

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
Financial Statements
June 30, 2014 and 2013

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
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JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Templeton Municipal Water Department Commissioners
Templeton Municipal Water Department
Templeton, Massachusetts 01436

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Templeton, Massachusetts Municipal Water Department, an enterprise fund of the Town of Templeton, Massachusetts as of and for the year ending June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 2014 financial statements referred to above present fairly, in all material respects, the financial position of the Town of Templeton, Massachusetts Municipal Water Department as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Town of Templeton, Massachusetts Municipal Water Department as of June 30, 2013, were audited by other auditors whose report dated February 3, 2014 states that the financial statements present fairly, in all material respects, the financial position of the Town of Templeton, Massachusetts Municipal Water Department as of June 30, 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Town of Templeton, Massachusetts Municipal Water Department and do not purport to, and do not, present fairly the financial position of the Town of Templeton, Massachusetts, as of June 30, 2014, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Other Postemployment Benefits information, on pages three through five and 20, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
February 28, 2015

Management's Discussion and Analysis

Within this section of the Town of Templeton, Massachusetts Municipal Water Department's annual financial report, management provides a narrative discussion and analysis of the financial activities of the Department for the years ending June 30, 2014 and 2013. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. On June 30, 2014 it shows our net worth has increased 6.19% over the year ending June 30, 2013.

The Statements of Revenues, Expenses, and Changes in Net Position summarize our operating results and reveals how much income was earned for the year. As discussed in more detail below, our income for June 30, 2014 and 2013 was \$163,788 and \$70,699, respectively.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financial activities for the same period. A review of our Statements of Cash Flows indicates that cash receipts from operating activities adequately cover our operating expenses.

Summary of Net Position

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 289,935	\$ 343,723
Noncurrent Assets	<u>6,488,196</u>	<u>6,601,583</u>
Total Assets	<u>\$ 6,778,131</u>	<u>\$ 6,945,306</u>
Current Liabilities	\$ 620,339	\$ 680,682
Noncurrent Liabilities	<u>3,346,407</u>	<u>3,617,028</u>
Total Liabilities	<u>3,966,746</u>	<u>4,297,710</u>
Net Position:		
Net Investment in Capital Assets	2,985,232	2,782,366
Net Position Restricted for Capital Project	14,098	14,098
Unrestricted	<u>(187,945)</u>	<u>(148,868)</u>
Total Net Position	<u>2,811,385</u>	<u>2,647,596</u>
Total Liabilities and Net Position	<u>\$ 6,778,131</u>	<u>\$ 6,945,306</u>

Summary of Changes in Net Position

	2014	2013
Operating Revenues	\$ 1,302,842	\$ 1,261,455
Operating Expenses	999,036	1,046,884
Operating Income	303,806	214,571
Non-Operating Revenues (Expenses)	(140,018)	(143,872)
Change in Net Position	163,788	70,699
Net Position – July 1	2,647,596	2,576,897
Net Position – June 30	\$ 2,811,385	\$ 2,647,596

Financial Highlights:

Operating revenues increased from \$1,261,455 in 2013 to \$1,302,842 in 2014, primarily due to an increase in customer service charge effective December 31, 2013. Revenue from metered sales and entrance fees has changed cyclically over the past few years.

Water Sales and Supply

The Water Department provides public water to 2,188 residences and businesses within the town of Templeton, Massachusetts. Water is pumped from a total of four wells, two on Maple Street in Baldwinville, one on Sawyer Street in East Templeton and another on Willow Street in Otter River.

Templeton Water sold 116,799,020 gallons of water to its 2,188 water customers in 2014. Templeton Water's focus over this past fiscal year has been continued regulatory compliance with the Massachusetts Department of Environmental Protection (MA DEP).

Utility Plan and Debt Administration:

Net utility plant decreased by \$110,396 in fiscal year 2014. This decrease represents the difference between the current year net additions and the current fiscal year depreciation expense. During fiscal 2014, Templeton water continued to work with the Town towards water infrastructure improvements in Baldwinville as part of the Phase IV of the Back Bay Reconstruction Project, which was completed during the fiscal year.

