CITY OF TAUNTON, MASSACHUSETTS

MUNICIPAL LIGHTING PLANT

Financial Statements
and Supplementary Information

Years Ended December 31, 2012 and 2011

Contents

REPORT OF INDEPENDENT AUDITORS

To the Municipal Light Commission
City of Taunton, Massachusetts, Municipal Lighting Plant

We have audited the accompanying financial statements of the **City of Taunton, Massachusetts, Municipal Lighting Plant** (the "Plant"), an enterprise fund of the City of Taunton, Massachusetts, which comprise the statements of assets, liabilities and changes in net assets as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

As more fully described in Note I to the financial statements, the Plant has not determined the cost of its other post-employment benefits in accordance with accounting principles generally accepted in the United States of America, which require an actuarial valuation at least biennially for other post-employment benefit plans with a total membership of 200 or more. Quantification of the effects of that departure on the financial statements is not practicable.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **City of Taunton, Massachusetts, Municipal Lighting Plant** as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Other Post-Employment Benefits information on pages 3 through 5 and 19 through 20 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 sufficient evidence to express an opinion or provide any assurance.

Braver PC

Providence, Rhode Island
April 29, 2013

Within this section of the City of Taunton, Massachusetts, Municipal Lighting Plant annual financial report, management provides narrative discussion and analysis of the financial activities of the Municipal Lighting Plant for the year ended December 31, 2012. The Plant's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements:

The basic financial statements include (1) the statements of assets, liabilities and net assets (2) the statements of revenues, expenses and changes in net assets (3) the cash flow statements and (4) notes to the financial statements.

The Statement of Assets, Liabilities and Net Assets is designed to indicate the Plant's financial position as of a specific point in time. At December 31, 2012, it shows our net worth of $105,132,719 which is comprised of $70,302,485 invested in capital assets, $12,308,818 restricted for depreciation and $22,521,416 available for operations.

The Statement of Revenues, Expenses and Changes in Net Assets summarizes our operating results for the years ended December 31, 2012 and 2011. As discussed in more detail below, the Plant's net income for 2012 and 2011, was $10,178,699 and $8,412,857 respectively, before payments in lieu of taxes (PILOT).

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of the Plant's Statements of Cash Flows indicates that the cash receipts from operating activities, (that is, electricity and internet access sales and related services) were sufficient to cover the operating expenses and capital projects, as well as contributions to the City.

Summary of Net Assets

	2012	2011	2010
Current Assets	$ 34,361,987	$ 28,354,493	$ 33,617,198
Noncurrent Assets	108,279,098	98,195,707	87,123,537
Total Assets	$ 142,641,085	$ 126,550,200	$ 120,740,735
Current Liabilities	$ 8,722,645	$ 7,501,914	$ 8,100,601
Noncurrent Liabilities	28,785,721	21,194,266	20,298,971
Total Liabilities	37,508,366	28,696,180	28,399,572
Invested in Capital Assets	70,302,485	67,666,336	66,193,703
Restricted for Depreciation	12,308,818	12,308,818	2,308,818
Unrestricted	22,521,416	17,878,866	23,838,642
Total Net Assets	105,132,719	97,854,020	92,341,163
Total Liabilities and Net Assets	$ 142,641,085	$ 126,550,200	$ 120,740,735

Summary of Changes in Net Assets

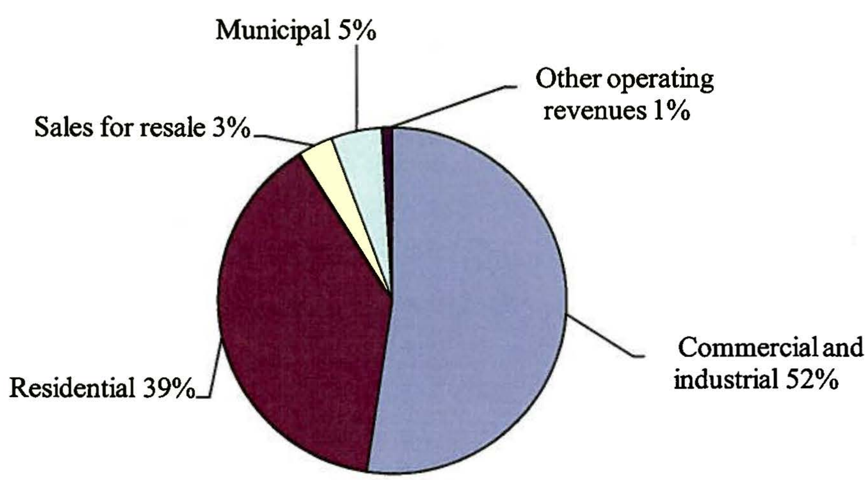
	2012	2011	2010
Operating Revenues	$ 91,641,726	$ 95,903,272	$ 100,947,722
Operating Expenses	81,604,941	87,392,213	91,290,434
Operating Income	10,036,785	8,511,059	9,657,288
Nonoperating Revenues Less Nonoperating Expenses	141,914	(98,202)	(73,235)
Increase in Net Assets before Transfers	10,178,699	8,412,857	9,584,053
Transfers Out - Payment in lieu of taxes	(2,900,000)	(2,900,000)	(2,900,000)
Increase in Net Assets	$ 7,278,699	$ 5,512,857	$ 6,684,053

