

TOWN OF TEMPLETON, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2015

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended June 30, 2015

TOWN OF TEMPLETON, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2015

| | <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 Net Position – Fiduciary Funds | 20 |
| Statement of Changes in Net Position – Fiduciary Funds | 21 |
| Notes to Basic Financial Statements | 22-48 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION:</u> | |
| Schedule of Town's Proportionate Share of Net Pension Liability | 49 |
| Schedule of Town's Contributions to Pension Plan | 49 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 50 |
| Notes to Required Supplementary Information | 51 |
| <u>OTHER REPORTS:</u> | |
| Report on Internal Control Over Financial and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 52-53 |



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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Selectmen
Town of Templeton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Templeton, Massachusetts, (the "Town") as of and for the year ended June 30, 2015 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, 2014). We did not audit the financial statements of the Light Department which represented 46% and 77% of the assets and revenues of the combined enterprise funds; or the Water Department which represented 24% and 14% 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, 2015 (except for the TMLD, which is as of December 31, 2014) 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, 2015. 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

- As disclosed in the Note IV to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015. The impact to the beginning balances as a result of this implementation was to reduce Governmental activities by over \$6.5 million, Business-type activities and Enterprise Funds by almost \$1.7 million.
- Notwithstanding the impact of this prior period adjustment, Governmental Activities increased by almost \$2.5 million and Business-type activities increased by over \$0.5 million.
- The Town's total general obligation bond and notes payable debt decreased by almost \$1.3 million in fiscal year 2015 to approximately \$11.0 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 2015.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$4.5 million, an increase of approximately \$1.9 million over the prior year. Over \$0.8 million in deficits in the general fund were offset by undesignated fund balance of almost \$1.5 million in surplus; in addition the School Capital Project funds maintained a minor unassigned deficit; Community Preservation was consistent at almost \$1.0 million unrestricted. All other amounts were earmarked for expenditures.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation pay).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, regionalized education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include sewer, water and electric light enterprise funds.

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

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

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

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Preservation Fund, Community Development Fund and School Capital Projects 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 condensed statement of net position is as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|--------------------------------|------------------|---------------------------------|------------------|------------------|------------------|
| | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 6,591,869 | \$ 5,709,006 | \$ 7,238,665 | \$ 7,521,916 | \$ 13,830,534 | \$ 13,230,922 |
| Capital assets, net | 12,281,719 | 11,097,239 | 25,176,491 | 25,771,265 | 37,458,210 | 36,868,504 |
| Total Assets | 18,873,588 | 16,806,245 | 32,415,156 | 33,293,181 | 51,288,744 | 50,099,426 |
| <u>Deferred Outflows of Resources</u> | | | | | | |
| Pensions | 4,032 | - | 1,041 | - | 5,073 | - |
| Total Deferred Outflows of Resources | 4,032 | - | 1,041 | - | 5,073 | - |
| <u>Liabilities</u> | | | | | | |
| Long-term liabilities | 8,238,365 | 1,620,081 | 12,426,568 | 11,778,284 | 20,664,933 | 13,398,365 |
| Other liabilities | 476,232 | 956,784 | 1,467,379 | 1,829,082 | 1,943,611 | 2,785,866 |
| Total Liabilities | 8,714,597 | 2,576,865 | 13,893,947 | 13,607,366 | 22,608,544 | 16,184,231 |
| <u>Deferred Inflows of Resources</u> | | | | | | |
| Electric light | - | - | 1,485,264 | 1,386,212 | 1,485,264 | 1,386,212 |
| <u>Net Position</u> | | | | | | |
| Net investment in capital assets | 11,084,307 | 9,718,013 | 15,495,102 | 15,039,272 | 26,579,409 | 24,757,285 |
| Restricted | 3,464,070 | 2,427,360 | 938,306 | 961,528 | 4,402,376 | 3,388,888 |
| Unrestricted | (4,385,354) | 2,084,007 | 603,578 | 2,298,803 | (3,781,776) | 4,382,810 |
| Total Net Position | \$ 10,163,023 | \$ 14,229,380 | \$ 17,036,986 | \$ 18,299,603 | \$ 27,200,009 | \$ 32,528,983 |

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 \$2.9 million after reflecting the impact of the prior period adjustment previously discussed. This consisted of an increase to governmental activities by almost \$2.5 million and business-type activities by over \$0.4 million.

By far 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 net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position is reported as a deficit of approximately \$3.8 million due to the recognition of net pension liabilities of approximately \$8.2 million recorded in 2015 due to the implementation of GASB 68.

The condensed statement of changes in net position is as follows:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,079,507 | \$ 886,497 | \$ 10,007,666 | \$ 9,647,210 | \$ 11,087,173 | \$ 10,533,707 |
| Operating grants and contributions | 1,096,227 | 431,151 | 88,284 | 21,148 | 1,184,511 | 452,299 |
| Capital grants and contributions | 1,880,183 | 873,343 | 132,803 | 140,068 | 2,012,986 | 1,013,411 |
| General revenues: | | | | | | |
| Property taxes | 9,203,486 | 8,813,599 | - | - | 9,203,486 | 8,813,599 |
| Intergovernmental | 1,307,157 | 1,351,479 | - | - | 1,307,157 | 1,351,479 |
| Other | 576,420 | 1,012,959 | 10,779 | 12,886 | 587,199 | 1,025,845 |
| Total revenues | 15,142,980 | 13,369,028 | 10,239,532 | 9,821,312 | 25,382,512 | 23,190,340 |
| Expenses | | | | | | |
| General government | 1,720,537 | 2,199,375 | - | - | 1,720,537 | 2,199,375 |
| Public safety | 2,226,035 | 2,188,300 | - | - | 2,226,035 | 2,188,300 |
| Education | 6,147,829 | 5,988,393 | - | - | 6,147,829 | 5,988,393 |
| Public works | 1,467,375 | 901,020 | - | - | 1,467,375 | 901,020 |
| Health and human services | 434,007 | 401,124 | - | - | 434,007 | 401,124 |
| Culture and recreation | 259,983 | 335,632 | - | - | 259,983 | 335,632 |
| Debt service | 24,270 | 46,882 | - | - | 24,270 | 46,882 |
| Sewer services | - | - | 1,583,918 | 1,547,920 | 1,583,918 | 1,547,920 |
| Water services | - | - | 1,292,249 | 1,153,284 | 1,292,249 | 1,153,284 |
| Electric Light services | - | - | 7,288,573 | 7,319,732 | 7,288,573 | 7,319,732 |
| Total expenses | 12,280,036 | 12,060,726 | 10,164,740 | 10,020,936 | 22,444,776 | 22,081,662 |
| Change in net position | 2,479,982 | 1,000,226 | 427,253 | 108,452 | 2,907,235 | 1,108,678 |
| Net position, beginning of year | 14,229,380 | 13,229,154 | 18,299,603 | 18,191,151 | 32,528,983 | 31,420,305 |
| Restatement for net pension liability | (6,546,339) | - | (1,689,870) | - | (8,236,209) | - |
| Net position, beginning of year, as restated | 7,683,041 | 13,229,154 | 16,609,733 | 18,191,151 | 24,292,774 | 31,420,305 |
| Net position, end of year | \$ 10,163,023 | \$ 14,229,380 | \$ 17,036,986 | \$ 18,299,603 | \$ 27,200,009 | \$ 32,528,983 |

Governmental Activities – The town relies to a significant extent on property taxes, which, during 2015, made up approximately 60.8% of total revenues. The increase in amount from year to year is due to new growth, swings in debt exclusion and an increase for the statutory allowable increase of 2 ½% over the prior year levy limit; thus property taxes met expectations. The increase in capital grants and contributions is due to a large reimbursement under the Chapter 90 State road repair and construction reimbursement program; this exceeded \$1.0 million in the current year. The large reduction in other revenues is due to a loss on the sale of capital assets in excess of \$0.5 million being offset against the normal other revenue amounts of about \$1.1 million. No other revenues were greater than 10% of total revenues in 2015 and 2014.

Major expenditures were for education which continues to be an area that the Town devotes significant resources too. Education represents 50.1% of total fiscal year 2015 expenses; these amounts were consistent with the prior year and the minor increase is due to increases required to meet State net school spending amounts. Public safety represents 18.1% of total expenditures which is consistent with prior year. Public works represents 11.9% of total expenditures which is up approximately \$500,000 from prior year; this is due mainly to seasonal weather patterns reaching historical levels. General government expenditures represent 14.0% of total expenditures and are down almost \$0.5 million from the prior year mostly due to the work related to the community preservation projects nearing completion that were started in prior year. No other expense types were greater than 10% of total expenses in fiscal year 2015 and 2014.

