



**TOWN OF TEMPLETON, MASSACHUSETTS  
MUNICIPAL WATER PLANT**

Financial Statements  
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

# Templeton Municipal Water Plant

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## INDEPENDENT AUDITORS' REPORT

To the Board of Water Commissioners  
Town of Templeton Municipal Water Plant

**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Town of Templeton Municipal Water Plant (an enterprise fund of the Town of Templeton), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Plant's basic financial statements as listed in the Table of Contents.

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

The Plant's 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.

### **Auditors' 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 auditors' 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Town of Templeton Municipal Water Plant, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Plant's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and certain Pension and OPEB schedules 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plant's basic financial statements. The accompanying supplementary

statement and schedule appearing on page 31 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 audit 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 to the financial statements as a whole.

*Melanson Heath*

November 4, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Templeton Municipal Water Plant's (the Plant) annual financial report, management provides a narrative discussion and analysis of the financial activities for the year ended June 30, 2019. The Plant's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, and (4) Notes to Financial Statements.

The Statement of Net Position is designed to indicate our financial position as of a specific point in time. At June 30, 2019, it shows our net position of \$2,746,053, which comprises \$4,312,831 invested in capital assets and \$(1,566,778) unrestricted. This deficit results from unfunded pension and OPEB liabilities.

The Statement of Revenues, Expenses, and Changes in Net Position summarizes our operating results and reveal how much, if any, of a profit was earned for the year. Our increase in net position for the year ended June 30, 2019 was \$628,436.

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

### **SUMMARY OF NET POSITION**

	<u>2019</u>	<u>2018</u>
Current assets	\$ 513,310	\$ 555,505
Noncurrent assets	7,201,341	7,319,536
Deferred Outflows of Resources	<u>84,657</u>	<u>95,577</u>
Total assets and deferred outflows	7,799,308	7,970,618
Current liabilities	436,558	840,620
Noncurrent liabilities	3,933,514	4,497,043
Deferred inflows of Resources	<u>683,183</u>	<u>515,338</u>
Total liabilities and deferred inflows	5,053,255	5,853,001
Net investment in capital assets	4,312,831	4,076,963
Unrestricted	<u>(1,566,778)</u>	<u>(1,959,346)</u>
Total net position	<u>\$ 2,746,053</u>	<u>\$ 2,117,617</u>

### SUMMARY OF CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 1,642,213	\$ 1,490,234
Operating expenses	<u>(1,244,174)</u>	<u>(1,014,877)</u>
Operating income	398,039	475,357
Non-operating revenues (expenses)	(86,522)	(99,322)
Special item	<u>316,919</u>	<u>-</u>
Change in net position	628,436	376,035
Beginning net position	<u>2,117,617</u>	<u>1,741,582</u>
Ending net position	<u>\$ 2,746,053</u>	<u>\$ 2,117,617</u>

#### **B. FINANCIAL HIGHLIGHTS**

Water sales were \$1,583,828 in fiscal 2019, an increase of 9.6% from the prior year.

Operating expenses totaled \$1,244,174 in fiscal 2019, an increase of 22.6%. The largest portion of operating expenses, \$711,566, was for salaries and benefits costs. Other operating expenses included \$295,153 in general operating and maintenance costs and \$237,465 in depreciation expense.

#### **C. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** Total investment in capital assets at year-end amounted to \$7,058,528 (net of accumulated depreciation), a decrease of \$127,428 from the prior year. This investment in capital assets includes machinery, equipment, and infrastructure.

Additional information on capital assets can be found in the Notes to Financial Statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$2,745,697, all of which was backed by the full faith and credit of the Plant.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Templeton Municipal Water Plant's finances for all those with an interest in the Plant's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Manager  
Templeton Municipal Water Plant  
86 Bridge Street  
Baldwinville, Massachusetts 01436-0020