Financial Highlights:

Operating revenues for 2012 decreased by $4.3 million or 4% from 2011. The revenue reduction was a result of a reduction in sales and reduced power supply costs.

Operating expenses for 2012 decreased by $5.8 million or 6.6% from 2011. The decrease is attributable principally to a decrease in power supply costs (fuel, and purchased power expenses).

Source of 2012 Operating Revenues



Utility Plant and Debt Administration:

Utility Plant
There was a decrease in net utility plant in service of $585,000 for 2012. This decrease is the difference between the current year additions of $5.2 million and the annual depreciation (3% of depreciable gross plant) expense of $5.7 million. Additions to plant consisted principally of approximately $400,000 in production and transmission plant, $3.7 million in distribution plant and $1.1 million in general plant. Major items capitalized in 2012 include the Station #3 reconstruction project, installation of overhead and underground conductors and devices, general plant communications equipment, distribution line transformers and transportation equipment.

Debt Administration
The Plant issued $7,250,000 of long-term serial general obligation bonds on June 15, 2010. The bond proceeds were used to upgrade the Plant's computer system and for asbestos abatement at the West Water Street facility during 2011.

Significant Balances and Transactions:

Depreciation Fund
The Plant maintains this fund to pay for capital investments and improvements. These capital items are paid from the operating fund, which is then replenished by funds transferred from the depreciation fund. The depreciation fund is required by state statute. The Light Plant must set aside 3% of its gross depreciable plant annually to be used principally for capital expenditures. Interest earned on the account is kept in the fund.

Sick Leave Trust Fund
The Plant maintains a fully funded Sick Leave Trust Fund ("Trust") for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust.

Pension Plans
The employees of the Light Plant participate in the City of Taunton Retirement System. In addition to investments made by the System, a separate trust fund has been established by the Plant to provide funding of the Plant's past unfunded service costs. Each year the Light Plant is assessed by the City for its share of such pension costs.

Customer Deposits
The Plant collects deposits from residential and commercial accounts when they come into the system. Deposits can be refunded when a customer has demonstrated a good credit history or upon leaving the system. Interest is paid for as long as the Plant holds the deposit.

Unit 10
The Plant has placed on hold the further development of the Unit #10 combined cycle generating project. A total of $2,531,922 has been booked in CIP related to this project. The portion of this total expended during 2012 was $0.

CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT

Statements of Assets, Liabilities and Net Assets
December 31, 2012 and 2011

ASSETS

	2012	2011
Utility Plant - at cost		
Plant in service	$ 201,235,507	$ 196,306,491
Less: Accumulated depreciation	132,926,163	127,412,240
Net Utility Plant in Service	68,309,344	68,894,251
Investment in Seabrook	801,926	1,065,475
Construction work in progress	6,991,215	4,231,610
Total Utility Plant	76,102,485	74,191,336
Other Assets		
Depreciation fund	12,308,818	12,308,818
Rate stabilization fund	6,000,000	2,000,000
Sick leave trust fund	9,819,135	8,939,131
Sick leave annuities	3,185,068	-
Investment in Hydro Quebec Project	74,120	94,564
Investment in Energy New England LLC	789,472	661,858
Total Other Assets	32,176,613	24,004,371
Current Assets		
Cash	18,365,318	12,903,449
Customer deposits	1,355,284	1,240,484
Accounts receivable, less allowance for doubtful accounts of $1,146,059 and $1,299,406 in 2012 and 2011, respectively	8,684,431	8,490,244
Accounts receivable - internet services	79,389	76,296
Due from plant retirement trust	484,197	433,740
Materials and supplies inventory	4,238,498	4,195,212
Prepaid expenses	1,154,870	1,015,068
Total Current Assets	34,361,987	28,354,493
Total Assets	$ 142,641,085	$ 126,550,200

