

**TOWN OF TEMPLETON, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2013

**TOWN OF TEMPLETON, MASSACHUSETTS**

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YEAR ENDED JUNE 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Board of Selectmen  
Town of Templeton, Massachusetts

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Templeton, Massachusetts, (the "Town") as of and for the year ended June 30, 2013 which collectively comprise the Town's basic financial statements as listed in the table of contents, (except for the Templeton Municipal Light Department, (the "Light Department" or "TMLD") which is as of December 31, 2012). We did not audit the financial statements of the Light Department which represented 46% and 78% of the assets and revenues of the combined enterprise funds; or the Water Department which represented 20% and 13% of the assets and revenues of the combined enterprise funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those amounts is based solely on the report of the other auditors.

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

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

**Auditor's Responsibility**

Our responsibility is to express 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Basis for Qualified Opinions on the Governmental Statement of Net Position, Statement of Activities, Sewer Major Enterprise Fund and TMLD Major Enterprise Fund**

With respect to the Governmental Statement of Net Position, Statement of Activities and Sewer Major Enterprise Fund, management of the Town of Templeton has not adopted GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), and accordingly has not reported the related liability and expense on the government-wide financial statements or in the Sewer Major Enterprise Fund. In addition the required supplementary information, Schedule of Funding Progress has not been included in these financial statements. Accounting principles generally accepted in the United States of America require that the OPEB liability be reported which would increase liabilities and expenses and decrease net position in the Government-Wide and Sewer Major Enterprise Fund financial statements. The amount by which this departure would affect these financial statements is not reasonably determined.

The TMLD follows accounting principles prescribed by the Massachusetts Department of Public Utilities, which is a comprehensive basis of accounting other than generally accepted accounting principles.

### **Qualified Opinions**

In our opinion, except for the matters described in the *Basis for Qualified Opinions on the Governmental Statement of Net Position, Statement of Activities, Sewer Major Enterprise Fund and TMLD Major Enterprise Fund* paragraphs above, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2013 (except for the TMLD, which is as of December 31, 2012) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the funding and contribution progress for pension benefits and other postemployment benefits information and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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.

As previously discussed, funding and contribution progress for other post-employment benefits has not been presented because it is not available. With respect to the remaining required supplementary information, we have applied certain limited procedures 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.

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2017 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Roselli, Clark & Associates*

Roselli, Clark and Associates  
Certified Public Accountants  
Woburn, Massachusetts 01801  
March 23, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Templeton, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$30.6 million (*total net position*). This was an increase of over \$0.9 million over the prior year. This consisted of an increase to governmental activities by almost \$0.3 million and business-type activities by over \$0.6 million. This impact was after the effect of prior period adjustments in both the governmental and business-type activities required mostly to conform to the current year presentation.
- The Town's total general obligation bond and notes payable debt decreased by nearly \$0.2 million in fiscal year 2013 to approximately \$13.5 million. This decrease was due to the normal, scheduled repayment of long-term general obligations of over \$1.1 million offset by new issuances of long-term debt of almost \$0.9 million.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$3.0 million, which is consistent with the prior year. Over \$0.3 million in deficits in the general fund were offset by undesignated fund balance of over \$0.4; in addition the aggregate nonmajor funds also maintained an unassigned deficit of over \$0.1 million. All other amounts were earmarked for expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation pay).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, regionalized education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include sewer, water and electric light enterprise funds.

**Fund Financial Statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund or in other major funds if negative.

**Governmental Funds** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Preservation Fund, and Community Development Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

**Proprietary Funds** – Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for enterprise funds of the sewer, water and electric light activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

**Government-Wide Financial Analysis**

The following tables represent the condensed statement of net position at June 30, 2013 and 2012 and statement of changes in net position for fiscal years 2013 and 2012:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
<b><u>Assets</u></b>						
Current and other assets	\$ 5,243,387	\$ 9,708,224	\$ 7,746,446	\$ 5,259,655	\$ 12,989,833	\$ 14,967,879
Capital assets, net	10,302,781	9,543,850	26,518,723	26,668,246	36,821,504	36,212,096
Total Assets	<u>15,546,168</u>	<u>19,252,074</u>	<u>34,265,169</u>	<u>31,927,901</u>	<u>49,811,337</u>	<u>51,179,975</u>
<b><u>Liabilities</u></b>						
Long-term liabilities	1,776,312	952,415	14,909,939	13,997,598	16,686,251	14,950,013
Other liabilities	540,702	3,126,782	2,010,982	4,285,320	2,551,684	7,412,102
Total Liabilities	<u>2,317,014</u>	<u>4,079,197</u>	<u>16,920,921</u>	<u>18,282,918</u>	<u>19,237,935</u>	<u>22,362,115</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	8,849,477	6,497,790	12,165,276	11,293,886	21,014,753	17,791,676
Restricted	2,783,448	3,308,678	355,057	363,433	3,138,505	3,672,111
Unrestricted	1,596,229	5,366,409	4,823,915	1,987,664	6,420,144	7,354,073
Total Net Position	<u>\$ 13,229,154</u>	<u>\$ 15,172,877</u>	<u>\$ 17,344,248</u>	<u>\$ 13,644,983</u>	<u>\$ 30,573,402</u>	<u>\$ 28,817,860</u>

Refer to Note V to the basic financial statements for a complete discussion regarding the restatements made to the June 30, 2012 previously reported net position. In addition, certain reclassifications were made to the 2012 balances to conform to the 2013 presentation.



	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,234,717	\$ 696,302	\$ 9,753,788	\$ 9,884,063	\$ 10,988,505	\$ 10,580,365
Operating grants and	418,263	1,271,446	100,989	-	519,252	1,271,446
Capital grants and	1,063,626	344,216	174,208	-	1,237,834	344,216
General revenues:						
Property taxes	7,459,981	8,501,717	-	-	7,459,981	8,501,717
Intergovernmental	1,283,950	1,385,647	-	-	1,283,950	1,385,647
Other	1,010,348	1,926,598	21,885	219,167	1,032,233	2,145,765
Total revenues	12,470,885	14,125,926	10,050,870	10,103,230	22,521,755	24,229,156
<b>Expenses</b>						
General government	2,764,974	2,757,800	-	-	2,764,974	2,757,800
Public safety	2,191,501	1,821,827	-	-	2,191,501	1,821,827
Education	5,403,795	5,267,270	-	-	5,403,795	5,267,270
Public works	885,778	1,658,130	-	-	885,778	1,658,130
Health and human services	587,416	968,111	-	-	587,416	968,111
Culture and recreation	19,406	35,010	-	-	19,406	35,010
Debt service	44,440	562,044	-	-	44,440	562,044
Sewer services	-	-	1,568,332	1,122,462	1,568,332	1,122,462
Water services	-	-	1,202,538	1,321,658	1,202,538	1,321,658
Electric Light services	-	-	6,939,467	7,938,569	6,939,467	7,938,569
Total expenses	11,897,310	13,070,192	9,710,337	10,382,689	21,607,647	23,452,881
Change in net position before	573,575	1,055,734	340,533	(279,459)	914,108	776,275
Transfers	(315,800)	(522,692)	315,800	422,692	-	(100,000)
Change in net position	257,775	533,042	656,333	143,233	914,108	676,275
Net position - beginning of year	15,172,877	14,639,835	13,644,983	13,501,750	28,817,860	28,141,585
Restatement (see Note V)	(2,201,498)	-	3,042,932	-	841,434	-
Net position, end of year	<u>\$ 13,229,154</u>	<u>\$ 15,172,877</u>	<u>\$ 17,344,248</u>	<u>\$ 13,644,983</u>	<u>\$ 30,573,402</u>	<u>\$ 28,817,860</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased over \$0.9 million. This consisted of an increase to governmental activities by almost \$0.3 million and business-type activities by over \$0.6 million.

The largest portion of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position*, which currently has a balance of approximately \$6.4 million.

**Governmental Activities** – Total revenues in fiscal year 2013 in the Town’s governmental activities increased over \$0.2 million from fiscal year 2012. The Town’s largest revenue source is property taxes, which represents approximately 59.8% of total fiscal year 2013 revenues. The decrease of over \$1 million is due to debt exclusions in the prior year of over \$1.6 million versus the current year of \$0.6 million. Other revenues were scattered ratably over charges for services and grants from the State and Federal Government.

Education represents the largest expense category for the Town. In total, education expenses represented approximately 49% of total fiscal year 2013 expenses. The increase of almost \$0.4 million is consistent with increases expected to meet net school spending requirements. Public safety and public works expenses represented approximately 23% and 18% of total fiscal year 2013 expenses, respectively and were consistent with prior year levels. No other expense types were greater than 10% of total expenses in fiscal year 2013.

