

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF TEMPLETON, MASSACHUSETTS**

**Report on Examination of the Basic Financial Statements and  
Additional Information**

**Year Ended June 30, 2019**

**Report on Internal Control  
Over Financial Reporting and  
On Compliance and Other Matters**

**Year Ended June 30, 2019**



# TOWN OF TEMPLETON, MASSACHUSETTS

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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, 2019 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", "Electric Light Department" or "TMLD") which is as of December 31, 2018). We did not audit the financial statements of the Light Department which represented 45% and 71% of the assets and revenues of the combined enterprise funds; or the Water Department which represented 22% and 16% 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.

## Opinions

In our opinion, 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, 2019 (except for the TMLD, which is as of December 31, 2018) 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.

## Restatement

As discussed in Note V to the financial statements, TMLD adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the current year. In connection with the adoption of this accounting standard, previously reported total net positions in the business-type activities in the Statement of Net Position as well as those in TMLD were restated (refer to Note V to the Financial Statements).

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying 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.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2019 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 and Associates  
Certified Public Accountants  
Woburn, Massachusetts 01801  
November 18, 2019

## 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, 2019 (December 31, 2018 for the Light Department). 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 found in this report.

### **Financial Highlights**

- The assets and deferred outflows of financial resources for the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$44.0 million (*total net position*). This was an increase of over \$16.8 million over the prior year. This consisted of an increase to governmental activities by nearly \$15.3 million and business-type activities by over \$1.5 million.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of nearly \$0.5 million, which is approximately \$1.0 million less than the prior year. The Town reported a fund balance increase in its general fund and community preservation major funds of almost \$1.0 million and almost \$0.3 million. The School Capital Project Fund decreased almost \$2.5 million due to spending costs associated with the construction of the new Templeton Center School.
- Of the ending fund balance in the Town's governmental funds, the Town reports a deficit unassigned fund balance at year-end of approximately \$7.4 million. This is mainly attributed to a legal deficit fund balance reported in the School Capital Project Major Fund of almost \$7.1 million due to the aforementioned school construction project. Until the project is permanently financed spending from short-term notes create a deficit under GAAP. The remaining balances are earmarked for specific expenditures or is in nonspendable form.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was almost 18% of the total general fund expenditures and the total general fund balance was almost 26% of the total general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities increased by almost \$11.2 million in 2019. The Town's total long-term debt was almost \$18.0 million at June 30, 2019.

### **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 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, cable, 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:

- Nonspendable—amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- 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. Reconciliations are provided in the basic financial statements to help the reader understand the difference.

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 the sewer, cable, 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 and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

## **Government-Wide Financial Analysis**

The following table present the condensed comparative statements of net position:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b><u>Assets</u></b>						
Current and other assets	\$ 18,880,417	\$ 13,623,050	\$ 8,218,110	\$ 10,621,135	\$ 27,098,527	\$ 24,244,185
Capital assets, net	53,841,237	23,437,865	27,489,196	25,254,486	81,330,433	48,692,351
Total Assets	72,721,654	37,060,915	35,707,306	35,875,621	108,428,960	72,936,536
<b><u>Deferred Outflows of Resources</u></b>						
Related to net pension liability	935,964	803,592	430,567	679,304	1,366,531	1,482,896
Related to net other postemployment benefits liability	978,258	84,608	23,986	50,000	1,002,244	134,608
Total Deferred Outflows of Resources	1,914,222	888,200	454,553	729,304	2,368,775	1,617,504
<b><u>Liabilities</u></b>						
Long-term liabilities	29,859,781	14,510,649	12,435,772	13,889,020	42,295,553	28,399,669
Other liabilities	16,864,202	10,310,555	3,959,054	4,487,184	20,823,256	14,797,739
Total Liabilities	46,723,983	24,821,204	16,394,826	18,376,204	63,118,809	43,197,408
<b><u>Deferred Inflows of Resources</u></b>						
Related to net pension liability	733,410	1,213,182	514,067	529,045	1,247,477	1,742,227
Related to net other postemployment benefits liability	-	-	620,143	408,788	620,143	408,788
Electric light department	-	-	1,855,885	2,037,835	1,855,885	2,037,835
Total Deferred Inflows of Resources	733,410	1,213,182	2,990,095	2,975,668	3,723,505	4,188,850
<b><u>Net Position</u></b>						
Net investment in capital assets	31,603,441	15,789,176	19,289,460	15,720,187	50,892,901	31,509,363
Restricted	3,949,671	3,361,807	532,624	1,160,103	4,482,295	4,521,910
Unrestricted	(8,374,629)	(7,236,254)	(3,045,146)	(1,627,237)	(11,419,775)	(8,863,491)
Total Net Position	\$ 27,178,483	\$ 11,914,729	\$ 16,776,938	\$ 15,253,053	\$ 43,955,421	\$ 27,167,782

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by almost \$44.0 million (total net position).

By far the largest portion (almost \$50.9 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt 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 portion of the Town's total net position (almost \$4.9 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position*, which is currently in a deficit position of over \$11.4 million. This is primarily a result of the recognition of net other postemployment benefit and net pension liabilities. The Town expects the annual provision for this liability will continue to decrease unrestricted net position for the foreseeable future.



The following table presents the condensed comparative statement of activities in net position:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,404,127	\$ 1,250,617	\$ 10,175,197	\$ 10,337,508	\$ 11,579,324	\$ 11,588,125
Operating grants and contributions	459,904	359,816	99,751	86,942	559,655	446,758
Capital grants and contributions	14,666,991	4,836,418	100,355	92,383	14,767,346	4,928,801
General revenues:						
Property taxes	11,463,604	10,385,679	-	-	11,463,604	10,385,679
Intergovernmental	1,552,520	1,503,785	-	-	1,552,520	1,503,785
Other	1,598,899	1,238,642	71,543	18,601	1,670,442	1,257,243
<b>Total revenues</b>	<b>31,146,045</b>	<b>19,574,957</b>	<b>10,446,846</b>	<b>10,535,434</b>	<b>41,592,891</b>	<b>30,110,391</b>
<b>Expenses</b>						
General government	1,326,486	1,144,006	-	-	1,326,486	1,144,006
Public safety	3,619,735	3,180,326	-	-	3,619,735	3,180,326
Education	7,417,604	7,081,440	-	-	7,417,604	7,081,440
Public works	1,925,968	1,781,852	-	-	1,925,968	1,781,852
Health and human services	450,281	392,538	-	-	450,281	392,538
Culture and recreation	227,427	226,829	-	-	227,427	226,829
Debt service	587,262	37,784	-	-	587,262	37,784
Sewer services	-	-	1,553,403	1,523,598	1,553,403	1,523,598
Cable services	-	-	92,092	64,926	92,092	64,926
Water services	-	-	1,350,269	1,133,404	1,350,269	1,133,404
Electric Light services	-	-	6,571,644	7,105,664	6,571,644	7,105,664
<b>Total expenses</b>	<b>15,554,763</b>	<b>13,844,775</b>	<b>9,567,408</b>	<b>9,827,592</b>	<b>25,122,171</b>	<b>23,672,367</b>
Excess (deficiency) in net position before transfers	15,591,282	5,730,182	879,438	707,842	16,470,720	6,438,024
<b>Transfers</b>	<b>(327,528)</b>	<b>(396,983)</b>	<b>644,447</b>	<b>314,917</b>	<b>316,919</b>	<b>(82,066)</b>
Change in net position	15,263,754	5,333,199	1,523,885	1,022,759	16,787,639	6,355,958
Net position, beginning of year, as restated (See Note V)	11,914,729	6,581,530	15,253,053	14,230,294	27,167,782	20,811,824
Net position, end of year	<b>\$ 27,178,483</b>	<b>\$ 11,914,729</b>	<b>\$ 16,776,938</b>	<b>\$ 15,253,053</b>	<b>\$ 43,955,421</b>	<b>\$ 27,167,782</b>

**Governmental Activities** – Total revenues in fiscal year 2019 in the Town’s governmental activities increased almost \$11.6 million from fiscal year 2018. The increase is primarily due to a \$14.4 million Massachusetts School Building Authority (MSBA) reimbursement related to the construction of a new school building. This was about \$10.0 million more than the previous year. This project was started in the prior year but gained momentum in the current year, therefore more activity resulted in more eligible reimbursements received from the State.

The Town’s largest revenue source in normal operating years is property taxes. However due to the construction activity noted above, it only represented 36% of total revenues. The current amount represented a dollar increase of almost \$1.1 million. This increase was expected as the Town is allowed to assess property taxes at 2 ½% of the prior year amount. In addition, amounts assessed greater than this that are attributed to debt exclusion and new growth are also legally permissible.

Other revenue amounts were minor in amount or did not vary greatly from the prior year.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education expenses total approximately 47% of total annual expenditures in current year. In

terms of gross dollars, education expenses increased over \$0.3 million in fiscal year 2019, which reflected the increase in the Town's assessment for its regional school districts. All other expense categories increased from 8% to 16% over the prior year. This was primarily due to an increase in pension and other post-employment benefit costs allocated back to the functional expenses and their impact on those expenses with heavy employee salaries.

**Business-Type Activities** – User charges for sewer, cable, water and electric light services represent virtually all the reported fiscal year 2019 revenues in the Town's business-type activities. The Town's cable fund, electric light and water enterprise funds reported positive results from operations; the Town's sewer enterprise fund reported a loss from operations and requires annual debt subsidies from the general fund to balance annual operations. Combined net position increased by over \$1.5 million which was about \$0.5 million higher than the prior year increase. This was mainly due to increased transfers in the current year as normal operations were consistent.

### **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.

The following describe activity in each of the major funds that make up the governmental funds:

**General Fund** – Unassigned fund balance in the General Fund is perhaps the most important number on the balance sheet it serves as a useful measure of a government's net resources available for spending at the end of the fiscal year and an amount that is commonly measured against its peers when assessing a bond rating.

As of the close of the fiscal year, the Town's unassigned fund balance had reached almost \$2.6 million (about 17.8% of expenditures) while total fund balance exceeded \$3.7 million (over 25% over 25% of expenditures). This represented an increase of almost \$1.0 million over the prior year. This was mainly a result of forecast and budget exceeding expectations due to a continuing expansion in the economy, and stringent budget controls.

**Community Preservation Fund** - The Community Preservation Fund increased almost \$270,000; the Town appropriated about \$70,000 for eligible projects against receipts of over \$340,000. The Town continues to grow this fund on an annual basis. Fund balance reached almost \$1.4 million and was classified as restricted.