LIABILITIES AND NET ASSETS

	2012	2011
Net Assets:		
Invested in capital assets, net of related debt	$ 70,302,485	$ 67,666,336
Restricted for depreciation	12,308,818	12,308,818
Unappropriated net assets	22,521,416	17,878,866
Total Net Assets	105,132,719	97,854,020
Non-current Liabilities:		
Bonds payable - excluding current portion	5,075,000	5,800,000
Provision for rate stabilization	6,000,000	2,000,000
Sick leave	8,540,179	8,418,522
Sick leave annuities - obligation	3,185,068	-
Other post-employment benefits obligation	5,985,474	4,975,744
Total Non-current Liabilities	28,785,721	21,194,266
Current Liabilities:		
Bonds payable - current portion	725,000	725,000
Accounts payable	4,716,101	3,501,735
Customer deposits	1,355,908	1,241,109
Accrued liabilities:		
Vacation	1,472,191	1,482,422
Interest	16,196	18,392
Payroll	378,052	304,730
Other	59,197	228,526
Total Current Liabilities	8,722,645	7,501,914
Total Liabilities	37,508,366	28,696,180
Total Liabilities and Net Assets	$ 142,641,085	$ 126,550,200

See accompanying notes and report of independent auditors.

CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT

Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues:		
Sales of electricity		
Commercial and industrial	$ 51,539,760	$ 52,419,880
Residential	38,042,183	38,434,862
Sales for resale	3,223,797	2,926,024
Municipal	4,657,585	4,438,651
Provision for rate stabilization	(4,000,000)	-
Discounts given	(2,758,030)	(2,783,896)
Total sales of electricity	90,705,295	95,435,521
Other operating revenues	936,431	467,751
Total Operating Revenues	91,641,726	95,903,272
Operating Expenses:		
Power production and purchases	51,324,532	56,926,518
Transmission and distribution	13,877,452	14,868,652
Customer accounting	4,222,386	3,506,804
Administrative and general	5,821,649	5,979,346
Depreciation and amortization	5,901,346	5,687,775
Nuclear expense	457,576	423,118
Total Operating Expenses	81,604,941	87,392,213
Earnings from Operations	10,036,785	8,511,059
Other Income (Expense)		
Interest expense	(198,469)	(220,227)
Interest income	10,070	23,803
Internet income, net	210,573	80,058
Other income	119,740	18,164
Total Other Income (Expense)	141,914	(98,202)
Net Income	$ 10,178,699	$ 8,412,857
Net Assets, January 1	$ 97,854,020	$ 92,341,163
Net Income	10,178,699	8,412,857
Transfers in (out):		
Payment in lieu of taxes	(2,900,000)	(2,900,000)
Net Assets, December 31	$ 105,132,719	$ 97,854,020

See accompanying notes and report of independent auditors.

CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities:		
Cash received from customers	$ 96,336,743	$ 98,218,761
Cash payments to suppliers and employees	(75,024,338)	(81,132,902)
Net Cash Provided by Operating Activities	21,312,405	17,085,859
Cash Flows from Non-capital Financing Activities:		
Payment to city in lieu of taxes	(2,900,000)	(2,900,000)
Cash Flows from Capital and Related Financing Activities:		
Net additions to utility plant	(7,920,525)	(6,468,654)
Principal paid on bonds	(725,000)	(725,000)
Interest paid on bonds	(200,281)	(222,031)
Net Cash Used in Capital and Related Financing Activities	(8,845,806)	(7,415,685)
Cash Flows from Investing Activities:		
Interest and dividend income	10,070	23,803
Net Cash Provided by Investing Activities	10,070	23,803
Net Increase in Cash	9,576,669	6,793,977
Cash and cash equivalents, Beginning	28,452,751	21,658,774
Cash and cash equivalents, Ending	$ 38,029,420	$ 28,452,751
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 10,036,785	$ 8,511,059
Adjustments to reconcile operating income to net cash provided by operating activities:		
Internet income (loss), net	210,573	80,058
Equity in losses (gains) on investments in associated companies	120,599	42,275
Depreciation and amortization	5,901,346	5,687,775
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(197,280)	1,295,622
(Increase) decrease in Sick Leave Trust Fund	(758,347)	296,394
Increase in due from Plant Retirement Trust	(50,457)	(48,281)
(Increase) decrease in prepaid expenses	(139,802)	227,888
(Increase) decrease in materials and supplies	(43,286)	581,453
Increase in rate stabilization liablity	4,000,000	-
Increase in other postemployment benefits obligation	1,009,730	1,008,502
Increase (decrease) in accounts payable	1,214,366	(587,682)
Decrease in pollution remediation obligation	-	(178,000)
Increase in customer deposits	114,800	133,638
Increase (decrease) in accrued liabilities	(106,622)	35,158
Total Adjustments	11,275,620	8,574,800
Net Cash Provided by Operating Activities	$ 21,312,405	$ 17,085,859

