

**Town of Templeton, Massachusetts
Municipal Water Department**

**Financial Statements and
Supplementary Information**

**For the Years Ended
June 30, 2013 and 2012**

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the **Town of Templeton, Massachusetts, Templeton Municipal Water Department**, an enterprise fund of the Town of Templeton, Massachusetts, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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.

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 financial position of the **Town of Templeton, Massachusetts, Templeton Municipal Water Department** as of June 30, 2013 and 2012, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Other Post-Employment Benefits information on pages 3–5 and 20–21 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Cost of Plant and Accumulated Depreciation and Schedules of Operations Expenses are presented for purposes of additional analysis and are not a required part of the 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.

Brauer PC

Providence, Rhode Island
February 3, 2014

TEMPLETON MUNICIPAL WATER DEPARTMENT
(An Enterprise Fund of the Town of Templeton, Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

Within this section of the Templeton Municipal Water Department's (an enterprise fund of the Town of Templeton, Massachusetts) annual financial report, management provides narrative discussion and analysis of the financial activities of Templeton Municipal Water Department's for the years ended June 30, 2013 and 2012. 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 basic financial statements include (1) the statements of net position (2) the statements of revenues, expenses and changes in net position and (3) the statements of cash flows. These statements are followed by notes to the financial statements.

The Statements of Net Position present information on the assets and liabilities, with the difference reported between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Municipal Water Department is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Positions report the operating and non-operating revenues and expenses of the Municipal Water Department for the fiscal year with the difference – the net income or loss – being combined with any capital contributions to determine the net change in assets for the fiscal year. That change combined with the previous year-end net position total reconciles to the net position at the end of the fiscal year.

The Statements of Cash Flows report cash and cash equivalents activity for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalents balance at the end of the fiscal year.

Condensed Financial Information

Condensed financial information from the statements of net position and revenues, expenses and changes in net position is presented below:

	Summary of Net Position		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 373,363	\$ 335,948	\$ 289,672
Noncurrent Assets	6,602,485	6,775,105	6,982,995
Total Assets	<u>\$ 6,975,848</u>	<u>\$ 7,111,053</u>	<u>\$ 7,272,667</u>
Current Liabilities	\$ 680,682	\$ 593,950	\$ 517,369
Noncurrent Liabilities	3,617,028	3,907,152	4,187,138
Total Liabilities	4,297,710	4,501,102	4,704,507
Net investment in			
Capitalized Assets	2,782,366	2,631,457	2,464,368
Restricted for Capital Additons	14,098	14,098	14,098
Unrestricted	(118,326)	(35,604)	89,694
Total Net Position	2,678,138	2,609,951	2,568,160
Total Liabilities and Net Position	<u>\$ 6,975,848</u>	<u>\$ 7,111,053</u>	<u>\$ 7,272,667</u>

TEMPLETON MUNICIPAL WATER DEPARTMENT
(An Enterprise Fund of the Town of Templeton, Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

