u>	\$ <u>4,035</u>	<u>61,881,692</u>	<u>61,259,498</u>	<u>622,194</u>	\$ <u>0.11745</u>	\$ <u>0.11858</u>