

**TOWN OF TEMPLETON, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2014

**TOWN OF TEMPLETON, MASSACHUSETTS**

**TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2014**

---

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-10
<u>BASIC FINANCIAL STATEMENTS:</u>	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position	11
Statement of Activities	12
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	21
 Notes to Basic Financial Statements	 22-45
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedules of Funding Progress – Pension System	46
Schedule of Contribution Funding – Pension System	46
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	47
Notes to Required Supplementary Information	48



**ROSELLI, CLARK & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park  
Suite 4900  
Woburn, MA 01801  
Telephone: (781) 933-0073  
[www.roselliclark.com](http://www.roselliclark.com)

**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, 2014 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, 2013). 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, and Sewer 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.

### **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, and Sewer 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, 2014 (except for the TMLD, which is as of December 31, 2013) 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, 2014. 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 and deferred outflows of resources for the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$32.5 million (*total net position*). This was an increase of over \$1.1 million over the prior year. This consisted of an increase to governmental activities by approximately \$1.0 million and business-type activities by approximately \$0.1 million.
- The Town's total general obligation bond and notes payable debt decreased by over \$1.2 million in fiscal year 2014 to approximately \$12.3 million. This decrease was due to the normal, scheduled repayment of long-term general obligations. The Town did not issue any new long-term debt during fiscal year 2014.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$2.8 million, which is consistent with the prior year. Over \$0.5 million in deficits in the general fund were offset by undesignated fund balance of almost \$0.6 million; in addition the School Capital Project funds maintained an unassigned deficit of over \$0.2 million and aggregate nonmajor funds maintained an unassigned fund deficit of almost \$0.2 million. All other amounts were earmarked for expenditures as restricted or nonspendable as corpus.

### 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, 2014 and 2013 and statement of changes in net position for fiscal years 2014 and 2013:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b><u>Assets</u></b>						
Current and other assets	\$ 5,709,006	\$ 5,243,387	\$ 7,521,916	\$ 7,746,446	\$ 13,230,922	\$ 12,989,833
Capital assets, net	11,097,239	10,302,781	25,771,265	26,518,723	36,868,504	36,821,504
Total Assets	16,806,245	15,546,168	33,293,181	34,265,169	50,099,426	49,811,337
<b><u>Liabilities</u></b>						
Long-term liabilities	1,620,202	1,776,312	11,673,496	14,909,939	13,293,698	16,686,251
Other liabilities	956,663	540,702	1,933,870	1,164,079	2,890,533	1,704,781
Total Liabilities	2,576,865	2,317,014	13,607,366	16,074,018	16,184,231	18,391,032
<b><u>Deferred Inflows of Resources</u></b>						
Electric light	-	-	1,386,212	-	1,386,212	-
<b><u>Net Position</u></b>						
Net investment in capital assets	9,718,013	8,849,477	15,039,272	12,165,276	24,757,285	21,014,753
Restricted	2,427,360	2,783,448	961,528	355,057	3,388,888	3,138,505
Unrestricted	2,084,007	1,596,229	2,298,803	5,670,818	4,382,810	7,267,047
Total Net Position	\$ 14,229,380	\$ 13,229,154	\$ 18,299,603	\$ 18,191,151	\$ 32,528,983	\$ 31,420,305



	Governmental Activities		Business-Type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 886,497	\$ 1,234,717	\$ 9,647,210	\$ 9,753,788	\$ 10,533,707	\$ 10,988,505
Operating grants and contributions	431,151	418,263	21,148	100,989	452,299	519,252
Capital grants and contributions	873,343	1,063,626	140,068	174,208	1,013,411	1,237,834
General revenues:						
Property taxes	8,813,599	7,459,981	-	-	8,813,599	7,459,981
Intergovernmental	1,351,479	1,283,950	-	-	1,351,479	1,283,950
Other	1,012,959	1,010,348	12,886	21,885	1,025,845	1,032,233
Total revenues	13,369,028	12,470,885	9,821,312	10,050,870	23,190,340	22,521,755
<b>Expenses</b>						
General government	2,199,375	2,764,974	-	-	2,199,375	2,764,974
Public safety	2,188,300	2,191,501	-	-	2,188,300	2,191,501
Education	5,988,393	5,403,795	-	-	5,988,393	5,403,795
Public works	901,020	885,778	-	-	901,020	885,778
Health and human services	401,124	587,416	-	-	401,124	587,416
Culture and recreation	335,632	19,406	-	-	335,632	19,406
Debt service	46,882	44,440	-	-	46,882	44,440
Sewer services	-	-	1,547,920	1,568,332	1,547,920	1,568,332
Water services	-	-	1,153,284	1,202,538	1,153,284	1,202,538
Electric Light services	-	-	7,319,732	6,939,467	7,319,732	6,939,467
Total expenses	12,060,726	11,897,310	10,020,936	9,710,337	22,081,662	21,607,647
Change in net position before transfers	1,308,302	573,575	(199,624)	340,533	1,108,678	914,108
Transfers	(308,076)	(315,800)	308,076	315,800	-	-
Change in net position	1,000,226	257,775	108,452	656,333	1,108,678	914,108
Net position - beginning of year	13,229,154	15,172,877	18,191,151	13,644,983	31,420,305	28,817,860
Restatement (June 30, 2012 balances)	-	(2,201,498)	-	3,889,835	-	1,688,337
Net position, end of year	\$ 14,229,380	\$ 13,229,154	\$ 18,299,603	\$ 18,191,151	\$ 32,528,983	\$ 31,420,305

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 \$1.1 million. This consisted of an increase to governmental activities by approximately \$1.0 million and business-type activities by approximately \$0.1 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 \$4.4 million.

**Governmental Activities** – Total revenues in fiscal year 2014 in the Town’s governmental activities increased almost \$0.9 million from fiscal year 2013. The Town’s largest revenue source is property taxes, which represents approximately 65.9% of total fiscal year 2014 revenues. Increases in property taxes made up the majority of this net increase from year to year. The increase is due to a proposition 2 ½ override of almost \$0.7 million, debt exclusion overrides of almost \$0.3 million, new growth and the statutory 2 ½% annual increase allowed from year to year under Massachusetts General Laws. Other revenues were scattered ratably over charges for services, motor vehicle excise and grants from the State and Federal Government and individually did not exceed more than 10% of governmental revenues nor did they materially vary from the prior year.

Education represents the largest expense category for the Town. In total, education expenses represented approximately 49.6% of total fiscal year 2014 expenses. The increase of almost \$0.6 million is consistent with increases expected to meet net school spending requirements. Public safety and public works expenses each represented approximately 18% of fiscal year 2014 expenses, and were consistent with prior year levels. No other expense types were greater than 10% of total expenses in fiscal year 2014.