See accompanying notes and report of independent auditors.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
The Plant is a regulated municipal electric utility located in Taunton, Massachusetts. The Plant operates as an enterprise fund of the City of Taunton, Massachusetts, and produces, purchases and distributes electricity to approximately 35,900 customers in the city of Taunton and the surrounding areas. The Plant also operates an internet access business unit and provides services to approximately 1,700 customers.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

Estimates relating to the allowance for doubtful accounts, contingencies (see note G), and other post-employment benefits (see note I) represent significant estimates included in the financial statements. Management bases its estimates of these items on historical experience, specific identification and future expectations.

Rates
The Plant is under the charge and control of the Municipal Light Plant Commissioners in accordance with Chapter 164, Section 55, of the General Laws of the Commonwealth of Massachusetts. Electric power is both produced and purchased and is distributed to customers within their service area. The rates charged by the Plant to its customers are filed with the DPU and are subject to Chapter 164, Section 58, of the General Laws, which provides that prices shall be fixed to yield not more than 8% per annum on the cost of the plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation.

The Plant's rates include a Purchased Power Cost Adjustment ("PPCA") which allows an adjustment of rates charged to customers in order to recover all changes in power costs from stipulated base costs. The PPCA provides for a quarterly reconciliation of total power costs billed with the actual cost of power incurred.

Utility Plant
The provision for depreciation of utility plant was computed in 2012 and 2011 at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. No depreciation is taken in the year of plant additions and a full year's depreciation is taken in the year of disposal. Massachusetts law stipulates that the Plant may change its depreciation rate from the statutory 3% only with the approval of the DPU.

Depreciation Fund cash is used in accordance with state laws for replacements, enlargements and additions to the utility plant in service.

The Plant capitalizes individual purchases of $3,000 or more and groups of purchases of similar items of $5,000 or more. Office furniture purchased for more than $1,000 or office equipment, meters, transformers and vehicles purchased for more than $500 are capitalized.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Seabrook

The Plant's Investment in Seabrook represents a 0.10034% joint ownership share. The Plant records annual depreciation computed at 4% of the initial investment in Seabrook. The Plant's percentage share of new plant additions are capitalized and their share of operating and maintenance expenses, and decommissioning expenses (see Note C) are charged against earnings.

Sick Leave Trust Fund

The Plant maintains a fully funded Sick Leave Trust Fund ("Trust") for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust. The assets of the Trust are shown in the financial statements to provide a more meaningful presentation, as the assets of the Trust are for the sole purpose of satisfying a liability of the Plant.

The invested funds are reported at fair value in the statements of assets, liabilities and net assets. Realized gains and losses, as well as changes in value of the invested funds, are included in the statements of revenues, expenses and changes in net assets.

Net investment income for the Trust was approximately $126,000 and $252,000 in 2012 and 2011, respectively. The net income (expense) for sick leave was approximately $201,000 and $(412,000) for years ended December 31, 2012 and 2011, respectively. The net income (expense) for sick leave is the change in the accrued sick leave liability net of the gains or losses on the assets held in the Trust and, therefore, may fluctuate significantly from year to year.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Plant considers all deposits with original maturities of three months or less to be cash equivalents.

Accounts Receivable

The Plant carries its accounts receivable at fair market value by way of an allowance for doubtful accounts. Collectability of receivables is determined based on historical write offs and collections, on knowledge of specific large accounts, and on current economic conditions.

Inventory

Materials and supplies inventory is carried at cost, principally on the average cost method.

Pension Plan

Substantially all employees of the Plant are covered by a contributory pension plan administered by the City of Taunton in conformity with State Retirement Board requirements (see Note H).