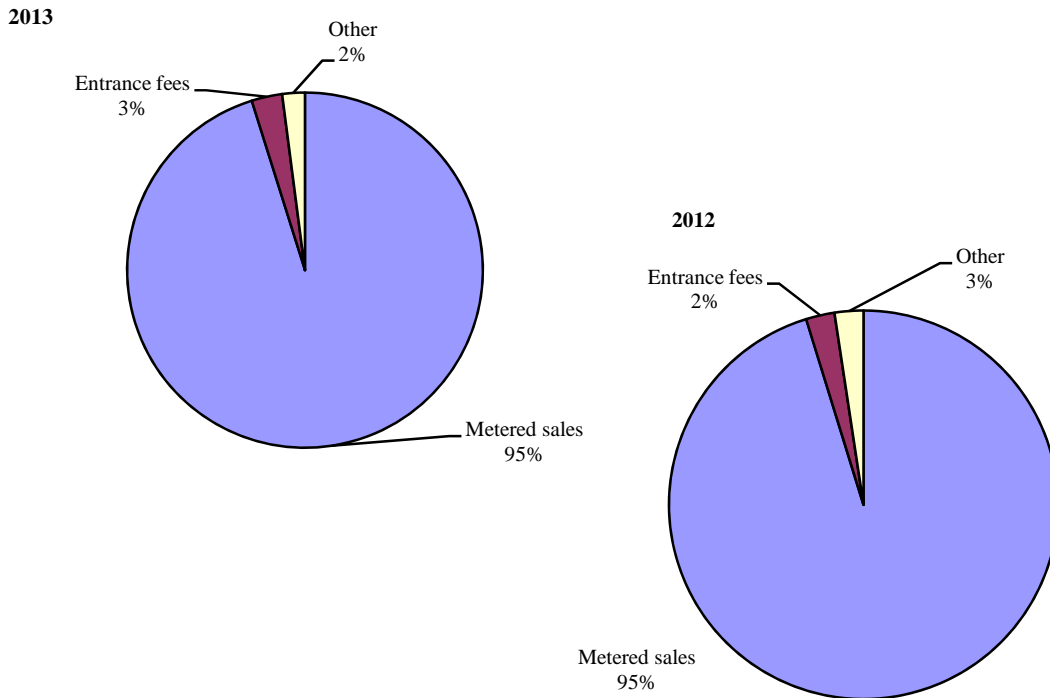
Summary of Changes In Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 1,261,455	\$ 1,158,493	\$ 1,242,628
Operating Expenses	<u>1,046,884</u>	<u>954,093</u>	<u>950,836</u>
Operating Income	214,571	204,400	291,792
Non-operating expenses	<u>146,384</u>	<u>162,609</u>	<u>12,192</u>
Net income	<u>68,187</u>	<u>41,791</u>	<u>279,600</u>
Assets transferred to Town	<u>-</u>	<u>-</u>	<u>7,765</u>
Increase in Net Position	<u>\$ 68,187</u>	<u>\$ 41,791</u>	<u>\$ 271,835</u>

Financial Highlights:

Operating revenues increased from \$1,158,493 in 2012 to \$1,261,455 in 2013, primarily due to a temporary increase in the fourth quarter customer service charge. Revenue from metered sales and entrance fees has changed cyclically over the past three years.

Source of Operating Revenues



Water Sales and Supply:

The Water Department provides public water to 2,174 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 MUNICIPAL WATER DEPARTMENT
(An Enterprise Fund of the Town of Templeton, Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

Templeton Water sold 125,936,860 gallons of water to its 2,174 water customers in 2013. Templeton Water's focus over this past fiscal year has been continued regulatory compliance with the Massachusetts Department of Environmental Protection (MA DEP).

Utility Plant and Debt Administration:

Utility Plant

Net utility plant decreased by \$170,110 in fiscal year 2013. This decrease represents the difference between the current year net additions and the current fiscal year depreciation expense. During fiscal 2013, Templeton Water continued to work with the Town towards water infrastructure improvements in Baldwinville as part of the Phase IV of the Bay Bay Reconstruction Project, a Community Development

Block Grant Project. Templeton Water also invested an additional \$30,914 in its Zone II Re-Delineation Study utilizing the services of Tata and Howard, and continues to work with them on the development of a new well location to replace the Maple Street well sites. Templeton Water also spent \$9,529 on steel fencing around its South Road Water booster pump station and storage tank to comply with MA DEP regulations. In its continuing efforts to assure accurate metering of water sold, Templeton Water spent \$7,770 on new meters for its customers.

Debt Administration

Over the past eleven years, 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. In fiscal year 2013, Templeton made its third of four lease payments on a water vehicle purchased in fiscal year 2011 and recognized the lease obligation in the liability section of our Statement of Net Assets. Principal paid on the debt this fiscal year amounted to \$313,297 for bonds and #8,930 for the truck.

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, 2013 and 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Operating Cash	\$ 5,085	\$ 71,341
Petty Cash	400	400
Depreciation cash designated for capital additions	15,542	1,835
Restricted cash bond proceeds for capital additions	14,098	14,098
Accounts Receivable Customers, net	248,929	157,288
Other Accounts Receivable	1,450	1,248
Materials and Supplies	40,699	46,730
Deferred interest on capital lease	704	2,066
Prepayments	<u>46,456</u>	<u>40,942</u>
TOTAL CURRENT ASSETS	<u>373,363</u>	<u>335,948</u>
NONCURRENT ASSETS:		
Unamortized Debt Discount	30,542	33,053
Water Plant Assets, Net	6,557,810	6,570,957
Construction in Progress	<u>14,133</u>	<u>171,095</u>
TOTAL NONCURRENT ASSETS	<u>6,602,485</u>	<u>6,775,105</u>
TOTAL ASSETS	<u>\$ 6,975,848</u>	<u>\$ 7,111,053</u>