Debt Administration

Over the past eleven year, the Water Department has incurred debt through Town-issued bonds for \$3,800,000 and \$2,300,000 as well as a U.S.D.A loan for \$332,000. These funds have been used to make several infrastructure improvements, including new water distribution mains, a new water storage tank in Baldwinville and a new water treatment facility in East Templeton. Principal paid on the debt this fiscal year amount to \$313,297 for the bonds.

Interest and principal payments on debt have and will continue to be paid with revenue received from the sale of water.

Significant Balances and Transactions

Shared Facilities

The Water Department has shared facilities and some administrative personnel with the Town of Templeton Municipal Light Plant. The Water Department pays its share of the salary, wages and benefits for the costs of shared personnel.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 5,589	\$ 5,085
Petty Cash	400	400
Accounts Receivable, Net	225,494	248,929
Other Accounts Receivable	116	1,450
Materials and Supplies	38,338	40,699
Deferred Interest	0	704
Prepaid Expenses	19,998	46,456
	289,935	343,723
TOTAL CURRENT ASSETS		
	289,935	343,723
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	26,684	15,542
Capital Fund	14,098	14,098
Utility Plant Assets, Net	6,447,414	6,557,810
Construction in Progress	0	14,133
	6,488,196	6,601,583
TOTAL NONCURRENT ASSETS	6,488,196	6,601,583
	6,488,196	6,601,583
TOTAL ASSETS	\$ 6,778,131	\$ 6,945,306

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

LIABILITIES AND NET POSITION

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 56,539	\$ 142,134
Payable to Municipal Light Department	205,592	175,429
Current Portion of Long-Term Debt	313,297	313,297
Current Portion of Capital Lease Obligation	0	10,910
Accrued Compensation	12,456	17,442
Accrued Interest Payable	32,455	21,470
	<u>620,339</u>	<u>680,682</u>
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES:		
Other Postemployment Benefit Obligation	197,522	154,846
Long-Term Debt, Less Current Portion	3,148,885	3,462,182
	<u>3,346,407</u>	<u>3,617,028</u>
TOTAL NONCURRENT LIABILITIES		
	<u>3,966,746</u>	<u>4,297,710</u>
TOTAL LIABILITIES		
NET POSITION:		
Net Investment in Capital Assets	2,985,232	2,782,366
Net Position Restricted for Capital Project	14,098	14,098
Unrestricted Net Position	(187,945)	(148,868)
	<u>2,811,385</u>	<u>2,647,596</u>
TOTAL NET POSITION		
	<u>\$ 6,778,131</u>	<u>\$ 6,945,306</u>
TOTAL LIABILITIES AND NET POSITION		

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Metered Sales	\$ 1,266,987	\$ 1,200,445
Entrance Fees	8,500	35,000
Other Operating Revenues	<u>27,355</u>	<u>26,010</u>
 TOTAL OPERATING REVENUES	 <u>1,302,842</u>	 <u>1,261,455</u>
OPERATING EXPENSES:		
Operations	584,582	593,353
Maintenance	217,703	263,440
Depreciation	<u>196,751</u>	<u>190,091</u>
 TOTAL OPERATING EXPENSES	 <u>999,036</u>	 <u>1,046,884</u>
 OPERATING INCOME	 <u>303,806</u>	 <u>214,571</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Income	395	449
Miscellaneous Nonoperating Income	13,836	10,085
Interest Expense	(154,248)	(153,142)
Loss on Disposal of Plant	<u>0</u>	<u>(1,264)</u>
 TOTAL NONOPERATING REVENUES (EXPENSES)	 <u>(140,017)</u>	 <u>(143,872)</u>
 CHANGE IN NET POSITION	 163,789	 70,699
 NET POSITION - JULY 1	 <u>2,647,596</u>	 <u>2,576,897</u>
 NET POSITION - JUNE 30	 <u>\$ 2,811,385</u>	 <u>\$ 2,647,596</u>

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,327,611	\$ 1,170,876
Cash Payments to Suppliers and Employees	(791,208)	(735,195)
Other Revenues Received	13,836	10,085
	<u>550,239</u>	<u>445,766</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	395	449
	<u>395</u>	<u>449</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Plant and Construction	(72,222)	(18,902)
Payments on Capital Lease Obligation	(10,910)	(10,910)
Payments on Bond Principal	(313,297)	(313,297)
Interest Paid on Bonds	(142,559)	(155,655)
	<u>(538,988)</u>	<u>(498,764)</u>
NET INCREASE (DECREASE) IN CASH	11,646	(52,549)
CASH AND CASH EQUIVALENTS, JULY 1	<u>35,125</u>	<u>87,674</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 46,771</u>	<u>\$ 35,125</u>