Taxes

The Plant is exempt from federal and state income taxes as well as local property taxes. The Plant pays an amount to the City of Taunton in lieu of taxes. That amount is voted annually by the Municipal Light Commission.

Subsequent Events

Subsequent events have been evaluated through April 29, 2013, the date the financial statements were available to be issued.

Notes to The Financial Statements
Years Ended December 31, 2012 and 2011

NOTE B. PLANT IN SERVICE

Plant in service activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Production	$ 76,229,521	$ 146,064	$ -	$ 76,375,585
Transmission	7,302,304	231,508	-	7,533,812
Distribution	81,627,031	3,707,006	-	85,334,037
General	31,147,635	1,076,367	(231,929)	31,992,073
Total plant in service	196,306,491	5,160,945	(231,929)	201,235,507
Less accumulated depreciation for:				
Production	61,153,776	1,308,537	-	62,462,313
Transmission	6,782,987	131,835	-	6,914,822
Distribution	46,974,367	2,390,206	-	49,364,573
General	12,501,110	1,907,379	(224,034)	14,184,455
Total accumulated depreciation	127,412,240	5,737,957	(224,034)	132,926,163
Net utility plant in service	$ 68,894,251	$ (577,012)	$ (7,895)	$ 68,309,344

Depreciation expense for utility plant in service of $5,901,346 and for the investment in Seabrook of $163,389 was charged to operating expenses for the year ended December 31, 2012.

Plant in service activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Production	$ 75,620,611	$ 608,910	$ -	$ 76,229,521
Transmission	7,283,794	18,510	-	7,302,304
Distribution	77,868,386	3,758,645	-	81,627,031
General	29,951,227	1,453,500	(257,092)	31,147,635
Total plant in service	190,724,018	5,839,565	(257,092)	196,306,491
Less accumulated depreciation for:				
Production	59,877,654	1,276,122	-	61,153,776
Transmission	6,651,602	131,385	-	6,782,987
Distribution	44,710,103	2,264,264	-	46,974,367
General	10,834,781	1,852,615	(186,286)	12,501,110
Total accumulated depreciation	122,074,140	5,524,386	(186,286)	127,412,240
Net utility plant in service	$ 68,649,878	$ 315,179	$ (70,806)	$ 68,894,251

Depreciation expense for utility plant in service of $5,524,386 and for the investment in Seabrook of $163,389 was charged to operating expenses for the year ended December 31, 2011.

NOTE C. INVESTMENTS

Seabrook
The Plant is a 0.10034% joint owner of the Seabrook New Hampshire Unit 1.

The joint owners of Seabrook have established a Decommissioning Fund that is currently held by a Trustee. The Plant's share of the estimated decommissioning liability is approximately $1,066,000 as of December 31, 2012 (the most current valuation date). The Plant is currently contributing, based on a present value formula, $1,005 per month over 25 years. The cost is included in nuclear expense on the statement of revenues, expenses and changes in net assets as it is paid.

NOTE C. INVESTMENTS (Continued)

Energy New England

Energy New England, LLC ("ENE") is an energy services company established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. ENE functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. The Plant owns a 28.33% interest in ENE. Each of the six members has one seat on the Board of Directors along with three outside Directors. The Plant's initial investment in the company in 1998 was $500,000. The Plant records this investment under the equity method.

Included in other income is approximately $128,000 and $14,000 of gains for the years December 31, 2012 and 2011, respectively, representing the Plant's share of ENE's results of operations.

Hydro Quebec Electric Company

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities and Hydro-Quebec Electric Corporation ("Hydro Quebec"). In connection with the agreement, the Plant advanced approximately $800,000 toward development of the project of which approximately $450,000 was returned after the project obtained financing. In 1991, the Hydro Quebec project was completed. Upon completion of this project, each participant received stock in the New England Hydro Transmission Electric Company and the New England Hydro Transmission Corporation proportional to their advances. The investment is being accounted for on the cost basis. The stock received is not readily marketable, but gives the holder rights to purchase power at a percentage of the fossil fuel rate. During the years ended December 31, 2012 and 2011, the Plant received dividends from the two companies of approximately $7,100 and $21,000, respectively.

NOTE D. CASH AND CERTIFICATES OF DEPOSIT

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

The City invests the cash and credits the Plant each year with interest earned on the cash deposits.