**Business-Type Activities** – User charges for sewer, water and electric light services represent virtually all of the reported fiscal year 2014 revenues in the Town’s business-type activities. In fiscal year 2014, 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 operations. Total net position was consistent with the prior year

#### **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 \$2.8 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 under \$0.1 million, while total general fund balance reached over \$0.2 million. General fund operations were consistent with forecasts and thus general fund balance in total was consistent with the prior year.

**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 \$6.0, \$2.8 and \$9.5 million respectively.

**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, 2014 amounts to approximately \$37.0 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment. The amount was consistent with the prior year as depreciation approximated net additions.

The Town has begun the feasibility study for a brand new elementary school. The project is expected to approximate \$48 million.

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 over \$1.2 million in fiscal year 2014 to approximately \$12.3 million. This decrease was due to the normal, scheduled repayment of long-term general obligations. The Town did not issue any new long-term debt during fiscal year 2014.

The Town anticipates issuing a significant level of debt in connection with new elementary school discussed above.

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 885% 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 2015 at the May 2014 Town Meeting. The Town set its fiscal year 2015 tax rate on December 18, 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, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,852,477	\$ 3,338,183	\$ 6,190,660
Investments	318,277	-	318,277
Receivables, net:			
Property taxes	860,434	-	860,434
User fees	-	1,353,016	1,353,016
Departmental and other	1,405,801	-	1,405,801
Intergovernmental	270,297	388,350	658,647
Apportioned assessments	-	388,831	388,831
Working capital deposit	-	583,341	583,341
Prepaid expenses	-	128,602	128,602
Materials and supplies	-	165,993	165,993
Other assets	1,720	1,175,600	1,177,320
Land	935,838	189,178	1,125,016
Construction in-process	1,618,723	86,699	1,705,422
Capital assets, net of accumulated depreciation	8,542,678	25,495,388	34,038,066
<b>Total Assets</b>	<u>16,806,245</u>	<u>33,293,181</u>	<u>50,099,426</u>
<b>Liabilities</b>			
Warrants and accounts payable	755,947	1,438,014	2,193,961
Accrued expenses	-	32,848	32,848
Customer and advanced deposits	-	25,129	25,129
Accrued interest	-	127,499	127,499
Other liabilities	43,716	310,380	354,096
Bond anticipation notes payable	157,000	-	157,000
Noncurrent liabilities:			
Due within one year	220,664	1,101,977	1,322,641
Due in more than one year	1,399,538	10,571,519	11,971,057
<b>Total Liabilities</b>	<u>2,576,865</u>	<u>13,607,366</u>	<u>16,184,231</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - rate stabilization reserve	-	566,211	566,211
Unavailable revenue - other	-	820,001	820,001
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>1,386,212</u>	<u>1,386,212</u>
<b>Net Position</b>			
Net investment in capital assets	9,718,013	15,039,272	24,757,285
Restricted:			
Nonexpendable permanent funds	323,328	-	323,328
Expendable permanent funds	194,408	-	194,408
Capital projects	149,683	-	149,683
Community preservation	1,033,880	-	1,033,880
Gifts and donations	726,061	-	726,061
Other purposes	-	961,528	961,528
Unrestricted	2,084,007	2,298,803	4,382,810
<b>Total Net Position</b>	<u>\$ 14,229,380</u>	<u>\$ 18,299,603</u>	<u>\$ 32,528,983</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

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	\$ 2,199,375	\$ 302,769	\$ 2,254	\$ 837,411	\$ (1,056,941)	\$	\$ (1,056,941)
Public safety	2,188,300	358,557	160,191	-	(1,669,552)	-	(1,669,552)
Education	5,988,393	-	-	-	(5,988,393)	-	(5,988,393)
Public works	901,020	49,181	2,492	35,932	(813,415)	-	(813,415)
Health and human services	401,124	175,990	258,417	-	33,283	-	33,283
Culture and recreation	335,632	-	7,797	-	(327,835)	-	(327,835)
Interest expense	46,882	-	-	-	(46,882)	-	(46,882)
<b>Total governmental activities</b>	<b>12,060,726</b>	<b>886,497</b>	<b>431,151</b>	<b>873,343</b>	<b>(9,869,735)</b>		<b>(9,869,735)</b>
<b>Business-Type activities:</b>							
Sewer	1,547,920	938,951	1,399	140,068		\$ (467,502)	(467,502)
Water	1,153,284	1,266,987	19,149	-		132,852	132,852
Electric Light	7,319,732	7,441,272	600	-		122,140	122,140
<b>Total business-type activities</b>	<b>10,020,936</b>	<b>9,647,210</b>	<b>21,148</b>	<b>140,068</b>		<b>(212,510)</b>	<b>(212,510)</b>
<b>Total Primary Government</b>	<b>\$ 22,081,662</b>	<b>\$ 10,533,707</b>	<b>\$ 452,299</b>	<b>\$ 1,013,411</b>	<b>(9,869,735)</b>	<b>(212,510)</b>	<b>(10,082,245)</b>
		<b>General Revenues:</b>					
		Property taxes		8,813,599			8,813,599
		Motor vehicle and other excise taxes		932,665			932,665
		Intergovernmental		1,351,479			1,351,479
		Penalties and interest on taxes		65,081			65,081
		Unrestricted investment income		15,213		12,886	28,099
		Transfers (net)		(308,076)		308,076	-
		Total general revenues		10,869,961		320,962	11,190,923
		Change in Net Position		1,000,226		108,452	1,108,678
		<b>Net Position:</b>					
		Beginning of year		13,229,154		18,191,151	31,420,305
		End of year		\$ 14,229,380		\$ 18,299,603	\$ 32,528,983