**School Capital Projects Fund** – This account was set up to report the activity related to the Town's elementary school project. Over \$14.4 million in revenues from the MSBA were offset by almost \$27.0 million in expenses related to school construction. In addition, almost \$10.1 million was received in bond proceeds and premiums. This activity netted to increase the legal deficit in this account by about \$2.5 million to almost \$7.1 million. This deficit is expected to be cured at the time the Town converts its short-term debt to permanent financing and has been classified as unassigned since it is a deficit.

**Combined Nonmajor Fund** - Revenue and expenditures in the combined nonmajor fund are expected to net over time and any increases or decreases are a product of timing of revenues and expenses. In the current year operations were virtually flat as expected and fund balances of nearly \$2.2 million are

classified as over \$300,000 in nonspendable representing corpus of endowment and the majority of the remainder as restricted.

***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, cable, water and electric funds were approximately \$4.7, \$0.2, \$2.7 and \$9.0 million respectively. The Town’s cable, electric light and water enterprise funds reported positive results from operations; the Town’s sewer enterprise fund reported a loss from operations and requires annual debt subsidies from the general fund to balance annual operations. Combined net position increased by almost \$1.5 million. This was consistent with the prior year except transfers in from other funds were greater.

***Fiduciary Fund*** – The Town’s fiduciary fund is comprised of the Private Purpose Trust Funds, agency funds and Other Postemployment Benefit Trust Funds for the Town, Sewer and Light Department.

### **General Fund Budgetary Highlights**

Differences between the original operating budget and the final amended operating budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

### **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, 2019 amounts to over \$81.3 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 \$32.6 million. This increase was a result of current year additions exceeding depreciation and additions mainly attributed to the construction of the new school building.

The Town has begun the construction for a brand new elementary school. The project is expected to approximate \$48 million in costs at completion.

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 increased by almost \$11.2 million to over \$17.9 million. This increase was due to bond issuances \$12.2 million offset by maturities of over \$1.0 million.

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, G and H 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 setting the tax rate is typically 90% 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. Recent years have seen this trend begin to finally change.
- Inflationary trends in the region are consistent with state and national indices.
- The Regional School assessment for fiscal year 2020 will be determined by the Department of Elementary and Secondary Education by December 1 as Town Meeting was unable to accept the School Committee budget after three attempts.
- The Town's median household income is significantly less than the state-wide and national averages.
- The Town anticipates state aid for fiscal year 2020 to remain consistent with the prior year.

The above items were considered when the Town authorized its budget for fiscal year 2020 at the May 2019 Town Meeting. The Town's tax rate for fiscal 2020 is expected to be set in December 2019.

### **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, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 9,263,148	\$ 3,306,822	\$ 12,569,970
Investments	3,922,035	1,199,934	5,121,969
Receivables, net:			
Property taxes	298,599	-	298,599
User fees	-	1,280,561	1,280,561
Departmental and other	1,590,775	-	1,590,775
Intergovernmental	3,763,402	119,930	3,883,332
Apportioned assessments	-	84,739	84,739
Working capital deposit	-	1,098,699	1,098,699
Due from other funds	42,458	-	42,458
Other assets	-	1,127,425	1,127,425
Land	935,838	189,178	1,125,016
Construction in-process	42,555,480	3,471,496	46,026,976
Capital assets, net of accumulated depreciation	10,349,919	23,828,522	34,178,441
<b>Total Assets</b>	<b>72,721,654</b>	<b>35,707,306</b>	<b>108,428,960</b>
<b>Deferred Outflows of Resources</b>			
Related to net pension liability	935,964	430,567	1,366,531
Related to net other postemployment benefits liability	978,258	23,986	1,002,244
<b>Deferred Outflows of Resources</b>	<b>1,914,222</b>	<b>454,553</b>	<b>2,368,775</b>
<b>Liabilities</b>			
Warrants and accounts payable	1,704,090	1,374,196	3,078,286
Payroll and related liabilities	90,006	36,653	126,659
Retainage payable	1,729,715		1,729,715
Customer and advanced deposits	-	131,104	131,104
Accrued interest	336,286	97,552	433,838
Other liabilities	4,105	-	4,105
Due to other funds		19,549	19,549
Bond anticipation notes payable	13,000,000	2,300,000	15,300,000
Noncurrent liabilities:			
Due within one year	488,417	1,044,832	1,533,249
Due in more than one year	29,371,364	11,390,940	40,762,304
<b>Total Liabilities</b>	<b>46,723,983</b>	<b>16,394,826</b>	<b>63,118,809</b>
<b>Deferred Inflows of Resources</b>			
Related to net pension liability	733,410	514,067	1,247,477
Related to net other postemployment benefits liability	-	620,143	620,143
Unavailable revenue	-	1,855,885	1,855,885
<b>Deferred Inflows of Resources</b>	<b>733,410</b>	<b>2,990,095</b>	<b>3,723,505</b>
<b>Net Position</b>			
Net investment in capital assets	31,603,441	19,289,460	50,892,901
Restricted:			
Nonexpendable permanent funds	323,328	-	323,328
Expendable permanent funds	269,011	-	269,011
Capital projects	54,330	-	54,330
Community preservation	1,623,896	-	1,623,896
Gifts and donations	477,328	-	477,328
Depreciation	-	447,885	447,885
Other purposes	1,201,778	84,739	1,286,517
Unrestricted	(8,374,629)	(3,045,146)	(11,419,775)
<b>Total Net Position</b>	<b>\$ 27,178,483</b>	<b>\$ 16,776,938</b>	<b>\$ 43,955,421</b>

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
<u>Governmental activities:</u>							
General government	\$ 1,326,486	\$ 587,810	\$ 30,037	\$ -	\$ (708,639)		\$ (708,639)
Public safety	3,619,735	615,669	233,555	-	(2,770,511)		(2,770,511)
Education	7,417,604	-	8,632	14,401,042	6,992,070		6,992,070
Public works	1,925,968	31,862	6,010	146,005	(1,742,091)		(1,742,091)
Health and human services	450,281	167,731	153,075	119,944	(9,531)		(9,531)
Culture and recreation	227,427	-	28,595	-	(198,832)		(198,832)
Interest expense	587,262	1,055	-	-	(586,207)		(586,207)
Total governmental activities	15,554,763	1,404,127	459,904	14,666,991	976,259		976,259
<u>Business-Type activities:</u>							
Sewer	1,553,403	1,148,241	22,721	75,980		\$ (306,461)	(306,461)
Cable	92,092	160,010	-	-		67,918	67,918
Water	1,350,269	1,583,828	77,030	-		310,589	310,589
Electric Light	6,571,644	7,283,118	-	24,375		735,849	735,849
Total business-type activities	9,567,408	10,175,197	99,751	100,355		807,895	807,895
Total Primary Government	\$ 25,122,171	\$ 11,579,324	\$ 559,655	\$ 14,767,346	976,259	807,895	1,784,154
<u>General Revenues:</u>							
Property taxes					11,463,604	-	11,463,604
Motor vehicle and other excise taxes					1,215,335	-	1,215,335
Grants and contributions not restricted to specific programs					1,552,520	-	1,552,520
Penalties and interest on taxes					136,843	-	136,843
Unrestricted investment income					246,721	71,543	318,264
Transfers (net)					(327,528)	644,447	316,919
Total general revenues					14,287,495	715,990	15,003,485
Change in Net Position					15,263,754	1,523,885	16,787,639
<u>Net Position:</u>							
Beginning of year, as restated (see Note V)					11,914,729	15,253,053	27,167,782
End of year					\$ 27,178,483	\$ 16,776,938	\$ 43,955,421

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

	General Fund	Community Preservation	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,763,298	\$ 18,514	\$ 5,362,086	\$ 1,119,250	\$ 9,263,148
Investments	997,419	1,639,490	-	1,285,126	3,922,035
Receivables, net of allowance for uncollectibles:					
Property taxes	280,013	18,586	-	-	298,599
Departmental and other	1,174,451	-	-	416,324	1,590,775
Intergovernmental	128,994	-	3,634,408	-	3,763,402
Due from other funds	42,458	-	-	-	42,458
<b>Total Assets</b>	<u>5,386,633</u>	<u>1,676,590</u>	<u>8,996,494</u>	<u>2,820,700</u>	<u>18,880,417</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 5,386,633</u>	<u>\$ 1,676,590</u>	<u>\$ 8,996,494</u>	<u>\$ 2,820,700</u>	<u>\$ 18,880,417</u>
<b>Liabilities:</b>					
Warrants and accounts payable	\$ 139,126	\$ 34,788	\$ 1,476,908	\$ 53,268	\$ 1,704,090
Accrued payroll and withholdings	86,298	-	-	3,708	90,006
Other liabilities	4,105	-	-	-	4,105
Bond anticipation notes payable	-	-	13,000,000	-	13,000,000
Retainage	-	-	1,606,202	123,513	1,729,715
<b>Total Liabilities</b>	<u>229,529</u>	<u>34,788</u>	<u>16,083,110</u>	<u>180,489</u>	<u>16,527,916</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - property taxes	280,013	18,586	-	-	298,599
Unavailable revenue - other	1,170,758	-	-	416,324	1,587,082
<b>Total Deferred Inflows of Resources</b>	<u>1,450,771</u>	<u>18,586</u>	<u>-</u>	<u>416,324</u>	<u>1,885,681</u>
<b>Fund Balances:</b>					
Nonspendable	-	-	-	323,328	323,328
Restricted	277,496	1,623,216	-	1,948,797	3,849,509
Committed	854,514	-	-	-	854,514
Assigned	14,597	-	-	-	14,597
Unassigned:	2,559,726	-	(7,086,616)	(48,238)	(4,575,128)
<b>Total Fund Balances</b>	<u>3,706,333</u>	<u>1,623,216</u>	<u>(7,086,616)</u>	<u>2,223,887</u>	<u>466,820</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 5,386,633</u>	<u>\$ 1,676,590</u>	<u>\$ 8,996,494</u>	<u>\$ 2,820,700</u>	<u>\$ 18,880,417</u>

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2019**

<b>Total Governmental Fund Balances</b>		\$ 466,820
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		53,841,237
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.		1,885,681
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net pension liability	935,964	
Deferred inflows related to net pension liability	(733,410)	
Deferred outflows related to net other postemployment benefits liability	978,258	
Deferred inflows related to net other postemployment benefits liability	<u>-</u>	
Net effect of reporting deferred outflows and inflows of resources		1,180,812
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	(12,881,865)	
Landfill closure	(218,000)	
Capital lease obligations	(487,480)	
Net pension liability	(8,651,352)	
Net other postemployment benefits liability	(7,587,084)	
Compensated absences	<u>(34,000)</u>	
Net effect of reporting long-term liabilities		<u>(29,859,781)</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 27,178,483</u></u>

See accompanying notes to basic financial statements.