Business-Type Activities – User charges for sewer, water and electric light services represent virtually all of the reported fiscal year 2015 revenues in the Town's business-type activities. In fiscal year 2015, 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 \$4.5 million. This represents an increase of \$1.8 million over the prior year. The increase is primarily a result of actual revenues significantly exceeding projected revenues. The Town, for the first time, assigned the majority of its tax title and this resulted in collecting back taxes and penalties of over \$0.5 million. In addition, all other local receipts were well ahead of forecasts. 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 \$0.7 million, while total general fund balance reached just under \$1.0 million. As a measure of the general fund liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 6.1% of total general fund expenditures, while total fund balance represents approximately 8.8% of that same amount.

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 \$5.1, \$2.0 and \$9.5 million respectively.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the Electric Department’s OPEB trust fund, 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, 2015 amounts to approximately \$37.5 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$0.7 million. This increase was a result of current year capital additions exceeding depreciation.

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 almost \$1.3 million in fiscal year 2015 to approximately \$11.0 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 2015. 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 2015 were approximately 88.6% 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 2016 at the May 2015 Town Meeting. The Town set its fiscal year 2016 tax rate on December 15, 2015.

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, 2015

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 4,011,372 | \$ 3,593,915 | \$ 7,605,287 |
| Investments | 318,277 | - | 318,277 |
| Receivables, net: | | | |
| Property taxes | 562,183 | - | 562,183 |
| User fees | - | 1,359,402 | 1,359,402 |
| Departmental and other | 1,179,890 | - | 1,179,890 |
| Intergovernmental | 351,574 | 336,977 | 688,551 |
| Apportioned assessments | - | 255,193 | 255,193 |
| Working capital deposit | - | 655,488 | 655,488 |
| Prepaid expenses | - | 166,978 | 166,978 |
| Materials and supplies | - | 175,934 | 175,934 |
| Internal balances | 120,838 | (120,838) | - |
| Other assets | 47,735 | 815,616 | 863,351 |
| Land | 935,838 | 189,178 | 1,125,016 |
| Construction in-process | 1,525,364 | 164,219 | 1,689,583 |
| Capital assets, net of accumulated depreciation | 9,820,517 | 24,823,094 | 34,643,611 |
| Total Assets | 18,873,588 | 32,415,156 | 51,288,744 |
| Deferred Outflows of Resources | | | |
| Deferred pensions | 4,032 | 1,041 | 5,073 |
| Deferred Outflows of Resources | 4,032 | 1,041 | 5,073 |
| Liabilities | | | |
| Warrants and accounts payable | 446,764 | 971,706 | 1,418,470 |
| Customer and advanced deposits | - | 33,186 | 33,186 |
| Accrued interest | - | 116,056 | 116,056 |
| Other liabilities | 29,468 | 346,431 | 375,899 |
| Noncurrent liabilities: | | | |
| Due within one year | 258,225 | 1,156,518 | 1,414,743 |
| Due in more than one year | 7,980,140 | 11,270,050 | 19,250,190 |
| Total Liabilities | 8,714,597 | 13,893,947 | 22,608,544 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - rate stabilization reserve | - | 566,211 | 566,211 |
| Unavailable revenue - other | - | 919,053 | 919,053 |
| Deferred Inflows of Resources | - | 1,485,264 | 1,485,264 |
| Net Position | | | |
| Net investment in capital assets | 11,084,307 | 15,495,102 | 26,579,409 |
| Restricted: | | | |
| Nonexpendable permanent funds | 323,328 | - | 323,328 |
| Expendable permanent funds | 193,798 | - | 193,798 |
| Capital projects | 372,730 | - | 372,730 |
| Community preservation | 978,462 | - | 978,462 |
| Gifts and donations | 609,845 | - | 609,845 |
| Other purposes | 985,907 | 938,306 | 1,924,213 |
| Unrestricted | (4,385,354) | 603,578 | (3,781,776) |
| Total Net Position | \$ 10,163,023 | \$ 17,036,986 | \$ 27,200,009 |

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2015

| 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 |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,720,537 | \$ 414,134 | \$ 2,184 | \$ 201,513 | \$ (1,102,706) | \$ | \$ (1,102,706) |
| Public safety | 2,226,035 | 440,202 | 487,710 | - | (1,298,123) | | (1,298,123) |
| Education | 6,147,829 | - | - | 175,644 | (5,972,185) | | (5,972,185) |
| Public works | 1,467,375 | 49,181 | - | 1,155,026 | (263,168) | | (263,168) |
| Health and human services | 434,007 | 175,990 | 260,013 | 348,000 | 349,996 | | 349,996 |
| Culture and recreation | 259,983 | - | 346,320 | - | 86,337 | | 86,337 |
| Interest expense | 24,270 | - | - | - | (24,270) | | (24,270) |
| Total governmental activities | 12,280,036 | 1,079,507 | 1,096,227 | 1,880,183 | (8,224,119) | | (8,224,119) |
| Business-Type activities: | | | | | | | |
| Sewer | 1,583,918 | 965,658 | 33,599 | 132,803 | | \$ (451,858) | (451,858) |
| Water | 1,292,249 | 1,328,846 | 54,385 | - | | 90,982 | 90,982 |
| Electric Light | 7,288,573 | 7,713,162 | 300 | - | | 424,889 | 424,889 |
| Total business-type activities | 10,164,740 | 10,007,666 | 88,284 | 132,803 | | 64,013 | 64,013 |
| Total Primary Government | \$ 22,444,776 | \$ 11,087,173 | \$ 1,184,511 | \$ 2,012,986 | (8,224,119) | 64,013 | (8,160,106) |
| | | General Revenues: | | | | | |
| | | Property taxes | | 9,203,486 | | | 9,203,486 |
| | | Motor vehicle and other excise taxes | | 907,572 | | | 907,572 |
| | | Intergovernmental | | 1,307,157 | | | 1,307,157 |
| | | Penalties and interest on taxes | | 242,425 | | | 242,425 |
| | | Gain (loss) on fixed assets | | (588,334) | | | (588,334) |
| | | Unrestricted investment income | | 14,757 | | 10,779 | 25,536 |
| | | Transfers (net) | | (382,962) | | 352,461 | (30,501) |
| | | Total general revenues | | 10,704,101 | | 363,240 | 11,067,341 |
| | | Change in Net Position | | 2,479,982 | | 427,253 | 2,907,235 |
| | | Net Position: | | | | | |
| | | Beginning of year (as restated; see Note IV) | | 7,683,041 | | 16,609,733 | 24,292,774 |
| | | End of year | | \$ 10,163,023 | | \$ 17,036,986 | \$ 27,200,009 |

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General Fund | Community Preservation | Community Development | School Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------|--------------------------|----------------------------|-----------------------------------|--------------------------------|
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 1,018,574 | \$ 978,531 | \$ - | \$ 70,736 | \$ 1,943,531 | \$ 4,011,372 |
| Investments | - | - | - | - | 318,277 | 318,277 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Property taxes | 547,880 | 14,336 | - | - | - | 562,216 |
| Departmental and other | 850,421 | - | - | - | 329,469 | 1,179,890 |
| Intergovernmental | - | - | 88,378 | - | 263,196 | 351,574 |
| Due from other funds | 168,573 | - | - | - | 41,554 | 210,127 |
| Total Assets | 2,585,448 | 992,867 | 88,378 | 70,736 | 2,896,027 | 6,633,456 |
| Total Deferred Outflows of Resources | - | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 2,585,448 | \$ 992,867 | \$ 88,378 | \$ 70,736 | \$ 2,896,027 | \$ 6,633,456 |
| Liabilities: | | | | | | |
| Warrants and accounts payable | \$ 248,185 | \$ 69 | \$ 46,824 | \$ 110,255 | \$ 41,431 | \$ 446,764 |
| Due to other funds | - | - | 41,554 | - | - | 41,554 |
| Other liabilities | 29,468 | - | - | - | - | 29,468 |
| Total Liabilities | 277,653 | 69 | 88,378 | 110,255 | 41,431 | 517,786 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue - property taxes | 463,041 | 14,336 | - | - | - | 477,377 |
| Unavailable revenue - other | 850,421 | - | - | - | 329,469 | 1,179,890 |
| Total Deferred Inflows of Resources | 1,313,462 | 14,336 | - | - | 329,469 | 1,657,267 |
| Fund Balances: | | | | | | |
| Nonspendable | - | - | - | - | 323,328 | 323,328 |
| Restricted | 175,000 | 978,462 | - | - | 2,310,863 | 3,464,325 |
| Committed | 109,731 | - | - | - | - | 109,731 |
| Assigned | 14,845 | - | - | - | - | 14,845 |
| Unassigned: | | | | | | |
| Deficits - 2013 | (310,000) | - | - | - | - | (310,000) |
| Deficits - 2014 | (205,765) | - | - | - | - | (205,765) |
| Deficits - 2015 | (320,319) | - | - | - | - | (320,319) |
| Undesignated | 1,530,841 | - | - | (39,519) | (109,064) | 1,382,258 |
| Total Fund Balances | 994,333 | 978,462 | - | (39,519) | 2,525,127 | 4,458,403 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 2,585,448 | \$ 992,867 | \$ 88,378 | \$ 70,736 | \$ 2,896,027 | \$ 6,633,456 |