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014

	General Fund	Community Preservation	Community Development	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 109,643	\$ 994,580	\$ 157,959	\$ 203,805	\$ 1,386,490	\$ 2,852,477
Investments	-	-	-	-	318,277	318,277
Receivables, net of allowance for uncollectibles:						
Property taxes	839,217	21,217	-	-	-	860,434
Departmental and other	1,045,926	-	-	-	359,875	1,405,801
Intergovernmental	48,095	50,000	141,702	-	30,500	270,297
Other assets	1,720	-	-	-	-	1,720
<b>Total Assets</b>	<u>2,044,601</u>	<u>1,065,797</u>	<u>299,661</u>	<u>203,805</u>	<u>2,095,142</u>	<u>5,709,006</u>
<b>Total Deferred Outflows of Resources</b>	-	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 2,044,601</u>	<u>\$ 1,065,797</u>	<u>\$ 299,661</u>	<u>\$ 203,805</u>	<u>\$ 2,095,142</u>	<u>\$ 5,709,006</u>
<b>Liabilities</b>						
Warrants and accounts payable	\$ 151,819	\$ 10,700	\$ 299,661	\$ 279,486	\$ 14,281	\$ 755,947
Other liabilities	43,837	-	-	-	-	43,837
Bond anticipation notes payable	-	-	-	157,000	-	157,000
<b>Total Liabilities</b>	<u>195,656</u>	<u>10,700</u>	<u>299,661</u>	<u>436,486</u>	<u>14,281</u>	<u>956,784</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	544,950	21,217	-	-	-	566,167
Unavailable revenue - other	1,045,926	-	-	-	359,875	1,405,801
<b>Total Deferred Inflows of Resources</b>	<u>1,590,876</u>	<u>21,217</u>	<u>-</u>	<u>-</u>	<u>359,875</u>	<u>1,971,968</u>
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	323,328	323,328
Restricted	-	1,033,880	-	-	1,589,539	2,623,419
Committed	181,255	-	-	-	-	181,255
Unassigned:						
Deficits - 2013	(310,000)	-	-	-	-	(310,000)
Deficits - 2014	(205,765)	-	-	(232,681)	(191,881)	(630,327)
Undesignated	592,579	-	-	-	-	592,579
<b>Total Fund Balances</b>	<u>258,069</u>	<u>1,033,880</u>	<u>-</u>	<u>(232,681)</u>	<u>1,720,986</u>	<u>2,780,254</u>
<b>Total Liabilities and fund balances</b>	<u>\$ 2,044,601</u>	<u>\$ 1,065,797</u>	<u>\$ 299,661</u>	<u>\$ 203,805</u>	<u>\$ 2,095,142</u>	<u>\$ 5,709,006</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, 2014

---

<b>Total Governmental Fund Balances</b>	\$ 2,780,254
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,097,239
Other assets are not available to pay for current-period expenditures and are therefore deferred inflows of financial resources in the funds.	1,971,968
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	(1,187,725)
Landfill closure	(323,000)
Capital lease obligations	(75,356)
Compensated absences	(34,000)
<b>Net Position of Governmental Activities</b>	<u>\$ 14,229,380</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, 2014

	General Fund	Community Preservation	Community Development	School Capital Projects	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 8,437,446	\$ 103,177	\$ -	\$ -	\$ -	\$ 8,540,623
Intergovernmental	1,470,323	170,657	837,320	-	137,314	2,615,614
Motor vehicle and other excises	962,472	-	-	-	-	962,472
Licenses and permits	96,874	-	-	-	-	96,874
Penalties and interest on taxes	65,081	-	-	-	-	65,081
Fines and forfeitures	61,586	-	-	-	-	61,586
Investment income	9,026	3,100	91	-	2,996	15,213
Departmental and other revenue	276,391	-	-	-	464,893	741,284
Contributions and donations	-	536	-	-	39,823	40,359
<b>Total Revenues</b>	<b>11,379,199</b>	<b>277,470</b>	<b>837,411</b>	<b>-</b>	<b>645,026</b>	<b>13,139,106</b>
<b>Expenditures</b>						
Current:						
General government	945,671	-	837,411	-	11,345	1,794,427
Public safety	1,342,063	-	-	-	371,091	1,713,154
Education	6,018,125	-	-	299,124	-	6,317,249
Public works	815,973	-	-	-	41,772	857,745
Health and human services	211,543	-	-	-	132,016	343,559
Culture and recreation	65,314	146,676	-	-	318,552	530,542
Pension and fringe benefits	1,232,567	-	-	-	-	1,232,567
State and county assessments	58,343	-	-	-	-	58,343
Debt service:						
Principal	188,498	-	-	-	-	188,498
Interest	46,882	-	-	-	-	46,882
<b>Total Expenditures</b>	<b>10,924,979</b>	<b>146,676</b>	<b>837,411</b>	<b>299,124</b>	<b>874,776</b>	<b>13,082,966</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>454,220</b>	<b>130,794</b>	<b>-</b>	<b>(299,124)</b>	<b>(229,750)</b>	<b>56,140</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from capital leases	-	-	-	-	71,551	-
Transfers in	188,248	-	-	158,000	21,141	367,389
Transfers out	(637,217)	-	-	-	(38,248)	(675,465)
<b>Total Other Financing Sources</b>	<b>(448,969)</b>	<b>-</b>	<b>-</b>	<b>158,000</b>	<b>54,444</b>	<b>(308,076)</b>
<b>Net Change in Fund Balances</b>	<b>5,251</b>	<b>130,794</b>	<b>-</b>	<b>(141,124)</b>	<b>(175,306)</b>	<b>(180,385)</b>
<b>Fund balance beginning of year</b>	<b>252,818</b>	<b>903,086</b>	<b>-</b>	<b>-</b>	<b>1,804,735</b>	<b>2,960,639</b>
<b>Prior period restatement (reclass only)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(91,557)</b>	<b>91,557</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ 258,069</b>	<b>\$ 1,033,880</b>	<b>\$ -</b>	<b>\$ (232,681)</b>	<b>\$ 1,720,986</b>	<b>\$ 2,780,254</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, 2014**

---

**Net Change in Fund Balances - Total Governmental Fund Balances** \$ (180,385)

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	1,156,883	
Depreciation expense	(362,425)	
Net effect of reporting capital assets		794,458

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:

Repayments of debt obligations	188,498	
Net effect of reporting long-term debt		188,498

Revenues in the statement of activities that do not provide current financial resources are unavailable 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 unavailable revenue.

	229,922
--	---------

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	(53,267)	
Landfill closure	21,000	
Net effect of reporting long-term liabilities		(32,267)