**Business-Type Activities** – User charges for sewer, water and electric light services represent virtually all of the reported fiscal year 2013 revenues in the Town’s business-type activities. In fiscal year 2013, both the Town’s electric light enterprise and water enterprise reported positive results from operations; the Town’s sewer enterprise reported a loss from operations and requires annual debt subsidies from the general fund to balance annual operating results.

#### **Government Funds Financial Analysis**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the Town’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of approximately \$2.9 million, which was consistent with the prior year’s balance. The majority of this balance is restricted or committed in the various governmental funds, the most of which is in the combined nonmajor funds and the Community Preservation Fund.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was just over \$0.1 million, while total general fund balance reached over \$0.2 million. General fund operations were well below forecast and the Town exceeded several expenditure line items which combined to produce a loss from annual operations of almost \$0.9 million.

All other governmental funds were in line with operations..

**Proprietary Funds** – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the sewer, water and electric funds were approximately \$6.1, \$2.7 and \$8.5 million.

**Fiduciary Fund** – The Town’s fiduciary fund is comprised of the Private Purpose Trust Funds and agency funds.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were not significant.

### **Capital Asset and Debt Administration**

**Capital Assets** –The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to approximately \$36.8 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$0.4 million. This increase was a result of current year capital additions exceeding depreciation.

Additional information on the Town capital assets can be found in Note II, Section D of this report.

**Long-Term Debt** – The Town’s total general obligation bond and notes payable debt decreased by nearly \$0.2 million in fiscal year 2013 to approximately \$13.5 million. This decrease was due to the normal, scheduled repayment of long-term general obligations of over \$1.1 million offset by new issuances of long-term debt of almost \$0.9 million.

The Town anticipates issuing a significant level of debt in connection with a new elementary school that is currently in the feasibility stage.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town. Additional information on the Town’s debt can be found in Note II, Sections F and G of this report.

### **Economic Factors and Next Year’s Budgets and Rates**

- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2014 were approximately 88.5% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.
- Consistent with both State and National indices, the Town’s housing market experienced a downward trend from 2005 to 2010. However unlike the majority of the Commonwealth, which has seen a resurgence, housing prices in the region have not recovered at the same pace.
- Inflationary trends in the region are consistent with state and national indices.
- The Town’s median household income is significantly less than the state-wide and national averages.

The above items were considered when the Town accepted its budget for fiscal year 2014 at the May 2013 Town Meeting. The Town set its fiscal year 2014 tax rate on May 19, 2014.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 160 Patriots Road, East Templeton, Massachusetts 01438.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,641,871	\$ 2,427,200	\$ 5,069,071
Investments	169,678	-	169,678
Receivables, net:			
Property taxes	354,758	-	354,758
User fees	-	1,270,639	1,270,639
Departmental and other	1,475,286	-	1,475,286
Intergovernmental	601,794	439,849	1,041,643
Apportioned assessments	-	478,496	478,496
Working capital deposit	-	529,139	529,139
Prepaid expenses	-	383,488	383,488
Materials and supplies	-	159,814	159,814
Other assets	-	2,057,821	2,057,821
Land	935,838	189,178	1,125,016
Construction in-process	1,065,043	85,329	1,150,372
Capital assets, net of accumulated depreciation	8,301,900	26,244,216	34,546,116
<b>Total Assets</b>	<b>15,546,168</b>	<b>34,265,169</b>	<b>49,811,337</b>
<b>Liabilities</b>			
Warrants and accounts payable	189,583	1,508,027	1,697,610
Accrued expenses	-	50,438	50,438
Customer and advanced deposits	-	151,367	151,367
Accrued interest	-	125,721	125,721
Other liabilities	14,978	175,429	190,407
Bond anticipation notes payable	336,141	-	336,141
Noncurrent liabilities:			
Due within one year	220,543	1,098,884	1,319,427
Due in more than one year	1,555,769	13,811,055	15,366,824
<b>Total Liabilities</b>	<b>2,317,014</b>	<b>16,920,921</b>	<b>19,237,935</b>
<b>Net Position</b>			
Net investment in capital assets	8,849,477	12,165,276	21,014,753
Restricted:			
Nonexpendable	323,328	-	323,328
Expendable	191,291	-	191,291
Capital projects	607,188	-	607,188
Community preservation	903,086	-	903,086
Gifts and donations	758,555	-	758,555
Depreciation	-	355,057	355,057
Unrestricted	1,596,229	4,823,915	6,420,144
<b>Total Net Position</b>	<b>\$ 13,229,154</b>	<b>\$ 17,344,248</b>	<b>\$ 30,573,402</b>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 2,764,974	\$ 303,769	\$ 2,133	\$ 997,503	\$ (1,461,569)		\$ (1,461,569)
Public safety	2,191,501	670,660	152,681	-	(1,368,160)		(1,368,160)
Education	5,403,795	-	-	-	(5,403,795)		(5,403,795)
Public works	885,778	45,815	5,185	66,123	(768,655)		(768,655)
Health and human services	587,416	214,473	252,659	-	(120,284)		(120,284)
Culture and recreation	19,406	-	5,605	-	(13,801)		(13,801)
Interest expense	44,440	-	-	-	(44,440)		(44,440)
<b>Total governmental activities</b>	<b>11,897,310</b>	<b>1,234,717</b>	<b>418,263</b>	<b>1,063,626</b>	<b>(9,180,704)</b>		<b>(9,180,704)</b>
<b>Business-Type activities:</b>							
Sewer	1,568,332	900,749	206	174,208		\$ (493,169)	(493,169)
Water	1,202,538	1,200,445	69,831	-		67,738	67,738
Electric Light	6,939,467	7,652,594	30,952	-		744,079.00	744,079
<b>Total business-type activities</b>	<b>9,710,337</b>	<b>9,753,788</b>	<b>100,989</b>	<b>174,208</b>		<b>318,648</b>	<b>318,648</b>
<b>Total Primary Government</b>	<b>\$ 21,607,647</b>	<b>\$ 10,988,505</b>	<b>\$ 519,252</b>	<b>\$ 1,237,834</b>	<b>(9,180,704)</b>	<b>318,648</b>	<b>(8,862,056)</b>
		<b>General Revenues:</b>					
		Property taxes			7,459,981	-	7,459,981
		Motor vehicle and other excise taxes			924,373	-	924,373
		Intergovernmental			1,283,950	-	1,283,950
		Penalties and interest on taxes			61,054	-	61,054
		Unrestricted investment income			24,921	21,885	46,806
		Transfers (net)			(315,800)	315,800	-
		<b>Total general revenues</b>			<b>9,438,479</b>	<b>337,685</b>	<b>9,776,164</b>
		<b>Change in Net Position</b>			<b>257,775</b>	<b>656,333</b>	<b>914,108</b>
		<b>Net Position:</b>					
		Beginning of year (as restated; see Note V)			12,971,379	16,687,915	29,659,294
		End of year			\$ 13,229,154	\$ 17,344,248	\$ 30,573,402

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013

	General Fund	Community Preservation	Community Development	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 36,408	\$ 903,086	\$ -	\$ 1,702,377	\$ 2,641,871
Investments	-	-	-	169,678	169,678
Receivables, net of allowance for uncollectibles:					
Property taxes	341,926	12,832	-	-	354,758
Departmental and other	1,102,164	-	-	373,122	1,475,286
Intergovernmental	281,149	-	293,598	27,047	601,794
Due from other funds	-	-	-	254,255	254,255
<b>Total Assets</b>	<u>1,761,647</u>	<u>915,918</u>	<u>293,598</u>	<u>2,526,479</u>	<u>5,497,642</u>
<b>Liabilities</b>					
Warrants and accounts payable	\$ 137,759	\$ -	\$ 39,343	\$ 12,481	\$ 189,583
Deferred revenues	1,356,092	12,832	-	373,122	1,742,046
Other liabilities	14,978	-	-	-	14,978
Due to other fund	-	-	254,255	-	254,255
Bond anticipation notes payable	-	-	-	336,141	336,141
<b>Total Liabilities</b>	<u>1,508,829</u>	<u>12,832</u>	<u>293,598</u>	<u>721,744</u>	<u>2,537,003</u>
<b>Fund Balances</b>					
Nonspendable	-	-	-	323,328	323,328
Restricted	-	903,086	-	1,634,204	2,537,290
Committed	149,013	-	-	-	149,013
Unassigned:					
Deficits - 2013	(336,899)	-	-	(152,797)	(489,696)
Undesignated	440,704	-	-	-	440,704
<b>Total Fund Balances</b>	<u>252,818</u>	<u>903,086</u>	<u>-</u>	<u>1,804,735</u>	<u>2,960,639</u>
<b>Total Liabilities and fund balances</b>	<u>\$ 1,761,647</u>	<u>\$ 915,918</u>	<u>\$ 293,598</u>	<u>\$ 2,526,479</u>	<u>\$ 5,497,642</u>

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

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<b>Total Governmental Fund Balances</b>	\$ 2,960,639
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,302,781
Other assets are not available to pay for current-period expenditures and are therefore deferred financial resources in the funds.	1,742,046
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(1,376,223)
Landfill closure	(344,000)
Capital lease obligations	(22,089)
Compensated absences	(34,000)
<b>Net Position of Governmental Activities</b>	<u><u>\$ 13,229,154</u></u>

See accompanying notes to basic financial statements.