**TOWN OF TEMPLETON, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019**

	General Fund	Community Preservation	School Capital Projects	Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 11,312,636	\$ 173,284	\$ -	\$ -	\$ 11,485,920
Intergovernmental	1,696,152	119,944	14,401,042	439,837	16,656,975
Motor vehicle and other excises	1,221,026	-	-	-	1,221,026
Licenses and permits	219,023	-	-	-	219,023
Penalties and interest on taxes	136,843	-	-	-	136,843
Fines and forfeitures	69,732	-	-	-	69,732
Investment income	176,708	49,064	-	20,949	246,721
Departmental and other revenue	518,430	1,055	-	507,975	1,027,460
Contributions and donations	-	-	-	22,440	22,440
<b>Total Revenues</b>	<b>15,350,550</b>	<b>343,347</b>	<b>14,401,042</b>	<b>991,201</b>	<b>31,086,140</b>
<b>Expenditures:</b>					
Current:					
General government	794,912	4,152	-	31,984	831,048
Public safety	2,433,637	-	-	3,248,013	5,681,650
Education	7,436,012	-	26,970,661	-	34,406,673
Public works	1,285,848	-	-	237,634	1,523,482
Health and human services	416,854	-	-	75,968	492,822
Culture and recreation	95,051	69,685	-	11,933	176,669
Pension and fringe benefits	1,440,532	-	-	-	1,440,532
State and county assessments	44,755	-	-	-	44,755
Debt service:					
Principal	48,619	-	-	-	48,619
Interest	356,878	-	-	-	356,878
<b>Total Expenditures</b>	<b>14,353,098</b>	<b>73,837</b>	<b>26,970,661</b>	<b>3,605,532</b>	<b>45,003,128</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>997,452</b>	<b>269,510</b>	<b>(12,569,619)</b>	<b>(2,614,331)</b>	<b>(13,916,988)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from bonds and notes	-	-	9,755,000	2,440,000	12,195,000
Proceeds from capital leases	-	-	-	621,480	621,480
Premiums from bonds and notes	-	-	338,423	69,714	408,137
Transfers in	406,119	-	-	-	406,119
Transfers out	(435,028)	-	-	(298,619)	(733,647)
<b>Total Other Financing Sources (Uses)</b>	<b>(28,909)</b>	<b>-</b>	<b>10,093,423</b>	<b>2,832,575</b>	<b>12,897,089</b>
<b>Net Change in Fund Balances</b>	<b>968,543</b>	<b>269,510</b>	<b>(2,476,196)</b>	<b>218,244</b>	<b>(1,019,899)</b>
Fund balances - Beginning of year	2,737,790	1,353,706	(4,610,420)	2,005,643	1,486,719
Fund Balances - End of year	\$ 3,706,333	\$ 1,623,216	\$ (7,086,616)	\$ 2,223,887	\$ 466,820

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ (1,019,899)**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. This amount represents the net amount of the depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital outlays	30,881,471	
Depreciation expense	(478,099)	
Net effect of reporting capital assets		30,403,372

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

Proceeds from bonds and notes	(12,195,000)	
Premiums from bonds	(302,235)	
Repayments of capital lease obligations	(438,792)	
Repayments of bonds and notes	48,619	
Net effect of reporting long-term debt		(12,887,408)

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.

59,905

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:

Net Pension benefits	(291,006)	
Other postemployment benefits	(685,924)	
Interest expense payable	(336,286)	
Landfill closure	21,000	
Net effect of reporting long-term liabilities		(1,292,216)

**Change in Net Position of Governmental Activities** **\$ 15,263,754**

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Business-Type Activities				Total
	Sewer	Cable	Water	Light Department (December 31, 2018)	
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 1,165,130	\$ 259,875	\$ 353,504	\$ 1,528,313	\$ 3,306,822
Investments	1,199,934	-	-	-	1,199,934
Working capital deposit	-	-	-	1,098,699	1,098,699
User charges and other receivables, net	424,883	-	253,278	602,400	1,280,561
Apportioned assessments	84,739	-	-	-	84,739
Intergovernmental receivables	59,786	-	-	-	59,786
Prepaid expenses	-	-	7,906	47,655	55,561
Materials and supplies	-	-	41,435	137,348	178,783
Total current assets	2,934,472	259,875	656,123	3,414,415	7,264,885
Noncurrent assets:					
Intergovernmental receivables	60,144	-	-	-	60,144
Other assets	-	-	-	893,081	893,081
Land	-	-	-	189,178	189,178
Construction in-process	2,215,896	-	-	1,255,600	3,471,496
Capital assets, net of accumulated depreciation	6,203,831	-	7,058,528	10,566,163	23,828,522
Total noncurrent assets	8,479,871	-	7,058,528	12,904,022	28,442,421
<b>Total Assets</b>	<b>11,414,343</b>	<b>259,875</b>	<b>7,714,651</b>	<b>16,318,437</b>	<b>35,707,306</b>
<b>Deferred Outflows of Resources:</b>					
Related to net pension liability	103,079	-	84,165	243,323	430,567
Related to net other postemployment benefits liability	430	-	492	23,064	23,986
<b>Total Deferred Outflows of Resources</b>	<b>103,509</b>	<b>-</b>	<b>84,657</b>	<b>266,387</b>	<b>454,553</b>
<b>Liabilities:</b>					
Current liabilities:					
Warrants and accounts payable	\$ 42,840	\$ 5,902	\$ 40,973	\$ 1,284,481	\$ 1,374,196
Payroll and related liabilities	4,765	3,187	25,696	3,005	36,653
Due to other funds	7,002	5,955	6,592	-	19,549
Customer and advanced deposits	-	-	-	131,104	131,104
Accrued interest	97,552	-	-	-	97,552
Bond anticipation notes payable	2,300,000	-	-	-	2,300,000
Bonds and notes payable	549,285	-	363,297	132,250	1,044,832
Total current liabilities	3,001,444	15,044	436,558	1,550,840	5,003,886
Noncurrent liabilities:					
Compensated absences	-	-	18,738	16,604	35,342
Bonds and notes payable	1,833,630	-	2,382,400	661,250	4,877,280
Net pension liability	952,784	-	777,958	2,346,111	4,076,853
Net other postemployment benefits liability	895,459	-	754,418	751,588	2,401,465
Total noncurrent liabilities	3,681,873	-	3,933,514	3,775,553	11,390,940
<b>Total Liabilities</b>	<b>6,683,317</b>	<b>15,044</b>	<b>4,370,072</b>	<b>5,326,393</b>	<b>16,394,826</b>
<b>Deferred Inflows of Resources:</b>					
Related to net pension liability	80,771	-	65,951	367,345	514,067
Related to net other postemployment benefits liability	-	-	617,232	2,911	620,143
Unavailable revenues	-	-	-	1,855,885	1,855,885
<b>Total Deferred Inflows of Resources</b>	<b>80,771</b>	<b>-</b>	<b>683,183</b>	<b>2,226,141</b>	<b>2,990,095</b>
<b>Net Position:</b>					
Net investment in capital assets	3,759,190	-	4,312,831	11,217,439	19,289,460
Restricted for debt service	84,739	-	-	-	84,739
Restricted for depreciation	-	-	-	447,885	447,885
Unrestricted	909,835	244,831	(1,566,778)	(2,633,034)	(3,045,146)
<b>Total Net Position</b>	<b>\$ 4,753,764</b>	<b>\$ 244,831</b>	<b>\$ 2,746,053</b>	<b>\$ 9,032,290</b>	<b>\$ 16,776,938</b>

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, 2019**

	Business-Type Activities				
	Sewer	Cable	Water	Light Department (December 31, 2018)	Total
<b>Operating Revenues:</b>					
Charges for services	\$ 1,148,241	\$ 160,010	\$ 1,583,828	\$ 7,264,004	\$ 10,156,083
Other	22,721	-	58,385	-	81,106
Total Operating Revenues	1,170,962	160,010	1,642,213	7,264,004	10,237,189
<b>Operating Expenses:</b>					
Personnel	349,274	65,888	-	-	415,162
Operations	750,866	26,204	711,556	4,218,422	5,707,048
Maintenance	-	-	295,153	1,785,070	2,080,223
Depreciation	285,101	-	237,465	537,293	1,059,859
Total Operating Expenses	1,385,241	92,092	1,244,174	6,540,785	9,262,292
<b>Total Operating Income (Loss)</b>	(214,279)	67,918	398,039	723,219	974,897
<b>Nonoperating Revenues (Expenses):</b>					
Investment income	45,430	-	928	25,185	71,543
Interest expense	(168,162)	-	(106,095)	(30,859)	(305,116)
Other	-	-	18,645	19,114	37,759
Total Nonoperating Revenues (Expenses)	(122,732)	-	(86,522)	13,440	(195,814)
<b>Income (Loss) Before Capital Contributions and Transfers</b>	(337,011)	67,918	311,517	736,659	779,083
<b>Capital Contributions:</b>					
Intergovernmental	71,068	-	-	24,375	95,443
Other	4,912	-	-	-	4,912
Total Capital Contributions	75,980	-	-	24,375	100,355
<b>Transfers:</b>					
Transfers in	327,528	-	316,919	-	644,447
Transfers out	-	-	-	-	-
Transfers, net	327,528	-	316,919	-	644,447
<b>Change in Net Position</b>	66,497	67,918	628,436	761,034	1,523,885
<b>Total Net Position - Beginning of Year, as restated (See Note V)</b>	4,687,267	176,913	2,117,617	8,271,256	15,253,053
<b>Total Net Position- Ending</b>	\$ 4,753,764	\$ 244,831	\$ 2,746,053	\$ 9,032,290	\$ 16,776,938

See accompanying notes to basic financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