Cash, certificates of deposit and short term investments consist of the following at December 31,

	2012	2011
Cash - operating	$ 16,813,728	$ 11,102,273
Customer deposits	1,355,284	1,240,484
Depreciation fund	12,308,818	12,308,818
Rate stabilization fund	6,000,000	2,000,000
Cash deposited with City of Taunton	36,477,830	26,651,575
Cash deposited with Energy New England LLC	1,551,590	1,801,176
	$ 38,029,420	$ 28,452,751

NOTE D. CASH AND CERTIFICATES OF DEPOSIT (Continued)

Cash, certificates of deposit and short term investments at December 31 are reflected on the balance sheet as follows:

	2012	2011
Cash	$ 18,365,318	$ 12,903,449
Customer deposits	1,355,284	1,240,484
Depreciation fund	12,308,818	12,308,818
Rate stabilization fund	6,000,000	2,000,000
	$ 38,029,420	$ 28,452,751

NOTE E. LONG-TERM DEBT

Long-term debt consists of the following:

	2012	2011
$7,250,000 general obligation bonds, issued June 15, 2010, with interest rates ranging from 2.5% to 4% and annual principal and semi-annual interest payments through June 1, 2020.	$ 5,800,000	$ 6,525,000
Less: current installments of long-term debt	(725,000)	(725,000)
Long-term debt, excluding current installments	$ 5,075,000	$ 5,800,000

Long-term debt activity for the years ended December 31, 2012 and 2011 was as follows:

	2012	2011
Balance of long-term debt, Beginning	$ 6,525,000	$ 7,250,000
Principal payments	(725,000)	(725,000)
Balance of long-term debt, Ending	$ 5,800,000	$ 6,525,000

The future payments on the long-term debt are as follows:

Year	Principal	Interest	Total
2013	$ 725,000	$ 178,531	$ 903,531
2014	725,000	153,156	878,156
2015	725,000	124,156	849,156
2016	725,000	100,594	825,594
2017	725,000	80,656	805,656
2018-2020	2,175,000	104,672	2,279,672
Total	$ 5,800,000	$ 741,765	$ 6,541,765

NOTE F. OPERATING LEASES

The plant leases various equipment with terms ending 2013.

The future minimum lease payments under these agreements at December 31, 2012, are as follows:

December 31, 2013	$ 45,217
Total	$ 45,217

Rent expense under these leases, which is included in administrative and general expenses, was approximately $45,000 and $45,000 in 2012 and 2011, respectively.

NOTE G. COMMITMENTS AND CONTINGENCIES

Litigation and Other Matters

The Plant is involved in various legal matters incident to its business, none of which is believed by management to be significant to the financial condition or the results of operations of the Plant.

The Plant is also involved in proceedings relating to environmental matters. Although it is not possible to estimate the liability, if any, of the Plant related to these environmental matters, the Plant believes that these matters will not have a material adverse effect upon its financial condition or the results of operations.

The Plant has a program for insurance coverage provided by the Massachusetts Municipal Utility Self-Insurance Trust Fund ("Trust"). The insurance coverage provided by the Trust is in excess of a $50,000 self retention up to a maximum of $500,000 per occurrence. Additionally, coverage for certain environmental claims is provided by the Trust through a separate policy for which the plant is responsible for a $50,000 self-retention and the Trust covers the next $50,000. Above this combined $100,000 self-retention, the separate pollution liability policy provides coverage for certain claims up to $1 million per occurrence and $10 million aggregate.

Option Contracts

The Plant manages risk associated with power supply commitments and excess capacity by entering into forward contracts for the purchase and sale of electricity and fuel in the normal course of business. It also uses put and call option contracts to reduce the price risk associated with its power supply portfolio.

Option Contracts (Continued)

Put and call options are reflected at fair value as determined by actively quoted prices and are recorded on the balance sheet with changes in fair value included in purchased power and transmission expense. No option contracts were open as of December 31, 2012 and 2011.

Forward contracts to purchase electricity and fuel at set prices and other contracts to sell electricity at fixed prices qualify for the normal purchases and sales exception of SFAS No. 133 and are not accounted for as derivatives.

The objectives of TMLP's risk management procedures for option contract and power and fuel purchase and sale forward contract activities are to optimize power supply resources, control costs, and manage price volatility to customers while avoiding speculative positions in the commodities markets.