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, 2015

| | |
|--|----------------------|
| Total Governmental Fund Balances | \$ 4,458,403 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 12,281,719 |
| Other long-term assets are unavailable to pay current-period expenditures | 1,657,267 |
| Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds: | |
| Net difference between projected and actual earnings on pension plan investments | 4,032 |
| 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 | (999,106) |
| Landfill closure | (302,000) |
| Capital lease obligations | (198,306) |
| Net pension liability | (6,704,986) |
| Compensated absences | (34,000) |
| | <hr/> |
| Net Position of Governmental Activities | \$ 10,163,023 |

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2015

| | General Fund | Community Preservation | Community Development | School Capital Projects | Nonmajor Funds | Total Governmental Funds |
|---|-------------------|------------------------|-----------------------|-------------------------|------------------|--------------------------|
| Revenues: | | | | | | |
| Property taxes | \$ 9,360,770 | \$ 126,400 | \$ - | \$ - | \$ - | \$ 9,487,170 |
| Intergovernmental | 1,376,682 | 96,466 | 201,513 | 175,644 | 1,675,654 | 3,525,959 |
| Motor vehicle and other excises | 908,216 | - | - | - | - | 908,216 |
| Licenses and permits | 189,152 | - | - | - | - | 189,152 |
| Penalties and interest on taxes | 242,425 | - | - | - | - | 242,425 |
| Fines and forfeitures | 50,953 | - | - | - | - | 50,953 |
| Investment income | 9,238 | 2,851 | - | - | 2,668 | 14,757 |
| Departmental and other revenue | 383,613 | - | - | - | 490,368 | 873,981 |
| Contributions and donations | - | 1,792 | - | - | 751,643 | 753,435 |
| Total Revenues | 12,521,049 | 227,509 | 201,513 | 175,644 | 2,920,333 | 16,046,048 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 1,122,763 | 244,177 | 201,513 | - | 19,659 | 1,588,112 |
| Public safety | 1,378,620 | - | - | - | 581,752 | 1,960,372 |
| Education | 6,147,829 | - | - | 139,482 | - | 6,287,311 |
| Public works | 922,439 | - | - | - | 1,156,485 | 2,078,924 |
| Health and human services | 235,808 | - | - | - | 140,440 | 376,248 |
| Culture and recreation | 165,273 | 38,750 | - | - | 344,526 | 548,549 |
| Pension and fringe benefits | 1,064,810 | - | - | - | - | 1,064,810 |
| State and county assessments | 53,261 | - | - | - | - | 53,261 |
| Debt service: | | | | | | |
| Principal | 188,619 | - | - | - | - | 188,619 |
| Interest | 24,270 | - | - | - | - | 24,270 |
| Total Expenditures | 11,303,692 | 282,927 | 201,513 | 139,482 | 2,242,862 | 14,170,476 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,217,357 | (55,418) | - | 36,162 | 677,471 | 1,875,572 |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds from capital leases | - | - | - | - | 185,539 | 185,539 |
| Transfers in | 90,421 | - | - | 157,000 | - | 247,421 |
| Transfers out | (571,514) | - | - | - | (58,869) | (630,383) |
| Total Other Financing Sources | (481,093) | - | - | 157,000 | 126,670 | (197,423) |
| Net Change in Fund Balances | 736,264 | (55,418) | - | 193,162 | 804,141 | 1,678,149 |
| Fund balances - Beginning of year | 258,069 | 1,033,880 | - | (232,681) | 1,720,986 | 2,780,254 |
| Fund Balances - End of year | \$ 994,333 | \$ 978,462 | \$ - | \$ (39,519) | \$ 2,525,127 | \$ 4,458,403 |

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
FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 1,678,149**

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 here as reconciling items:

| | |
|-----------------------------|------------------|
| Capital outlays | 2,163,821 |
| Gain (loss) on fixed assets | (588,334) |
| Depreciation expense | <u>(391,007)</u> |

| | |
|--|------------------|
| Net effect of reporting capital assets | <u>1,184,480</u> |
|--|------------------|

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

| | |
|--------------------------------|----------------|
| Repayments of debt obligations | <u>188,619</u> |
|--------------------------------|----------------|

| | |
|--|----------------|
| Net effect of reporting long-term debt | <u>188,619</u> |
|--|----------------|

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.

(314,734)

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 | (122,950) |
| Net pension liability | (154,582) |
| Landfill closure | <u>21,000</u> |

| | |
|---|------------------|
| Net effect of reporting long-term liabilities | <u>(256,532)</u> |
|---|------------------|

Change in Net Position of Governmental Activities **\$ 2,479,982**

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2015

| | Business-Type Activities | | | Total |
|---|--------------------------|---------------------|--|----------------------|
| | Sewer | Water | Electric Light December 31, 2014 | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,078,641 | \$ 135,105 | \$ 1,380,169 | \$ 3,593,915 |
| Working capital deposit | - | - | 655,488 | 655,488 |
| User charges and other receivables, net | 395,804 | 208,001 | 755,597 | 1,359,402 |
| Apportioned assessments | 255,193 | - | - | 255,193 |
| Intergovernmental receivables | 52,248 | - | - | 52,248 |
| Prepaid expenses | - | 6,330 | 160,648 | 166,978 |
| Materials and supplies | - | 38,935 | 136,999 | 175,934 |
| Total current assets | <u>2,781,886</u> | <u>388,371</u> | <u>3,088,901</u> | <u>6,259,158</u> |
| Noncurrent assets: | | | | |
| Intergovernmental receivables | 284,729 | - | - | 284,729 |
| Other assets | - | - | 815,616 | 815,616 |
| Land | - | - | 189,178 | 189,178 |
| Construction in-process | 90,100 | - | 74,119 | 164,219 |
| Capital assets, net of accumulated depreciation | 7,440,599 | 6,279,895 | 11,102,600 | 24,823,094 |
| Total noncurrent assets | <u>7,815,428</u> | <u>6,279,895</u> | <u>12,181,513</u> | <u>26,276,836</u> |
| Total Assets | <u>10,597,314</u> | <u>6,668,266</u> | <u>15,270,414</u> | <u>32,535,994</u> |
| Deferred Outflows of Resources | | | | |
| Pensions | 495 | 546 | - | 1,041 |
| Total Deferred Outflows of Resources | <u>495</u> | <u>546</u> | <u>-</u> | <u>1,041</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Warrants and accounts payable | \$ 31,269 | \$ 34,879 | \$ 905,558 | \$ 971,706 |
| Customer and advanced deposits | - | - | 33,186 | 33,186 |
| Accrued interest | 80,627 | 30,303 | 5,126 | 116,056 |
| Due to other funds | 120,838 | - | - | 120,838 |
| Other liabilities | - | 236,993 | 109,438 | 346,431 |
| Compensated absences | - | 15,371 | 22,599 | 37,970 |
| Bonds and notes payable | 493,626 | 313,297 | 311,625 | 1,118,548 |
| Total current liabilities | <u>726,360</u> | <u>630,843</u> | <u>1,387,532</u> | <u>2,744,735</u> |
| Noncurrent liabilities: | | | | |
| Bonds and notes payable | 3,936,480 | 2,835,588 | 2,127,750 | 8,899,818 |
| Net pension liability | 823,110 | 907,704 | - | 1,730,814 |
| Other postemployment benefits | - | 278,175 | 361,243 | 639,418 |
| Total noncurrent liabilities | <u>4,759,590</u> | <u>4,021,467</u> | <u>2,488,993</u> | <u>11,270,050</u> |
| Total Liabilities | <u>5,485,950</u> | <u>4,652,310</u> | <u>3,876,525</u> | <u>14,014,785</u> |
| Deferred Inflows of Resources | | | | |
| Contribution in aid of construction | - | - | 919,053 | 919,053 |
| Rate stabilization reserve | - | - | 566,211 | 566,211 |
| Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>1,485,264</u> | <u>1,485,264</u> |
| Net Position | | | | |
| Net investment in capital assets | 3,437,570 | 3,131,010 | 8,926,522 | 15,495,102 |
| Restricted for debt service | 255,193 | - | - | 255,193 |
| Restricted for depreciation | - | 14,098 | 669,015 | 683,113 |
| Unrestricted | 1,419,096 | (1,128,606) | 313,088 | 603,578 |
| Total Net Position | <u>\$ 5,111,859</u> | <u>\$ 2,016,502</u> | <u>\$ 9,908,625</u> | <u>\$ 17,036,986</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, 2015