	Business-Type Activities				Total
	Sewer	Cable	Water	Light Department (December 31, 2018)	
<b>Cash Flows from Operating Activities</b>					
Receipts from users	\$ 1,129,062	\$ 160,010	\$ 1,562,313	\$ 7,971,396	\$ 10,822,781
Receipts from other operating revenues	22,721	-	-	-	22,721
Payments to employees and vendors	(1,042,339)	(92,303)	(1,121,400)	(6,041,418)	(8,297,460)
Net Cash Provided by Operating Activities	109,444	67,707	440,913	1,929,978	2,548,042
<b>Cash Flows from Noncapital Financing Activities</b>					
Apportioned assessments	26,704	-	-	-	26,704
Intergovernmental	127,954	-	-	-	127,954
Other	-	-	(291,682)	43,488	(248,194)
Payments to other funds	(80,319)	-	-	-	(80,319)
Transfers in	327,528	-	316,919	-	644,447
Net Cash Provided by Noncapital Financing Activities	401,867	-	25,237	43,488	470,592
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets	(1,600,023)	-	(110,035)	(1,614,287)	(3,324,345)
Principal payments on bonds and notes	(530,527)	-	(363,297)	(512,250)	(1,406,074)
Interest payments on bonds and notes	(153,540)	-	(106,095)	(30,859)	(290,494)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,284,090)	-	(579,427)	(2,157,396)	(5,020,913)
<b>Cash Flows from Investing Activities</b>					
Investment income	45,430	-	928	25,185	71,543
Net Cash Provided by Investing Activities	45,430	-	928	25,185	71,543
<b>Net Increase in Cash and Cash Equivalents</b>	(1,727,349)	67,707	(112,349)	(158,745)	(1,930,736)
<b>Cash and Cash Equivalents</b>					
Beginning of the year	4,092,413	192,168	465,853	1,687,058	6,437,492
End of the year	<u>\$ 2,365,064</u>	<u>\$ 259,875</u>	<u>\$ 353,504</u>	<u>\$ 1,528,313</u>	<u>\$ 4,506,756</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating Income (loss)	\$ (214,279)	\$ 67,918	\$ 398,039	\$ 723,219	\$ 974,897
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	285,101	-	237,465	537,293	1,059,859
Other non-operating income	-	-	-	-	-
Changes in assets and liabilities:					
Receivables	(29,171)	-	(79,900)	424,923	315,852
Other assets	-	-	-	167,998	167,998
Prepaid expenses and materials	-	-	512	(41,598)	(41,086)
Deferred outflow of resources	9,992	-	10,920	204,687	225,599
Accounts payable, accrued expenses and other liabilities	110,640	(211)	(293,968)	(15,742)	(199,281)
Deferred inflow of resources	(52,839)	-	167,845	(70,802)	44,204
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 109,444</u>	<u>\$ 67,707</u>	<u>\$ 440,913</u>	<u>\$ 1,929,978</u>	<u>\$ 2,548,042</u>
Noncash investing capital and financing activities:					
Intergovernmental subsidies of debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of bond premiums	-	-	-	-	-

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Town Other Postemployment Benefits Trust Fund	Sewer Other Postemployment Benefits Trust Fund	Water Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2018 Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 693	\$ 253		\$ -	\$ -	\$ 125,252
Investments	141,478	51,778	51,483	266,573	142,695	-
<b>Total Assets</b>	<u>142,171</u>	<u>52,031</u>	<u>51,483</u>	<u>266,573</u>	<u>142,695</u>	<u>125,252</u>
				-		
<b>Liabilities:</b>						
Warrants and accounts payable	-	-	-	-	-	4,316
Planning board deposits	-	-	-	-	-	72,442
Agency liabilities	-	-	-	-	-	48,494
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,252</u>
<b>Net Position:</b>						
Restricted for other postemployment benefits	142,171	52,031	51,483	266,573	-	
Held in trust for private purposes	-	-	-	-	142,695	
<b>Total Net Position</b>	<u>\$ 142,171</u>	<u>\$ 52,031</u>	<u>\$ 51,483</u>	<u>\$ 266,573</u>	<u>\$ 142,695</u>	

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2019

	Town Other Postemployment Benefits Trust Fund	Sewer Other Postemployment Benefits Trust Fund	Water Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2018 Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>Additions:</b>					
Contributions:					
Employer contributions	\$ 234,846	\$ 42,902	\$ 34,720	\$ 84,862	\$ -
Total Contributions	<u>234,846</u>	<u>42,902</u>	<u>34,720</u>	<u>84,862</u>	<u>-</u>
Investment income:					
Interest and dividends	7,282	2,000	1,727	(12,001)	4,421
Net investment earnings	<u>7,282</u>	<u>2,000</u>	<u>1,727</u>	<u>(12,001)</u>	<u>4,421</u>
<b>Total Additions</b>	<u>242,128</u>	<u>44,902</u>	<u>36,447</u>	<u>72,861</u>	<u>4,421</u>
<b>Deductions:</b>					
Benefits and refunds to Plan members:					
Benefits paid	187,346	17,902	9,720	43,223	-
Health and human services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427</u>
<b>Total Deductions</b>	<u>187,346</u>	<u>17,902</u>	<u>9,720</u>	<u>43,223</u>	<u>427</u>
Change in Net Position	54,782	27,000	26,727	29,638	3,994
<b>Net Position - Beginning of Year</b>	<u>87,389</u>	<u>25,031</u>	<u>24,756</u>	<u>236,935</u>	<u>138,701</u>
<b>Net Position - End of Year</b>	<u>\$ 142,171</u>	<u>\$ 52,031</u>	<u>\$ 51,483</u>	<u>\$ 266,573</u>	<u>\$ 142,695</u>

See accompanying notes to basic financial statements.

# **TOWN OF TEMPLETON, MASSACHUSETTS**

## **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019**

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### **I. Summary of Significant Accounting Policies**

The accompanying basic financial statements of the Town of Templeton, Massachusetts (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 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 2019, the Town’s share of operating and debt service expenses was \$6,750,662. Complete audited financial statements can be obtained directly from the District’s administrative office located at the Superintendent and District Offices, 462 Baldwinville Road, Baldwinville, MA 01436.

In addition, the Town is a member community of the Montachusett Regional Vocational Technical School. This joint venture assesses each of the eighteen-member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2019, the Town’s share of operating and debt service expenses was \$681,750. Complete audited financial statements can be obtained directly from the District’s administrative office located at 1050 Westminster Street, Fitchburg, MA 01420.

The Town does not have any equity interest in either of the joint ventures.



## 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. *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 legally separate component units if any 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. Fiduciary funds are reported by fund type.

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

- 1) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial 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 financial resources, liabilities and deferred inflows of financial 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, regardless of the timing of related cash flows. 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 have been met.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when

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

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year and are material. 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.

*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 funds:

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

*Cable Enterprise Fund* – is used to account for the operation of the Town's cable operations.

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

*Templeton Municipal Light Department(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:

*Town Other Postemployment Benefits Trust Fund* – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

*Sewer Other Postemployment Benefits Trust Fund* – is used to account for funds accumulated by the Sewer Department to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

*Other Postemployment Benefits Trust Fund* – is used to account for funds accumulated by the Light Department to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

*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.

#### **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 are recorded at fair value in accordance with GAAP.

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. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. 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 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 two types of items that are reported on the government-wide statement of net position. These relate to outflows from changes in the net pension and net other postemployment benefits liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection B.

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 two types of items which qualify for reporting in this category. The first arises 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. The other items are reported on the government-wide statement of net position and relate to inflows from changes in the net pension and net other postemployment benefit liabilities. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection B.

*Net Position* – In the government-wide financial statements, net position reported as “net investment 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 benefactors and may only be used for the intended purpose.

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

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

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

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

*Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

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

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

*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 \$699,388 at June 30, 2019 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 purchases made or to be made resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting 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 \$14,597 of encumbrances from normal purchasing activity in the general fund as assigned and \$695,014 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

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	-	-	-	113,508	113,508
Public safety	-	-	-	708,739	708,739
Education	-	-	-	12,701	12,701
Public works	-	-	-	159,267	159,267
Health and human services	-	-	-	488,422	488,422
Culture and recreation	-	1,623,216	-	520,490	2,143,706
Debt service	277,496	-	-	-	277,496
Committed:					
General government	126,204	-	-	-	126,204
Public safety	142,976	-	-	-	142,976
Education	6,015	-	-	-	6,015
Public works	375,740	-	-	-	375,740
Health and human services	22,336	-	-	-	22,336
Culture and recreation	21,743	-	-	-	21,743
Other purposes	159,500	-	-	-	159,500
Assigned:					
Purchase orders	14,597	-	-	-	14,597
Unassigned:					
Unrestricted	2,559,726	-	(7,086,616)	(102,568)	(4,629,458)
	<u>\$ 3,706,333</u>	<u>\$ 1,623,216</u>	<u>\$ (7,086,616)</u>	<u>\$ 2,223,887</u>	<u>\$ 466,820</u>

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

The Town carries a deficit of \$7,086,616 in the School Capital Project Major Fund and \$102,568 in the nonmajor governmental funds at year end. These deficits will be funded through available revenues, grant funds or bond proceeds in future fiscal 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 (the "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.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2019:

<u>Investments by Fair Value Level</u>	<u>6/30/2019</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
Corporate fixed income securities	\$ 1,068,330	\$ 1,068,330	\$ -	\$ -
Certificates of deposit	897,331	897,331	-	-
U.S. government obligations	<u>2,750,956</u>	<u>2,750,956</u>	<u>-</u>	<u>-</u>
Equity securities	548,046	548,046	-	-
Mutual funds	193,256	193,256	-	-
Total investments at Fair Value	<u>\$ 5,457,919</u>	<u>\$ 5,457,919</u>	<u>\$ -</u>	<u>\$ -</u>

Debt and equity classified in Level 1 are valued using prices quoted in active markets for those securities.

The Town had the following investments with maturities at June 30, 2019:

Investment Type	Fair Value	Maturities in Years	
		Less than 1 year	1 - 5 years
Debt securities:			
Corporate fixed income securities	\$ 1,068,330	\$ 212,491	\$ 855,839
Certificates of deposit	897,331	199,670	697,661
U.S. government obligations	2,750,956	1,108,922	1,642,034
Total investments with maturities	4,716,617	\$ 1,521,083	\$ 3,195,534
Other Investments			
Equities	548,046		
Mutual funds	193,256		
Total Town Investments	\$ 5,457,919		

The following table presents the Light Department's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2018:

		Fair Value Measurements Using		
Investments by Fair Value Level	12/31/2018	Level 1	Level 2	Level 3
Description:				
Investments measured at the net asset value (NAV):				
External investment pool	\$ 266,573	\$ 266,573	\$ -	\$ -
Total investments at Fair Value	\$ 266,573	\$ 266,573	\$ -	\$ -

The Light Department categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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 year-end, the carrying amount of all the Town's deposits was \$10,789,104 and bank balance was \$13,199,400. The full bank balance was covered by either federal depository insurance or by the depositors' insurance fund.