**TOWN OF TEMPLETON, MASSACHUSETTS  
MUNICIPAL WATER PLANT**

BUSINESS-TYPE PROPRIETARY FUND  
STATEMENT OF NET POSITION

JUNE 30, 2019

(With Comparative Totals as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current:		
Unrestricted cash and short-term investments	\$ 210,691	\$ 332,273
Receivables	253,278	173,378
Prepaid expenses	7,906	7,835
Inventory	<u>41,435</u>	<u>42,019</u>
Total current assets	513,310	555,505
Noncurrent:		
Restricted cash and investments	142,813	133,580
Capital assets:		
Other capital assets, net of accumulated depreciation	<u>7,058,528</u>	<u>7,185,956</u>
Total noncurrent assets	7,201,341	7,319,536
<b>Deferred Outflows of Resources</b>		
Related to pensions	84,165	70,577
Related to OPEB	<u>492</u>	<u>25,000</u>
Total Assets and Deferred Outflows of Resources	7,799,308	7,970,618
<b>Liabilities</b>		
Current:		
Accounts payable	40,973	125,283
Accrued liabilities	25,696	35,121
Due to Light Plant	6,592	316,919
Current portion of long-term liabilities:		
Bonds payable	<u>363,297</u>	<u>363,297</u>
Total current liabilities	436,558	840,620
Noncurrent:		
Bonds payable, net of current portion	2,382,400	2,745,697
Net pension liability	777,958	680,505
Net OPEB liability	754,418	1,052,315
Accrued employee compensated absences	<u>18,738</u>	<u>18,526</u>
Total noncurrent liabilities	3,933,514	4,497,043
<b>Deferred Inflows of Resources</b>		
Related to pensions	65,951	106,550
Related to OPEB	<u>617,232</u>	<u>408,788</u>
Total Liabilities and Deferred Inflows of Resources	5,053,255	5,853,001
<b>Net Position</b>		
Net investment in capital assets	4,312,831	4,076,963
Unrestricted	<u>(1,566,778)</u>	<u>(1,959,346)</u>
Total Net Position	<u>\$ 2,746,053</u>	<u>\$ 2,117,617</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS  
MUNICIPAL WATER PLANT**

BUSINESS-TYPE PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019  
(With Comparative Totals as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>		
Water sales	\$ 1,583,828	\$ 1,445,233
Entrance Fees	19,504	20,514
Other	<u>38,881</u>	<u>24,487</u>
Total Operating Revenues	1,642,213	1,490,234
<b>Operating Expenses</b>		
Operations	711,556	501,465
Maintenance	295,153	280,436
Depreciation	<u>237,465</u>	<u>232,976</u>
Total Operating Expenses	<u>1,244,174</u>	<u>1,014,877</u>
Operating Income	398,039	475,357
<b>Nonoperating Revenues (Expenses)</b>		
Bond issuance costs	-	(40)
Interest income	928	955
Interest expense	(106,095)	(118,527)
Other	<u>18,645</u>	<u>18,290</u>
Total Nonoperating Revenues (Expenses)	(86,522)	(99,322)
<b>Special Items</b>		
Due to Light Plant adjustment*	<u>316,919</u>	<u>-</u>
Total Special Items	<u>316,919</u>	<u>-</u>
Change in Net Position	628,436	376,035
Net Position at Beginning of Year	<u>2,117,617</u>	<u>1,741,582</u>
Net Position at End of Year	<u>\$ 2,746,053</u>	<u>\$ 2,117,617</u>

\* See further explanation in Note 15.

The accompanying notes are an integral part of these financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS  
MUNICIPAL WATER PLANT**