TOWN OF TEMPLETON, MASSACHUSETTS

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013

	General Fund	Community Preservation	Community Development	Betterments	Capital Projects	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>							
Property taxes	\$ 7,441,996	\$ 95,301	\$ -	\$ -	\$ -	\$ -	\$ 7,537,297
Intergovernmental	1,363,258	134,792	997,143	-	-	243,175	2,738,368
Motor vehicle and other excises	863,721	-	-	-	-	-	863,721
Licenses and permits	120,467	-	-	-	-	-	120,467
Penalties and interest on taxes	61,054	-	-	-	-	-	61,054
Fines and forfeitures	51,797	-	-	-	-	-	51,797
Investment income	17,581	3,387	764	-	-	3,189	24,921
Departmental and other revenue	263,180	-	-	-	-	433,620	696,800
Contributions and donations	-	545	-	-	-	26,926	27,471
<b>Total Revenues</b>	<b>10,183,054</b>	<b>234,025</b>	<b>997,907</b>	<b>-</b>	<b>-</b>	<b>706,910</b>	<b>12,121,896</b>
<b>Expenditures</b>							
<b>Current:</b>							
General government	1,058,855	-	1,295,493	-	-	40,306	2,394,654
Public safety	1,496,312	-	-	-	-	159,092	1,655,404
Education	5,403,795	-	-	-	-	30,159	5,433,954
Public works	984,455	-	-	-	-	79,511	1,063,966
Health and human services	250,743	-	-	-	-	280,599	531,342
Culture and recreation	91,745	33,250	-	-	-	11,262	136,257
Pension and fringe benefits	1,192,526	-	-	-	-	-	1,192,526
State and county assessments	43,459	-	-	-	-	-	43,459
<b>Debt service:</b>							
Principal	38,195	-	-	-	-	-	38,195
Interest	44,440	-	-	-	-	-	44,440
<b>Total Expenditures</b>	<b>10,604,525</b>	<b>33,250</b>	<b>1,295,493</b>	<b>-</b>	<b>-</b>	<b>600,929</b>	<b>12,534,197</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(421,471)</b>	<b>200,775</b>	<b>(297,586)</b>	<b>-</b>	<b>-</b>	<b>105,981</b>	<b>(412,301)</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from the issuance of long-term debt	-	-	-	-	-	905,000	905,000
Transfers in	138,208	-	-	-	-	193,505	331,713
Transfers out	(609,305)	-	-	-	-	(38,208)	(647,513)
<b>Total Other Financing Sources</b>	<b>(471,097)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,060,297</b>	<b>589,200</b>
<b>Net Change in Fund Balances</b>	<b>(892,568)</b>	<b>200,775</b>	<b>(297,586)</b>	<b>-</b>	<b>-</b>	<b>1,166,278</b>	<b>176,899</b>
<b>Fund balance beginning of year</b>	<b>1,145,386</b>	<b>-</b>	<b>-</b>	<b>1,396,053</b>	<b>(500,090)</b>	<b>2,267,560</b>	<b>4,308,909</b>
<b>Prior period restatement (see note V)</b>	<b>-</b>	<b>702,311</b>	<b>297,586</b>	<b>(1,396,053)</b>	<b>500,090</b>	<b>(1,629,103)</b>	<b>(1,525,169)</b>
<b>Fund Balances - End of year</b>	<b>\$ 252,818</b>	<b>\$ 903,086</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,804,735</b>	<b>\$ 2,960,639</b>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

**Net Change in Fund Balances - Total Governmental Fund Balances** \$ 176,899

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflects as reconciling items:

Capital outlays	921,717	
Depreciation expense	<u>(355,069)</u>	
Net effect of reporting capital assets		<u>566,648</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The net amounts are reflected here as reconciling items:

Proceeds from bonds and notes	(905,000)	
Repayments of debt obligations	<u>38,195</u>	
Net effect of reporting long-term debt		<u>(866,805)</u>

Revenues in the statement of activities that do not provide current financial resources are deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from deferred revenue.

	348,989
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Capital lease obligations	11,044	
Landfill closure	<u>21,000</u>	
Net effect of reporting long-term liabilities		<u>32,044</u>

**Change in Net Position of Governmental Activities** \$ 257,775

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Business-Type Activities			Total
	Sewer	Water	Electric Light December 31, 2012	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,106,576	\$ 35,125	\$ 285,499	\$ 2,427,200
Working capital deposit	-	-	529,139	529,139
User charges receivable, net	348,060	250,379	672,200	1,270,639
Apportioned assessments	478,496	-	-	478,496
Intergovernmental receivables	51,499	-	-	51,499
Prepaid expenses	-	46,456	337,032	383,488
Materials and supplies	-	40,699	119,115	159,814
Other assets	-	704	-	704
Total current assets	<u>2,984,631</u>	<u>373,363</u>	<u>1,942,985</u>	<u>5,300,979</u>
Noncurrent assets:				
Intergovernmental receivables	388,350	-	-	388,350
Other assets	-	30,542	2,026,575	2,057,117
Land	-	-	189,178	189,178
Construction in-process	-	14,133	71,196	85,329
Capital assets, net of accumulated depreciation	8,238,221	6,557,810	11,448,185	26,244,216
Total noncurrent assets	<u>8,626,571</u>	<u>6,602,485</u>	<u>13,735,134</u>	<u>28,964,190</u>
<b>Total Assets</b>	<u>\$ 11,611,202</u>	<u>\$ 6,975,848</u>	<u>\$ 15,678,119</u>	<u>\$ 34,265,169</u>
<b>Liabilities</b>				
Current liabilities:				
Warrants and accounts payable	\$ 17,047	\$ 142,134	\$ 1,348,846	\$ 1,508,027
Accrued expenses	5,678	17,442	27,318	50,438
Customer and advanced deposits	-	-	151,367	151,367
Accrued interest	97,082	21,470	7,169	125,721
Other liabilities	-	175,429	-	175,429
Capital leases	-	10,910	-	10,910
Bonds and notes payable	463,052	313,297	311,625	1,087,974
Total current liabilities	<u>582,859</u>	<u>680,682</u>	<u>1,846,325</u>	<u>3,109,866</u>
Noncurrent liabilities:				
Other long-term liabilities	-	-	2,219,825	2,219,825
Bonds and notes payable	4,907,161	3,462,182	2,751,000	11,120,343
Other postemployment benefits	-	154,846	316,041	470,887
Total noncurrent liabilities	<u>4,907,161</u>	<u>3,617,028</u>	<u>5,286,866</u>	<u>13,811,055</u>
<b>Total Liabilities</b>	<u>5,490,020</u>	<u>4,297,710</u>	<u>7,133,191</u>	<u>16,920,921</u>
<b>Net Position</b>				
Net investment in capital assets	2,919,507	2,782,366	6,463,403	12,165,276
Restricted for depreciation	-	14,098	340,959	355,057
Unrestricted	3,201,675	(118,326)	1,740,566	4,823,915
<b>Total Net Position</b>	<u>\$ 6,121,182</u>	<u>\$ 2,678,138</u>	<u>\$ 8,544,928</u>	<u>\$ 17,344,248</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2013