As of June 30, 2019, the Water Department had a carrying amount of \$353,504 and the bank balance was \$341,873 that was subject to custodial credit risk.

At December 31, 2018 the Light Department had a bank balance was \$1,742,291 that was subject to custodial credit risk and \$11,025 that was not subject to credit risk. The carrying value was \$1,528,313.

*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. The Town's investments 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: Deposits*– This is the risk that fair value losses may arise due to increasing interest rates. 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.

*Interest Rate Risk: Investments* – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have a formal investment policy that limits investments 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.

*Credit Risk* – The Town has not adopted a formal policy related to credit risk. The Town's investments had the following ratings at year end:

<u>S&amp;P's Rating</u>	<u>U.S. Government Obligations</u>	<u>Corporate Fixed Income</u>	<u>Certificates of Deposit</u>	<u>Total</u>
AA	\$ 235,952	\$ 2,750,956	\$ -	\$ 2,986,908
A	557,556	-	-	557,556
BBB	274,822	-	-	274,822
Not rated	-	-	897,331	897,331
Total	<u>\$ 1,068,330</u>	<u>\$ 2,750,956</u>	<u>\$ 897,331</u>	<u>\$ 4,716,617</u>

## B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 280,013	\$ -	\$ 280,013
Tax liens	1,055,605	-	1,055,605
Motor vehicle and other excise taxes	129,803	-	129,803
Departmental and other	341,851	(83,423)	258,428
Title V loan receivables	165,525	-	165,525
Intergovernmental	3,763,402	-	3,763,402
Total	<u>\$ 5,736,199</u>	<u>\$ (83,423)</u>	<u>\$ 5,652,776</u>

Receivables as of year-end for the Town's proprietary funds (the TMLD's activity is for the year ended December 31, 2018) are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer user charges	\$ 424,883	\$ -	\$ 424,883
Sewer betterment fees	84,739	-	84,739
Water user charges	253,278	-	253,278
TMLD user charges	551,599	(72,000)	479,599
TMLD other receivable	122,801	-	122,801
Intergovernmental	119,930	-	119,930
Total	<u>\$ 1,557,230</u>	<u>\$ (72,000)</u>	<u>\$ 1,485,230</u>

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

	General Fund	Nonmajor Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 280,013	\$ -	\$ 280,013
Tax liens	1,055,605	-	1,055,605
Motor vehicle and other excise taxes	129,803	-	129,803
Departmental and other	-	420,260	420,260
Total	<u>\$ 1,465,421</u>	<u>\$ 420,260</u>	<u>\$ 1,885,681</u>

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 \$119,930 and interest in the amount of

\$191,348 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, a receivable totaling \$119,930 has been reported in the Sewer Enterprise Fund.

Massachusetts School Building Authority – As of June 30, 2019, the Town expects to receive \$3,634,408 applicable to approved eligible school construction costs from the MSBA. The amount is recorded as an intergovernmental receivable in the School Capital Projects major fund.

### C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended June 30, 2019 is as follows:

Transfers Out	Transfers In			
	General Fund	Water	Sewer	Total
General Fund	\$ -	\$ -	\$ 327,528	\$ 327,528 (1)
Nonmajor funds	298,619	-	-	298,619 (2)
Light plant	-	316,919	-	316,919 (3)
Total	<u>\$ 298,619</u>	<u>\$ 316,919</u>	<u>\$ 327,528</u>	<u>\$ 943,066</u>

(1) Transfer to sewer enterprise fund for debt service.

(2) Transfer to general fund from Title V and Ambulance receipts to supplement operating budget.

(3) Light plant to water; reflected in different year ends due Light plant having different year end

Interfund transfers between the general fund and TMLD are not reflected due to the presentation of different year-ends.

## D. Capital Assets

Capital asset activity for the year ended June 30, 2019 (the TMLD's activity is for the year ended December 31, 2018) is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 935,838	\$ -	\$ -	\$ 935,838
Construction in process	12,707,160	29,848,320	-	42,555,480
Total capital assets not being depreciated	13,642,998	29,848,320	-	43,491,318
Capital assets being depreciated:				
Buildings and improvements	3,478,405	37,753	-	3,516,158
Infrastructure	11,885,353	147,596	-	12,032,949
Vehicles	-	339,558	-	339,558
Machinery and equipment	3,338,763	508,243	-	3,847,006
Total capital assets being depreciated	18,702,521	1,033,150	-	19,735,671
Less accumulated depreciation for:				
Buildings and improvements	(2,920,012)	(28,122)	-	(2,948,134)
Infrastructure	(3,227,267)	(298,276)	-	(3,525,543)
Vehicles	-	(22,627)	-	(22,627)
Machinery and equipment	(2,760,375)	(129,073)	-	(2,889,448)
Total accumulated depreciation	(8,907,654)	(478,098)	-	(9,385,752)
Total capital assets being depreciated, net	9,794,867	555,052	-	10,349,919
Total governmental activities capital assets, net	\$ 23,437,865	\$ 30,403,372	\$ -	\$ 53,841,237
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in process	816,299	2,655,197	-	3,471,496
Total capital assets not being depreciated	1,005,477	2,655,197	-	3,660,674
Capital assets being depreciated:				
Electric plant	18,902,415	559,112	-	19,461,527
Buildings and improvements	19,651	-	-	19,651
Infrastructure	28,363,463	108,357	(81,920)	28,389,900
Machinery and equipment	1,351,397	1,680	-	1,353,077
Total capital assets being depreciated	48,636,926	669,149	(81,920)	49,224,155
Less accumulated depreciation for:				
Electric plant	(8,328,294)	(567,070)	-	(8,895,364)
Buildings and improvements	(5,406)	(982)	-	(6,388)
Infrastructure	(14,894,574)	(462,366)	81,920	(15,275,020)
Machinery and equipment	(1,159,643)	(59,218)	-	(1,218,861)
Total accumulated depreciation	(24,387,917)	(1,089,636)	81,920	(25,395,633)
Total capital assets being depreciated, net	24,249,009	(420,487)	-	23,828,522
Total business-type activities capital assets, net	\$ 25,254,486	\$ 2,234,710	\$ -	\$ 27,489,196

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities: Sewer</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 615,873	\$ 1,600,023	\$ -	\$ 2,215,896
Total capital assets not being depreciated	<u>615,873</u>	<u>1,600,023</u>	<u>-</u>	<u>2,215,896</u>
Capital assets being depreciated:				
Buildings and improvements	19,651	-	-	19,651
Infrastructure	18,888,922	-	-	18,888,922
Machinery and equipment	<u>709,473</u>	<u>-</u>	<u>-</u>	<u>709,473</u>
Total capital assets being depreciated	<u>19,618,046</u>	<u>-</u>	<u>-</u>	<u>19,618,046</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,406)	(982)	-	(6,388)
Infrastructure	(12,503,818)	(275,538)	-	(12,779,356)
Machinery and equipment	<u>(619,890)</u>	<u>(8,581)</u>	<u>-</u>	<u>(628,471)</u>
Total accumulated depreciation	<u>(13,129,114)</u>	<u>(285,101)</u>	<u>-</u>	<u>(13,414,215)</u>
Total capital assets being depreciated, net	<u>6,488,932</u>	<u>(285,101)</u>	<u>-</u>	<u>6,203,831</u>
Total Sewer capital assets, net	<u>\$ 7,104,805</u>	<u>\$ 1,314,922</u>	<u>\$ -</u>	<u>\$ 8,419,727</u>
<i><u>Business-Type Activities: TMLD</u></i>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in-process	<u>200,426</u>	<u>1,055,174</u>	<u>-</u>	<u>1,255,600</u>
Total capital assets not being depreciated	<u>389,604</u>	<u>1,055,174</u>	<u>-</u>	<u>1,444,778</u>
Capital assets being depreciated:				
Production plant	4,023,430	-	-	4,023,430
Distribution plant	10,986,546	303,921	-	11,290,467
General plant	<u>3,892,439</u>	<u>255,191</u>	<u>-</u>	<u>4,147,630</u>
Total capital assets being depreciated	<u>18,902,415</u>	<u>559,112</u>	<u>-</u>	<u>19,461,527</u>
Less accumulated depreciation for:				
Production plant	(900,355)	(120,701)	-	(1,021,056)
Distribution plant	(5,464,379)	(329,596)	-	(5,793,975)
General plant	<u>(1,963,560)</u>	<u>(116,773)</u>	<u>-</u>	<u>(2,080,333)</u>
Total accumulated depreciation	<u>(8,328,294)</u>	<u>(567,070)</u>	<u>-</u>	<u>(8,895,364)</u>
Total capital assets being depreciated, net	<u>10,574,121</u>	<u>(7,958)</u>	<u>-</u>	<u>10,566,163</u>
Total TMLD capital assets, net	<u>\$ 10,963,725</u>	<u>\$ 1,047,216</u>	<u>\$ -</u>	<u>\$ 12,010,941</u>

<u>Business-type Activities: Water</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Infrastructure	\$ 9,474,541	\$ 108,357	\$ (81,920)	\$ 9,500,978
Machinery and equipment	641,924	1,680	-	643,604
Total capital assets being depreciated	10,116,465	110,037	(81,920)	10,144,582
Less accumulated depreciation for:				
Infrastructure	(2,390,756)	(186,828)	81,920	(2,495,664)
Machinery and equipment	(539,753)	(50,637)	-	(590,390)
Total accumulated depreciation	(2,930,509)	(237,465)	81,920	(3,086,054)
Total capital assets being depreciated, net	7,185,956	(127,428)	-	7,058,528
Total Water capital assets, net	<u>\$ 7,185,956</u>	<u>\$ (127,428)</u>	<u>\$ -</u>	<u>\$ 7,058,528</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 13,116	Sewer	\$ 285,102
Public safety	99,370	Water	237,465
Public works	362,164	TMLD	567,070
Health and human services	2,206		<u>\$ 1,089,637</u>
Culture and recreation	1,242		
	<u>\$ 478,098</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, 2018 is \$1,098,699.

#### **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 ("RANS") or tax anticipation notes ("TANS").

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes ("BANS") or grant anticipation notes ("GANS"). 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 generally carry maturity dates of less than one year and are interest bearing and will be paid through future issuance of general obligation bonds.