BUSINESS-TYPE PROPRIETARY FUND  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019  
(With Comparative Totals as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 1,562,313	\$ 1,688,086
Payments to vendors and employees	<u>(1,121,400)</u>	<u>(943,322)</u>
Net Cash Provided By Operating Activities	440,913	744,764
<b>Cash Flows From Noncapital Financing Activities</b>		
Other	<u>25,237</u>	<u>18,290</u>
Net Cash Provided By Noncapital Financing Activities	25,237	18,290
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(110,035)	(86,700)
Principal payments on bonds	(363,297)	(363,297)
Bond issuance costs	-	(40)
Interest expense	<u>(106,095)</u>	<u>(118,527)</u>
Net Cash (Used For) Capital and Related Financing Activities	(579,427)	(568,564)
<b>Cash Flows From Investing Activities</b>		
Investment income	<u>928</u>	<u>955</u>
Net Cash Provided By Investing Activities	<u>928</u>	<u>955</u>
Net Change in Cash and Short-Term Investments	(112,349)	195,445
Total Cash and Short Term Investments, Beginning of Year	<u>465,853</u>	<u>270,408</u>
Total Cash and Short Term Investments, End of Year	<u>\$ 353,504</u>	<u>\$ 465,853</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
Operating income	\$ 398,039	\$ 475,357
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	237,465	232,976
Changes in assets, liabilities, and deferred outflows/inflows:		
Accounts receivable	(79,900)	197,852
Prepaid expenses	(71)	2,452
Inventory	583	(2,182)
Deferred outflows - related to pensions	(13,588)	6,269
Deferred outflows - related to OPEB	24,508	(25,000)
Accounts payable	(84,311)	(28,264)
Accrued liabilities	(9,425)	9,041
Due to other entities	-	30,561
Net pension liability	97,453	209,711
Total OPEB liability	(297,897)	(412,471)
Other liabilities	212	(2,363)
Deferred inflows - related to pensions	(40,599)	(357,963)
Deferred inflows - related to OPEB	<u>208,444</u>	<u>408,788</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 440,913</u>	<u>\$ 744,764</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF TEMPLETON, MASSACHUSETTS  
MUNICIPAL WATER PLANT**

**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

The significant accounting policies of the Town of Templeton, Massachusetts Municipal Water Plant (the Plant) (an enterprise fund of the Town of Templeton, Massachusetts) are as follows:

**A. Reporting Entity**

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

**B. Business Activity**

The Plant distributes public water to residences and businesses within the Town of Templeton, Massachusetts.

**C. Basis of Accounting**

The operations of the Plant are accounted for as an enterprise fund. The Plant's financial statements are reported on an accrual basis of accounting as specified by the GASB requirements for an enterprise fund. The accrual basis of accounting recognizes revenues when earned and recognized expenses when the related liability is incurred, regardless of when the related cash flow takes place.

**D. Operating Revenues and Expenses**

Operating revenue includes revenues and expenses related to the continuing operations of the Plant. Principal operating revenues are charges to customers for sales of water or services. Operating expenses are the costs of providing water and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**E. Cash and Short-term Investments**

For the purposes of the Statement of Cash Flows, the Plant considers both restricted and unrestricted cash on deposit with the Town Treasurer. For purposes of the

Statement of Net Position, the Plant considers investments with original maturities of three months or less to be short-term investments.

*F. Inventory*

Inventory consists of supplies and materials purchased for use in the utility business for construction, operation, and maintenance purposes. Inventory is stated at average cost.

*G. Capital Assets and Depreciation*

Capital assets, which include equipment and infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value, and any cash proceeds, is charged to the Plant's unrestricted net position account.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the Plant's assets. Estimated useful lives of the Plant's assets range from 5 to 60 years.

*H. Accrued Compensated Absences*

In accordance with Water Plant policies, employees are allowed to accumulate sick days, up to an unlimited amount. Upon retirement from employment with the Water Plant, the employee will be paid 25% for accumulated sick time to a maximum of 25 days. Upon termination, the employee will not be paid for accumulated sick time. Employees are permitted to carry over up to one week of vacation time from one year to the next. Upon termination of employment with the Water Plant, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination.

The Plant's policy is to recognize vacation costs when earned. The Plant records accumulated unused vested vacation and sick pay as a liability. The amount recorded is the amount to be paid at termination at the current rate of pay.

*I. 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.

*J. Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Plant’s financial statements for the year ended June 30, 2018.

**2. Unrestricted Cash and Short-Term Investments**

*Custodial Credit Risk*

Custodial Credit Risk for *deposits* is the risk that, in the event of the failure of a depository institution, the Plant will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2019 the Plant had a bank balance of \$341,873 subject to custodial Credit risk.

**3. Restricted Cash and Investments**

*Restricted Cash and Investments – Proprietary Fund*

The Plant maintains the following restricted cash and investments in its proprietary fund:

Capital fund	\$ 14,098
Depreciation fund	<u>128,715</u>
Total	<u><u>\$ 142,813</u></u>

**4. Accounts Receivable**

Accounts receivable consists of the following at June 30, 2019:

User charges receivable:	
Billed	\$ <u>253,162</u>
Subtotal	253,162
Other receivables:	
Other	<u>116</u>
Subtotal	<u>116</u>
Total	<u><u>\$ 253,278</u></u>

## 5. Prepaid Expenses

Prepaid expenses for the Plant consist primarily of insurance.