**Change in Net Position of Governmental Activities** \$ 1,000,226

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Business-Type Activities			Total
	Sewer	Water	Electric Light December 31, 2013	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,051,844	\$ 46,771	\$ 1,239,568	\$ 3,338,183
Working capital deposit	-	-	583,341	583,341
User charges and other receivables, net	415,089	225,610	712,317	1,353,016
Apportioned assessments	388,831	-	-	388,831
Intergovernmental receivables	51,373	-	-	51,373
Prepaid expenses	-	19,998	108,604	128,602
Materials and supplies	-	38,338	127,655	165,993
Total current assets	<u>2,907,137</u>	<u>330,717</u>	<u>2,771,485</u>	<u>6,009,339</u>
Noncurrent assets:				
Intergovernmental receivables	336,977	-	-	336,977
Other assets	-	-	1,175,600	1,175,600
Land	-	-	189,178	189,178
Construction in-process	-	-	86,699	86,699
Capital assets, net of accumulated depreciation	7,841,356	6,447,414	11,206,618	25,495,388
Total noncurrent assets	<u>8,178,333</u>	<u>6,447,414</u>	<u>12,658,095</u>	<u>27,283,842</u>
<b>Total Assets</b>	<u>11,085,470</u>	<u>6,778,131</u>	<u>15,429,580</u>	<u>33,293,181</u>
<b>Liabilities</b>				
Current liabilities:				
Warrants and accounts payable	\$ 52,999	\$ 56,539	\$ 1,328,476	\$ 1,438,014
Accrued expenses	-	12,456	20,392	32,848
Customer and advanced deposits	-	-	25,129	25,129
Accrued interest	88,900	32,455	6,144	127,499
Other liabilities	-	205,592	104,788	310,380
Bonds and notes payable	477,055	313,297	311,625	1,101,977
Total current liabilities	<u>618,954</u>	<u>620,339</u>	<u>1,796,554</u>	<u>3,035,847</u>
Noncurrent liabilities:				
Bonds and notes payable	4,430,106	3,148,885	2,439,375	10,018,366
Other postemployment benefits	-	197,522	355,631	553,153
Total noncurrent liabilities	<u>4,430,106</u>	<u>3,346,407</u>	<u>2,795,006</u>	<u>10,571,519</u>
<b>Total Liabilities</b>	<u>5,049,060</u>	<u>3,966,746</u>	<u>4,591,560</u>	<u>13,607,366</u>
<b>Deferred Inflows of Resources</b>				
Contribution in aid of construction	-	-	820,001	820,001
Rate stabilization reserve	-	-	566,211	566,211
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,386,212</u>	<u>1,386,212</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>5,049,060</u>	<u>3,966,746</u>	<u>5,977,772</u>	<u>14,993,578</u>
<b>Net Position</b>				
Net investment in capital assets	3,322,545	2,985,232	8,731,495	15,039,272
Restricted for depreciation	388,831	14,098	558,599	961,528
Unrestricted	2,325,034	(187,945)	161,714	2,298,803
<b>Total Net Position</b>	<u>\$ 6,036,410</u>	<u>\$ 2,811,385</u>	<u>\$ 9,451,808</u>	<u>\$ 18,299,603</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, 2014**

	Business-Type Activities			Total
	Sewer	Water	Electric Light December 31, 2013	
<b>Operating Revenues</b>				
Charges for services	\$ 863,605	\$ 1,266,987	\$ 7,441,272	\$ 9,571,864
Other	1,399	35,855	75,346	112,600
<b>Total Operating Revenues</b>	<u>865,004</u>	<u>1,302,842</u>	<u>7,516,618</u>	<u>9,684,464</u>
<b>Operating Expenses</b>				
Operations	858,176	584,582	6,707,789	8,150,547
Maintenance	-	217,703	-	217,703
Depreciation	446,865	196,751	521,393	1,165,009
<b>Total Operating Expenses</b>	<u>1,305,041</u>	<u>999,036</u>	<u>7,229,182</u>	<u>9,533,259</u>
<b>Total Operating Income (Loss)</b>	<u>(440,037)</u>	<u>303,806</u>	<u>287,436</u>	<u>151,205</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	-	395	12,491	12,886
Interest expense	(242,879)	(154,248)	(90,550)	(487,677)
Other	-	(16,706)	600	(16,106)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(242,879)</u>	<u>(170,559)</u>	<u>(77,459)</u>	<u>(490,897)</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<u>(682,916)</u>	<u>133,247</u>	<u>209,977</u>	<u>(339,692)</u>
<b>Capital Contributions:</b>				
Intergovernmental	117,889	-	-	117,889
Other	22,179	-	-	22,179
<b>Total Capital Contributions</b>	<u>140,068</u>	<u>-</u>	<u>-</u>	<u>140,068</u>
<b>Transfers:</b>				
Transfers in	458,076	-	-	458,076
Transfers out	-	-	(150,000)	(150,000)
<b>Transfers, net</b>	<u>458,076</u>	<u>-</u>	<u>(150,000)</u>	<u>308,076</u>
<b>Change in Net Position</b>	<u>(84,772)</u>	<u>133,247</u>	<u>59,977</u>	<u>108,452</u>
<b>Beginning of year</b>	<u>6,121,182</u>	<u>2,678,138</u>	<u>9,391,831</u>	<u>18,191,151</u>
<b>End of Year</b>	<u>\$ 6,036,410</u>	<u>\$ 2,811,385</u>	<u>\$ 9,451,808</u>	<u>\$ 18,299,603</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	Business-Type Activities			Total
	Sewer	Water	Electric Light December 31, 2013	
<b>Cash Flows from Operating Activities</b>				
Receipts from users	\$ 886,241	\$ 1,327,611	\$ 7,480,061	\$ 9,693,913
Receipts from other operating revenues	1,399	13,836	73,152	88,387
Payments to employees and vendors	(827,902)	(791,208)	(6,493,039)	(8,112,149)
<b>Net Cash Provided by Operating Activities</b>	<u>59,738</u>	<u>550,239</u>	<u>1,060,174</u>	<u>1,670,151</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Intergovernmental	169,388	-	-	169,388
Other	22,179	-	-	22,179
Transfers in	458,076	-	-	458,076
Transfers out	-	-	(150,000)	(150,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>649,643</u>	<u>-</u>	<u>(150,000)</u>	<u>499,643</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	(50,000)	(72,222)	(295,329)	(417,551)
Principal payments on bonds and notes	(463,052)	(313,297)	(311,625)	(1,087,974)
Interest payments on bonds and notes	(251,061)	(142,559)	(89,923)	(483,543)
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<u>(764,113)</u>	<u>(538,988)</u>	<u>(696,877)</u>	<u>(1,999,978)</u>
<b>Cash Flows from Investing Activities</b>				
Investment income	-	395	12,491	12,886
Other	-	-	(406,074)	(406,074)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>-</u>	<u>395</u>	<u>(393,583)</u>	<u>(393,188)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>(54,732)</u>	<u>11,646</u>	<u>(180,286)</u>	<u>(223,372)</u>
<b>Cash and Cash Equivalents</b>				
Beginning of the year	<u>2,106,576</u>	<u>35,125</u>	<u>1,419,854</u>	<u>3,561,555</u>
End of the year	<u>\$ 2,051,844</u>	<u>\$ 46,771</u>	<u>\$ 1,239,568</u>	<u>\$ 3,338,183</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating Income	\$ (440,037)	\$ 303,806	\$ 287,436	\$ 151,205
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	446,865	196,751	521,393	1,165,009
Other non-operating income	-	13,836	600	14,436
Changes in assets and liabilities:				
Receivables	22,636	24,769	(53,932)	(6,527)
Prepaid expenses and materials	-	28,819	237,687	266,506
Accounts payable, accrued expenses and other liabilities	30,274	(17,742)	66,990	79,522
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 59,738</u>	<u>\$ 550,239</u>	<u>\$ 1,060,174</u>	<u>\$ 1,670,151</u>
Noncash investing capital and financing activities:				
Intergovernmental subsidies of debt service	\$ -	\$ -	\$ -	\$ -
Amortization of bond premiums	-	-	-	-