| | Business-Type Activities | | | Total |
|---|--------------------------|---------------------|--|----------------------|
| | Sewer | Water | Electric Light December 31, 2014 | |
| Operating Revenues | | | | |
| Charges for services | \$ 882,089 | \$ 1,328,846 | \$ 7,713,162 | \$ 9,924,097 |
| Other | 33,599 | 41,608 | 83,569 | 158,776 |
| Total Operating Revenues | <u>915,688</u> | <u>1,370,454</u> | <u>7,796,731</u> | <u>10,082,873</u> |
| Operating Expenses | | | | |
| Operations | 917,640 | 666,406 | 6,707,391 | 8,291,437 |
| Maintenance | - | 295,678 | - | 295,678 |
| Depreciation | 450,257 | 200,672 | 504,793 | 1,155,722 |
| Total Operating Expenses | <u>1,367,897</u> | <u>1,162,756</u> | <u>7,212,184</u> | <u>9,742,837</u> |
| Total Operating Income (Loss) | <u>(452,209)</u> | <u>207,698</u> | <u>584,547</u> | <u>340,036</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income | - | 367 | 10,412 | 10,779 |
| Interest expense | (216,021) | (129,493) | (76,389) | (421,903) |
| Other | - | 12,777 | 300 | 13,077 |
| Total Nonoperating Revenues (Expenses) | <u>(216,021)</u> | <u>(116,349)</u> | <u>(65,677)</u> | <u>(398,047)</u> |
| Income (Loss) Before Capital Contributions and Transfers | <u>(668,230)</u> | <u>91,349</u> | <u>518,870</u> | <u>(58,011)</u> |
| Capital Contributions: | | | | |
| Intergovernmental | 109,088 | - | - | 109,088 |
| Other | 23,715 | - | - | 23,715 |
| Total Capital Contributions | <u>132,803</u> | <u>-</u> | <u>-</u> | <u>132,803</u> |
| Transfers: | | | | |
| Transfers in | 414,514 | - | - | 414,514 |
| Transfers out | - | - | (62,053) | (62,053) |
| Transfers, net | <u>414,514</u> | <u>-</u> | <u>(62,053)</u> | <u>352,461</u> |
| Change in Net Position | <u>(120,913)</u> | <u>91,349</u> | <u>456,817</u> | <u>427,253</u> |
| Beginning of year (as restated; see Note IV) | <u>5,232,772</u> | <u>1,925,153</u> | <u>9,451,808</u> | <u>16,609,733</u> |
| End of Year | <u>\$ 5,111,859</u> | <u>\$ 2,016,502</u> | <u>\$ 9,908,625</u> | <u>\$ 17,036,986</u> |

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

| | Business-Type Activities | | | Total |
|--|--------------------------|-------------------|--|---------------------|
| | Sewer | Water | Electric Light December 31, 2014 | |
| Cash Flows from Operating Activities | | | | |
| Receipts from users | \$ 900,879 | \$ 1,387,947 | \$ 8,142,670 | \$ 10,431,496 |
| Receipts from other operating revenues | 33,599 | 12,777 | 113,408 | 159,784 |
| Payments to employees and vendors | (919,898) | (836,814) | (7,471,491) | (9,228,203) |
| Net Cash Provided by Operating Activities | <u>14,580</u> | <u>563,910</u> | <u>784,587</u> | <u>1,363,077</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Apportioned assessments | 157,353 | - | - | 157,353 |
| Intergovernmental | 160,461 | - | - | 160,461 |
| Advances from other funds | 120,838 | - | - | 120,838 |
| Transfers in | 414,514 | - | - | 414,514 |
| Transfers out | - | - | (62,053) | (62,053) |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>853,166</u> | <u>-</u> | <u>(62,053)</u> | <u>791,113</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Acquisition and construction of capital assets | (139,600) | (33,153) | (412,796) | (585,549) |
| Principal payments on bonds and notes | (477,055) | (313,297) | (311,625) | (1,101,977) |
| Interest payments on bonds and notes | (224,294) | (129,493) | (76,843) | (430,630) |
| Net Cash (Used in) Capital and Related Financing Activities | <u>(840,949)</u> | <u>(475,943)</u> | <u>(801,264)</u> | <u>(2,118,156)</u> |
| Cash Flows from Investing Activities | | | | |
| Investment income | - | 367 | 10,412 | 10,779 |
| Other | - | - | 208,919 | 208,919 |
| Net Cash Provided by Investing Activities | <u>-</u> | <u>367</u> | <u>219,331</u> | <u>219,698</u> |
| Net Increase in Cash and Cash Equivalents | <u>26,797</u> | <u>88,334</u> | <u>140,601</u> | <u>255,732</u> |
| Cash and Cash Equivalents | | | | |
| Beginning of the year | 2,051,844 | 46,771 | 1,239,568 | 3,338,183 |
| End of the year | <u>\$ 2,078,641</u> | <u>\$ 135,105</u> | <u>\$ 1,380,169</u> | <u>\$ 3,593,915</u> |
| Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities: | | | | |
| Operating Income | \$ (452,209) | \$ 207,698 | \$ 584,547 | \$ 340,036 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 450,257 | 200,672 | 504,793 | 1,155,722 |
| Other non-operating income | - | 12,777 | 83,145 | 95,922 |
| Changes in assets and liabilities: | | | | |
| Receivables | 18,790 | 17,493 | (43,404) | (7,121) |
| Prepaid expenses and materials | - | 13,187 | (61,388) | (48,201) |
| Accounts payable, accrued expenses and other liabilities | (2,258) | 112,083 | (283,106) | (173,281) |
| Net Cash Provided by Operating Activities | <u>\$ 14,580</u> | <u>\$ 563,910</u> | <u>\$ 784,587</u> | <u>\$ 1,363,077</u> |

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

| | OPEB Trust Electric Light (at December 31, 2014) | Private Purpose Trust Funds | Agency Funds |
|---|--|--------------------------------|-----------------|
| Assets | | | |
| Cash and cash equivalents | \$ 34,279 | \$ 137,567 | \$ 179,769 |
| Total Assets | <u>34,279</u> | <u>137,567</u> | <u>179,769</u> |
| Liabilities | | | |
| Warrants and accounts payable | - | - | 2,223 |
| Planning board deposits | - | - | 120,083 |
| Agency liabilities | - | - | 57,463 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>179,769</u> |
| Net Position | | | |
| Held in trust for other postemployment benefits | 34,279 | - | - |
| Held in trust for private purposes | - | 137,567 | - |
| Total Net Position | <u>\$ 34,279</u> | <u>\$ 137,567</u> | <u>\$ -</u> |

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015**

| | <u>OPEB Trust Electric Light (at December 31, 2014)</u> | <u>Private Purpose Trust Funds</u> |
|---|---|--|
| Additions | | |
| Contributions: | | |
| Employer | \$ 32,617 | \$ - |
| Other | - | 490 |
| Total Contributions | <u>32,617</u> | <u>490</u> |
| Investment income | | |
| Interest and dividends | <u>1,662</u> | <u>234</u> |
| Total Additions | <u>34,279</u> | <u>724</u> |
| Deductions: | | |
| Public assistance: | | |
| Scholarships | <u>-</u> | <u>1,122</u> |
| Total Deductions | <u>-</u> | <u>1,122</u> |
| Change in Net Position | 34,279 | (398) |
| Net Position - beginning of year | <u>-</u> | <u>137,965</u> |
| Net Position - end of year | <u>\$ 34,279</u> | <u>\$ 137,567</u> |

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, 2015

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 2015, the Town’s assessment was \$5,562,297. 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; 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 spent related to the feasibility study and schematic design for the 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 fund:

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

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

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

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

The Town reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Light Department to assist it in its future OPEB obligations.