NOTE G. COMMITMENTS AND CONTINGENCIES (Continued)

Power Contracts

The Plant has commitments under contracts for the purchase of electricity from various suppliers. These wholesale contracts are generally for fixed periods and require payment of demand and energy charges. The total costs under these contracts are included in purchased power in the statements of revenues, expenses and changes in net assets and are normally recoverable in revenues under cost recovery mechanisms mandated by the Commonwealth of Massachusetts. The status of these contracts is as follows:

Counter Party	Fuel	2012 KW Entitlements	Contract End Date	Estimated Annual Minimum Payments
NextEra Energy Power Marketing, LLC	Unspecified	5,000	2013	$ 3,176,000
PPL EnergyPlus	Unspecified	5,000	2013	$ 2,884,000
Morgan Stanley Capital Group	Unspecified	5,000	2013	$ 4,773,000
Industrial Power Services Corporation	Unspecified	430	2013	$ 101,000
Fortistar Methane Group-GRS Fall River	Methane	5,000	2014	$ 2,338,000
Dominion Energy Marketing, Inc	Unspecified	16,200	2015	$ 917,000
Miller Hydro Group, Inc.	Unspecified	2,700-4,350	2016	$ 1,150,000
MM Taunton Energy, LLC	Methane	1,630-1900	2019	$ 1,938,000
Seabrook Nuclear Power Plant	Nuclear	1,170	2020	$ 512,000
New York Power Authority	Hydro	4,845	2025	$ 972,000
Braintree Electric Light Department	Methane	10,000	2029	$ 3,202,000

NOTE H. PENSION PLANS

The Plant contributes to the City of Taunton Retirement System (the "System"), a public employee retirement system that acts as the investment and administrative agent for the City. The System is a contributory cost-sharing multiple employer defined benefit plan. All full-time employees participate in the System.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory upon the commencement of employment for all permanent, full-time employees.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The System also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City's payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5%, 7%, 8%, 9% of their regular compensation or 2% of salary in excess of $30,000, depending on the date upon which their membership began. The System also provides death and disability benefits.

The System assesses the City each fiscal year an amount determined in accordance with its current funding schedule. The City allocates a portion of its obligation to the Plant based on the relative number of participants and the amount of payroll. The Plant's contributions to the System for 2012, 2011 and 2010 were $3,188,038, $3,048,523 and $2,891,107, respectively, and were equivalent to the required payments.

NOTE H. PENSION PLANS (Continued)

The current funding schedule includes the amount required to pay the employer normal cost (in addition to member contributions) plus the amortization of the prior unfunded actuarial accrued liability. The current funding schedule projects that the plan will be fully funded in 2028. The funding schedule has been approved by the Public Employees Retirement Association.

Copies of the System's audited financial statements can be obtained by writing to The City of Taunton Retirement System, 40 Dean Street, Taunton, MA 02780.

The Plant has established a separate Employees Retirement Trust Fund ("Trust Fund") for the financing of future pension payments. The market value of the net assets at December 31, 2012 and 2011, was approximately $8,753,000 and $8,801,000, respectively. These funds are invested in money market funds, fixed income securities including government and corporate bonds and other equity securities. The Plant made no contributions to the Trust Fund in 2012 and 2011.

The Plant pays the normal costs plus expenses and a levelized amount of the amortization. The Plant receives from the Trust Fund, over the next fifteen years, the balance of the annual amortization of the unfunded pension liability. Prior to 2007, the Plant received 100% of the annual amortization of the unfunded pension liability from the Trust Fund.

The following represents the components of the Plant's recorded pension expense.

	December 31, 2012	December 31, 2011
Contributions assessed by and paid to the System	$ 3,188,038	$ 3,048,523
Contributions from the Trust Fund	(917,942)	(819,199)
Recorded pension expense	$ 2,270,096	$ 2,229,324

NOTE I. OTHER POST-EMPLOYMENT BENEFITS

The Plant follows GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions."

Plan Description

The Plant participates in The Post Retirement Benefits Plan of The City of Taunton, an agent multi-employer defined benefit healthcare plan administered by the City of Taunton. The Plant provides post-employment health care benefits to retirees that meet certain requirements. Retirees of the Plant under age 65 are eligible for the same health benefits as active employees, while retirees over the age of 65 are eligible for MEDEX. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan does not issue a publicly available financial report.

At June 30, 2010, the most recent actuarial valuation date, the Plant's membership consisted of the following:

Current retirees and beneficiaries	163
Current active members	158
Total	321

NOTE I. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy
The contribution requirements of the plan members and the Plant are established and may be amended through collective bargaining. The cost of the benefits provided to retirees are borne 75% by the Plant, and 25% by the retiree. For plan year ended June 30, 2012, the Plant contributed approximately $964,000 to the plan, and total member contributions were approximately $288,500.