The Town's temporary borrowing activity for fiscal year 2019 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
<i><u>Governmental Activities:</u></i>						
BAN	3.00%	11/22/19	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000
BAN	2.25%	11/30/18	120,000	-	(120,000)	-
BAN	2.65%	11/22/19	6,505,000	8,500,000	(10,005,000)	5,000,000
BAN	3.00%	02/27/20	975,000	5,500,000	(2,475,000)	4,000,000
Total Governmental Notes			<u>7,600,000</u>	<u>18,000,000</u>	<u>(12,600,000)</u>	<u>13,000,000</u>
<i><u>Business-Type Activities:</u></i>						
BAN	2.70%	08/23/19	2,300,000	2,300,000	(2,300,000)	2,300,000
Total Business-Type Notes			<u>2,300,000</u>	<u>2,300,000</u>	<u>(2,300,000)</u>	<u>2,300,000</u>
Total Short Term Notes Payable			<u>\$ 9,900,000</u>	<u>\$ 20,300,000</u>	<u>\$ (14,900,000)</u>	<u>\$ 15,300,000</u>

Short-term (BANs) issued for Governmental Funds were used for School Building Construction (\$13,000,000) and for the Sewer Enterprise Fund were used for Construction of a Sewer Pump Station (\$2,300,000).

## G. Long-term Obligations

*Bond and Note Indebtedness* - The Town issues general obligation bonds and notes to provide funds for acquisition and construction of major capital facilities and equipment. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, 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." In addition, the Town may authorize debt in excess of that limit for specific purposes; such as debt when issued is designated as being "outside the debt limit".

The following reflects the current year activity (the TMLD's activity is for the year ended December 31, 2018) in the long-term liability accounts:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<u><i>Governmental Activities:</i></u>					
Bond and note indebtedness	\$ -	\$ 12,195,000	\$ -	\$ 12,195,000	\$ 295,000
Premiums	-	302,235	-	302,235	21,003
Notes from direct borrowings and placements	433,249	-	(48,619)	384,630	38,476
Capital lease obligations	48,688	621,480	(182,688)	487,480	112,938
Compensated absences	34,000	-	-	34,000	-
Landfill closure	239,000	-	(21,000)	218,000	21,000
Net pension liability	7,748,202	1,434,335	(531,185)	8,651,352	-
Net other postemployment benefits liability	6,007,510	1,784,822	(205,248)	7,587,084	-
Total Governmental Activities	<u>\$ 14,510,649</u>	<u>\$ 16,337,872</u>	<u>\$ (988,740)</u>	<u>\$ 29,859,781</u>	<u>\$ 488,417</u>
<u><i>Business-Type Activities - Sewer:</i></u>					
Bond and note indebtedness	\$ 150,000	\$ -	\$ (30,000)	\$ 120,000	\$ 30,000
Notes from direct borrowings and placements	2,763,442	-	(500,527)	2,262,915	519,285
Net pension liability	853,319	157,965	(58,500)	952,784	-
Net other postemployment benefits liability	902,714	35,647	(42,902)	895,459	-
Total Sewer	<u>4,669,475</u>	<u>193,612</u>	<u>(631,929)</u>	<u>4,231,158</u>	<u>549,285</u>
<u><i>Business-Type Activities - Water:</i></u>					
Bond and note indebtedness	2,208,994	-	(313,297)	1,895,697	313,297
Notes from direct borrowings and placements	900,000	-	(50,000)	850,000	50,000
Compensated absences	18,526	212	-	18,738	-
Net pension liability	680,505	97,453	-	777,958	-
Net other postemployment benefits liability	1,052,315	-	(297,897)	754,418	-
Total Water	<u>4,860,340</u>	<u>97,665</u>	<u>(661,194)</u>	<u>4,296,811</u>	<u>363,297</u>
<u><i>Business-Type Activities - TMLD:</i></u>					
Bond and note indebtedness	380,000	-	(380,000)	-	-
Notes from direct borrowings and placements	925,750	-	(132,250)	793,500	132,250
Compensated absences	12,852	3,752	-	16,604	-
Net pension liability	2,295,248	50,863	-	2,346,111	-
Net other postemployment benefits liability	461,085	290,503	-	751,588	-
Total TMLD	<u>4,074,935</u>	<u>345,118</u>	<u>(512,250)</u>	<u>3,907,803</u>	<u>132,250</u>
Total Business-Type Activities	<u>\$ 13,604,750</u>	<u>\$ 636,395</u>	<u>\$ (1,805,373)</u>	<u>\$ 12,435,772</u>	<u>\$ 1,044,832</u>
<b>Total Long-term Obligations</b>	<b><u>\$ 28,115,399</u></b>	<b><u>\$ 16,974,267</u></b>	<b><u>\$ (2,794,113)</u></b>	<b><u>\$ 42,295,553</u></b>	<b><u>\$ 1,533,249</u></b>

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

The following is a summary of outstanding long-term obligations as of June 30, 2019 (the TMLD's activity is for the year ended December 31, 2018):

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	3.0 - 5.0%	\$ -	\$ 12,195,000	\$ -	\$ 12,195,000
MWPAT notes payable	0 - 5.125%	433,249	-	(48,619)	384,630
<b>Total Governmental Activities</b>		<u>\$ 433,249</u>	<u>\$ 12,195,000</u>	<u>\$ (48,619)</u>	<u>\$ 12,579,630</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.6 - 4.0%	\$ 150,000	\$ -	\$ (30,000)	\$ 120,000
MWPAT notes payable	0 - 5.75%	2,763,442	-	(500,527)	2,262,915
<b>Total Sewer Activities</b>		<u>2,913,442</u>	<u>-</u>	<u>(530,527)</u>	<u>2,382,915</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.6 - 4.75 %	2,208,994	-	(313,297)	1,895,697
USDA Rural Utilities Loan	2.25%	900,000	-	(50,000)	850,000
<b>Total Water Activities</b>		<u>3,108,994</u>	<u>-</u>	<u>(363,297)</u>	<u>2,745,697</u>
<i>Business-Type Activities - TMLD</i>					
General obligation bonds	2.6 - 4.0%	380,000	-	(380,000)	-
Clean Renewable Energy Bond	2%	925,750	-	(132,250)	793,500
<b>Total TMLD Activities</b>		<u>1,305,750</u>	<u>-</u>	<u>(512,250)</u>	<u>793,500</u>
<b>Total Business-Type Activities</b>		<u>\$ 7,328,186</u>	<u>\$ -</u>	<u>\$ (1,406,074)</u>	<u>\$ 5,922,112</u>

Authorized and Unissued Debt - At June 30, 2019, the Town had authorized and unissued debt for the following:

Project	Amount
<i>Governmental:</i>	
School building renovations	\$ 40,938,184
Police Station Upgrade	1,500,000
<b>Total Authorized and Unissued</b>	<u><u>\$ 42,438,184</u></u>

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

<i>Governmental Activities</i>							
Year Ending June 30,	Principal			Interest			Total
	General Obligation	Direct borrowings	Total Principal	General Obligation	Direct borrowings	Total Interest	
2020	\$ 295,000	\$ 38,476	\$ 333,476	\$ 457,843	\$ 1,851	\$ 459,694	\$ 793,170
2021	295,000	38,476	333,476	457,525	1,851	459,376	792,852
2022	305,000	38,476	343,476	442,776	1,851	444,627	788,103
2023	325,000	38,476	363,476	427,524	1,851	429,375	792,851
2024	335,000	38,476	373,476	411,275	1,851	413,126	786,602
2025-2029	1,975,000	151,250	2,126,250	1,784,375	-	1,784,375	3,910,625
2030-2034	2,430,000	41,000	2,471,000	1,328,275	-	1,328,275	3,799,275
2035-2039	2,855,000	-	2,855,000	905,002	-	905,002	3,760,002
2040-2044	3,380,000	-	3,380,000	373,862	-	373,862	3,753,862
Total	<u>\$ 12,195,000</u>	<u>\$ 384,630</u>	<u>\$ 12,579,630</u>	<u>\$ 6,588,457</u>	<u>\$ 9,255</u>	<u>\$ 6,597,712</u>	<u>\$ 19,177,342</u>
<i>Business-Type Activities - Sewer</i>							
2020	\$ 30,000	\$ 519,285	\$ 549,285	\$ 4,650	\$ 87,932	\$ 92,582	\$ 641,867
2021	30,000	324,168	354,168	3,526	67,878	71,404	425,572
2022	30,000	338,903	368,903	2,370	51,729	54,099	423,002
2023	30,000	348,726	378,726	1,200	34,118	35,318	414,044
2024	-	363,461	363,461	-	15,553	15,553	379,014
2025-2029	-	368,372	368,372	-	-	-	368,372
	<u>\$ 120,000</u>	<u>\$ 2,262,915</u>	<u>\$ 2,382,915</u>	<u>\$ 11,746</u>	<u>\$ 257,210</u>	<u>\$ 268,956</u>	<u>\$ 2,651,871</u>
<i>Business-Type Activities - Water</i>							
2020	\$ 313,297	\$ 50,000	\$ 363,297	\$ 73,926	\$ 19,125	\$ 93,051	\$ 456,348
2021	313,297	50,000	363,297	61,818	18,000	79,818	443,115
2022	313,297	50,000	363,297	49,519	16,875	66,394	429,691
2023	313,297	50,000	363,297	37,125	15,750	52,875	416,172
2024	123,297	50,000	173,297	24,541	14,625	39,166	212,463
2025-2029	386,485	250,000	636,485	57,149	56,250	113,399	749,884
2030-2034	41,485	250,000	291,485	26,856	28,125	54,981	346,466
2035-2039	41,485	100,000	141,485	17,262	3,375	20,637	162,122
2040-2044	41,485	-	41,485	7,669	-	7,669	49,154
2045-2048	8,272	-	8,272	383	-	383	8,655
	<u>\$ 1,895,697</u>	<u>\$ 850,000</u>	<u>\$ 2,745,697</u>	<u>\$ 356,248</u>	<u>\$ 172,125</u>	<u>\$ 528,373</u>	<u>\$ 3,274,070</u>
<i>Business-Type Activities - TMLD</i>							
Year Ending December 31,	Principal			Interest			Total
	General Obligation	Direct borrowings	Total Principal	General Obligation	Direct borrowings	Total Interest	
2019	\$ -	\$ 132,250	\$ 132,250	\$ -	\$ 8,067	\$ 8,067	\$ 140,317
2020	-	132,250	132,250	-	6,723	6,723	138,973
2021	-	132,250	132,250	-	5,378	5,378	137,628
2022	-	132,250	132,250	-	4,034	4,034	136,284
2023	-	132,250	132,250	-	2,689	2,689	134,939
2024-2028	-	132,250	132,250	-	1,345	1,345	133,595
	<u>\$ -</u>	<u>\$ 793,500</u>	<u>\$ 793,500</u>	<u>\$ -</u>	<u>\$ 28,236</u>	<u>\$ 28,236</u>	<u>\$ 821,736</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 \$119,930 and interest in the amount of \$191,348 until the maturity of these agreements.