	Business-Type Activities			Total
	Sewer	Water	Electric Light December 31, 2012	
<b>Operating Revenues</b>				
Charges for services	\$ 900,749	\$ 1,200,445	\$ 7,652,594	\$ 9,753,788
Other	206	61,010	-	61,216
<b>Total Operating Revenues</b>	<u>900,955</u>	<u>1,261,455</u>	<u>7,652,594</u>	<u>9,815,004</u>
<b>Operating Expenses</b>				
Operations	846,483	593,353	6,151,923	7,591,759
Maintenance	-	263,440	184,426	447,866
Depreciation	456,839	190,091	502,000	1,148,930
<b>Total Operating Expenses</b>	<u>1,303,322</u>	<u>1,046,884</u>	<u>6,838,349</u>	<u>9,188,555</u>
<b>Total Operating Income (Loss)</b>	<u>(402,367)</u>	<u>214,571</u>	<u>814,245</u>	<u>626,449</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	1,655	449	19,781	21,885
Interest expense	(265,010)	(155,654)	(101,118)	(521,782)
Other	-	8,821	30,952	39,773
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(263,355)</u>	<u>(146,384)</u>	<u>(50,385)</u>	<u>(460,124)</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<u>(665,722)</u>	<u>68,187</u>	<u>763,860</u>	<u>166,325</u>
<b>Capital Contributions:</b>				
Intergovernmental	128,349	-	-	128,349
Other	45,859	-	-	45,859
<b>Total Capital Contributions</b>	<u>174,208</u>	<u>-</u>	<u>-</u>	<u>174,208</u>
<b>Transfers:</b>				
Transfers in	415,800	-	-	415,800
Transfers out	-	-	(100,000)	(100,000)
<b>Transfers, net</b>	<u>415,800</u>	<u>-</u>	<u>(100,000)</u>	<u>315,800</u>
<b>Change in Net Position</b>	<u>(75,714)</u>	<u>68,187</u>	<u>663,860</u>	<u>656,333</u>
<b>Beginning of year (as restated; see Note V)</b>	<u>6,196,896</u>	<u>2,609,951</u>	<u>7,881,068</u>	<u>16,687,915</u>
<b>End of Year</b>	<u>\$ 6,121,182</u>	<u>\$ 2,678,138</u>	<u>\$ 8,544,928</u>	<u>\$ 17,344,248</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2013

	Business-Type Activities			Total
	Sewer	Water	Electric Light December 31, 2012	
<b>Cash Flows from Operating Activities</b>				
Receipts from users	\$ 853,279	\$ 1,169,612	\$ 7,533,228	\$ 9,556,119
Receipts from other operating revenues	206	10,085	276,336	286,627
Payments to employees and vendors	(889,832)	(733,932)	(6,077,521)	(7,701,285)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(36,347)</u>	<u>445,765</u>	<u>1,732,043</u>	<u>2,141,461</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Apportioned assessments	95,297	-	-	95,297
Intergovernmental	176,839	-	-	176,839
Other	45,859	-	-	45,859
Transfers in	415,800	-	-	415,800
Transfers out	-	-	(100,000)	(100,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>733,795</u>	<u>-</u>	<u>(100,000)</u>	<u>633,795</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments of capital lease obligations	-	(10,910)	-	(10,910)
Acquisition and construction of capital assets	(19,651)	(18,902)	(959,770)	(998,323)
Principal payments on bonds and notes	(451,644)	(313,297)	(311,625)	(1,076,566)
Interest payments on bonds and notes	(217,307)	(155,654)	(105,160)	(478,121)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(688,602)</u>	<u>(498,763)</u>	<u>(1,376,555)</u>	<u>(2,563,920)</u>
<b>Cash Flows from Investing Activities</b>				
Investment income	1,655	-	19,781	21,436
Other	-	449	(73,933)	(73,484)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>1,655</u>	<u>449</u>	<u>(54,152)</u>	<u>(52,048)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	10,501	(52,549)	201,336	159,288
<b>Cash and Cash Equivalents</b>				
Beginning of the year	2,096,075	87,674	84,163	2,267,912
End of the year	<u>\$ 2,106,576</u>	<u>\$ 35,125</u>	<u>\$ 285,499</u>	<u>\$ 2,427,200</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating Income	\$ (402,367)	\$ 214,571	\$ 814,245	\$ 626,449
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	456,839	190,091	502,000	1,148,930
Other non-operating income	-	10,085	69,660	79,745
Changes in assets and liabilities:				
Receivables	(47,470)	(91,843)	(57,487)	(196,800)
Prepaid expenses and materials	-	517	45,346	45,863
Accounts payable, accrued expenses and other liabilities	(43,349)	122,344	358,279	437,274
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ (36,347)</u>	<u>\$ 445,765</u>	<u>\$ 1,732,043</u>	<u>\$ 2,141,461</u>

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 136,985	\$ 268,928
<b>Total Assets</b>	136,985	268,928
<b>Liabilities</b>		
Warrants and accounts payable	-	9,993
Planning board deposits	-	227,203
Agency liabilities	-	31,732
<b>Total Liabilities</b>	-	268,928
<b>Net Position</b>		
Held in trust for private purposes	136,985	-
<b>Total Net Position</b>	\$ 136,985	\$ -

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2013**

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	Private Purpose Trust Funds
<b>Additions</b>	
Donations	\$ 20
Investment income	325
	345
<b>Total Additions</b>	345
<b>Change in Net Position</b>	345
<b>Net Position - beginning of year</b>	7,524
<b>Prior period restatement (see note V)</b>	129,116
	129,116
<b>Net Position - end of year</b>	\$ 136,985

See accompanying notes to basic financial statements.

## TOWN OF TEMPLETON, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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#### I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Templeton (the "Town") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board ("GASB"), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

##### A. Reporting Entity

The Town, incorporated in 1762, is located in Worcester County, approximately sixty miles west of the City of Boston. The governing structure utilizes an open town meeting format with an elected five-member Board of Selectmen and an appointed Town Administrator who performs and oversees the Town's daily executive and administrative duties. Selectmen serve staggered three-year terms.

The Town provides governmental services for the territory within its boundaries, including public safety, education through a regional school district, public works, health and human services, culture and recreation, general governmental services, sewer, water and electricity. The sewer, water and electricity services are funded through user charges and treated as business enterprises.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Town is a member community of the Narragansett Regional School District, which provides educational services to two communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2013, the Town's assessment was \$4,871,331. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at Superintendent and District Offices, 462 Baldwinville Road, Baldwinville, MA 01436.

##### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.



Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element for all funds of that category or type, and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of Interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized as expenditures as incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements.

These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Act Fund – is used to account for funds received in accordance with the Massachusetts Community Preservation Act. Funds are used to acquire or develop open space and recreational facilities, preservation of historic resources and affordable housing.

Community Development Block Grant – program that provides communities with resources to address a wide range of unique community development needs.

Nonmajor Governmental Funds – consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Funds - are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds - are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary funds:

Sewer Enterprise Fund – is used to account for the operation of the Town’s sewer activities.

Water Enterprise Fund – is used to account for the operation of the Town’s water activities.

TMLD – is used to account for the operation of the Town’s electrical power distribution activities.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and use the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs.

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used primarily for public assistance.

Agency Fund – is used to account for assets held in a purely custodial capacity. The Town’s agency funds consist primarily of student activities, off-duty work details and escrow and other deposits.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources, as they are needed.

#### **D. Assets, Liabilities, Net Position/Fund Equity**

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town and its component unit are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes, sewer, water and user fees are secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – In the case of the Town, inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. With respect to the TMLD, materials and supplies are inventories of parts and accessories purchased for use in TMLD’s operations. Materials and supplies inventory are stated at the lower of cost or market with cost being determined on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, vehicles, software and infrastructure (e.g. roads, sidewalks, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated by the Town and the TMLD on a straight-line-basis.

The estimated useful lives of capital assets being depreciated are as follows:

Land improvements	40 years
Buildings and improvements	20 years
Vehicles, machinery and equipment	5 years
Infrastructure	30 -75 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is voluntarily assigned to the general fund.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Net Position – In the government-wide financial statements, net position reported as “invested in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

*Nonexpendable permanent funds* represent the endowment portion of donor restricted trusts that support governmental programs.

*Expendable permanent funds* represent amounts held in a trust whereby expenditures are subject to various trust agreements.

*Capital projects funds* represent remaining balances from bond proceeds or other financing sources that are restricted by state law to specific capital purposes and borrowing terms.

*Community preservation* represents assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act.

*Gifts and donations* are funds donated to the Town for specific (i.e., restricted) purposes.

*Depreciation* is funds restricted by the TMLD for future capital purposes.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

*Non-spendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

*Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the

Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* represents amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority, which is the Town Meeting action, and can be modified or rescinded on through these actions.

*Assigned* represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a *negative* unassigned fund balance amount.

The following table reflects the Town's fund equity categorizations:

	General	Community Preservation	Community Development	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ 323,328	\$ 323,328
Restricted:					
General government	-	-	-	340,537	340,537
Education	-	-	-	12,012	12,012
Public works	-	-	-	78,445	78,445
Health and human services	-	-	-	874,076	874,076
Culture and recreation	-	903,086	-	133,108	1,036,194
Public safety	-	-	-	196,026	196,026
Committed:					
General government	8,526	-	-	-	8,526
Education	750	-	-	-	750
Culture and recreation	139,737	-	-	-	139,737
Unassigned:					
Stabilization - general	125,819	-	-	-	125,819
Unrestricted	(22,014)	-	-	(152,797)	(174,811)
	<u>\$ 252,818</u>	<u>\$ 903,086</u>	<u>\$ -</u>	<u>\$ 1,804,735</u>	<u>\$ 2,960,639</u>

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of Town Meeting. The balance of the fund totals \$125,819 at June 30, 2013 and is reported as unassigned fund balance in the general fund.