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 has only one type of item that qualifies for reporting as a deferred outflow reported on the government-wide statement of net position that relates to outflows from changes in the net pension liability. These outflows will be recognized in pension expense in future years as more fully described in Note III, subsection A.

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 two 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.

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

| | General | Community Preservation | School Capital Projects | Nonmajor Governmental Funds | Total |
|---------------------------|-------------------|---------------------------|----------------------------|-----------------------------------|---------------------|
| Nonspendable: | | | | | |
| Nonexpendable trust funds | \$ - | \$ - | \$ - | \$ 323,328 | \$ 323,328 |
| Restricted: | | | | | |
| General government | - | - | - | 403,353 | 403,353 |
| Education | - | - | - | 12,059 | 12,059 |
| Public works | - | - | - | 100,858 | 100,858 |
| Health and human services | - | - | - | 724,283 | 724,283 |
| Culture and recreation | - | 978,462 | - | 463,664 | 1,442,126 |
| Public safety | - | - | - | 606,646 | 606,646 |
| Debt service | 175,000 | - | - | - | 175,000 |
| Committed: | | | | | |
| General government | 82,084 | - | - | - | 82,084 |
| Education | 2,720 | - | - | - | 2,720 |
| Culture and recreation | 24,927 | - | - | - | 24,927 |
| Assigned: | | | | | |
| General government | 11,230 | - | - | - | 11,230 |
| Public safety | 3,615 | - | - | - | 3,615 |
| Unassigned: | | | | | |
| Stabilization - general | 105,621 | - | - | - | 105,621 |
| Unrestricted | 589,136 | - | (39,519) | (109,064) | 440,553 |
| | <u>\$ 994,333</u> | <u>\$ 978,462</u> | <u>\$ (39,519)</u> | <u>\$ 2,525,127</u> | <u>\$ 4,458,403</u> |

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

Stabilization Fund – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of Town Meeting. The balance of the fund totals \$105,621 at June 30, 2015 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 reports \$14,845 of encumbrances from normal purchasing activity in the general fund as assigned and \$109,731 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 carries cumulative deficits of \$836,084 in the General Fund, \$39,519 in the School Capital Project Major Fund and \$109,064 in the nonmajor funds. It is expected that 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, 2015, \$259,050 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, 2015, 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, 2015, 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 | \$ 562,216 | \$ - | \$ 562,216 |
| Tax liens | 691,827 | - | 691,827 |
| Motor vehicle and other excise taxes | 158,594 | - | 158,594 |
| Departmental and other | 100,312 | - | 100,312 |
| Title V loan receivables | 229,157 | - | 229,157 |
| Intergovernmental | 351,574 | - | 351,574 |
| Total | \$ 2,093,680 | \$ - | \$ 2,093,680 |

Receivables as of year-end for the Town’s proprietary funds (the TMLD’s activity is for the year ended December 31, 2014) are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|-----------------------|-----------------|---------------------------------|---------------|
| Receivables: | | | |
| Sewer user charges | \$ 395,804 | \$ - | \$ 395,804 |
| Sewer betterment fees | 255,193 | - | 255,193 |
| Water user charges | 208,001 | - | 208,001 |
| TMLD user charges | 827,597 | (72,000) | 755,597 |
| Intergovernmental | 336,977 | - | 336,977 |
| Total | \$ 2,023,572 | \$ (72,000) | \$ 1,951,572 |

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 | \$ 463,041 | \$ 14,336 | \$ 477,377 |
| Tax liens | 691,828 | - | 691,828 |
| Motor vehicle and other excise taxes | 158,594 | - | 158,594 |
| Departmental and other | - | 329,468 | 329,468 |
| Total | \$ 1,313,463 | \$ 343,804 | \$ 1,657,267 |

Massachusetts Clean Water Trust – The Town has entered into numerous loan agreements with the Massachusetts Clean Water Trust (MCWT). It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$336,977 and interest in the amount of \$533,631 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, a receivable totaling \$336,997 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, 2015 (the TMLD's activity is for the year ended December 31, 2014) is as follows:

| Transfers Out | Transfers In | | | |
|------------------|-----------------|-------------------------------|------------|----------------|
| | General Fund | School Capital Projects | Sewer | Total |
| General Fund | \$ - | \$ 157,000 | \$ 414,514 | \$ 571,514 (1) |
| Nonmajor funds | 58,869 | - | - | 58,869 (2) |
| Light Department | 62,053 | - | - | 62,053 (3) |
| Total | \$ 120,922 | \$ 157,000 | \$ 414,514 | \$ 692,436 |

- (1) Transfer to sewer enterprise fund and nonmajor governmental funds for debt service.
- (2) Transfer to general fund for Title V receipts
- (3) Transfer to general fund for in lieu of taxes payments from the Light Department

Transfers between the General Fund and the Light Department vary from the schedule above and financial statements due to the difference in reporting periods.

D. Capital Assets

Capital asset activity for the year ended June 30, 2015 (the TMLD's activity is for the year ended December 31, 2014) was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|---------------------|----------------------|
| <i><u>Governmental Activities:</u></i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 935,838 | \$ - | \$ - | \$ 935,838 |
| Construction in process | 1,618,723 | 494,975 | (588,334) | 1,525,364 |
| Total capital assets not being depreciated | 2,554,561 | 494,975 | (588,334) | 2,461,202 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 3,103,343 | 226,714 | - | 3,330,057 |
| Infrastructure | 10,150,755 | 977,500 | - | 11,128,255 |
| Machinery and equipment | 2,531,040 | 464,632 | - | 2,995,672 |
| Total capital assets being depreciated | 15,785,138 | 1,668,846 | - | 17,453,984 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,791,929) | (21,034) | - | (2,812,963) |
| Infrastructure | (2,100,295) | (265,285) | - | (2,365,580) |
| Machinery and equipment | (2,350,236) | (104,688) | - | (2,454,924) |
| Total accumulated depreciation | (7,242,460) | (391,007) | - | (7,633,467) |
| Total capital assets being depreciated, net | 8,542,678 | 1,277,839 | - | 9,820,517 |
| Total governmental activities capital assets, net | <u>\$ 11,097,239</u> | <u>\$ 1,772,814</u> | <u>\$ (588,334)</u> | <u>\$ 12,281,719</u> |
| <i><u>Business-Type Activities:</u></i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 189,178 | \$ - | \$ - | \$ 189,178 |
| Construction in process | 86,699 | 212,662 | (135,142) | 164,219 |
| Total capital assets not being depreciated | 275,877 | 212,662 | (135,142) | 353,397 |
| Capital assets being depreciated: | | | | |
| Electric plant | 17,646,473 | 425,376 | (37,210) | 18,034,639 |
| Buildings and improvements | 19,651 | - | - | 19,651 |
| Infrastructure | 26,966,981 | 22,416 | (3,516) | 26,985,881 |
| Machinery and equipment | 1,218,235 | 60,237 | - | 1,278,472 |
| Total capital assets being depreciated | 45,851,340 | 508,029 | (40,726) | 46,318,643 |
| Less accumulated depreciation for: | | | | |
| Electric plant | (6,022,305) | (408,692) | 37,210 | (6,932,039) |
| Buildings and improvements | (1,474) | (983) | - | (2,457) |
| Infrastructure | (12,955,479) | (603,630) | 3,516 | (13,555,593) |
| Machinery and equipment | (959,144) | (46,316) | - | (1,005,460) |
| Total accumulated depreciation | (19,938,402) | (1,059,621) | 40,726 | (21,495,549) |
| Total capital assets being depreciated, net | 25,912,938 | (551,592) | - | 24,823,094 |
| Total business-type activities capital assets, net | <u>\$ 26,188,815</u> | <u>\$ (338,930)</u> | <u>\$ (135,142)</u> | <u>\$ 25,176,491</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|---------------------|----------------------|
| <i>Business-Type Activities: Sewer</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in process | \$ - | \$ 90,100 | \$ - | \$ 90,100 |
| Total capital assets not being depreciated | <u>-</u> | <u>90,100</u> | <u>-</u> | <u>90,100</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 19,651 | \$ - | \$ - | \$ 19,651 |
| Infrastructure | 18,888,922 | - | - | 18,888,922 |
| Machinery and equipment | 659,973 | 49,500 | - | 709,473 |
| Total capital assets being depreciated | <u>19,568,546</u> | <u>49,500</u> | <u>-</u> | <u>19,618,046</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,474) | (983) | - | (2,457) |
| Infrastructure | (11,137,708) | (443,135) | - | (11,580,843) |
| Machinery and equipment | (588,008) | (6,139) | - | (594,147) |
| Total accumulated depreciation | <u>(11,727,190)</u> | <u>(450,257)</u> | <u>-</u> | <u>(12,177,447)</u> |
| Total capital assets being depreciated, net | <u>7,841,356</u> | <u>(400,757)</u> | <u>-</u> | <u>7,440,599</u> |
| Total Sewer capital assets, net | <u>\$ 7,841,356</u> | <u>\$ (310,657)</u> | <u>\$ -</u> | <u>\$ 7,530,699</u> |
| <i>Business-Type Activities: TMLD</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 189,178 | \$ - | \$ - | \$ 189,178 |
| Construction in-process | 86,699 | 122,562 | (135,142) | 74,119 |
| Total capital assets not being depreciated | <u>275,877</u> | <u>122,562</u> | <u>(135,142)</u> | <u>263,297</u> |
| Capital assets being depreciated: | | | | |
| Production plant | 4,023,430 | - | - | 4,023,430 |
| Distribution plant | 10,002,065 | 299,801 | (37,210) | 10,264,656 |
| General plant | 3,620,978 | 125,575 | - | 3,746,553 |
| Total capital assets being depreciated | <u>17,646,473</u> | <u>425,376</u> | <u>(37,210)</u> | <u>18,034,639</u> |
| Less accumulated depreciation for: | | | | |
| Production plant | (417,550) | (120,702) | - | (538,252) |
| Distribution plant | (4,411,170) | (300,062) | 37,210 | (4,674,022) |
| General plant | (1,611,135) | (108,630) | - | (1,719,765) |
| Total accumulated depreciation | <u>(6,439,855)</u> | <u>(529,394)</u> | <u>37,210</u> | <u>(6,932,039)</u> |
| Total capital assets being depreciated, net | <u>11,206,618</u> | <u>(104,018)</u> | <u>-</u> | <u>11,102,600</u> |
| Total TMLD capital assets, net | <u>\$ 11,482,495</u> | <u>\$ 18,544</u> | <u>\$ (135,142)</u> | <u>\$ 11,365,897</u> |