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 137,965	\$ 215,335
Receivables, net of allowance for uncollectibles:		
Other	-	13,017
<b>Total Assets</b>	137,965	228,352
 <b>Liabilities</b>		
Warrants and accounts payable	-	3,690
Planning board deposits	-	168,595
Agency liabilities	-	56,067
<b>Total Liabilities</b>	-	228,352
 <b>Net Position</b>		
Held in trust for private purposes	137,965	-
<b>Total Net Position</b>	\$ 137,965	\$ -

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 YEAR ENDED JUNE 30, 2014

---

	Private Purpose Trust Funds
<b>Additions</b>	
Donations	\$ 720
Investment income	260
<b>Total Additions</b>	980
<b>Change in Net Position</b>	980
<b>Net Position - beginning of year</b>	136,985
<b>Net Position - end of year</b>	\$ 137,965

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, 2014

---

### 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, which was 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 2014, the Town's assessment was \$5,853,064. 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 are 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.

School Capital Projects Fund – is used to account for funds received and expended regarding a feasibility study and schematic design for the New Templeton Elementary School.

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.

Templeton Electric Light – 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, Deferred Outflows/Inflows of Resources, and 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.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting as a deferred outflow.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item. This arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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* – represent assets that have restrictions placed on them from donors and other outside parties for specific governmental programs and uses.

*Other purposes* –represent assets that are restricted by donors and state laws for specific governmental programs and uses.

*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.

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.

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

	General	Community Preservation	Community Development	School Capital Projects	Governmental Funds	Total
Nonspendable:						
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ -	\$ 323,328	\$ 323,328
Restricted:						
General government	-	-	-	-	375,235	375,235
Education	-	-	-	-	12,037	12,037
Public works	-	-	-	-	85,705	85,705
Health and human services	-	-	-	-	682,743	682,743
Culture and recreation	-	1,033,880	-	-	133,229	1,167,109
Public safety	-	-	-	-	300,590	300,590
Committed:						
General government	38,268	-	-	-	-	38,268
Education	3,250	-	-	-	-	3,250
Culture and recreation	139,737	-	-	-	-	139,737
Unassigned:						
Stabilization - general	99,936	-	-	-	-	99,936
Unrestricted	(23,122)	-	-	(232,681)	(191,881)	(447,684)
	<u>\$ 258,069</u>	<u>\$ 1,033,880</u>	<u>\$ -</u>	<u>\$ (232,681)</u>	<u>\$ 1,720,986</u>	<u>\$ 2,780,254</u>

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 \$99,936 at June 30, 2014 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 did not report any encumbrances from normal purchasing activity in the general fund as assigned and \$181,255 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 carried deficits of \$515,765 in the General Fund Operating Fund, \$232,681 in the School Capital Project Major Fund and \$191,881 in the nonmajor funds. These deficits 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, 2014, \$258,174 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, \$318,277 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, 2014, 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, 2014, the Town's investments were limited to U.S. government obligations in the amount of \$318,277; that all mature in 1 - 5 years and are rated AA+ by Standard and Poor's Investment Services.



**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	\$ 860,434	\$ -	\$ 860,434
Tax liens	886,687	-	886,687
Motor vehicle and other excise taxes	159,238	-	159,238
Departmental and other	71,147	-	71,147
Title V loan receivables	288,729	-	288,729
Intergovernmental	270,297	-	270,297
Total	<u>\$ 2,536,532</u>	<u>\$ -</u>	<u>\$ 2,536,532</u>

Receivables as of year-end for the Town's proprietary funds (the TMLD's activity is for the year ended December 31, 2013) are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer user charges	\$ 415,089	\$ -	\$ 415,089
Sewer betterment fees	388,831	-	388,831
Water user charges	225,610	-	225,610
TMLD user charges	784,317	(72,000)	712,317
Intergovernmental	388,350	-	388,350
Total	<u>\$ 2,202,197</u>	<u>\$ (72,000)</u>	<u>\$ 2,130,197</u>

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following table identifies the components of unavailable revenues in the governmental funds:

	General Fund	Nonmajor Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 544,950	\$ 21,217	\$ 566,167
Tax liens	886,688	-	886,688
Motor vehicle and other excise taxes	159,238	-	159,238
Departmental and other	-	359,875	359,875
Total	<u>\$ 1,590,876</u>	<u>\$ 381,092</u>	<u>\$ 1,971,968</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 MWCAT on a periodic basis for principal in the amount of \$388,350 and interest in the amount of \$642,719 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, a receivable totaling \$388,350 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, 2014 (the TMLD's activity is for the year ended December 31, 2013) is as follows:

Transfers Out	Transfers In				Total
	General Fund	School Capital Projects	Nonmajor Governmental Funds	Sewer	
General Fund	\$ -	\$ 158,000	\$ 21,141	\$ 458,076	\$ 637,217 (1)
Nonmajor funds	38,248	-	-	-	38,248 (2)
Light Department	150,000	-	-	-	150,000 (3)
Total	<u>\$ 188,248</u>	<u>\$ 158,000</u>	<u>\$ 21,141</u>	<u>\$ 458,076</u>	<u>\$ 825,465</u>