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 303,806	\$ 214,571
Miscellaneous Nonoperating Income	13,836	10,085
Depreciation	196,751	190,091
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	23,435	(91,641)
Other Accounts Receivable	1,334	(202)
Materials and Supplies	2,361	6,031
Prepaid Expenses	26,458	(5,514)
Increase (Decrease) in Liabilities:		
Accounts Payable	(85,595)	57,275
Accrued Expenses	(4,986)	1,593
Other Payables	30,163	29,395
Other Postemployment Benefits Obligation	42,676	34,082
	\$ 550,239	\$ 445,766
Net Cash Provided by Operating Activities	\$ 550,239	\$ 445,766

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following amounts are considered to be cash or cash equivalents for the purpose of the statements of cash flow:

	2014	2013
Operating Fund	\$ 5,589	\$ 5,085
Petty Cash	400	400
Depreciation cash designated for capital additions	26,684	15,542
Cash reserved for capital additions	14,098	14,098
	\$ 46,771	\$ 35,125

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Town of Templeton, Massachusetts Municipal Water Department (“the Department”) are as follows:

Reporting Entity

Town of Templeton, Massachusetts Municipal Water Department is an enterprise fund and a component unit of the Town of Templeton, Massachusetts. The Department provides public water to residences and businesses within the town of Templeton, Massachusetts. The Municipal Water Department appoints a general manager who shall, under the direction of the Municipal Water Board, have full charge of the operation and management of the Department.

Basis of Presentation

Templeton Municipal Water Department’s financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Templeton Municipal Water Department is considered an enterprise fund of the Town of Templeton, Massachusetts. The operations of the Department are accounted for with a separate set of self-balancing accounts organized on a Proprietary Fund type (Enterprise Fund) basis.

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

Union Labor

Non-management labor is covered by a three year union contract which expires on June 30, 2016.

Water Plant and Depreciation

Depreciation is computed using percentages ranging from one and two thirds to ten percent of the cost of Water Plant. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Materials and Supplies

Materials and supplies inventory consists of parts and accessories purchased for installations required for service, and are stated at average cost.

Taxes

The Municipal Water Department is exempt from federal and state income taxes as well as property taxes.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Municipal Water Department considers amounts on deposit with the Town Treasurer as cash and cash equivalents.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prepayments

Prepayments consist of prepaid expenses attributable to insurance and pension costs.

Accounts Receivable Customers

The Municipal Water Department carries its accounts receivable in full, allocating a portion of the total to liens which are placed for collection with the Town Treasurer to properly reflect the realizable value. On a periodic basis, the Department evaluates its accounts receivable and reviews accounts placed for liens, based on its history of past write-offs and collections.

The Department's policy on collections is to consider any receivable past due if payments have not been received within thirty days of the invoice due date.

Advertising Costs

The Department expenses advertising costs as incurred. Advertising expense was \$332 and \$123 for the years ended June 30, 2014 and 2013, respectively.

Compensated Absences

Templeton Municipal Water Department's employment benefit plan provides that employees are entitled to a minimum of five vacation days per year up to thirty days per year depending on years of service and employment classification. Employees are allowed to accumulate up to one week of unused vacation to the following year. Upon retirement, employees eligible under years of service or age and service are paid up to 25 days accumulation sick-time maximum. Aggregate accrued amounts were \$12,455 and \$17,442 at June 30, 2014 and 2013, respectively.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2014 presentation. All financial statements have been reclassified in accordance with GASB Statements 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement 65, *Item Previously Reported as Assets and Liabilities*.

Net Position

The implementation of GASB Statement 63 requires the Department to categorize its net position. The Department's net position is categorized as net investment in capital assets, restricted for depreciation and unrestricted.

NOTE 2 – UNBILLED REVENUES

No recognition is given to the amount of sales to customers which are unbilled at the end of the accounting period.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, is required to be implemented for periods beginning after June 15, 2014. The Water Department is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 4 – CONCENTRATION OF CREDIT RISK:

The Department’s funds are deposited with the Town and are commingled and invested with deposits from other Town funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Department. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Department deposits is not determinable because the limits of insurance are computed on a Town-wide basis.