| <u>Business-type Activities: Water</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital assets being depreciated: | | | | |
| Infrastructure | \$ 8,078,059 | \$ 22,416 | \$ (3,516) | \$ 8,096,959 |
| Machinery and equipment | 558,262 | 10,737 | - | 568,999 |
| Total capital assets being depreciated | <u>8,636,321</u> | <u>33,153</u> | <u>(3,516)</u> | <u>8,665,958</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (1,817,771) | (160,495) | 3,516 | (1,974,750) |
| Machinery and equipment | (371,136) | (40,177) | - | (411,313) |
| Total accumulated depreciation | <u>(2,188,907)</u> | <u>(200,672)</u> | <u>3,516</u> | <u>(2,386,063)</u> |
| Total capital assets being depreciated, net | <u>6,447,414</u> | <u>(167,519)</u> | <u>-</u> | <u>6,279,895</u> |
| Total Water capital assets, net | <u>\$ 6,447,414</u> | <u>\$ (167,519)</u> | <u>\$ -</u> | <u>\$ 6,279,895</u> |

Depreciation expense was charged to functions/programs as follows:

| Governmental Activities: | | Business-Type Activities: | |
|---------------------------------|-------------------|----------------------------------|---------------------|
| General government | \$ 10,663 | Sewer | \$ 450,257 |
| Public safety | 81,349 | Water | 200,672 |
| Public works | 298,264 | TMLD | 529,394 |
| Culture and recreation | 731 | | <u>\$ 1,180,323</u> |
| | <u>\$ 391,007</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, 2014 is \$1,221,699. The balance in the fund is offset by a deferred inflow of resources in the amount of \$566,211 as of December 31, 2014.

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, 2015, are payable as follows:

| Type | Interest Rate | Maturity Date | Beginning Balance | Additions | Retirements | Ending Balance |
|-------------------------------|---------------|---------------|-------------------|--------------|----------------|----------------|
| BAN A | 0.75% | Matured | \$ 157,000 | \$ - | \$ (157,000) | \$ - |
| SAAN - A | 0.40% | Matured | - | 765,000 | (765,000) | - |
| SAAN - B | 0.40% | Matured | - | 765,000 | (765,000) | - |
| Total Governmental Notes | | | 157,000 | 1,530,000 | (1,687,000) | - |
| Total Temporary Notes Payable | | | \$ 157,000 | \$ 1,530,000 | \$ (1,687,000) | \$ - |

State Aid Anticipation Notes (SAAN) were issued for Chapter 90 Highway Grant expenditures.

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 are liquidated by the general fund. The business-type liabilities are liquidated by the sewer, water and TMLD enterprise funds.

The following reflects the current year activity (the TMLD's activity is for the year ended December 31, 2014) in the long-term liability accounts:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------------|-----------------------|----------------------|------------------------|
| <i><u>Governmental Activities:</u></i> | | | | | |
| Bond and note indebtedness | \$ 1,187,725 | \$ - | \$ (188,619) | \$ 999,106 | \$ 188,619 |
| Capital lease obligations | 75,356 | 185,539 | (62,589) | 198,306 | 48,606 |
| Compensated absences | 34,000 | 9,800 | (9,800) | 34,000 | - |
| Landfill closure | 323,000 | - | (21,000) | 302,000 | 21,000 |
| Net pension liability | * 6,546,339 | 603,897 | (445,283) | 6,704,953 | - |
| Total Governmental Activities | <u>\$ 8,166,420</u> | <u>\$ 799,236</u> | <u>\$ (727,291)</u> | <u>\$ 8,238,365</u> | <u>\$ 258,225</u> |
| <i><u>Business-Type Activities - Sewer:</u></i> | | | | | |
| Bond and note indebtedness | \$ 4,907,161 | \$ - | \$ (477,055) | \$ 4,430,106 | \$ 493,626 |
| Net pension liability | * 803,638 | 74,136 | (54,664) | 823,110 | - |
| Total Sewer | <u>5,710,799</u> | <u>74,136</u> | <u>(531,719)</u> | <u>5,253,216</u> | <u>493,626</u> |
| <i><u>Business-Type Activities - Water:</u></i> | | | | | |
| Bond and note indebtedness | 3,462,182 | - | (313,297) | 3,148,885 | 313,297 |
| Compensated absences | 12,456 | 1,050 | 1,865 | 15,371 | 15,371 |
| Net pension liability | * 886,232 | 81,754 | (60,282) | 907,704 | - |
| Other postemployment benefits | 197,522 | 88,905 | (8,252) | 278,175 | - |
| Total Water | <u>4,558,392</u> | <u>171,709</u> | <u>(379,966)</u> | <u>4,350,135</u> | <u>328,668</u> |
| <i><u>Business-Type Activities - TMLD:</u></i> | | | | | |
| Bond and note indebtedness | 2,751,000 | - | (311,625) | 2,439,375 | 311,625 |
| Compensated absences | 18,707 | 4,942 | (1,050) | 22,599 | 22,599 |
| Other postemployment benefits | 355,631 | 97,763 | (92,151) | 361,243 | - |
| Total TMLD | <u>3,125,338</u> | <u>102,705</u> | <u>(404,826)</u> | <u>2,823,217</u> | <u>334,224</u> |
| Total Business-Type Activities | <u>\$ 13,394,529</u> | <u>\$ 348,550</u> | <u>\$ (1,316,511)</u> | <u>\$ 12,426,568</u> | <u>\$ 1,156,518</u> |

* = Prior year balance is a restatement associated with the implementation of GASB No. 68. The TMLD is not required to implement GASB No. 68 until the following fiscal year.