## 6. Inventory

Inventory comprises supplies and materials and is valued at average cost.

## 7. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

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

## 8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Plant that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

## 9. Accounts Payable

Accounts payable represent fiscal 2019 expenses that were paid after June 30, 2019.

## 10. Accrued Employee Compensated Absences

Plant employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, employees or their beneficiaries are compensated for

unused sick and vacation leave (subject to certain limitations) at their then current rate of pay.

**11. Long-Term Debt**

*A. General Obligation Bonds*

The Templeton Municipal Water Plant issues through the Town of Templeton general obligation and USDA bonds to provide funds for the acquisition and construction of major capital facilities. General obligation and USDA bonds currently outstanding are as follows:

<u>Templeton Municipal Water Plant</u>	Serial Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/19</u>
General obligation bonds	09/01/26	4.75%	\$ 920,000
General obligation bonds	06/15/23	2.60-4.00%	760,000
USDA bonds	09/01/45	4.63%	215,697
USDA bonds	06/01/36	2.25%	<u>850,000</u>
Total Plant Activities			<u>\$ 2,745,697</u>

*B. Future Debt Service*

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

<u>Plant</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 363,297	\$ 93,051	\$ 456,348
2021	363,297	79,817	443,114
2022	363,297	66,392	429,689
2023	363,297	52,875	416,172
2024	173,297	39,166	212,463
2025 - 2029	636,485	113,498	749,983
2030 - 2034	291,485	54,981	346,466
Thereafter	<u>191,242</u>	<u>28,689</u>	<u>219,931</u>
Total	<u>\$ 2,745,697</u>	<u>\$ 528,469</u>	<u>\$ 3,274,166</u>



C. Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities (in thousands):

	Beginning			Ending	Less	Equals
<b>Total Activities</b>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Bonds payable	\$ 3,109	\$ -	\$ (363)	\$ 2,746	\$ (363)	\$ 2,383
Net pension liability	681	97	-	778	-	778
Net OPEB liability	1,052	-	(298)	754	-	754
Compensated absences	<u>18</u>	<u>1</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>19</u>
Totals	<u>\$ 4,860</u>	<u>\$ 98</u>	<u>\$ (661)</u>	<u>\$ 4,297</u>	<u>\$ (363)</u>	<u>\$ 3,934</u>

**12. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the Plant that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes.

**13. Retirement System**

The Plant follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

A. Plan Description

Substantially all employees of the Plant are members of the Worcester Regional Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports publicly available from the System located at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts

General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

#### Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but 1 of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other 3 classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Plant employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

#### Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

### Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

### Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Plant's contribution to the System for the year ended June 30, 2019 was \$47,766, which was equal to its annual required contribution.

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### *C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions*

At June 30, 2019, the Plant reported a liability of \$777,958 for its proportionate share of the net pension liability. The net pension liability was measured as of, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 and rolled forward to. The Plant's proportion of the net pension liability was based on a projection of the Plant's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the Plant's proportion was 0.0858%.

For the year ended June 30, 2019, the Plant recognized pension expense of \$73,934. In addition, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

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

**D. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to the measurement date of December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00% per year
Projected salary increases	4.25-6.00%
Investment rate of return	7.75%

Mortality rates were based on RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality

rates were based on RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

*E. Target Allocations*

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses 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 class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	39.00%	4.75%
Fixed income	23.00%	2.28%
Private equity	13.00%	8.15%
Real estate	10.00%	3.43%
Timber/Natural resources	4.00%	4.00%
Portfolio completion strategies	<u>11.00%</u>	3.76%
Total	<u><u>100.00%</u></u>	

*F. Discount Rate*

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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.

*G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Plant’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Plant’s proportionate share of the net pension liability would be if it were calculated using a discount

rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
\$937,098	\$777,958	\$643,516

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

**14. Other Post-Employment Benefits (GASB 75)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. See additional disclosures for the plan fiduciary net position in the Town’s June 30, 2019 financial statements.