*Encumbrances* – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Controller as assigned, and (2) classify encumbrances that result from an action of the Town Council as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reported no encumbrances from normal purchasing activity in the general fund as assigned and \$149,013 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

**E. Excess of Expenditures Over Appropriations and Deficits**

The Town incurred deficits of \$336,899 in the General Fund Operating Fund and \$152,797 in the nonmajor funds. This deficit will be funded through available revenues, grant funds or bond proceeds in future years.

**F. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**II. Detailed Notes to All Funds**

**A. Deposits and Investments**

A cash and investment pool is maintained that is available for use by all funds. Each fund type’s portion of this pool is displayed on the balance sheet as *cash and cash equivalents*. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer’s investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

***Deposits and Investments of the Town***

*Custodial Credit Risk: Deposits* - In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2013, \$257,210 of the Town’s bank deposits were not insured by the Federal Depository Insurance Corporation (“FDIC”), the Depositors Insurance Fund (“DIF”) or other forms of collateralization and was therefore exposed to custodial credit risk.

*Custodial Credit Risk: Investments* – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. Of the Town’s investments, \$169,678 in United States

governmental obligations are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town does not have a formal investment policy related to custodial credit risk.

Interest Rate Risk – The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. The Town’s investments in government obligations of federal agencies represented 100% of the Town’s total investments at June 30, 2013, respectively. No other individual investment represented more than 5% of the Town’s total investments.

Credit Risk – The Town has not adopted a formal policy related to credit risk.

Investment Maturities – At June 30, 2013, the Town had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less Than 1	1 to 5	6 to 10
U.S. government obligations	\$ 169,678	\$ 79,719	\$ 89,959	\$ -
Total investments with maturities	169,678	\$ 79,719	\$ 89,959	\$ -
<u>Other Investments:</u>				
Total Town investments	\$ 169,678			

Of the Town’s investments, all of the Town’s government securities were rated AA+ by S&P.

## B. Receivables

Receivables as of year-end for the Town’s individual major governmental funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 354,758	\$ -	\$ 354,758
Tax liens	913,119	-	913,119
Motor vehicle and other excise taxes	189,045	-	189,045
Departmental and other	44,006	-	44,006
Title V loan receivables	329,116	-	329,116
Intergovernmental	601,794	-	601,794
Total	\$ 2,431,838	\$ -	\$ 2,431,838

Receivables as of year-end for the Town’s proprietary funds (the TMLD’s activity is for the year ended December 31, 2012) are as follows:



	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer user charges	\$ 348,060	\$ -	\$ 348,060
Sewer betterment fees	478,496	-	478,496
Water user charges	250,379	-	250,379
TMLD user charges	744,200	(72,000)	672,200
Intergovernmental	439,849	-	439,849
Total	<u>\$ 2,260,984</u>	<u>\$ (72,000)</u>	<u>\$ 2,188,984</u>

Massachusetts Water Pollution Abatement Trust – The Town has entered into numerous loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT). It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$439,849 and interest in the amount of \$760,608 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements, therefore, a receivable totaling \$439,849 has been reported in the Sewer Enterprise Fund.

#### C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended June 30, 2013 (the TMLD's activity is for the year ended December 31, 2012) is as follows:

Transfers Out	Transfers In			Total
	General Fund	Nonmajor Governmental Funds	Sewer	
General Fund	\$ -	\$ 193,505	\$ 415,800	\$ 609,305 (1)
Nonmajor funds	38,197	-	-	38,197 (2)
Light Department	100,000	-	-	100,000 (3)
Total	<u>\$ 138,197</u>	<u>\$ 193,505</u>	<u>\$ 415,800</u>	<u>\$ 747,502</u>

(1) Transfer to sewer enterprise fund and nonmajor governmental funds for debt service.

(2) Transfer to general fund for Title V receipts

(3) Transfer to general fund for in lieu of taxes payments from the Light Department

#### D. Capital Assets

Capital asset activity for the year ended June 30, 2013 (the TMLD's activity is for the year ended December 31, 2012) was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 935,838	\$ -	\$ -	\$ 935,838
Construction in process	897,604	167,439	-	1,065,043
Total capital assets not being depreciated	<u>1,833,442</u>	<u>167,439</u>	<u>-</u>	<u>2,000,881</u>
Capital assets being depreciated:				
Buildings and improvements	3,103,343	-	-	3,103,343
Infrastructure	8,879,305	736,560	-	9,615,865
Machinery and equipment	2,462,726	-	-	2,462,726
Total capital assets being depreciated	<u>14,445,374</u>	<u>736,560</u>	<u>-</u>	<u>15,181,934</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,757,417)	(17,256)	-	(2,774,673)
Infrastructure	(1,623,428)	(230,487)	-	(1,853,915)
Machinery and equipment	(2,144,120)	(107,326)	-	(2,251,446)
Total accumulated depreciation	<u>(6,524,965)</u>	<u>(355,069)</u>	<u>-</u>	<u>(6,880,034)</u>
Total capital assets being depreciated, net	<u>7,920,409</u>	<u>381,491</u>	<u>-</u>	<u>8,301,900</u>
Total governmental activities capital assets, net	<u>\$ 9,753,851</u>	<u>\$ 548,930</u>	<u>\$ -</u>	<u>\$ 10,302,781</u>
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in process	242,291	-	(156,962)	85,329
Total capital assets not being depreciated	<u>431,469</u>	<u>-</u>	<u>(156,962)</u>	<u>274,507</u>
Capital assets being depreciated:				
Electric plant	16,726,554	959,770	(306,573)	17,379,751
Buildings and improvements	3,342,572	30,611	-	3,373,183
Infrastructure	22,474,090	159,038	-	22,633,128
Machinery and equipment	2,060,385	8,211	(2,442)	2,066,154
Total capital assets being depreciated	<u>44,603,601</u>	<u>1,157,630</u>	<u>(309,015)</u>	<u>45,452,216</u>
Less accumulated depreciation for:				
Electric plant	(5,736,139)	(502,000)	306,573	(5,931,566)
Buildings and improvements	(488,195)	(54,472)	-	(542,667)
Infrastructure	(10,990,908)	(514,839)	-	(11,505,747)
Machinery and equipment	(1,151,578)	(77,619)	1,177	(1,228,020)
Total accumulated depreciation	<u>(18,366,820)</u>	<u>(1,148,930)</u>	<u>307,750</u>	<u>(19,208,000)</u>
Total capital assets being depreciated, net	<u>26,236,781</u>	<u>8,700</u>	<u>(1,265)</u>	<u>26,244,216</u>
Total business-type activities capital assets, net	<u>\$ 26,668,250</u>	<u>\$ 8,700</u>	<u>\$ (158,227)</u>	<u>\$ 26,518,723</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities: Sewer</u></i>				
Capital assets being depreciated:				
Buildings and improvements	\$ -	\$ 19,651	\$ -	\$ 19,651
Infrastructure	18,888,922	-	-	18,888,922
Machinery and equipment	609,973	-	-	609,973
Total capital assets being depreciated	<u>19,498,895</u>	<u>19,651</u>	<u>-</u>	<u>19,518,546</u>
Less accumulated depreciation for:				
Buildings and improvements	-	(491)	-	(491)
Infrastructure	(10,251,438)	(443,135)	-	(10,694,573)
Machinery and equipment	(572,048)	(13,213)	-	(585,261)
Total accumulated depreciation	<u>(10,823,486)</u>	<u>(456,839)</u>	<u>-</u>	<u>(11,280,325)</u>
Total capital assets being depreciated, net	<u>8,675,409</u>	<u>(437,188)</u>	<u>-</u>	<u>8,238,221</u>
Total Sewer capital assets, net	<u>\$ 8,675,409</u>	<u>\$ (437,188)</u>	<u>\$ -</u>	<u>\$ 8,238,221</u>
<i><u>Business-Type Activities: TMLD</u></i>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in-process	71,196	-	-	71,196
Total capital assets not being depreciated	<u>260,374</u>	<u>-</u>	<u>-</u>	<u>260,374</u>
Capital assets being depreciated:				
Production plant	4,016,213	6,776	-	4,022,989
Distribution plant	9,065,104	715,641	(1,618)	9,779,127
General plant	3,645,237	237,353	(304,955)	3,577,635
Total capital assets being depreciated	<u>16,726,554</u>	<u>959,770</u>	<u>(306,573)</u>	<u>17,379,751</u>
Less accumulated depreciation for:				
Production plant	(176,169)	(120,690)	-	(296,859)
Distribution plant	(3,899,424)	(265,311)	1,618	(4,163,117)
General plant	(1,660,546)	(115,999)	304,955	(1,471,590)
Total accumulated depreciation	<u>(5,736,139)</u>	<u>(502,000)</u>	<u>306,573</u>	<u>(5,931,566)</u>
Total capital assets being depreciated, net	<u>10,990,415</u>	<u>457,770</u>	<u>-</u>	<u>11,448,185</u>
Total TMLD capital assets, net	<u>\$ 11,250,789</u>	<u>\$ 457,770</u>	<u>\$ -</u>	<u>\$ 11,708,559</u>