General obligation bonds and notes payable outstanding at June 30, 2015 (the TMLD's activity is for the year ended December 31, 2014) 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% | \$ 560,000 | \$ - | \$ (140,000) | \$ 420,000 |
| MWPAT notes payable | 0 - 5.125% | 627,725 | - | (48,619) | 579,106 |
| Total Governmental Activities | | \$ 1,187,725 | \$ - | \$ (188,619) | \$ 999,106 |
| <i>Business-Type Activities - Sewer:</i> | | | | | |
| General obligation bonds | 2.6 - 4.0% | \$ 270,000 | \$ - | \$ (30,000) | \$ 240,000 |
| Farmer's Home Admin Loan | 5.00% | 40,840 | - | (13,660) | 27,180 |
| MWPAT notes payable | 0 - 5.75% | 4,596,321 | - | (433,395) | 4,162,926 |
| Total Sewer Activities | | 4,907,161 | - | (477,055) | 4,430,106 |
| <i>Business-Type Activities - Water:</i> | | | | | |
| General obligation bonds | 2.6 - 4.75 % | 3,462,182 | - | (313,297) | 3,148,885 |
| Total Water Activities | | 3,462,182 | - | (313,297) | 3,148,885 |
| <i>Business-Type Activities - TMLD</i> | | | | | |
| General obligation bonds | 2.6 - 4.0% | 700,000 | - | (80,000) | 620,000 |
| Clean Renewable Energy Bond | 2% | 1,454,750 | - | (132,250) | 1,322,500 |
| Commercial Term Loan | 5.50% | 596,250 | - | (99,375) | 496,875 |
| Total TMLD Activities | | 2,751,000 | - | (311,625) | 2,439,375 |
| Total Business-Type Activities | | \$ 11,120,343 | \$ - | \$ (1,101,977) | \$ 10,018,366 |

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> | | | | | | | |
| 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 | 38,476 | - | 38,476 | 1,851 | (1,851) | - | 38,476 |
| 2021-2025 | 184,154 | - | 184,154 | 3,291 | (3,291) | - | 184,154 |
| 2026-2030 | 131,250 | - | 131,250 | - | - | - | 131,250 |
| 2031-2033 | 30,750 | - | 30,750 | - | - | - | 30,750 |
| Total | \$ 999,106 | \$ - | \$ 999,106 | \$ 34,472 | \$ (20,927) | \$ 13,545 | \$ 1,012,651 |
| <i>Business-Type Activities - Sewer</i> | | | | | | | |
| 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 | 549,285 | (59,786) | 489,499 | 92,582 | (57,384) | 35,198 | 524,697 |
| 2021-2025 | 1,833,631 | (60,144) | 1,773,487 | 176,374 | (133,964) | 42,410 | 1,815,897 |
| | \$ 4,430,106 | \$ (336,977) | \$ 4,093,129 | \$ 899,810 | \$ (533,631) | \$ 366,179 | \$ 4,459,308 |

| Year Ending June 30, | Principal | | | Interest | | | Total |
|---|---------------------|-------------|---------------------|-------------------|-------------|-------------------|---------------------|
| | Balance | Subsidy | Net of Subsidy | Balance | Subsidy | Net of Subsidy | |
| <i>Business-Type Activities - Water</i> | | | | | | | |
| 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 | 313,297 | - | 313,297 | 73,926 | - | 73,926 | 387,223 |
| 2021-2025 | 1,186,485 | - | 1,186,485 | 192,556 | - | 192,556 | 1,379,041 |
| 2026-2030 | 271,485 | - | 271,485 | 43,730 | - | 43,730 | 315,215 |
| 2031-2035 | 41,485 | - | 41,485 | 24,937 | - | 24,937 | 66,422 |
| 2036-2040 | 41,485 | - | 41,485 | 15,434 | - | 15,434 | 56,919 |
| 2041-2045 | 41,460 | - | 41,460 | 5,750 | - | 5,750 | 47,210 |
| | <u>\$ 3,148,885</u> | <u>\$ -</u> | <u>\$ 3,148,885</u> | <u>\$ 769,408</u> | <u>\$ -</u> | <u>\$ 769,408</u> | <u>\$ 3,918,293</u> |

| Year Ending Dec 30, | Principal | | | Interest | | | Total |
|--|---------------------|-------------|---------------------|-------------------|-------------|-------------------|---------------------|
| | Balance | Subsidy | Net of Subsidy | Balance | Subsidy | Net of Subsidy | |
| <i>Business-Type Activities - TMLD</i> | | | | | | | |
| 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 | 306,625 | - | 306,625 | 30,168 | - | 30,168 | 336,793 |
| 2020-2024 | 886,250 | - | 886,250 | 53,389 | - | 53,389 | 939,639 |
| | <u>\$ 2,439,375</u> | <u>\$ -</u> | <u>\$ 2,439,375</u> | <u>\$ 298,755</u> | <u>\$ -</u> | <u>\$ 298,755</u> | <u>\$ 2,738,130</u> |

MCWT Loan Subsidies – As previously noted in Note I. B., the Town has entered into loan agreements with the MCWT. It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$336,977 and interest in the amount of \$533,631 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, 2015 are as follows:

| Fiscal Year Ended June 30, | Amount |
|---|-------------------|
| 2016 | 53,406 |
| 2017 | 53,406 |
| 2018 | 53,406 |
| 2019 | 49,830 |
| Total minimum lease payments | 210,048 |
| Less amount representing interest | (11,742) |
| Present value of minimum lease payments | <u>\$ 198,306</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 |
| Ambulance | 195,481 |
| Less accumulated depreciation | <u>(62,831)</u> |
| Net carrying value | <u>\$ 252,320</u> |

III. Other Information

A. Retirement Systems

Pension Plan 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”). Stand-alone financial statements for the year ended December 31, 2014 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Current membership in the Retirement System for all ninety-five employers as of December 31, 2014 was as follows:

| | |
|--|---------------|
| Active and inactive employees | 8,550 |
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | <u>3,253</u> |
| | <u>11,803</u> |

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates

subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in 2014.

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town (including the TMLD) contributed \$682,149 to the Retirement System in fiscal year 2015, which equaled the actuarially-determined contribution requirement for the fiscal year. Contributions as a percentage of covered payroll was approximately 20.3% in fiscal year 2015.

Net Pension Liability – At June 30, 2015, the Town reported a liability of \$8,435,767 for its proportionate share of the net pension liability. This amount excludes the net pension liability for the TMLD of \$1,835,842, which reports its financial position as of December 31, 2014 in these financial statements and was not required to implement GASB Statement No. 68 until its next fiscal year. The net pension liability was measured as of January 1, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2014. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the Retirement System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town and TMLD's proportion was approximately 1.73% at December 31, 2014, which was consistent with the proportion measured at January 1, 2014.

Fiduciary Net Position – The elements of the Retirement System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2014, which can be obtained by contacting the Retirement Board.

The Retirement System’s fiduciary net position was determined using the accrual basis of accounting. The Retirement System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$754,714 in pension expense in the statement of activities in fiscal year 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the Town (excluding the TMLD) reported deferred outflows of resources for the net difference between projected and actual earnings on pension plan investments in the amount of \$5,073. There were no other deferred outflows or inflows reported during the fiscal year.

The deferred outflows of resources are expected to be recognized as a charge in the Town’s pension expense as follows:

| | |
|---------------------|-----------------|
| Year ended June 30, | |
| 2016 | \$ 1,269 |
| 2017 | 1,268 |
| 2018 | 1,268 |
| 2019 | <u>1,268</u> |
| Total | <u>\$ 5,073</u> |

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2014. The significant actuarial assumptions used in the January 1, 2014 actuarial valuation included:

| | |
|----------------------------|---|
| Inflation: | Not explicitly assumed for the update to December 31, 2014 (3.5% per year for the actuarial valuation as of January 1, 2014). |
| Salary increases: | 3.0% per year, including longevity. |
| Investment rate of return: | 8.0%, net of pension plan investment expense, including inflation. |
| Mortality rates: | Based on the RP-2000 Mortality Table projected to 2014 with Scale AA. |
| Disabled life mortality: | For disabled retirees, the mortality rates were based on the RP-2000 Mortality Table set forward two years. |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2014 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|--------------------------|-------------------|-----------------------------------|
| Global equity | 43 % | 8.23 % |
| Fixed income | 23 % | 5.05 % |
| Private equity | 10 % | 9.75 % |
| Real estate | 10 % | 6.50 % |
| Timber/natural resources | 4 % | 6.88 % |
| Hedge funds | 10 % | 7.00 % |

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2014 actuarial valuation report was 8.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability (inclusive of TMLD) calculated using the discount rate of 8.0% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (7.0%) or one percentage point higher (9.0%) than the current rate:

| | 1% Decrease (7.0%) | Current Discount (8.0%) | 1% Increase (9.0%) |
|---|-----------------------|-------------------------------|-----------------------|
| Town's proportionate share of the net pension liability | \$ 12,506,143 | \$ 10,271,629 | \$ 8,374,180 |

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, 2015 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 nor reported as of December 31, 2014 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, 2015, 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, 2015.