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

A. General Information about the OPEB Plan

Plan Description

The Plant provides post-employment healthcare benefits for retired employees through the Plant’s plan. The Plant provides health insurance coverage through Blue Cross and Blue Shield of Massachusetts. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Plant provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Plant and meet the eligibility criteria will receive these benefits.

### Funding Policy

The Plant's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget authorizations.

### Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	2
Active employees	<u>6</u>
Total	<u>8</u>

### B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% as of June 30, 2019 and for future periods
Salary increases	3.00%, annually as of June 30, 2019 and for future periods
Investment rate of return	6.32%, net of OPEB plan investment expense, including inflation
Municipal bond rate	2.79% as of June 30, 2019
Discount rate	5.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.00% for 2019 and later years
Participation rate	80% of employees eligible to receive benefits

Mortality rates were based on:

- Pre-Retirement Mortality – RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
- Post-Retirement Mortality – RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
- Disabled Mortality – RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014.



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 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. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	28.50%	4.00%
Domestic equity - small/mid cap	25.25%	6.00%
International equity - developed market	9.50%	4.50%
International equity - emerging market	0.00%	7.00%
Domestic fixed income	36.75%	2.00%
International fixed income	0.00%	3.00%
Alternatives	0.00%	6.50%
Real estate	<u>0.00%</u>	6.25%
Total	<u><u>100.00%</u></u>	

C. Discount Rate

The discount rate used to measure the net OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.32% and municipal bond rate of 2.79% (based S&P Municipal Bond 20-Year High Grade Index - SAPIHG as of June 30, 2019).

D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 805,901
Plan fiduciary net position	<u>51,483</u>
Net OPEB liability	<u>\$ 754,418</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.39%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

E. Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, beginning of year	\$ 1,114,973	\$ 24,756	\$ 1,090,217
Changes for the year:			
Service cost	19,401	-	19,401
Interest	36,709	-	36,709
Contributions - employer	-	34,720	(34,720)
Net investment income	-	1,727	(1,727)
Changes in assumptions or other inputs	(355,462)	-	(355,462)
Benefit payments	<u>(9,720)</u>	<u>(9,720)</u>	<u>-</u>
Net Changes	<u>(309,072)</u>	<u>26,727</u>	<u>(335,799)</u>
Balances, end of year	<u>\$ 805,901</u>	<u>\$ 51,483</u>	<u>\$ 754,418</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.75% in 2018 to 5.75% in 2019.

F. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$ 888,248	\$ 754,418	\$ 646,207

G. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 591,750	\$ 754,418	\$ 959,116

H. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2018, the Plant recognized an OPEB expense of \$93,127. At June 30, 2019, the Plant reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Change in benefit terms	\$ -	\$ -
Difference between expected and actual experience	-	323,268
Change in assumptions	-	293,964
Net difference between projected and actual OPEB investment earnings	<u>492</u>	<u>-</u>
Total	<u>\$ 492</u>	<u>\$ 617,232</u>

Amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2020	\$ (146,895)
2021	(146,895)
2022	(146,895)
2023	(128,083)
2024	<u>(47,972)</u>
Total	\$ <u>(616,740)</u>

**15. Special Item**

Some of the employees of the Templeton Municipal Light Plant work for both the Water Plant and the Templeton Municipal Light Plant. Since 2001 the Light Plant has charged the Water Plant a portion of these individuals' salaries since they are paid entirely from the Light Plant. Between 2001 and 2011 the Water Plant made intermittent payments to the Light Plant leaving an unpaid balance of \$131,354. Between 2011 and 2017, the Water Plant did not reimburse the Light Plant. Starting in 2018 the Water Department began making monthly reimbursement payments to the Light Plant. In fiscal year 2019 the two entities mutually agreed to write-off the unpaid balance for amounts prior to 2018 which is reported as a special item for \$316,919.