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

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF NET POSITION (Continued)
June 30, 2013 and 2012**

LIABILITIES AND NET POSITION

	2013	2012
CURRENT LIABILITIES:		
Current portion of Bonds Payable	313,297	\$ 313,297
Current portion of of Capital Lease Obligation	10,910	10,910
Accounts Payable	142,134	84,859
Payable to Muncipal Light Department	175,429	146,034
Accrued Compensation	17,442	15,849
Accrued Interest Payable	21,470	23,001
TOTAL CURRENT LIABILITIES	680,682	593,950
NONCURRENT LIABILITIES:		
Other Post Employment Benefits Obligation	154,846	120,764
Bonds Payable, net of current portion	3,462,182	3,775,479
Capital Lease Obligation, net of current portion	-	10,909
TOTAL NONCURRENT LIABILITIES	3,617,028	3,907,152
TOTAL LIABILITIES	4,297,710	4,501,102
NET POSITION		
Net investment in Capital Assets	2,782,366	2,631,457
Restricted for capital additons	14,098	14,098
Unrestricted	(118,326)	(35,604)
TOTAL NET POSTION	2,678,138	2,609,951
TOTAL LIABILITIES AND NET POSITION	\$ 6,975,848	\$ 7,111,053

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

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
OPERATING REVENUES:		
Metered Sales	\$ 1,200,445	\$ 1,103,285
Entrance fees	35,000	27,500
Other operating revenue	26,010	27,708
TOTAL OPERATING REVENUES	1,261,455	1,158,493
OPERATING EXPENSES:		
Operations	593,353	545,645
Maintenance	263,440	213,005
Depreciation	190,091	195,443
TOTAL OPERATING EXPENSES	1,046,884	954,093
NET OPERATING INCOME	214,571	204,400
OTHER INCOME (EXPENSE):		
Interest income	449	602
Miscellaneous other income	10,085	5,158
Interest on Bonds	(155,654)	(166,771)
Loss on disposal of plant	(1,264)	(1,598)
TOTAL OTHER INCOME (EXPENSE)	(146,384)	(162,609)
CHANGE IN NET POSITION	68,187	41,791
NET POSITION, JULY 1	2,609,951	2,568,160
NET POSITION, JUNE 30	\$ 2,678,138	\$ 2,609,951

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

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 1,169,612	\$ 1,190,656
Cash Payments to Suppliers and Employees	(735,195)	(639,020)
Other revenues received	10,085	5,158
Net Cash Provided by Operating Activities	444,502	556,794
Cash Flows from Investing Activities:		
Interest received on investments	449	602
Total Cash Flows Provided by Investing Activities	449	602
Cash Flows Used by Capital and Related Financing Activities:		
Additions to plant and construction	(18,902)	(60,757)
Payments on Capital Lease Obligation	(10,910)	(10,910)
Payments on Bond Principal	(313,297)	(313,297)
Interest Paid on Bonds	(155,654)	(164,792)
Total Cash Flows Used by Capital Financing Activities	(498,763)	(549,756)
Net Increase (Decrease) in Cash	(53,812)	7,640
Cash, Beginning of Year	86,076	78,436
Cash, End of Year	\$ 32,264	\$ 86,076
Cash is designated on the Statement of Net Assets as follows:		
Cash	\$ 5,085	\$ 71,341
Petty Cash	400	400
Depreciation Cash designated for capital additons	15,542	1,835
Cash reserved for capital additions	14,098	14,098
Total Cash	\$ 35,125	\$ 87,674
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 214,571	\$ 204,400
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Non-cash Loss on Disposal of Assets Included in Operating Expenses	(1,264)	(1,598)
Other non-operating income	10,085	5,158
Depreciation	190,091	195,442
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(91,641)	32,163
(Increase) Decrease in Other Accounts Receivable	(202)	-
Decrease in Materials and Supplies	6,031	544
Increase in Prepaid Expenses	(5,514)	(1,644)
Increase in Accounts Payable	57,275	47,597
Increase in Accrued Expenses	1,593	1,340
Increase in Other Payables	29,395	29,171
Increase in Net Other Post Employment Benefits Obligation	34,082	44,221
Total Adjustments	229,931	352,394
Net Cash Provided by Operating Activities	\$ 444,502	\$ 556,794

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

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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 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, under the direction and control of the Municipal Water Board, has 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.