- (1) Transfer to sewer enterprise fund, school capital projects major 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, 2014 (TMLD's as of December 31, 2013) was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 935,838	\$ -	\$ -	\$ 935,838
Construction in process	1,065,043	553,680	-	1,618,723
Total capital assets not being depreciated	2,000,881	553,680	-	2,554,561
Capital assets being depreciated:				
Buildings and improvements	3,103,343	-	-	3,103,343
Infrastructure	9,615,865	534,890	-	10,150,755
Machinery and equipment	2,462,726	68,314	-	2,531,040
Total capital assets being depreciated	15,181,934	603,204	-	15,785,138
Less accumulated depreciation for:				
Buildings and improvements	(2,774,673)	(17,256)	-	(2,791,929)
Infrastructure	(1,853,915)	(246,380)	-	(2,100,295)
Machinery and equipment	(2,251,446)	(98,790)	-	(2,350,236)
Total accumulated depreciation	(6,880,034)	(362,426)	-	(7,242,460)
Total capital assets being depreciated, net	8,301,900	240,778	-	8,542,678
Total governmental activities capital assets, net	\$ 10,302,781	\$ 794,458	\$ -	\$ 11,097,239
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in process	85,329	15,503	(14,133)	86,699
Total capital assets not being depreciated	274,507	15,503	(14,133)	275,877
Capital assets being depreciated:				
Electric plant	17,379,751	279,826	(13,104)	17,646,473
Buildings and improvements	3,373,183	17,942	-	3,391,125
Infrastructure	22,633,128	2,753	-	22,635,881
Machinery and equipment	2,066,154	115,660	(3,953)	2,177,861
Total capital assets being depreciated	45,452,216	416,181	(17,057)	45,851,340
Less accumulated depreciation for:				
Electric plant	(5,931,566)	(521,393)	13,104	(6,439,855)
Buildings and improvements	(542,667)	(56,875)	-	(599,542)
Infrastructure	(11,505,747)	(518,020)	-	(12,023,767)
Machinery and equipment	(1,228,020)	(68,721)	3,953	(1,292,788)
Total accumulated depreciation	(19,208,000)	(1,165,009)	17,057	(20,355,952)
Total capital assets being depreciated, net	26,244,216	(748,828)	-	25,495,388
Total business-type activities capital assets, net	\$ 26,518,723	\$ (733,325)	\$ (14,133)	\$ 25,771,265

	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	50,000	-	659,973
Total capital assets being depreciated	<u>19,518,546</u>	<u>50,000</u>	<u>-</u>	<u>19,568,546</u>
Less accumulated depreciation for:				
Buildings and improvements	(491)	(983)	-	(1,474)
Infrastructure	(10,694,573)	(443,135)	-	(11,137,708)
Machinery and equipment	(585,261)	(2,747)	-	(588,008)
Total accumulated depreciation	<u>(11,280,325)</u>	<u>(446,865)</u>	<u>-</u>	<u>(11,727,190)</u>
Total capital assets being depreciated, net	<u>8,238,221</u>	<u>(396,865)</u>	<u>-</u>	<u>7,841,356</u>
Total Sewer capital assets, net	<u>\$ 8,238,221</u>	<u>\$ (396,865)</u>	<u>\$ -</u>	<u>\$ 7,841,356</u>
<i><u>Business-Type Activities: TMLD</u></i>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in-process	71,196	15,503	-	86,699
Total capital assets not being depreciated	<u>260,374</u>	<u>15,503</u>	<u>-</u>	<u>275,877</u>
Capital assets being depreciated:				
Production plant	4,022,989	441	-	4,023,430
Distribution plant	9,779,127	236,042	(13,104)	10,002,065
General plant	3,577,635	43,343	-	3,620,978
Total capital assets being depreciated	<u>17,379,751</u>	<u>279,826</u>	<u>(13,104)</u>	<u>17,646,473</u>
Less accumulated depreciation for:				
Production plant	(296,859)	(120,691)	-	(417,550)
Distribution plant	(4,163,117)	(261,157)	13,104	(4,411,170)
General plant	(1,471,590)	(139,545)	-	(1,611,135)
Total accumulated depreciation	<u>(5,931,566)</u>	<u>(521,393)</u>	<u>13,104</u>	<u>(6,439,855)</u>
Total capital assets being depreciated, net	<u>11,448,185</u>	<u>(241,567)</u>	<u>-</u>	<u>11,206,618</u>
Total TMLD capital assets, net	<u>\$ 11,708,559</u>	<u>\$ (226,064)</u>	<u>\$ -</u>	<u>\$ 11,482,495</u>

<u>Business-type Activities: Water</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in process	\$ 14,133	\$ -	\$ (14,133)	\$ -
Total capital assets not being depreciated	14,133	-	(14,133)	-
Capital assets being depreciated:				
Buildings and improvements	3,353,532	17,942	-	3,371,474
Infrastructure	3,744,206	2,753	-	3,746,959
Machinery and equipment	1,456,181	65,660	(3,953)	1,517,888
Total capital assets being depreciated	8,553,919	86,355	(3,953)	8,636,321
Less accumulated depreciation for:				
Buildings and improvements	(542,176)	(55,892)	-	(598,068)
Infrastructure	(811,174)	(74,885)	-	(886,059)
Machinery and equipment	(642,759)	(65,974)	3,953	(704,780)
Total accumulated depreciation	(1,996,109)	(196,751)	3,953	(2,188,907)
Total capital assets being depreciated, net	6,557,810	(110,396)	-	6,447,414
Total Water capital assets, net	\$ 6,571,943	\$ (110,396)	\$ (14,133)	\$ 6,447,414

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General government	\$ 9,341	Sewer	\$ 446,865
Public safety	74,052	Water	196,751
Public works	277,801	TMLD	521,393
Culture and recreation	1,232		\$ 1,165,009
	<u>\$ 362,426</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 fund as of December 31, 2013 is \$1,149,552. The balance in the fund is offset by a deferred inflow of resources in the amount of \$566,211 as of December 31, 2013.

#### 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, 2014, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN A	0.52%	Matured	\$ 315,000	\$ -	\$ (315,000)	\$ -
BAN B	0.55%	Matured	21,141	-	(21,141)	-
BAN C	0.75%	10/30/14	-	157,000	-	157,000
TAN A	0.58%	Matured	-	2,650,000	(2,650,000)	-
RAN A	0.40%	Matured	-	2,600,000	(2,600,000)	-
Total Governmental Notes			336,141	5,407,000	(5,586,141)	157,000
Total Temporary Notes Payable			\$ 336,141	\$ 5,407,000	\$ (5,586,141)	\$ 157,000

Temporary note was issued for governmental capital projects related to school feasibility study of \$157,000. Revenue anticipation note (RAN) was issued for \$2,600,000 and Tax anticipation note (TAN) was issued for \$2,650,000 to pay for revenue sources as the real estate bills in Fiscal Year 2014 were issued in late spring.