<i>Business-type Activities: Water</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in process	\$ 171,095	\$ -	\$ (156,962)	\$ 14,133
Total capital assets not being depreciated	<u>171,095</u>	<u>-</u>	<u>(156,962)</u>	<u>14,133</u>
Capital assets being depreciated:				
Buildings and improvements	3,342,572	10,960	-	3,353,532
Infrastructure	3,585,168	159,038	-	3,744,206
Machinery and equipment	1,450,412	8,211	(2,442)	1,456,181
Total capital assets being depreciated	<u>8,378,152</u>	<u>178,209</u>	<u>(2,442)</u>	<u>8,553,919</u>
Less accumulated depreciation for:				
Buildings and improvements	(488,195)	(53,981)	-	(542,176)
Infrastructure	(739,470)	(71,704)	-	(811,174)
Machinery and equipment	(579,530)	(64,406)	1,177	(642,759)
Total accumulated depreciation	<u>(1,807,195)</u>	<u>(190,091)</u>	<u>1,177</u>	<u>(1,996,109)</u>
Total capital assets being depreciated, net	<u>6,570,957</u>	<u>(11,882)</u>	<u>(1,265)</u>	<u>6,557,810</u>
Total Water capital assets, net	<u>\$ 6,742,052</u>	<u>\$ (11,882)</u>	<u>\$ (158,227)</u>	<u>\$ 6,571,943</u>

Certain restatements were made to the beginning carrying values of the Town's capital assets. Refer to Note IV.

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General government	\$ 9,341	Sewer	\$ 456,839
Public safety	76,452	Water	190,091
Public works	267,006	TMLD	<u>502,000</u>
Health and human services	50		<u>\$ 1,148,930</u>
Culture and recreation	2,220		
	<u>\$ 355,069</u>		

#### **E. Purchased Power Working Capital**

The TMLD is a member and participant of the Massachusetts Municipal Wholesale Electric Company ("MMWEC"). The purchased power working capital is an amount held by MMWEC as an escrow. The purchased power working capital fund is replenished as needed from the TMLD's monthly invoice payments. The income earned from the purchased power working capital fund applicable to the TMLD's deposit is applied as a credit to MMWEC's power sales billings. The balance in the purchased power working capital funds as of December 31, 2012 is \$529,139 and is reported as a working capital deposit.

**F. Temporary Debt**

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds.

Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount. Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2013, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN A	1.25%	Matured	\$ 1,900,000	\$ -	\$ (1,900,000)	\$ -
BAN B	0.60%	Matured	57,141	-	(57,141)	-
BAN C	0.50%	Matured	472,505	-	(472,505)	-
BAN D	0.00%	Matured	400,000	-	(400,000)	-
BAN E	0.52%	11/01/13	-	315,000	-	315,000
BAN F	0.55%	11/15/13	-	21,141	-	21,141
RAN A	0.54%	Matured	-	1,500,000	(1,500,000)	-
Total Governmental Notes			<u>2,829,646</u>	<u>1,836,141</u>	<u>(4,329,646)</u>	<u>336,141</u>
Total Temporary Notes Payable			<u>\$ 2,829,646</u>	<u>\$ 1,836,141</u>	<u>\$ (4,329,646)</u>	<u>\$ 336,141</u>

Temporary notes were issued for governmental capital projects related to school feasibility study of \$315,000 and landfill closure capping costs of \$21,141. Revenue anticipation notes were issued for \$1,500,000 to cover chapter 90 costs.

## G. Long-term Obligations

The Town issues general obligation bonds and notes to provide funds for acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town may authorize debt in excess of that limit for specific purposes; such as debt when issued is designated as being "outside the debt limit".

The following reflects the current year activity (the TMLD's activity is for the year ended December 31, 2012) in the long-term liability accounts:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 509,418	\$ 905,000	\$ (38,195)	\$ 1,376,223	\$ 188,498
Capital lease obligations	43,997	-	(21,908)	22,089	11,045
Compensated absences	34,000	9,800	(9,800)	34,000	-
Landfill closure	365,000	-	(21,000)	344,000	21,000
Total Governmental Activities	<u>\$ 952,415</u>	<u>\$ 914,800</u>	<u>\$ (90,903)</u>	<u>\$ 1,776,312</u>	<u>\$ 220,543</u>
<i>Business-Type Activities - Sewer:</i>					
Bond and note indebtedness	\$ 5,821,857	\$ -	\$ (451,644)	\$ 5,370,213	\$ 463,052
Total Sewer	<u>5,821,857</u>	<u>-</u>	<u>(451,644)</u>	<u>5,370,213</u>	<u>463,052</u>
<i>Business-Type Activities - Water:</i>					
Bond and note indebtedness	4,088,776	-	(313,297)	3,775,479	313,297
Capital lease obligations	21,820	-	(10,910)	10,910	10,910
Other postemployment benefits	120,764	45,068	(10,986)	154,846	-
Total Water	<u>4,231,360</u>	<u>45,068</u>	<u>(335,193)</u>	<u>3,941,235</u>	<u>324,207</u>
<i>Business-Type Activities - TMLD:</i>					
Bond and note indebtedness	3,374,250	-	(311,625)	3,062,625	311,625
Other long-term liabilities	2,219,825	-	-	2,219,825	-
Other postemployment benefits	261,297	95,756	(41,012)	316,041	-
Total TMLD	<u>5,855,372</u>	<u>95,756</u>	<u>(352,637)</u>	<u>5,598,491</u>	<u>311,625</u>
Total Business-Type Activities	<u>\$ 15,908,589</u>	<u>\$ 140,824</u>	<u>\$ (1,139,474)</u>	<u>\$ 14,909,939</u>	<u>\$ 1,098,884</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the sewer, water and TMLD enterprise funds.

General obligation bonds and notes payable outstanding at June 30, 2013 (the TMLD's activity is for the year ended December 31, 2012) were as follows:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.15%	\$ -	\$ 700,000	\$ -	\$ 700,000
MWPAT notes payable	0 - 5.125%	509,418	205,000	(38,195)	676,223
<b>Total Governmental Activities</b>		<u>\$ 509,418</u>	<u>\$ 905,000</u>	<u>\$ (38,195)</u>	<u>\$ 1,376,223</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.6 - 4.0%	\$ 335,000	\$ -	\$ (35,000)	\$ 300,000
Farmer's Home Admin Loan	5.00%	68,160	-	(13,660)	54,500
MWPAT notes payable	0 - 5.75%	5,418,697	-	(402,984)	5,015,713
<b>Total Sewer Activities</b>		<u>5,821,857</u>	<u>-</u>	<u>(451,644)</u>	<u>5,370,213</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.6 - 4.75 %	4,088,776	-	(313,297)	3,775,479
<b>Total Water Activities</b>		<u>4,088,776</u>	<u>-</u>	<u>(313,297)</u>	<u>3,775,479</u>
<i>Business-Type Activities - TMLD</i>					
General obligation bonds	2.6 - 4.0%	860,000	-	(80,000)	780,000
Clean Renewable Energy Bond	2%	1,719,250	-	(132,250)	1,587,000
Commercial Term Loan	5.50%	795,000	-	(99,375)	695,625
<b>Total TMLD Activities</b>		<u>3,374,250</u>	<u>-</u>	<u>(311,625)</u>	<u>3,062,625</u>
<b>Total Business-Type Activities</b>		<u>\$ 13,284,883</u>	<u>\$ -</u>	<u>\$ (1,076,566)</u>	<u>\$ 12,208,317</u>

Payments on outstanding general obligation bonds and notes payable due in future years consist of the following:

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	
<i>Governmental Activities</i>							
2014	\$ 188,498	\$ -	\$ 188,498	\$ 20,867	\$ (7,322)	\$ 13,545	\$ 202,043
2015	188,619	-	188,619	16,885	(6,350)	10,535	199,154
2016	188,619	-	188,619	12,901	(5,376)	7,525	196,144
2017	188,619	-	188,619	8,929	(4,414)	4,515	193,134
2018	188,619	-	188,619	4,973	(3,468)	1,505	190,124
2019-2023	202,523	-	202,523	7,463	(7,463)	-	202,523
2024-2028	159,476	-	159,476	206	(206)	-	159,476
2029-2033	71,250	-	71,250	-	-	-	71,250
Total	\$ 1,376,223	\$ -	\$ 1,376,223	\$ 72,224	\$ (34,599)	\$ 37,625	\$ 1,413,848
<i>Business-Type Activities - Sewer</i>							
2014	\$ 463,052	\$ (51,499)	\$ 411,553	\$ 251,061	\$ (117,889)	\$ 133,172	\$ 544,725
2015	477,055	(51,373)	425,682	224,294	(109,088)	115,206	540,888
2016	493,626	(52,248)	441,378	199,426	(100,139)	99,287	540,665
2017	511,355	(53,152)	458,203	169,246	(90,439)	78,807	537,010
2018	511,682	(54,761)	456,921	143,142	(80,637)	62,505	519,426
2019-2023	2,181,609	(131,421)	2,050,188	372,443	(246,863)	125,580	2,175,768
2024-2025	731,834	(45,395)	686,439	15,553	(15,553)	-	686,439
Total	\$ 5,370,213	\$ (439,849)	\$ 4,930,364	\$ 1,375,165	\$ (760,608)	\$ 614,557	\$ 5,544,921
<i>Business-Type Activities - Water</i>							
2014	\$ 313,297	\$ -	\$ 313,297	\$ 142,558	\$ -	\$ 142,558	\$ 455,855
2015	313,297	-	313,297	131,645	-	131,645	444,942
2016	313,297	-	313,297	120,541	-	120,541	433,838
2017	313,297	-	313,297	109,152	-	109,152	422,449
2018	313,297	-	313,297	97,536	-	97,536	410,833
2019-2023	1,566,485	-	1,566,485	308,231	-	308,231	1,874,716
2024-2028	501,485	-	501,485	105,387	-	105,387	606,872
2029-2033	41,485	-	41,485	23,787	-	23,787	65,272
2034-2038	41,485	-	41,485	19,181	-	19,181	60,666
2039-2043	41,485	-	41,485	9,588	-	9,588	51,073
2044-2045	16,569	-	16,569	1,149	-	1,149	17,718
Total	\$ 3,775,479	\$ -	\$ 3,775,479	\$ 1,068,755	\$ -	\$ 1,068,755	\$ 4,844,234
<i>Business-Type Activities - TMLD</i>							
2013	\$ 311,625	\$ -	\$ 311,625	\$ 86,079	\$ -	\$ 86,079	\$ 397,704
2014	311,625	-	311,625	76,991	-	76,991	388,616
2015	311,625	-	311,625	67,820	-	67,820	379,445
2016	311,625	-	311,625	58,550	-	58,550	370,175
2017	311,625	-	311,625	49,160	-	49,160	360,785
2018-2022	1,240,000	-	1,240,000	115,157	-	115,157	1,355,157
2023-2024	264,500	-	264,500	8,067	-	8,067	272,567
Total	\$ 3,062,625	\$ -	\$ 3,062,625	\$ 461,824	\$ -	\$ 461,824	\$ 3,524,449

MWPAT Loan Subsidies – As previously noted in Note I. B., the Town has entered into loan agreements with the MWPAT. It is expected that the Town will be subsidized by MWPAT on a



periodic basis for principal in the amount of \$439,849 and interest in the amount of \$760,608 until the maturity of these agreements.

#### H. Capital Leases

The Town is the lessee of certain equipment under operating leases expiring in various years through 2015. The future minimum lease payments on these capital lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 11,045
2015	11,044
Total minimum lease payments	<u>22,089</u>
Less amount representing interest	<u>(2,231)</u>
Present value of minimum lease payments	<u>\$ 19,858</u>

Assets acquired through capital leases are as follows:

<u>Asset Description</u>	<u>Amount</u>
One Ton Pickup	\$ 48,119
Less accumulated depreciation	<u>(24,060)</u>
Net carrying value	<u>\$ 24,059</u>

### III. Other Information

#### A. Retirement Systems

*Retirement System Description* – The Town contributes to the Worcester County Retirement System (the “Retirement System”), a multiple-employer defined benefit pension plan for the Town and other governmental agencies within Worcester County. The Retirement System was established under Chapter 32 of MGL and is administered by the Worcester Regional Retirement Board (the “Retirement Board”).

Substantially all employees of the Town participate in the Retirement System. The Retirement System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Retirement Board and are borne by the Retirement System. The Retirement System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission that includes financial statements and required supplementary information. The report may be obtained by writing to the Worcester Regional Retirement System, 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Funding Policy – Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the Retirement System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$497,525, \$472,154 and \$437,861, respectively. These contributions were equal to the required contribution for each year as set by the Retirement Board. Schedules of funding progress and contribution funding are included as required supplementary information.

## **B. Other Postemployment Benefits (OPEB)**

The Town has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits is included in the cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2013 was not available.

Management of the Town of Templeton has not adopted GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), and accordingly has not reported the related liability and expense on the government-wide financial statements nor has the required supplementary information, Schedule of Funding Progress, been included in these financial statements. Accounting principles generally accepted in the United States of America require that the OPEB liability be reported which would increase liabilities and expenses and decrease net position and change in the government-wide financial statements. The amount by which this departure would affect the liabilities and expense, and net position and revenues of the government-wide financial statements is not reasonably determinable.

## **C. Commitments and Contingencies**

General – During its day-to-day operations, the Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2013, cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2013.

Grants – Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

MMWEC Participation – The TMLD 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, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is

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

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

MMWEC has issued separate revenue bonds for each of its eight projects, which are payable solely from, and secured solely by, the revenues derived from the project to which the bonds relate, plus available funds pledged under MMWEC's amended and restated general bond resolution ("GBR") with respect to the bonds of that project. The MMWEC revenues derived from each project are used solely to provide for the payment of the bonds of any bond issue relating to such project and to pay MMWEC's cost of owning and operating such project and are not used to provide for the payment of the bonds of any bond issue relating to any other project.

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

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

Pursuant to the PSAs, the MMWEC Seabrook and Millstone project participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly project billings. Also, the project participants are liable for their proportionate share of J 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.

TMLD has entered into PSAs and Power Purchase Agreements ("PPAs") with MMWEC. Under both the PSAs and PPAs, the TMLD is required to make certain payments to MMWEC payable

solely from TMLD revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

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

Seven municipal light departments that are participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. The arbitration demand has been stayed by agreement of the parties. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

Total capital expenditures for MMWEC's projects amounted to \$1,593,344,000, of which \$27,012,000 represents the amount associated with the Plant's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Plant. MMWEC's debt outstanding for the projects includes power supply system revenue bonds totaling \$284,005,000, of which \$4,760,000 is projects in which it participates, although such amount is not allocated to the Plant. As of December 31, 2012, MMWEC's total future debt service requirement on outstanding bonds issued for the projects is \$380,165,000 of which \$4,760,000 is anticipated to be billed to the Plant in the future.

The estimated aggregate amount of Templeton Municipal Light Plant's required payments under the PSAs and PPAs, exclusive of the reserve and contingency fund billings, to MMWEC at December 31, 2012, and estimated for future years is shown below.

<u>For Years Ending December 31,</u>	
2013	\$ 227,000
2014	227,000
2015	228,000
2016	228,000
2017	228,000
2018 to 2020	<u>1,136,000</u>
Total	<u>\$ 2,274,000</u>

In addition, under the PSAs, the Plant is required to pay MMWEC its share of the operation and maintenance ("O&M") costs of the projects in which it participates. The Plant's total O&M costs including debt service under the PSAs were \$2,747,000 and \$3,139,000 for the years ended December 31, 2012 and 2011, respectively.

#### **D. Risk Financing**

The Town is exposed to various risks of loss related to general liability; torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The TMLD participates in the Massachusetts Municipal Utility Self-Insurance Trust Fund (the "Trust") with seventeen other Massachusetts municipalities for the purpose of sharing excess

liability and officers' liability risks. General liability coverage provides for \$500,000 per occurrence, with a \$50,000 deductible. Environmental insurance coverage provides for \$1,500,000 per occurrence, with a \$100,000 deductible. Each participating municipality contributes to the Trust based on its share of the group's total kilowatt-hour sales. Payments for claims over the deductible limit are funded by Trust assets or, if required, additional contributions from the participants. The TMLD does not present estimated claims incurred but not reported as of December 31, 2012 as its pro rata share of these costs is no material to its financial statements.