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

Operations personnel, which includes approximately all of the Department’s employees are covered by a three-year union contract which expires on June 30, 2016. The prior contract was for a three year period ending June 30, 2013.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2012 financial statement presentation with no effect on previously stated net income.

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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

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 are inventory 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America 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 reported 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 \$123 and \$183 for the years ended June 30, 2013 and 2012, respectively.

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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

Subsequent Events

Templeton Municipal water Department has evaluated all subsequent events through February 3, 2014, the date the financial statements were available to be issued. In October 2013, the Board of Commissioners voted to implement a water rate increase effective with the December 2013 billing cycle.

Compensated Absences

Templeton Municipal Water Department's employment benefit plan provides that employees are entitled to a minimum of five days vacation 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 \$17,442 and \$10,123 at June 30, 2013 and 2012, respectively.

NOTE 2 – CONCENTRATION OF CREDIT RISK:

The Municipal Water Department's deposits with the Town Treasurer are on deposit with financial institutions that are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 – 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, 2013 and 2012, Templeton Water Department did not have any funds on deposit that were exposed to custodial credit risk as uninsured and uncollateralized.

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 – CASH

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

	<u>2013</u>	<u>2012</u>
Funds for General Operation	\$ 5,085	\$ 71,341
Petty Cash	400	400
Funds Reserved for Future Plant and Equipment Additions - depreciation cash	15,542	1,835
Funds Reserved for Future Plant and Equipment Additions - restricted bond	<u>14,098</u>	<u>14,098</u>
	<u>\$ 35,125</u>	<u>\$ 87,674</u>

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.

NOTE 5 – ACCOUNTS RECEIVABLE CUSTOMERS, NET:

	<u>2013</u>	<u>2012</u>
Accounts Receivable, Customers	\$ 239,399	\$ 148,405
Accounts Receivable, Customer Liens	<u>9,530</u>	<u>8,883</u>
Accounts Receivable Customers, Net	<u>\$ 248,929</u>	<u>\$ 157,288</u>

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 6 – OTHER ACCOUNTS RECEIVABLE:

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

	<u>2013</u>	<u>2012</u>
Templeton Sewer Receivables	\$ 1,334	\$ 1,248
Other Receivables	<u>116</u>	<u>-</u>
	<u>\$ 1,450</u>	<u>\$ 1,248</u>

NOTE 7 – RELATED PARTY TRANSACTIONS:

Templeton Municipal Water and Light are enterprise funds of the Town of Templeton and are both under the management of the same Board of Commissioners.

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 2013 and 2012 were \$29,395 and \$29,171, respectively.

NOTE 8 – 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 expires 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.

		<u>Principal</u>	<u>Deferred Interest</u>	<u>Total Net</u>
Year Ending June 30,	2014	\$ 10,910	\$ (704)	\$ 10,206
	Total	<u>\$ 10,910</u>	<u>\$ (704)</u>	<u>\$ 10,206</u>

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 9 – LONG-TERM DEBT

LONG-TERM DEBT

	2013	2012
\$3,800,000 General Obligation Bond 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.	\$ 1,900,000	\$ 2,090,000
\$2,300,000 General Obligation Bond issued September 1, 2006; interest at 4.75%, due in annual installments of \$190,000. The final payment is due September 2027.	1,610,000	1,725,000
\$331,885 USDA construction loan issued August 27, 2004, interest at 4.625%, due in annual installments of \$8,297. The final payment is due September 2045.	265,479	273,776
Total Long Term Debt	3,775,479	4,088,776
Less: Current Portion of Bond and Loan Payable	(313,297)	(313,297)
Total Long-Term Debt Net	3,462,182	3,775,479

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 9 – LONG-TERM DEBT (continued)