Annual OPEB Costs and Net OPEB Obligation
The Plant's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Plant's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Plant's net OPEB obligation are summarized in the following table:

	2012	2011
Normal cost	$ 1,093,381	$ 1,093,381
Amortization of unfunded actuarial accrued liability	1,168,844	1,168,844
Annual OPEB cost/expense	2,262,225	2,262,225
Contributions made	(1,252,495)	(1,253,723)
Increase in net OPEB obligation	1,009,730	1,008,502
Net OPEB obligation - beginning of year	4,975,744	3,967,242
Net OPEB obligation - end of year	$ 5,985,474	$ 4,975,744

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

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 2,262,225	$ 1,200,910	53%	$ 3,967,242
12/31/2011	$ 2,262,225	$ 1,253,723	55%	$ 4,975,744
12/31/2012	$ 2,262,225	$ 1,252,495	55%	$ 5,985,474

Funding Status and Funding Progress
As of June 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $37,623,107, all of which was unfunded. The covered payroll (annual payroll of the Department's active employees covered by the plan) was $15,955,539, and the ratio of the Unfunded Actuarial Accrued Liability ("UAAL") to the covered payroll was 236%

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE I. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

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

In the June 30, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 4% investment rate of return and an annual health care cost rate trend of 8% decreasing to 5% in 2016. The UAAL is being amortized as a level percentage of pay assuming a 4.5% increasing, open basis. The remaining amortization period at June 30, 2010, was 30 years.

NOTE J. INTERNET ACCESS BUSINESS UNIT

Revenue and expense for this business unit are combined and presented as a single line item in other income (expense) in the statement of revenues, expenses and changes in net assets. Internet services generated revenues of approximately $1,157,000 and $1,034,000 for the years ended December 31, 2012 and 2011, respectively. Expenses were approximately $947,000 and $954,000 for the same periods.

The business unit leases certain assets from the Plant. For the years ended December 31, 2012 and 2011, other operating revenue for the Plant and internet expense includes approximately $162,000 and $162,000, respectively, relating to this lease.

NOTE K. SALE OF EMISSION ALLOWANCES

The Plant receives emission allowances in connection with the operation of its generation facilities. The Plant may from time to time purchase or sell excess emission allowances on the open market. The income from the sale or the expense from the expiration of allowances are recorded as other income or expense on the statement of revenues, expenses and changes in net assets.

NOTE L. SICK LEAVE ANNUITIES

If an employee is terminated for any reason, other than for cause, the Taunton Municipal Lighting Plant purchases a single premium annuity for the employees benefit. The value of the annuity is the value of the employee's unused sick leave at the time of termination. The Taunton Municipal Lighting Plant retains ownership of said annuity with the terminated employee being the designated annuitant on the policy.

During 2012, it was determined that the annuities and associated obligations should be reflected on Taunton Municipal Lighting Plant's balance sheet. The value of the annuities as December 31, 2012 and the respective obligations are reflected in the other assets and non-current liabilities section of the balance sheet.

Other Post-Employment Benefit Plan
Notes to Required Supplementary Information
Years Ended December 31, 2012 and 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
June 30, 2010	$ -	$ 37,623,107	$ 37,623,107	0.00%	$ 15,955,539	236%
June 30, 2008	$ -	$ 50,082,169	$ 50,082,169	0.00%	$ 13,794,910	363%

Schedule of Actuarial Methods and Assumptions

Actuarial methods:	
Valuation date	6/30/2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount
Remaining amortization period	30 years as of June 30, 2010
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	4.50%
Medical/drug cost trend rate	8% decreasing to 5% in 2016
Plan membership:	
Current retirees and beneficiaries	163
Current active members	158
Total	321

See notes to required supplementary information

Other Post-Employment Benefit Plan
Notes to Required Supplementary Information
Years Ended December 31, 2012 and 2011

NOTE A. The Plant participates in an agent multi-employer defined benefit healthcare plan, administered by the City of Taunton, which provides lifetime health care and life insurance benefits for eligible retirees and their spouses through the city's health and life insurance plans, which covers both active and retired members.

The Plant currently finances its other post-employment benefits ("OPEB") on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Plant has recorded its OPEB cost equal to the actuarially determined annual required contribution ("ARC") which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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