## H. Capital Leases

The Town has entered into non-cancelable leases for the purchases of vehicles and equipment. These long-term leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

<u>Asset Description</u>	<u>Amount</u>
One Ton Pickup	\$ 86,361
Police Cruiser	31,980
Fire Engine	503,139
Less accumulated depreciation	<u>(34,524)</u>
Net carrying value	<u><u>\$ 586,956</u></u>

The future minimum lease payments and the net present value of the minimum lease payments at June 30, 2019, are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 134,500
2021	134,500
2022	92,500
2023	92,500
2024	<u>92,500</u>
Total minimum lease payments	546,500
Less amount representing interest	<u>(59,020)</u>
Present value of minimum lease payments	<u><u>\$ 487,480</u></u>

### III. Other Information

#### A. Retirement System

Plan Description – The Town contributes to the Worcester County Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of Massachusetts General Laws. The System is administered by the Worcester Regional Retirement Board (the “Board”). Stand-alone financial statements for the year ended December 31, 2018 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Membership – Membership in the System as of December 31, 2018 was as follows:

Inactive members or beneficiaries currently receiving benefits	3,837
Inactive members entitled to, but not yet receiving benefits	1,839
Active members	<u>7,815</u>
	<u>13,491</u>
 Number of employers	 <u>99</u>

Benefit Terms – Membership in the 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. 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 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 System.

The 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 System's benefit terms in fiscal year 2019. There were no material changes made in this update to the actuarial assumptions (see below).

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 \$737,540 to the Retirement System in fiscal year 2019, which equaled the actuarially determined contribution requirement for the fiscal year. However, this does not equal the amount recorded because the Light Department uses a year earlier measurement period. Contributions as a percentage of covered payroll was approximately 20.51% in fiscal year 2019.

Net Pension Liability – At June 30, 2019, the Town proportionate share of the net pension liability was \$12,012,202 however this does not equal the amount recorded because the Light Department uses a year earlier measurement period. The net pension liability was measured as of January 1, 2018 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, 2018. There were no material changes to the 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 System relative to the projected contributions of all employers. The Town and TMLD's proportion were approximately 1.32% at December 31, 2018 and 2017, which was lower (1.37%) with than the proportion measured at December 31, 2016. The difference is being reflected through a deferred inflow for the proportionate share difference and amortized to expense over approximately 5 years.

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the System's full financial statements as of and for the year ended December 31, 2018, which can be obtained by contacting the Board.

The System's fiduciary net position was determined using the accrual basis of accounting. The 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 \$1,200,305 in pension expense in the statement of activities in fiscal year 2019. This does not agree to the amount calculated by the actuary because the Light Department uses a year earlier measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions in its governmental activities and sewer enterprise fund from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,570	\$ 71,197
Changes of assumptions	596,763	-
Net difference between projected and actual earnings		
on pension plan investments	361,336	-
Changes in proportion and differences between Town		
contributions and proportionate share of contributions	38,373	742,985
	<u>\$ 1,039,043</u>	<u>\$ 814,181</u>

The net deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year ended June 30,</u>	
2020	\$ 33,717
2021	(48,992)
2022	142,468
2023	105,317
2024	(7,648)
	<u>\$ 224,861</u>

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the Water Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,449	\$ 5,767
Changes of assumptions	48,339	-
Net difference between projected and actual earnings		
on pension plan investments	29,269	-
Changes in proportion and differences between Water		
contributions and proportionate share of contributions	3,108	60,184
	<u>\$ 84,165</u>	<u>\$ 65,951</u>



The net deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Water's pension expense as follows:

<u>Year ended June 30,</u>	
2020	\$ 2,732
2021	(3,969)
2022	11,540
2023	8,531
2024	(620)
	<u>\$ 18,214</u>

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2018, the Light Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,607	\$ -
Changes of assumptions	223,578	-
Net difference between projected and actual earnings on pension plan investments	-	73,152
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,138	294,193
	<u>\$ 243,323</u>	<u>\$ 367,345</u>

The net deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Light Department's pension expense as follows:

<u>Year ended December 31</u>	
2019	\$ (30,035)
2020	(30,293)
2021	(52,747)
2022	(429)
2023	(10,518)
	<u>\$ (124,022)</u>

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

Inflation:	3% per year
Amortization method:	Payment increases 4.0% per year
Asset valuation method:	Market value
Salary increases:	Group 1: 4.25-6.00%, based on service Group 4: 4.75-7.00%, based on service
Investment rate of return:	7.75%, net of pension plan investment expense, including inflation
Mortality rates:	Based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB
Disabled life mortality:	For disabled lives, the mortality rates were based on the RP-2000 Mortality Tables (base year 2012) with full generational mortality improvement using Scale BB.

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 System’s target allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global equity	39%	4.75%
Fixed income	23%	2.28%
Private equity	13%	8.15%
Real estate	10%	3.43%
Timber/natural resources	4%	4.00%
Hedge funds	11%	3.76%
	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2018 actuarial valuation report was 7.75%. 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 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 proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount 7.75%	1% Increase 8.75%
Town's proportionate share of the net pension liability	\$ 14,469,447	\$ 12,012,202	\$ 9,936,333

The net pension liability in the sensitivity analysis does not agree to the aggregate net pension liabilities recorded in the financial statements due to the Light Department recording its liability based on a measurement date that was a year earlier. The impact of this is a difference of \$716,003.

## B. Other Postemployment Benefits

The Town administers a single employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

An employee hired before April 2, 2012 shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service or shall be eligible if able to retire with 20 years of service regardless of age. Those hired on or after April 2, 2012 shall be eligible to retire upon attainment of age 60 with 10 years of creditable service.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program, currently Blue Cross Blue Shield of New England. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2019:

	Inactive employees or beneficiaries receiving benefits	Active employees	Total
Town	37	32	69
Sewer	4	6	10
Water	2	6	8
Light	9	10	19
	52	54	106

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contributed 28% of the set premium for

medical, dental and life insurance during fiscal 2019 and contribution rates increase by 1% at every renewal rate until reaching 35% in 2026. The remainder of the cost is funded from taxation and user rates from the enterprise funds effected.

The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town.

For the year ended June 30, 2019, the Town, Sewer, Water and Light average contribution rates of covered-employee payroll were 17.2%, 12.8%, 16.2% and 11.6% respectively.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.80%, net of OPEB plan investment expense, 6.32% for water and light including inflation.
Municipal bond rate	2.79% as of June 30, 2019; 3.64% for water and light
Single Equivalent Discount Rate	4.0% Town; 6.0% sewer; 5.75% water and 6.5% light net of OPEB plan investment expense including inflation. Using a blend of the Municipal Bond Index Rate for unfunded periods and the Investment Rate of Return.
Inflation	2.75% annually
Health Care Trend Rate	5.00%
Salary Increases	3.00% annually
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Key assumption changes effective Fiscal Year ending June 30, 2019

Single Equivalent Discount Rate 6.00% for sewer previously 5.50%; 4.00% for Town previously 5.00%  
5.75% for water previously 3.5%

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	20% Town , sewer; 28.5% water, light	4.00%
Domestic Equity - Small/Mid Cap	10% Town, sewer; 25.25% water, light	6.00%
Interntional Equity - Developed Market	10% Town, sewer; 9.5% water, light	4.50%
Interntional Equity - Emerging Market	5% Town, sewer; 0% water; light	7.00%
Domestic Fixed Income	25% Town, sewer; 36.75% water, light	2.00%
International Fixed Income	10% Town, sewer; 0% water, light	3.00%
Alternatives	20% Town, sewer; 0% water, light	6.50%
Cash	0% all	0.00%
	100.00%	

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

Net OPEB Liability	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Town	4.00%	\$ 8,959,044	\$ 7,587,084	\$ 6,505,227
Sewer	6.00%	1,048,347	895,459	772,462
Water	5.75%	888,248	754,418	646,207
Light	6.50%	924,413	751,588	599,775
Total		\$ 11,820,052	\$ 9,988,549	\$ 8,523,671

Net OPEB Liability	Health Care Rate			
	Current Rate	1% lower	Current	1% greater
Town	5.00%	\$ 5,609,775	\$ 7,587,084	\$ 10,189,938
Sewer	5.00%	684,405	895,459	1,160,987
Water	5.00%	591,750	754,418	959,116
Light	5.00%	551,314	751,588	1,011,412
Total		\$ 7,437,244	\$ 9,988,549	\$ 13,321,453

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2019 (except that the Light department is as of December 31, 2018):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 9,069,778	\$ 374,111	\$ 8,695,667
Changes for the year:			
Service cost	341,667	-	341,667
Interest	483,837	-	483,837
Change in assumptions	867,112	-	867,112
Difference between expected and actual	(3,396)	-	(3,396)
Employer contributions	-	397,872	(397,872)
Benefit payments withdrawn from trust	-	(258,191)	258,191
Net investment income	-	(1,534)	1,534
Benefit payments	(258,191)	-	(258,191)
Net changes	1,431,029	138,147	1,292,882
Balances at June 30, 2019	<u>\$ 10,500,807</u>	<u>\$ 512,258</u>	<u>\$ 9,988,549</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2019 OPEB expense was \$1,055,784 and deferred inflows and outflows are reflected as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 978,059	\$ 293,964
Differences between expected and actual experience	-	326,179
Differences between projected and actual earnings on investments	24,185	-
	<u>\$ 1,002,244</u>	<u>\$ 620,143</u>

Deferred inflows and outflows are amortized to expense as follows:

June 30	
2020	\$ 103,059
2021	103,059
2022	103,059
2023	121,871
2024	(48,457)
thereafter	(490)
	<u>\$ 382,101</u>

*Investment Custody* – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

*Investment Policy* – The OPEB Plan does not have a formal investment policy at this time. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

*Investment Rate of Return* – For the year ended June 30, 2019 (December 31, 2018 for TMLD) the annual money-weighted rate of return on investments, net of investment expense, was 3.3% for the Town, less than 1% for the Sewer Department, 6.98% for the water Department and negative 4.86% for TMLD. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net OPEB Liability* – The components of the net OPEB liability of the Town at June 30, 2019 (December 31, 2018 for TMLD) were as follows:

	Component				Total
	Town	Sewer	Water	Light	
Total OPEB Liability	\$ 7,729,255	\$ 947,490	\$ 805,901	\$ 1,018,161	\$ 10,500,807
Plan fiduciary net position	142,171	52,031	51,483	266,573	\$ 512,258
Net OPEB liability	<u>\$ 7,587,084</u>	<u>\$ 895,459</u>	<u>\$ 754,418</u>	<u>\$ 751,588</u>	<u>\$ 9,988,549</u>
	1.8%	5.5%	6.4%	26.2%	

## B. 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.

## C. Commitments and Contingencies

*General* – During its day-to-day operations, the Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2019, 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, 2019.