NOTE 5 – CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of bank failure, Templeton’s Municipal Water Department deposits may not be returned to it. At June 30, 2014 and 2013, Templeton Water Department did not have any funds on deposit that were exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 6 – CASH

At June 30, funds on deposit with the Town Treasurer available for Templeton Municipal Water Department’s use were:

	2014	2013
Funds for General Operation	\$ 5,589	\$ 5,085
Petty Cash	400	400
Funds Reserved for Future Plant and Equipment Additions – depreciation cash	26,684	15,542
Funds Reserved for Future Plant and Equipment Additions – restricted bond	14,098	14,098
	\$ 46,771	\$ 35,125

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Generally, the treasurer of the Town is authorized to invest in the following investments: national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States government or agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 – ACCOUNTS RECEIVABLE:

Accounts Receivable - Customers consists of the following:

	2014	2013
Accounts Receivable, Customers	\$ 216,703	\$ 239,399
Accounts Receivable, Customer Liens	8,791	9,530
Accounts Receivable Customers, Net	\$ 225,494	\$ 248,929

NOTE 8 – OTHER ACCOUNTS RECEIVABLE:

Other Accounts Receivable consists of money due to the Department for Town of Templeton Sewer Department readings and miscellaneous receivables.

	2014	2013
Templeton Sewer Receivables	\$ 0	\$ 1,334
Other Receivables	116	116
Accounts Receivable Customers, Net	\$ 116	\$ 1,450

NOTE 9 – RELATED PARTY TRANSACTIONS:

The Department occupies common administration space with the Town of Templeton Municipal Light Plant, and certain administrative duties are performed by employees of the Light Plant. The Department reimburses the Light Plant for certain employees' labor and for certain expenses. Reimbursements for 2014 and 2013 were \$30,163 and \$29,395, respectively. The Light Plant owns the building in which the Department occupies space. The Light Plant does not charge rent to the Department.

The Department is owned by the Town of Templeton. Water sales to municipal buildings included in revenues was approximately \$3,174 and \$3,111 for June 30, 2014 and 2013, respectively. Accounts receivable from these departments was \$821 and \$750 for June 30, 2014 and 2013, respectively.

The Department reimburses the town for various employee benefits and services, including health insurance and Worcester Regional Retirement. For the years ended June 30, 2014 and 2013, the total amounts paid for these services were \$163,743 and \$110,208, respectively. At June 30, 2014 and 2013, amounts payable to the town were \$22,218 and \$81,445, respectively.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 10 – CAPITAL LEASE OBLIGATION:

In January, 2011, the Department acquired transportation equipment under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized. The lease expired in January 2014. Property acquired under the capital lease, as of January 7, 2011, had an initial cost and a net book value of \$39,644. Amortization of the leased property is included in depreciation expense.

NOTE 11 – LONG-TERM DEBT:

	2014	2013
General Obligation Bond, of \$3,800,000, issued June 15, 2003; interest ranging from 2.60% to 4.00%, due in annual installments of \$190,000. The final payment is due June 2023.	\$ 1,710,000	\$ 1,900,000
General Obligation Bond, of \$2,300,000, issued September 1, 2006; interest at 4.75%, due in annual installments of \$115,000. The final payment is due September 2027.	1,495,000	1,610,000
USDA construction loan, of \$331,885, issued August 27, 2004, interest at 4.625%, due in annual installments of \$8,297. The final payment is due September 2045.	257,182	265,479
Total Long Term Debt	3,462,182	3,775,479
Less: Current Portion of Bond and Loan Payable	(313,297)	(313,297)
	\$ 3,148,885	\$ 3,462,182

Future payments on long-term debt are:

	Principal	Interest	Total
2015	\$ 313,297	\$ 131,645	\$ 444,942
2016	313,297	120,541	433,838
2017	313,297	109,153	422,450
2018	313,297	97,536	410,833
2019	313,297	85,845	399,142
2020-2024	1,376,485	246,925	1,623,410
2025-2029	386,485	57,149	443,634
2030-2034	41,485	26,856	68,341
2035-2039	41,485	17,262	58,747
2040-2044	41,485	7,759	49,244
2045	8,272	383	8,655
	\$ 3,462,182	\$ 901,054	\$ 4,363,236