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, 2014, 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 \$57,860,000 of which \$3,173,000 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, 2014, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$86,387,000, of which \$4,737,000 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, 2014 and estimated for future years is as follows:

| <u>For Years Ending December 31,</u> | |
|--------------------------------------|---------------------|
| 2015 | \$ 296,000 |
| 2016 | 296,000 |
| 2017 | 296,000 |
| 2018 | 296,000 |
| 2019 | 296,000 |
| 2020-2024 | 1,480,000 |
| 2025-2029 | 1,481,000 |
| 2030 | 296,000 |
| Total | <u>\$ 4,737,000</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 \$1,616,889,000, of which \$27,386,000 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 \$167,110,000, of which \$2,750,000 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, 2014, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$152,675,000, of which \$2,533,000 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, 2014 and estimated for future years is shown below.

| <u>For Years Ending December 31,</u> | |
|--------------------------------------|---------------------|
| 2015 | \$ 995,000 |
| 2016 | 913,000 |
| 2017 | 447,000 |
| 2018 | 101,000 |
| 2019 | 77,000 |
| Total | <u>\$ 2,533,000</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 \$2,720,000 for the year ended December 31, 2014.

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 \$951,351 in 2015, \$321,252 in 2016, \$282,333 in 2017, \$155,928 in 2018, and \$91,323 in 2019.

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; \$302,000 has been recorded as a governmental activities liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

IV. Prior Period Restatements

A prior period adjustment was made to decrease the Town's beginning net position to reflect the net Pension liability with the implementation of GASB 68.

A summary of the restatements is as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Sewer</u> | <u>Water</u> |
|------------------------------|------------------------------------|-------------------------------------|---------------------|---------------------|
| Prior year as presented | \$ 14,229,380 | \$ 18,299,602 | \$ 6,036,410 | \$ 2,811,384 |
| Record net pension liability | <u>(6,546,339)</u> | <u>(1,689,869)</u> | <u>(803,638)</u> | <u>(886,231)</u> |
| As restated | <u>\$ 7,683,041</u> | <u>\$ 16,609,733</u> | <u>\$ 5,232,772</u> | <u>\$ 1,925,153</u> |

TOWN OF TEMPLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2015

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| | Year Ended December 31, <u>2014</u> |
|---|--|
| Town's proportion of the net pension liability (asset) | 1.726128% |
| Town's proportionate share of the net pension liability (asset) | \$ 10,271,629 |
| Town's covered-employee payroll | \$ 3,362,571 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 305.5% |
| Plan fiduciary net position as a percentage of the total pension liability | 47.94% |

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

| | Year Ended December 31, <u>2014</u> |
|--|--|
| Actuarially determined contribution | \$ 682,149 |
| Contributions in relation to the actuarially determined contribution | <u>682,149</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 3,362,571 |
| Contributions as a percentage of covered-employee payroll | 20.3% |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

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, 2015

| | Budgeted Amounts | | Actual Budgetary Amounts | Encumbrances | Actual Budgetary Adjusted | Variance Positive (Negative) |
|---|--------------------|-------------------|--------------------------------|----------------|---------------------------------|------------------------------------|
| | Original Budget | Final Budget | | | | |
| Revenues: | | | | | | |
| Real estate and personal property | \$ 8,757,997 | \$ 9,062,152 | \$ 9,569,198 | | \$ 9,569,198 | \$ 507,046 |
| Intergovernmental | 1,424,357 | 1,424,357 | 1,424,777 | | 1,424,777 | 420 |
| Motor vehicle and other excises | 942,000 | 942,000 | 908,216 | | 908,216 | (33,784) |
| Licenses and permits | 96,000 | 96,000 | 189,152 | | 189,152 | 93,152 |
| Departmental and other revenue | 128,000 | 128,000 | 383,613 | | 383,613 | 255,613 |
| Penalties and interest | 93,000 | 93,000 | 242,425 | | 242,425 | 149,425 |
| Fines and forfeitures | 9,000 | 9,000 | 50,953 | | 50,953 | 41,953 |
| Investment income | - | - | 8,561 | | 8,561 | 8,561 |
| Other income | - | - | - | | - | - |
| Total Revenues | 11,450,354 | 11,754,509 | 12,776,895 | - | 12,776,895 | 1,022,386 |
| Expenditures: | | | | | | |
| General government | 1,185,185 | 1,272,226 | 1,176,178 | 93,314 | 1,269,492 | 2,734 |
| Public safety | 1,328,510 | 1,335,448 | 1,378,620 | 3,615 | 1,382,235 | (46,787) |
| Education | 6,150,555 | 6,150,549 | 6,147,829 | 2,720 | 6,150,549 | - |
| Public works | 814,434 | 811,355 | 922,439 | - | 922,439 | (111,084) |
| Health and human services | 230,724 | 236,461 | 235,808 | - | 235,808 | 653 |
| Culture and recreation | 200,708 | 189,905 | 165,273 | 24,927 | 190,200 | (295) |
| Fringe and pension benefits | 1,277,929 | 1,659,021 | 1,587,886 | - | 1,587,886 | 71,135 |
| State and county tax assessments | 53,261 | 53,261 | 53,261 | - | 53,261 | - |
| Debt service | 1,463,446 | 1,300,681 | 1,457,681 | - | 1,457,681 | (157,000) |
| Total Expenditures | 12,704,752 | 13,008,907 | 13,124,975 | 124,576 | 13,249,551 | (240,644) |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 1,155,907 | 1,155,907 | 1,366,734 | | 1,366,734 | (210,827) |
| Transfers out | (31,552) | (31,552) | (31,552) | | (31,552) | - |
| Total Other Financing Sources (Uses) | 1,124,355 | 1,124,355 | 1,335,182 | - | 1,335,182 | (210,827) |
| (DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE | | | | | | |
| | (130,043) | (130,043) | 987,102 | | 862,526 | 1,052,203 |
| Other Budgetary Items: | | | | | | |
| Prior year encumbrances | 181,255 | 181,255 | | | | |
| Snow and ice deficits | (51,212) | (51,212) | | | | |
| Total Other Budgetary Items | 130,043 | 130,043 | | | | |
| Net Budget | \$ - | \$ - | | | | |

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, 2015**

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, 2015, is as follows:

| | Basis of Accounting Differences | Fund Perspective Differences | Total |
|--|---------------------------------------|---------------------------------|----------------------|
| Revenues on a budgetary basis | | | \$ 12,776,895 |
| Stabilization revenue | \$ - | \$ 677 | 677 |
| Change in recording tax revenues | (208,428) | - | (208,428) |
| Change in recording intergovernmental revenues | (48,095) | - | (48,095) |
| Revenues on a GAAP basis | <u>\$ (256,523)</u> | <u>\$ 677</u> | <u>\$ 12,521,049</u> |
| Expenditures on a budgetary basis | | | \$ 13,124,975 |
| Paydown of BANs | \$ (157,000) | \$ - | (157,000) |
| Reclass of enterprise indirect costs to expenditures | (1,664,283) | - | (1,664,283) |
| Expenditures on a GAAP basis | <u>\$ (1,664,283)</u> | <u>\$ -</u> | <u>\$ 11,303,692</u> |
| Other financing sources (uses) on a budgetary basis | | | \$ 1,335,182 |
| Paydown of BANs | \$ (157,000) | \$ - | (157,000) |
| Reclass of enterprise indirect costs to expenditures | (1,664,283) | - | (1,664,283) |
| Stabilization transfer | - | 5,008 | 5,008 |
| Other financing sources (uses) on a GAAP basis | <u>\$ (1,821,283)</u> | <u>\$ 5,008</u> | <u>\$ (481,093)</u> |

Appropriation Deficits – The Town incurred cumulative deficits of \$836,084 in the General Fund of which \$320,319 were incurred in the current year. It is expected that these deficits will be funded through available revenues in future years.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Board of Selectmen
Town of Templeton, Massachusetts

We have audited, 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, the 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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 23, 2017. We did not audit the financial statements of TMLD, or the Water Department; these are departments of the Town. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts, is based solely on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified several deficiencies that are categorized as material weaknesses. These are described in detail in an accompanying report dated March 23, 2017. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, other material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed several items that we have identified that have been categorized as instances of noncompliance that are required to be reported under *Government Auditing Standards*. These are described in detail in an accompanying report dated March 23, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