#### 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 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.

The following reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 1,376,223	\$ -	\$ (188,498)	\$ 1,187,725	\$ 188,619
Capital lease obligations	22,089	68,314	(15,047)	75,356	11,045
Compensated absences	34,000	9,800	(9,800)	34,000	-
Landfill closure	344,000	-	(21,000)	323,000	21,000
<b>Total Governmental Activities</b>	<b>\$ 1,776,312</b>	<b>\$ 78,114</b>	<b>\$ (234,345)</b>	<b>\$ 1,620,081</b>	<b>\$ 220,664</b>
<i>Business-Type Activities - Sewer:</i>					
Bond and note indebtedness	\$ 5,370,213	\$ -	\$ (463,052)	\$ 4,907,161	\$ 477,055
<b>Total Sewer</b>	<b>5,370,213</b>	<b>-</b>	<b>(463,052)</b>	<b>4,907,161</b>	<b>477,055</b>
<i>Business-Type Activities - Water:</i>					
Bond and note indebtedness	3,775,479	-	(313,297)	3,462,182	313,297
Capital lease obligations	10,910	-	(10,910)	-	-
Other postemployment benefits	154,846	47,612	(4,936)	197,522	-
<b>Total Water</b>	<b>3,941,235</b>	<b>47,612</b>	<b>(329,143)</b>	<b>3,659,704</b>	<b>313,297</b>
<i>Business-Type Activities - TMLD:</i>					
Bond and note indebtedness	3,062,625	-	(311,625)	2,751,000	311,625
Other postemployment benefits	316,041	95,756	(56,166)	355,631	-
<b>Total TMLD</b>	<b>3,378,666</b>	<b>95,756</b>	<b>(367,791)</b>	<b>3,106,631</b>	<b>311,625</b>
<b>Total Business-Type Activities</b>	<b>\$ 12,690,114</b>	<b>\$ 143,368</b>	<b>\$ (1,159,986)</b>	<b>\$ 11,673,496</b>	<b>\$ 1,101,977</b>

General obligation bonds and notes payable outstanding at June 30, 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	\$ -	\$ (140,000)	\$ 560,000
MWPAT notes payable	0 - 5.125%	676,223	-	(48,498)	627,725
<b>Total Governmental Activities</b>		<b>\$ 1,376,223</b>	<b>\$ -</b>	<b>\$ (188,498)</b>	<b>\$ 1,187,725</b>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.6 - 4.0%	\$ 300,000	\$ -	\$ (30,000)	\$ 270,000
Farmer's Home Admin Loan	5.00%	54,500	-	(13,660)	40,840
MWPAT notes payable	0 - 5.75%	5,015,713	-	(419,392)	4,596,321
<b>Total Sewer Activities</b>		<b>5,370,213</b>	<b>-</b>	<b>(463,052)</b>	<b>4,907,161</b>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.6 - 4.75 %	3,775,479	-	(313,297)	3,462,182
<b>Total Water Activities</b>		<b>3,775,479</b>	<b>-</b>	<b>(313,297)</b>	<b>3,462,182</b>
<i>Business-Type Activities - TMLD</i>					
General obligation bonds	2.6 - 4.0%	780,000	-	(80,000)	700,000
Clean Renewable Energy Bond	2%	1,587,000	-	(132,250)	1,454,750
Commercial Term Loan	5.50%	695,625	-	(99,375)	596,250
<b>Total TMLD Activities</b>		<b>3,062,625</b>	<b>-</b>	<b>(311,625)</b>	<b>2,751,000</b>
<b>Total Business-Type Activities</b>		<b>\$ 12,208,317</b>	<b>\$ -</b>	<b>\$ (1,087,974)</b>	<b>\$ 11,120,343</b>

The above tables are as of and for the year ended December 31, 2013 for the TMLD.

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>							
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	48,619	-	48,619	2,527	(2,527)	-	48,619
2020-2024	192,380	-	192,380	5,142	(5,142)	-	192,380
2025-2029	151,250	-	151,250	-	-	-	151,250
2030-2033	41,000	-	41,000	-	-	-	41,000
Total	\$ 1,187,725	\$ -	\$ 1,187,725	\$ 51,357	\$ (27,277)	\$ 24,080	\$ 1,211,805
<i>Business-Type Activities - Sewer</i>							
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	530,527	(56,886)	473,641	119,040	(71,068)	47,972	521,613
2020-2024	2,014,543	(94,135)	1,920,408	268,956	(191,348)	77,608	1,998,016
2025	368,373	(25,795)	342,578	-	-	-	342,578
Total	\$ 4,907,161	\$ (388,350)	\$ 4,518,811	\$ 1,124,104	\$ (642,719)	\$ 481,385	\$ 5,000,196
<i>Business-Type Activities - Water</i>							
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	109,153	-	109,153	422,450
2018	313,297	-	313,297	97,536	-	97,536	410,833
2019	313,297	-	313,297	85,845	-	85,845	399,142
2020-2024	1,376,485	-	1,376,485	246,925	-	246,925	1,623,410
2025-2029	386,485	-	386,485	57,149	-	57,149	443,634
2030-2034	41,485	-	41,485	26,856	-	26,856	68,341
2035-2039	41,485	-	41,485	17,262	-	17,262	58,747
2040-2044	41,485	-	41,485	7,759	-	7,759	49,244
2045	8,272	-	8,272	383	-	383	8,655
Total	\$ 3,462,182	\$ -	\$ 3,462,182	\$ 901,054	\$ -	\$ 901,054	\$ 4,363,236
<i>Business-Type Activities - TMLD</i>							
Year Ending Dec 30,	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	Total
2014	\$ 311,625	\$ -	\$ 311,625	\$ 76,990	\$ -	\$ 76,990	\$ 388,615
2015	311,625	-	311,625	67,819	-	67,819	379,444
2016	311,625	-	311,625	58,550	-	58,550	370,175
2017	311,625	-	311,625	49,159	-	49,159	360,784
2018	311,625	-	311,625	39,670	-	39,670	351,295
2019-2023	1,060,625	-	1,060,625	80,867	-	80,867	1,141,492
2024	132,250	-	132,250	2,690	-	2,690	134,940
Total	\$ 2,751,000	\$ -	\$ 2,751,000	\$ 375,745	\$ -	\$ 375,745	\$ 3,126,745

*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 \$388,350 and interest in the amount of \$642,719 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 2016. 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>
2015	\$ 25,354
2016	14,310
2017	14,310
2018	14,310
2019	10,733
Total minimum lease payments	<u>79,017</u>
Less amount representing interest	<u>(3,661)</u>
Present value of minimum lease payments	<u>\$ 75,356</u>

Assets acquired through capital leases are as follows:

<u>Asset Description</u>	<u>Amount</u>
One Ton Pickup	\$ 48,119
Fireman Defibrillator	71,551
Less accumulated depreciation	<u>(37,099)</u>
Net carrying value	<u>\$ 82,571</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, 2014, 2013, and 2012 were \$595,275, \$497,525, and \$472,154, 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, 2014 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. 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, 2013 as its pro rata share of these costs is no material to its financial statements.