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 12 – NET INVESTMENT IN CAPITAL ASSETS:

	2014	2013
Cost of Capital Assets Acquired	\$ 8,636,321	\$ 8,553,919
Less: Accumulated Depreciation	2,188,907	1,996,109
Less: Outstanding Debt Related to Capital Assets	3,462,182	3,775,444
Net Investment in Capital Assets	\$ 2,985,232	\$ 2,782,366

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS:

The Department implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* effective July 1, 2009. As allowed by GASB 45, the Department has applied the measurement recognition requirements of GASB 45 on a prospective basis.

Plan Description: The Department participates in the town sponsored single employer defined benefit health plan. The Department provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan.

At July 1, 2011, the date of the latest actuarial report, the Department’s membership in the plan consisted of the following:

Current retirees and beneficiaries	1	
Current active members	5	
Total	6	

Funding Policy: The Department funds the cost of providing benefits on a pay-as-you-go basis by paying the annual insurance premiums charged to the Department by the Town of Templeton. Retired plan members and beneficiaries currently receiving benefits are required to contribute 25% of the premium cost for their post-retirement medical costs and life insurance costs. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. Neither the town nor the Department has established a Trust to accept funding for OPEB liabilities.

Annual OPEB Costs: The Department’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

Annual OPEB Costs (continued)

The following shows the components of the Water Department’s annual OPEB costs for the years ending June 30, 2014 and 2013 the amount actually contributed to the plan, and changes in net OPEB obligation based on the actuarial valuation as of July 1, 2011:

	2014	2013
Annual required contribution	\$ 42,810	\$ 41,877
Interest on net OPEB obligation	6,194	4,583
Adjustments to annual required contribution	(13,392)	(9,909)
Amortization of actuarial (Gain)/Losses	12,000	8,517
Annual OPEB expense	47,612	45,068
Expected benefit payments	(4,936)	(10,986)
Increase in net OPEB obligation	42,676	34,082
Net OPEB obligation, Beginning of year	154,846	120,746
Net OPEB obligation, End of year	\$ 197,522	\$ 154,846

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Year Ended	Annual OPEB Costs	Percentage of Cost Contributed	Net OPEB Obligation
2013	\$ 45,068	24.3%	\$ 154,846
2014	\$ 47,612	10.3%	\$ 197,522

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

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

The funded status is as follows:

Actuarial accrued liability (AAL)	\$	543,433
Actuarial value of plan assets		<u>0</u>
Unfunded actuarial accrued liability	\$	<u>543,433</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	291,007
UAAL as a percentage of covered payroll		186.74%

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

Actuarial Methods and Assumptions: In the July 1, 2011 actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 4% rate of return and an annual health cost rate trend of 8% initially, graded to 5% after four years. Both rates included a 2.5% general inflation assumption. The UAAL is being amortized over 30 years at a level dollar amount.

NOTE 14 – PENSION PLAN:

The Department, through the Town of Templeton, is a member of the Worcester Regional Retirement System, in turn, is a member of the Massachusetts Contributory Retirement System, which is governed by M.G.L c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by teachers' retirement board.

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

A \$30,000 salary cap, upon which members' benefits were calculated, was removed by the Worcester Regional Retirement System effective January 1, 1991. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 14 – PENSION PLAN (Continued):

Active members contribute 5, 7, 8 or 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's member commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employees' Retirement Administration's Commission (PERAC's) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted since 1981 and any increase in other benefits imposed by state law after that year is borne by the state.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total contributions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification. Employees who resign from state service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon these contributions.

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

The Department's contribution to the Retirement Plan is determined by an allocation of the total Town contribution, which is based upon projected benefits to be paid during the applicable year. The Department then reimburses the Town for the Department's share of the assessment.

The amount of pension expense charged to operations for the years ended June 30, 2014, 2013, and 2012, were \$51,134, \$42,737 \$44,221, respectively.