**16. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Plant beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**TEMPLETON MUNICIPAL WATER PLANT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2019  
 (Unaudited)

Worcester Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	December 31, 2018	0.0858%	\$777,958	\$ 232,825	334.14%	43.05%
June 30, 2018	December 31, 2017	0.0835%	\$680,505	\$ 213,747	318.37%	46.40%
June 30, 2017	December 31, 2016	0.0562%	\$470,795	\$ 381,136	123.52%	42.00%
June 30, 2016	December 31, 2015	0.1124%	\$797,955	\$ 365,922	218.07%	44.52%
June 30, 2015	December 31, 2014	0.1525%	\$907,704	\$ 348,393	260.54%	47.94%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TEMPLETON MUNICIPAL WATER PLANT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

JUNE 30, 2019  
(Unaudited)

Worcester Regional Retirement System

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Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the			Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contributions as a Percentage of <u>Covered Payroll</u>
		<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>				
June 30, 2019	December 31, 2018	\$ 47,766	\$ 47,766	\$ -	\$ 232,825	20.52%	
June 30, 2018	December 31, 2017	\$ 42,227	\$ 42,227	\$ -	\$ 213,747	19.76%	
June 30, 2017	December 31, 2016	\$ 27,703	\$ 27,703	\$ -	\$ 381,136	7.27%	
June 30, 2016	December 31, 2015	\$ 50,576	\$ 50,576	\$ -	\$ 365,922	13.82%	
June 30, 2015	December 31, 2014	\$ 60,282	\$ 60,282	\$ -	\$ 348,393	17.30%	

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TEMPLETON MUNICIPAL WATER PLANT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY (GASB 74 AND 75)**

(Unaudited)

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 19,401	\$ 35,802
Interest on unfunded liability - time value of \$	36,709	35,230
Differences between expected and actual experience	-	-
Changes of assumptions	(355,462)	-
Benefit payments, including refunds of member contributions	<u>(9,720)</u>	<u>(8,374)</u>
Net change in total OPEB liability	(309,072)	62,658
Total OPEB liability - beginning	<u>1,114,973</u>	<u>1,052,315</u>
Total OPEB liability - ending (a)	805,901	1,114,973
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	34,720	33,374
Net investment income	1,727	(244)
Benefit payments, including refunds of member contributions	<u>(9,720)</u>	<u>(8,374)</u>
Net change in plan fiduciary net position	26,727	24,756
Plan fiduciary net position - beginning	<u>24,756</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>51,483</u>	<u>24,756</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 754,418</u>	<u>\$ 1,090,217</u>

<sup>1</sup> In fiscal year 2019 the Plant moved from reporting the Net OPEB Liability with a prior year measurement date to a current year measurement date, and the change is reflected above. The 2018 effect of this change was posted to 2019 operations line item on page 8.

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Plant's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TEMPLETON MUNICIPAL WATER PLANT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
 SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS,  
 AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>
<b>Schedule of Net OPEB Liability</b>		
Total OPEB liability	\$ 805,901	\$ 1,114,973
Plan fiduciary net position	<u>51,483</u>	<u>24,756</u>
Net OPEB liability (asset)	<u>\$ 754,418</u>	<u>\$ 1,090,217</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 6.39%	 2.22%

	<u>2019</u>	<u>2018</u>
<b>Schedule of Contributions</b>		
Actuarially determined contribution	\$ 69,850	\$ 92,692
Contributions in relation to the actuarially determined contribution	<u>34,720</u>	<u>33,374</u>
Contribution deficiency (excess)	<u>\$ 35,130</u>	<u>\$ 59,318</u>

	<u>2019</u>	<u>2018</u>
<b>Schedule of Investment Returns</b>		
Annual money weighted rate of return, net of investment expense	6.98%	-0.10%

*Schedules are intended to show information for 10 years.  
 Additional years will be displayed as they become available.*

See notes to Plant's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.



**TOWN OF TEMPLETON, MASSACHUSETTS  
MUNICIPAL WATER PLANT**

SCHEDULE OF WATER OPERATIONS EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019  
(With Comparative Totals as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Operation Expenses		
Chemical and water testing	\$ 31,561	\$ 43,208
Electricity	57,910	82,652
Insurance	34,886	27,526
Materials and supplies	51,873	36,305
Miscellaneous	21,915	10,691
Office expense	28,315	22,625
Outside services	47,656	28,234
Salaries and benefits	426,324	239,895
Transportation	<u>11,116</u>	<u>10,329</u>
Total Operation Expenses	<u>\$ 711,556</u>	<u>\$ 501,465</u>

See Independent Auditors' Report.