#### **D. 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, 2014, 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, 2014.

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 of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

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

Berkshire Wind Cooperative – The TMLD is a member of the Berkshire Wind Cooperation Corporation (the "Cooperative").

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

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

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

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

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

As of December 31, 2013, total capital expenditures for the Berkshire Wind Facility amounted to \$58,990,077, of which \$3,235,000, presents the amount associated with the Plant's share of the Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Plant. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$60,210,000 of which \$3,302,000 is associated with the Plant's share of Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Plant. As of December 31, 2013, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$91,789,000, of which \$5,034,000 is anticipated to be billed to the Plant in the future.

The estimated aggregate amount of the TMLD required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2013 and estimated for future years is as follows:

The estimated aggregate amount of the Templeton Municipal Light Plant required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2013 and estimated for future years is shown below.

For Years Ending December 31,

2014	\$ 296,000
2015	296,000
2016	296,000
2017	296,000
2018	296,000
2019-2023	1,480,000
2024-2028	1,480,000
2029-2030	594,000
Total	<u>\$ 5,034,000</u>

MMWEC Contingencies and Liabilities

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

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

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

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

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

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

Total capital expenditures for MMWEC's Projects amounted to \$1,607,269,000, of which \$27,231,000 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 Project Revenue Bonds totaling \$225,280,000, of which \$3,695,000 is 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. As of December 31, 2013, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$218,518,000, of which \$3,597,000 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, 2013 and estimated for future years is shown below.

<u>For Years Ending December 31,</u>	
2014	\$ 1,073,000
2015	995,000
2016	913,000
2017	447,000
2018	101,000
2019	68,000
Total	<u>\$ 3,597,000</u>

In addition, under the PSAs, the Plant is required to pay to MMWEC its share of the Operations and Maintenance (O&M) costs of the Projects in which it participates. The Plant's total O&M costs including debt service under the PSAs were \$2,749,000 and 2,747,000 for the years ended December 31, 2013 and 2012, respectively.

Other Power Supply

The Plant has entered into an All Requirements Bulk Power Sales Agreement with MMWEC, under which MMWEC provides, delivers and sells all electric power and energy to the Plant whether through owned, generation, purchased power contracts or other power supply arrangements.

Under the terms of the All Requirements Agreement, the Plant is committed to purchase additional power through MMWEC in the amount of \$540,138 in 2014, \$251,084 in 2015, \$157,673 in 2016 and \$167,009 in 2017.

**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; \$323,000 has been recorded as a governmental activities liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

TOWN OF TEMPLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

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)
1/1/2014	\$ 488,346,471	\$ 1,087,769,903	\$ 599,423,432	44.9%	\$ 252,829,591	237.1%
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
2014	\$ 37,510,266	\$ 37,510,266	100%	\$ 595,275	1.6%
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, 2014

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real estate and personal property	\$ 9,192,523	\$ 8,686,220	\$ 8,232,177		\$ 8,232,177	\$ (454,043)
Intergovernmental	1,433,187	1,433,187	1,703,377		1,703,377	270,190
Motor vehicle and other excises	888,779	888,779	962,472		962,472	73,693
Licenses and permits	102,911	102,911	96,874		96,874	(6,037)
Departmental and other revenue	214,489	214,489	276,391		276,391	61,902
Penalties and interest	79,326	79,326	65,081		65,081	(14,245)
Fines and forfeitures	8,995	8,995	61,586		61,586	52,591
Investment income	15,000	15,000	8,010		8,010	(6,990)
Other income	-	-	-		-	-
Total Revenues	<u>11,935,210</u>	<u>11,428,907</u>	<u>11,405,968</u>	<u>-</u>	<u>11,405,968</u>	<u>(22,939)</u>
<b>Expenditures:</b>						
General government	1,146,623	1,027,974	945,671	38,268	983,939	44,035
Public safety	1,529,557	1,409,807	1,342,063	-	1,342,063	67,744
Education	6,021,375	6,021,375	6,018,125	3,250	6,021,375	-
Public works	944,950	751,994	815,973	-	815,973	(63,979)
Health and human services	265,723	217,794	211,543	-	211,543	6,251
Culture and recreation	229,795	204,776	65,314	139,737	205,051	(275)
Fringe and pension benefits	1,419,275	1,419,275	1,409,125	-	1,409,125	10,150
State and county tax assessments	58,343	58,343	58,343	-	58,343	-
Debt service	1,411,046	1,409,046	1,507,282	-	1,507,282	(98,236)
Total Expenditures	<u>13,026,687</u>	<u>12,520,384</u>	<u>12,373,439</u>	<u>181,255</u>	<u>12,554,694</u>	<u>(34,310)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	954,720	981,619	1,026,390		1,026,390	(44,771)
Transfers out	-	(26,899)	-		-	(26,899)
Total Other Financing Sources (Uses)	<u>954,720</u>	<u>954,720</u>	<u>1,026,390</u>	<u>-</u>	<u>1,026,390</u>	<u>(71,670)</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(136,757)</u>	<u>(136,757)</u>	<u>58,919</u>		<u>(122,336)</u>	<u>(60,299)</u>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	149,013	149,013				
Overlay deficits	<u>(12,256)</u>	<u>(12,256)</u>				
Total Other Budgetary Items	<u>136,757</u>	<u>136,757</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, 2014**

**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, 2014, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 11,405,968
Stabilization revenue	\$ -	\$ 1,016	1,016
Change in recording tax revenues	205,269	-	205,269
Change in recording intergovernmental revenues	(233,054)	-	(233,054)
Revenues on a GAAP basis	<u>\$ (27,785)</u>	<u>\$ 1,016</u>	<u>\$ 11,379,199</u>
Expenditures on a budgetary basis			\$ 12,373,439
Paydown of BANs	\$ (179,141)	\$ -	(179,141)
Reclass of enterprise indirect costs to expenditures	(1,269,319)	-	(1,269,319)
Expenditures on a GAAP basis	<u>\$ (1,269,319)</u>	<u>\$ -</u>	<u>\$ 10,924,979</u>
Other financing sources (uses) on a budgetary basis			\$ 1,026,390
Paydown of BANs	\$ (179,141)	\$ -	(179,141)
Reclass of enterprise indirect costs to expenditures	(1,269,319)	-	(1,269,319)
Stabilization transfer	-	(26,899)	(26,899)
Other financing sources (uses) on a GAAP basis	<u>\$ (1,448,460)</u>	<u>\$ (26,899)</u>	<u>\$ (448,969)</u>

*Appropriation Deficits* – During fiscal year 2014, the Town carried deficits of \$515,765 in the General Fund Operating Fund that will be raised in subsequent years.