#### **E. Landfill Closure and Post-Closure Care Costs**

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$344,000 has been recorded as a governmental activities liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### **F. GAAP Departures**

With respect to the Governmental Statement of Net Position, Statement of Activities and Sewer Major Enterprise Fund, management of the Town of Templeton has not adopted GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), and accordingly has not reported the related liability and expense on the government-wide financial statements or in the Sewer Major Enterprise Fund. In addition the required supplementary information, Schedule of Funding Progress has not been included in these financial statements. Accounting principles generally accepted in the United States of America require that the OPEB liability be reported which would increase liabilities and expenses and decrease net position in the Government-Wide and Sewer Major Enterprise Fund financial statements. The amount by which this departure would affect these financial statements is not reasonably determined.

The TMLD follows accounting principles prescribed by the Massachusetts Department of Public Utilities, which is a comprehensive basis of accounting other than generally accepted accounting principles.

#### IV. Prior Period Restatement

The following tables illustrate restatements made to the Town's June 30, 2012 net position:

	Governmental Funds					Total
	Rehab	Community	Community	Nonmajor		
	Capital	Betterments	Development			
Projects	Funds	Block Grant	Act Fund	Funds		
Fund balances at June 30, 2012, as reported	\$ (500,090)	\$ 1,396,053	\$ -	\$ -	\$ 2,195,247	\$ 3,091,210
Collapse major fund	500,090	-	-	-	(500,090)	-
Collapse major fund	-	(1,396,053)	-	-	218,325	(1,177,728)
Set up Major Fund	-	-	297,586	-	(297,586)	-
Set up Major Fund	-	-	-	702,311	(702,311)	-
Reclass private purpose funds	-	-	-	-	(129,116)	(129,116)
Properly set up agency balances	-	-	-	-	(146,012)	(146,012)
Fund balances at June 30, 2012, as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,586</u>	<u>\$ 702,311</u>	<u>\$ 638,457</u>	<u>\$ 1,638,354</u>

	Enterprise Funds		
	Sewer		
	Enterprise	Light Plant	Total
Fund balances at June 30, 2012, as reported	\$ 3,657,964	\$ 7,377,068	\$ 11,035,032
Collapse major fund	1,177,728	-	1,177,728
Prior unbilled sewer receipts	61,690	-	61,690
Correction for premiums	292,530	-	292,530
Correction to accrued interest	(49,379)	-	(49,379)
MWPAT receivable not recorded	488,339	-	488,339
Accrued betterments receivables	573,793	-	573,793
Other items to conform to current year	(5,769)	504,000	498,231
Fund balances at June 30, 2012, as restated	<u>\$ 6,196,896</u>	<u>\$ 7,881,068</u>	<u>\$ 14,077,964</u>

	Governmental	Business-Type	Total
	Activities	Activities	
Fund balances at June 30, 2012, as reported	\$ 15,172,874	\$ 13,644,983	\$ 28,817,857
Restate capital asset balances	192,286	-	192,286
To conform to current year presentation	10,864	498,231	509,095
Collapse major fund	(1,177,728)	1,177,728	-
Prior unbilled sewer receipts	-	61,690	61,690
Correction for premiums	-	292,530	292,530
Correction to accrued interest	-	(49,379)	(49,379)
MWPAT receivable not recorded	-	488,339	488,339
Accrued betterments receivables	-	573,793	573,793
Properly set up agency balances	(146,012)	-	(146,012)
Reclass private purpose funds	(129,116)	-	(129,116)
Reclass Betterments to sewer	(951,789)	-	(951,789)
Fund balances at June 30, 2012, as restated	<u>\$ 12,971,379</u>	<u>\$ 16,687,915</u>	<u>\$ 29,659,294</u>

TOWN OF TEMPLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

SCHEDULES OF FUNDING PROGRESS

Pension System – Worcester Regional Retirement System (All Participants)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2012	436,671,982	982,796,782	546,124,800	44.4%	238,952,079	228.5%
1/1/2010	413,976,785	863,002,067	449,025,282	48.0%	241,992,607	185.6%
1/1/2007	389,758,785	692,768,325	303,009,540	56.3%	211,518,755	143.3%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended June 30,	Worcester Regional Retirement System			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2013	35,056,320	35,056,320	100%	497,525	1.4%
2012	33,072,000	33,072,000	100%	472,154	1.4%
2011	31,200,000	31,200,000	100%	437,861	1.4%

See accompanying independent auditor's report.

TOWN OF TEMPLETON, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real estate and personal property	\$ 7,501,608	\$ 7,501,608	\$ 7,432,799		\$ 7,432,799	\$ (68,809)
Intergovernmental	1,389,068	1,389,068	1,082,109		1,082,109	(306,959)
Motor vehicle and other excises	821,400	821,400	863,721		863,721	42,321
Licenses and permits	75,000	75,000	120,467		120,467	45,467
Departmental and other revenue	457,800	457,800	263,180		263,180	(194,620)
Penalties and interest	75,000	75,000	61,054		61,054	(13,946)
Fines and forfeitures	65,000	65,000	51,797		51,797	(13,203)
Investment income	25,000	25,000	15,965		15,965	(9,035)
Other income	-	-	-		-	-
Total Revenues	<u>10,409,876</u>	<u>10,409,876</u>	<u>9,891,092</u>	<u>-</u>	<u>9,891,092</u>	<u>(518,784)</u>
<b>Expenditures:</b>						
General government	1,183,147	1,104,271	1,058,855	8,526	1,067,381	36,890
Public safety	1,489,018	1,557,894	1,496,312	-	1,496,312	61,582
Education	5,412,933	5,412,933	5,403,795	750	5,404,545	8,388
Public works	966,393	1,022,381	984,455	-	984,455	37,926
Health and human services	232,224	267,224	250,743	-	250,743	16,481
Culture and recreation	237,058	237,058	91,745	139,737	231,482	5,576
Fringe and pension benefits	1,306,791	1,306,791	1,378,259	-	1,378,259	(71,468)
State and county tax assessments	54,501	54,501	43,459	-	43,459	11,042
Debt service	1,186,724	1,186,724	1,398,518	-	1,398,518	(211,794)
Total Expenditures	<u>12,068,789</u>	<u>12,149,777</u>	<u>12,106,141</u>	<u>149,013</u>	<u>12,255,154</u>	<u>(105,377)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	1,315,663	1,315,663	1,353,960		1,353,960	(38,297)
Transfers out	(107,227)	(121,227)	(121,227)		(121,227)	-
Total Other Financing Sources (Uses)	<u>1,208,436</u>	<u>1,194,436</u>	<u>1,232,733</u>	<u>-</u>	<u>1,232,733</u>	<u>(38,297)</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(450,477)</u>	<u>(545,465)</u>	<u>(982,316)</u>		<u>(1,131,329)</u>	<u>(662,458)</u>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	42,513	42,513				
Free cash	189,081	284,069				
Overlay surplus	30,000	30,000				
Other	188,883	188,883				
Total Other Budgetary Items	<u>450,477</u>	<u>545,465</u>				
<b>Net Budget</b>	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.  
 See notes to the required supplementary information of this schedule.



TOWN OF TEMPLETON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

I. Budgetary Basis of Accounting

*Budgetary Information* – An annual budget is legally adopted for the General Fund and each enterprise fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved by Town Meeting. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

*Budgetary-to-GAAP Reconciliation* – The Town’s general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2013, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 9,891,092
Stabilization revenue	\$ -	\$ 1,616	1,616
Change in recording tax revenues	9,197	-	9,197
Change in recording intergovernmental revenues	281,149	-	281,149
Revenues on a GAAP basis	<u>\$ 290,346</u>	<u>\$ 1,616</u>	<u>\$ 10,183,054</u>
Expenditures on a budgetary basis			\$ 12,106,141
Paydown of BANs	\$ (193,505)	\$ -	(193,505)
Reclass of enterprise indirect costs to expenditures	(1,308,111)	-	(1,308,111)
Expenditures on a GAAP basis	<u>\$ (1,308,111)</u>	<u>\$ -</u>	<u>\$ 10,604,525</u>
Other financing sources (uses) on a budgetary basis			\$ 1,232,733
Paydown of BANs	\$ (193,505)	\$ -	(193,505)
Reclass of enterprise indirect costs to expenditures	(1,308,111)	-	(1,308,111)
Stabilization transfer	-	(202,214)	(202,214)
Other financing sources (uses) on a GAAP basis	<u>\$ (1,501,616)</u>	<u>\$ (202,214)</u>	<u>\$ (471,097)</u>

*Appropriation Deficits* – The Town incurred deficits of \$336,899 in various line items in the General Fund. These deficits will be funded through available revenues in future years.