*Appellate Tax Board* – Generally the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). At June 30, 2019, there were zero pending cases in ATB.

Grant Compliance – 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, would not have a material effect on its financial condition.

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

MMWEC Participation – The TMLD is a participant in certain projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a public corporation and a political subdivision of the Commonwealth, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (“Projects”). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities.

MMWEC sells all of the capability (“Project Capability”) of each of its Projects to its Members and other utilities (“Project Participants”) under Power Sales Agreements (“PSAs”). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC’s costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC’s debt service to be paid into a Reserve and Contingency Fund.

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

TMLD 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, 2018, total capital expenditures for the Berkshire Wind Facility amounted to \$64.9 million, of which \$3.0 million, 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 \$55.0 million of which \$2.4 million 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, 2018, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$73.3 million, of which \$3.1 million 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, 2018 and estimated for future years is as follows:

<u>For Years Ending December 31,</u>	
2019	\$ 277,000
2020	262,000
2021	261,000
2022	261,000
2023	261,000
2024 - 2028	1,302,000
2029 - 2032	518,000
Total	<u>\$ 3,142,000</u>

### MMWEC Contingencies and Liabilities

The 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 \$1.7 billion of which \$28.0 million 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 \$7.1 million, of which \$147,000 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, 2018, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$7.4 million, of which \$154,000 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, 2018 and estimated for future years is shown below.

<u>For Years Ending December 31,</u>	
2019	\$ 154,000

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 \$1.4 million for the year ended December 31, 2018.

#### **D. 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; \$218,000 has been recorded as a governmental activity's liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

### **IV. Implementation of New GASB Pronouncements**

#### Current Year Implementations

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement was to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town's financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement was to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities governments should include when disclosing information related to debt. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town's financial statements.

#### Future Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after

December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

## **V. Restatement**

During the year ended December 31, 2018, TMLD adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in TMLD financial statements and record the net OPEB liability at December 31, 2018. This resulted in net position as previously stated to be reduced by \$284,270.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEAR ENDED JUNE 30, 2019**

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

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	1.32%	1.32%	1.37%	1.36%	1.73%
Town's proportionate share of the net pension liability (asset)	\$ 12,012,202	\$ 10,758,199	\$ 11,442,390	\$ 9,665,159	\$ 10,271,629
Town's covered-employee payroll	\$ 3,594,982	\$ 3,379,162	\$ 3,418,702	\$ 3,497,074	\$ 3,362,571
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	334.1%	318.4%	334.7%	276.4%	305.5%
Plan fiduciary net position as a percentage of the total pension liability	43.05%	46.40%	42.00%	44.52%	47.94%

**SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN**

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 737,540	\$ 667,573	\$ 663,582	\$ 612,557	\$ 682,149
Contributions in relation to the actuarially determined contribution	737,540	667,573	663,582	612,557	682,149
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 3,594,982	\$ 3,379,162	\$ 3,418,702	\$ 3,497,074	\$ 3,362,571
Contributions as a percentage of covered-employee payroll	20.5%	19.8%	19.4%	17.5%	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**

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
YEAR ENDED JUNE 30, 2019**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

	2019	2018
Total OPEB liability:		
Service cost	\$ 341,167	\$ 288,900
Interest	483,837	472,066
Differences between expected and actual experience	(3,396)	(833,857)
Changes of assumptions	867,112	-
Benefit payments	(258,191)	(381,968)
Net change in total OPEB liability	1,430,529	(454,859)
 Total OPEB liability - beginning of year	9,069,778	9,524,637
Total OPEB liability - end of year (a)	<u>\$ 10,500,307</u>	<u>\$ 9,069,778</u>
 Plan fiduciary net position:		
Contributions - employer	\$ 397,872	\$ 570,588
Net investment income	(1,534)	31,509
Benefit payments	(258,191)	(381,968)
Net change in Plan fiduciary net position	138,147	220,129
 Plan fiduciary net position - beginning of year	374,111	153,982
Plan fiduciary net position - end of year (b)	<u>\$ 512,258</u>	<u>\$ 374,111</u>
 Net OPEB liability - end of year (a) - (b)	<u>\$ 9,988,049</u>	<u>\$ 8,695,667</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	4.88%	4.12%
 Covered-employee payroll	\$ 2,988,475	\$ 2,802,360
 Net OPEB liability as a percentage of covered- employee payroll	334.22%	310.30%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b of GASB 74.

See independent auditors' report.

**TOWN OF TEMPLETON, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
YEAR ENDED JUNE 30, 2019**

**SCHEDULE OF CONTRIBUTIONS**

	2019	2018
Actuarially-determined contribution	\$ 825,004	\$ 760,966
Contributions in relation to the actuarially-determined contribution	(258,191)	(381,968)
Contribution deficiency (excess)	<u>\$ 566,813</u>	<u>\$ 378,998</u>
Covered-employee payroll	\$ 2,988,475	\$ 2,802,360
Contribution as a percentage of covered-employee payroll	8.6%	13.6%
Valuation Date	July 1, 2017	
Actuarial Cost Method	Individual Entry Age Normal	
Amortization Period	30 years	
Asset Valuation Method	Market Value of Assets as of Reporting Date	
Investment rate of return	6.8% - Town, Sewer 6.32% Water, Light	
Municipal Bond Rate	2.79% Town, Sewer; 3.60% Water, Light	
Single Equivalent Discount Rate	4%, Town; 6%, Sewer; 5.75%, Water; 6.5%, Light	
Inflation	2.75%	
Healthcare cost trend rates	5.00%	
Salary increases	3.00%	

**SCHEDULE OF INVESTMENT RETURNS  
LAST 10 FISCAL YEARS**

	June 30, 2019	June 30, 2018
Annual money-weighted rate of return, net of investment expense	-0.22%	3.29%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

## TOWN OF TEMPLETON, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
<b>Revenues:</b>						
Real estate and personal property	\$ 11,123,884	\$ 11,123,884	\$ 11,312,636		\$ 11,312,636	\$ 188,752
Intergovernmental	1,688,066	1,688,066	1,696,152		1,696,152	8,086
Motor vehicle and other excises	1,042,000	1,042,000	1,221,026		1,221,026	179,026
Licenses and permits	125,500	125,500	219,023		219,023	93,523
Departmental and other revenue	417,500	417,500	518,430		518,430	100,930
Penalties and interest	80,000	80,000	136,843		136,843	56,843
Fines and forfeitures	52,250	52,250	69,732		69,732	17,482
Investment income	8,500	8,500	158,600		158,600	150,100
Total Revenues	14,537,700	14,537,700	15,332,442	-	15,332,442	794,742
<b>Expenditures:</b>						
General government	1,051,976	1,122,249	857,052	129,517	986,569	135,680
Public safety	2,460,707	2,738,808	2,433,637	148,160	2,581,797	157,011
Education	7,449,317	7,449,317	7,436,012	6,015	7,442,027	7,290
Public works	1,396,471	1,802,459	1,292,371	380,884	1,673,255	129,204
Health and human services	499,359	513,259	416,854	22,836	439,690	73,569
Culture and recreation	125,094	125,795	95,051	22,199	117,250	8,545
Fringe and pension benefits	2,428,640	2,396,427	2,157,560	-	2,157,560	238,867
State and county tax assessments	44,755	44,755	44,755	-	44,755	-
Debt service	1,794,860	1,794,860	1,510,231	-	1,510,231	284,629
Total Expenditures	17,251,179	17,987,929	16,243,523	709,611	16,953,134	1,034,795
<b>Other Financing Sources (Uses):</b>						
Transfers in	1,805,813	1,824,313	1,861,517		1,861,517	(37,204)
Transfers out	(275,000)	(405,000)	(405,000)		(405,000)	-
Total Other Financing Sources (Uses)	1,530,813	1,419,313	1,456,517		1,456,517	(37,204)
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(1,182,666)	(2,030,916)	545,436		(164,175)	1,792,333
<b>Other Budgetary Items:</b>						
Prior year encumbrances	612,666	612,666				
Reserve for debt service	-	-				
Overlay deficits	-	-				
Free cash	570,000	1,418,250				
Snow and ice deficits	-	-				
Other	-	-				
Total Other Budgetary Items	1,182,666	2,030,916				
<b>Net Budget</b>	\$ -	\$ -				

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, 2019

### 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, 2019, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 15,332,442
Change in recording tax revenues	\$ -	\$ -	-
Withholdings activity	-	-	-
Stabilization interest	-	18,108	18,108
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 18,108</u>	<u>\$ 15,350,550</u>
Expenditures on a budgetary basis			\$ 16,243,523
Expenditure recognition	\$ (16,699)	\$ -	(16,699)
Reclass of enterprise indirect costs to expenditures	(1,873,726)	-	(1,873,726)
Expenditures on a GAAP basis	<u>\$ (1,890,425)</u>	<u>\$ -</u>	<u>\$ 14,353,098</u>
Other financing sources (uses) on a budgetary basis			\$ 1,456,517
Reclass of enterprise indirect costs to expenditures	\$ (1,873,726)	\$ -	(1,873,726)
Expenditure recognition	(16,699)	-	(16,699)
Stabilization transfers	-	405,000	405,000
Other financing sources (uses) on a GAAP basis	<u>\$ (1,890,425)</u>	<u>\$ 405,000</u>	<u>\$ (28,908)</u>

Appropriation Deficits – During fiscal year 2019, there were no appropriation deficits.



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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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements (except for the Templeton Electric Light Department "the Light Department", which is as of December 31, 2018) and have issued our report thereon dated November 15, 2019.

We did not audit the financial statements of Light Department, 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. The accompanying financial statement do not include all disclosures for the Light and Water Departments, as required by generally accepted accounting principles. Such information can be found in separately issued financial statements, which were audited by 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. 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, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 certain 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 November 18, 2019.

### **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  
November 18, 2019