The Plan's separately issued financial statements can be obtained by contacting Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014 AND 2013

Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	For the Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
7/1/2010	6/30/2011	\$ -	\$ 429,607	\$ 429,607	0.00%	\$ 287,034	149.67%
7/1/2011	6/30/2012	\$ -	\$ 465,322	\$ 465,322	0.00%	\$ 288,530	161.27%
7/1/2011	6/30/2013	\$ -	\$ 503,204	\$ 503,204	0.00%	\$ 296,227	169.87%
7/1/2011	6/30/2014	\$ -	\$ 543,433	\$ 543,433	0.00%	\$ 291,007	186.74%

Schedule of Actuarial Methods and Assumptions

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

Actuarial Methods:

Valuation Date	7/1/2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year Level Dollar Basis
Remaining Amortization Period	25 years

Actuarial Assumptions:

Assumed Retirement	Age 65
Discount Rate	4.00%
Projected Salary Increases	3.00%
Healthcare Cost Trend Rate	Initially 11%, graded to 5% over 4 years

See Independent Auditors' Report

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
COST OF PLANT AND ACCUMULATED DEPRECIATION
JUNE 30, 2014

	Cost			Cost	Accumulated	Depreciation	Reversed	Accumulated	Book
	July 1, 2013	Increases	Decreases	June 30, 2014	Depreciation	2014	Depreciation	Depreciation	Value
	July 1, 2013			June 30, 2014	July 1, 2013	2014	2014	June 30, 2014	June 30, 2014
WATER PLANT IN SERVICE:									
General Plant:									
Structures and Improvements	\$ 3,353,532	\$ 17,942	\$ 0	\$ 3,371,474	\$ 542,176	\$ 55,892	\$ 0	\$ 598,068	\$ 2,773,406
Wells and Springs	223,251	0	0	223,251	27,401	4,465	0	31,866	191,385
Supply Mains	156,527	0	0	156,527	21,306	3,131	0	24,437	132,090
Pumping Equipment	290,634	0	0	290,634	109,742	9,688	0	119,430	171,204
Water Treatment Equipment	8,158	0	0	8,158	6,570	1,588	0	8,158	0
Distribution Reservoirs and Standpipes	332,856	1,397	0	334,253	97,266	6,657	0	103,923	230,330
Transmission and Distribution Mains	2,773,088	635	0	2,773,723	621,742	55,462	0	677,204	2,096,519
Services	258,484	721	0	259,205	43,459	5,170	0	48,629	210,576
Meters and Installations	453,629	12,086	(3,953)	461,762	152,075	15,121	(3,953)	163,243	298,519
Hydrants	195,282	0	0	195,282	36,679	3,906	0	40,585	154,697
Miscellaneous Plant	3,790	0	0	3,790	1,849	379	0	2,228	1,562
Laboratory Equipment	8,278	0	0	8,278	5,990	828	0	6,818	1,460
Office Equipment	7,718	0	0	7,718	7,718	0	0	7,718	0
Transportation Equipment	195,368	51,230	0	246,598	157,511	19,537	0	177,048	69,550
Stores Equipment	2,752	0	0	2,752	2,752	0	0	2,752	0
Tools, Shop and Garage Equipment	20,469	2,344	0	22,813	16,448	2,047	0	18,495	4,318
Power Operated Equipment	15,078	0	0	15,078	15,078	0	0	15,078	0
Communication Equipment	252,455	0	0	252,455	128,606	12,623	0	141,229	111,226
Miscellaneous Equipment	2,570	0	0	2,570	1,741	257	0	1,998	572
Utility plant assets, net	<u>\$ 8,553,919</u>	<u>\$ 86,355</u>	<u>\$ (3,953)</u>	<u>\$ 8,636,321</u>	<u>\$ 1,996,109</u>	<u>\$ 196,751</u>	<u>\$ (3,953)</u>	<u>\$ 2,188,907</u>	<u>\$ 6,447,414</u>

See Independent Auditors' Report

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
SCHEDULES OF OPERATIONS EXPENSES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATIONS EXPENSES:		
Chemical and Water Testing Expenses	\$ 45,748	\$ 35,662
Electricity	70,883	59,374
Insurance	27,391	25,513
Materials and Supplies	19,313	21,663
Miscellaneous	13,269	7,352
Office Expense	17,533	16,434
Outside Services	35,280	75,697
Salaries and Benefits	339,073	338,818
Transportation	16,092	12,840
TOTAL OPERATIONS EXPENSES	\$ 584,582	\$ 593,353

See Independent Auditors' Report