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,	2014	\$ 313,297	\$ 142,558	\$ 455,855
	2015	313,297	131,645	444,942
	2016	313,297	120,541	433,838
	2017	313,297	109,152	422,449
	2018	313,297	97,536	410,833
	2019-2023	1,566,485	308,231	1,874,716
	2024-2028	501,485	105,387	606,872
	2029-2033	41,485	23,787	65,272
	2034-2038	41,485	19,181	60,666
	2039-2043	41,485	9,588	51,073
	2044-2045	16,569	1,149	17,718
	Total	<u>\$ 3,775,479</u>	<u>\$ 1,068,755</u>	<u>\$ 4,844,234</u>

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

The Town of Templeton provides medical and life insurance to its retirees. Templeton Municipal Water Department recognizes its share of the actuarially determined liability for that benefit as required by GASB Statement 45, *Accounting for Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. As allowed by GASB 45, the Department has applied the measurement recognition requirements of GASB 45 on a prospective basis.

Chapter 32B of Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan.

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.

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

Annual OPEB Costs and Net OPEB Obligation

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

	<u>Medical/Life</u>	<u>Dental</u>
Current retirees, beneficiaries, and dependents	1	1
Current active employees	<u>5</u>	<u>5</u>
Total	<u><u>6</u></u>	<u><u>6</u></u>

Annual OPEB Costs and Net OPEB Obligation

The Department's annual other post-employment benefit cost ("expense") is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of generally accepted accounting standards. 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 over a period not to exceed thirty years. The components of the annual OPEB costs for the year, the amount actually contributed to the plan, and changes in net OPEB obligation are summarized in the following table:

Normal cost	\$ 23,331
Amortization of unfunded actuarial accrued liability	18,546
Interest on Net OPEB obligation	4,583
Adjustment to ARC	(9,909)
Amortization of unfunded actuarial accrued liability	<u>8,517</u>
Annual OPEB cost	45,068
Contributions made	<u>(10,986)</u>
Increase in net OPEB obligation	34,082
Net OPEB obligation, beginning of year	<u>120,764</u>
Net OPEB obligation, end of year	<u>154,846</u>
Percentage of annual OPEB cost contributed	<u><u>24.38%</u></u>

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

Funding Status and Funding Progress

As of June 30, 2013, the plan was unfunded. An actuarial valuation was completed as of July 1, 2011, projecting the accrued liability for benefits at \$503,204. There were no assets in the plan, and the unfunded actuarial liability (UAAL) is projected at \$503,204. The covered payroll of the Department (annual payroll of active employees covered by the plan) was \$296,227, and the ratio of the UAAL to the covered payroll was 169.9%.

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.

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 28 years at a level dollar amount. The remaining amortization period at July 1, 2013 is 26 years.

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 11 – PENSION PLAN:

Templeton Municipal Water Department follows the provisions of GASB Statement No. 27, as amended by GASB Statement No. 50, *Accounting for Pensions for State and Local Governments*, with respect to the employees' retirement funds.

The Department contributes through a contributory retirement system administered by the Worcester County Retirement System (the System), a cost-sharing, multi-employer retirement system. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts' General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Worcester County Retirement System in Worcester, MA.

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. The Department is required to pay into the System its share of the remaining system wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Town is assessed by the System, and the Town allocates the required contribution among its departments based on covered payroll.

The Department's contributions to the System for the years ended June 30, 2013, 2012, and 2011, were \$46,245, \$44,221 and \$32,419, respectively. Contributions made were equal to the required contributions.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

Schedule of Funding Progress

Actuarial Valuation Date <u>Projected to</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage <u>of Payroll</u>
6/30/2011	\$ -	\$ 492,797	\$ 492,797	0.00%	\$ 287,034	171.7%
6/30/2012	\$ -	\$ 465,322	\$ 465,322	0.00%	\$ 288,530	161.3%
6/30/2013	\$ -	\$ 503,204	\$ 503,204	0.00%	\$ 296,227	169.9%

Schedule of Actuarial Methods and Assumptions

Actuarial methods:

Valuation date	07/01/11
Actuarial cost method	Projected unit credit
Amortization method	Assumed to increase annually by 4%
Remaining amortization period	26 years as of July 1, 2013

Actuarial assumptions:

Investment rate of return	4.00%
Inflation rate	2.50%
Projected salary increases	3.00%
Medical/drug cost trend rate	Age-based per capita cost increases ranging from 5.5% to 8%

See notes to required supplementary information.
See report of independent auditors.

**TOWN OF TEMPLETON, MASSACHUSETTS
TEMPLETON MUNICIPAL WATER DEPARTMENT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

Templeton Municipal Water Department participates in the town-sponsored single employer defined benefit health plan which provides lifetime health care and life insurance benefits for eligible retirees and their spouses through the Town of Templeton health plan, which covers both active and retired members.

The Department currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Department has recorded its OPEB cost equal to the actuarially determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types 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 effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

See report of independent auditors.

SUPPLEMENTARY INFORMATION

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
COST OF PLANT AND ACCUMULATED DEPRECIATION
June 30, 2013**

WATER PLANT IN SERVICE	Cost 7/1/12	Net Cost Property Added 2013	Net Cost Property Disposed of 2013	Cost 6/30/13	Accumulated Depreciation 7/1/12	Depreciation 2013	Reversed Depreciation 2013	Accumulated Depreciation 6/30/13	Book Value 6/30/13
General Plant:									
Structures and improvements	\$ 3,342,572	\$ 10,960	\$ -	\$ 3,353,532	\$ 488,195	\$ 53,981	\$ -	\$ 542,176	\$ 2,811,356
Wells and Springs	100,605	122,646	-	223,251	25,389	2,012	-	27,401	195,850
Supply mains	156,527	-	-	156,527	18,175	3,131	-	21,306	135,221
Pumping Equipment	290,634	-	-	290,634	100,054	9,688	-	109,742	180,892
Water treatment equipment	8,158	-	-	8,158	4,938	1,632	-	6,570	1,588
Distribution reservoirs and standpipes	329,647	3,209	-	332,856	90,612	6,654	-	97,266	235,590
Transmission and distribution mains	2,750,601	22,487	-	2,773,088	566,791	54,951	-	621,742	2,151,346
Services	247,788	10,696	-	258,484	38,503	4,956	-	43,459	215,025
Meters and installations	450,812	5,259	(2,442)	453,629	138,225	15,027	(1,177)	152,075	301,554
Hydrants	195,282	-	-	195,282	32,773	3,906	-	36,679	158,603
Miscellaneous Plant	3,790	-	-	3,790	1,470	379	-	1,849	1,941
Laboratory equipment	8,278	-	-	8,278	5,990	-	-	5,990	2,288
Office equipment	7,718	-	-	7,718	7,718	-	-	7,718	-
Transportation equipment	192,416	2,952	-	195,368	138,269	19,242	-	157,511	37,857
Stores equipment	2,752	-	-	2,752	2,478	274	-	2,752	-
Tools, shop and garage equipment	20,469	-	-	20,469	14,402	2,046	-	16,448	4,021
Power operated equipment	15,078	-	-	15,078	15,746	(668)	-	15,078	-
Communication equipment	252,455	-	-	252,455	115,983	12,623	-	128,606	123,849
Miscellaneous equipment	2,570	-	-	2,570	1,484	257	-	1,741	829
	-	-	-	-	-	-	-	-	-
<u>Total General Plant</u>	<u>8,378,152</u>	<u>178,209</u>	<u>(2,442)</u>	<u>8,553,919</u>	<u>1,807,195</u>	<u>190,091</u>	<u>(1,177)</u>	<u>1,996,109</u>	<u>6,557,810</u>
<u>Total Water Plant in Service</u>	<u>\$ 8,378,152</u>	<u>\$ 178,209</u>	<u>\$ (2,442)</u>	<u>\$ 8,553,919</u>	<u>\$ 1,807,195</u>	<u>\$ 190,091</u>	<u>\$ (1,177)</u>	<u>\$ 1,996,109</u>	<u>\$ 6,557,810</u>

See report of independent auditors.

**TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
SCHEDULES OF OPERATIONS EXPENSES
June 30, 2013 and 2012**

	2013	2012
OPERATIONS:		
Chemical and water testing expenses	\$ 35,662	\$ 37,004
Electricity	59,374	78,308
Insurance	25,513	23,545
Materials and supplies	21,663	17,272
Miscellaneous	7,352	10,684
Office expense	16,434	14,041
Outside services	75,697	15,668
Salaries and Benefits	338,818	336,378
Transportation	12,840	12,745
TOTAL OPERATIONS	\$ 593,353	\$ 545,645

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