

Rating: Moody's Investors Service – State Qualified Bond Rating: \_\_\_\_  
Underlying Rating: \_\_\_\_

**PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED JANUARY 6, 2016**

**NEW ISSUE**

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

**\$3,400,000**

**Narragansett Regional School District, Massachusetts  
General Obligation State Qualified School Bonds**

**Dated: Date of Delivery**

**Due: (As shown below)**

**MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIP NUMBERS**

Due: <u>December 1</u>	Principal <u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	Cusip <u>631022</u>	Due: <u>December 1</u>	Principal <u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	Cusip <u>631022</u>
2016 .....	\$85,000	%	%		2029** .....	\$135,000+	%	%	
2017 .....	90,000				2030** .....	145,000+			
2018 .....	95,000				2031** .....	145,000+			
2019 .....	95,000				2032** .....	150,000+			
2020 .....	100,000				2033** .....	155,000+			
2021 .....	105,000				2034** .....	160,000+			
2022 .....	110,000				2035** .....	165,000+			
2023 .....	110,000				2036** .....	175,000+			
2024 .....	115,000				2037** .....	180,000+			
2025 .....	120,000				2038** .....	190,000+			
2026** .....	120,000+				2039** .....	190,000+			
2027** .....	125,000+				2040** .....	205,000+			
2028** .....	135,000+								

\*Preliminary, subject to change

\*\*Callable Maturities, +May be combined into one or more Term Bonds.

Principal of the Bonds will be payable on December 1 of the years in which the Bonds mature. Interest will be payable on June 1, 2016 and semi-annually thereafter on each December 1 and June 1. *The Bonds maturing on and before December 1, 2025 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after December 1, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the District, on and after December 1, 2025, either in whole or in part at any time, and if in part, by lot within a maturity at the price of par plus accrued interest to the date set for redemption.*

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, ("DTC"), and its participants pursuant to rules and procedures adopted by DTC participants. No physical distribution of the Bonds will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody.

The Bonds will be approved by Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the District. See "THE BONDS – Opinion of Bond Counsel herein". It is expected that the Bonds, in definitive form, will be delivered to DTC, or its custodial agent, on or about January 27, 2016 against payment in Federal Reserve Funds.

**Electronic and Sealed Bids Received  
Until 11:00 A.M. (Local Time) Thursday, January 14, 2016 at  
EASTERN BANK  
Boston, Massachusetts  
Financial Advisor**

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the District since the date of this Official Statement.

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The financial advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the financial advisor does not guarantee the accuracy or completeness of such information.

**NARRAGANSETT REGIONAL SCHOOL DISTRICT, MASSACHUSETTS**  
**\$3,400,000**

**GENERAL OBLIGATION STATE QUALIFIED SCHOOL BONDS**

**Book-Entry-Only**

**NOTICE OF SALE**

The Narragansett Regional School District, Massachusetts, will receive proposals until 11:00 A.M. (local time) on Thursday, January 14, 2016, at Eastern Bank, Boston, Massachusetts, for the purchase of the following described Bonds:

**\$3,400,000 General Obligation State Qualified School Bonds payable as follows:**

<u>Due:</u> <u>December 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due:</u> <u>December 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
2016 .....	\$85,000	%	%	2029** .....	\$135,000+	%	%
2017 .....	90,000			2030** .....	145,000+		
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2028** .....	135,000+						

\*Preliminary, subject to change

\*\*Callable Maturities

+May be combined into one or more Term Bonds.

The Bonds will be dated as of their date of delivery, January 27, 2016. Principal of the Bonds will be payable on December 1 of the years in which the Bonds mature. Interest will be payable on June 1, 2016 and semi-annually thereafter on each December 1 and June 1.

***The Bonds maturing on and before December 1, 2025 are not subject to redemption prior to their stated dates of maturity.***

***The Bonds maturing after December 1, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the District, on and after December 1, 2025, either in whole or in part at any time, and if in part, by lot within a maturity at the price of par plus accrued interest to the date set for redemption.***

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, (“DTC”), and its participants pursuant to rules and procedures adopted by DTC participants. No physical distribution of the Bonds will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody. The winning bidder, as a condition of delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co.

The original Bonds to be immobilized at DTC will be prepared and their legality approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Bidder(s) shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/8<sup>th</sup> or 1/20<sup>th</sup> of 1%, but shall not state: (a) more than one interest rate for any Bonds having a like maturity; (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3%. No bid of less than par **PLUS A PREMIUM OF NOT LESS THAN \$45,000** will be considered.

The District reserves the right to adjust the principal amount of individual maturities of the Bonds, even if the aggregate principal amount is unchanged. Any adjustment in the individual maturities of the Bonds will be in the amount of \$5,000 or an integral multiple thereof, (a) as necessary to structure the debt service on the Bonds with the term of each or any purpose to be issued as close to equal on an annual basis as practicable throughout its respective amortization schedule after taking into account the coupon rates and any premium to be received by the District over and above the required \$45,000 minimum and (b) to comply with the Massachusetts General Laws.

**THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS.** The dollar amount bid by the successful bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per-bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 2:00 P.M. on the day of the sale.

For the Bonds maturing on December 1, 2026 and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or more Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule.

As between proposals that comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the District. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as January 27, 2016, discounts semi-annually all future payments on account of principal and interest on the Bonds to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder.

Electronic proposals will be submitted through **PARITY/i-Deal**<sup>™</sup>. If any provisions in this Notice of Sale conflict with information provided by **PARITY/i-Deal**<sup>™</sup> this Notice of Sale shall control. Further information about **PARITY**, including any fees charged, may be obtained from **i-Deal** at (212) 404-8102. The District assumes no responsibility or liability for bids submitted in this manner.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the District.

Other bids should be sealed, marked "Proposal for Bonds" and addressed to Jill Berry, Treasurer, Narragansett Regional School District, Massachusetts, c/o Eastern Bank, Municipal Finance Department, Third Floor, 265 Franklin Street, Boston, Massachusetts 02110. Proposals delivered as specified will be accepted. Blank bid forms with signature may be faxed to Eastern Bank prior to submitting bids at (617) 235-8110, with actual bids telephoned to (617) 235-8106 or 235-8104, at least one half hour prior to the 11:00 AM (local time) sale and after receipt of the faxed bid form by Eastern Bank which will act as agent for the bidder(s) in submitting the final sealed bids. Neither the District nor Eastern Bank shall be responsible for bids submitted in this manner. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to Eastern Bank by not later than 11:00 a.m. on the date of sale.

A good faith deposit is not required. The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer of the District and the Regional School District School Committee.

The District has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefore, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of their proposal for

the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the District a certificate acceptable to Bond Counsel generally to the effect that (i) as of January 14, 2016 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices shown set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds. Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It shall be a condition of the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form presented in Appendix D to the Preliminary Official Statement, included herein (see "THE BONDS – Opinion of Bond Counsel" in the Preliminary Official Statement), (b) a certificate in form satisfactory to said firm dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the District to levy and collect taxes to pay them, (c) a certificate of the District Treasurer to the effect that to the best of the signer's knowledge and belief, both as of the date of sale and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the District will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement and in the proposed form of Continuing Disclosure Certificates of the District and the Member Towns, which are provided in Appendix E.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the District; provided, however, that the District assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

**The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.**

The Bonds, in definitive form, will be delivered to the purchaser at DTC, or its custodial agent, on or about January 27, 2016, against payment in federal funds.

Additional information concerning the District and the Bonds is contained in the Preliminary Official Statement dated January 6, 2016, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not deemed a part of this Notice of Sale. Copies of the Preliminary Official Statement and a suggested form of the proposal for the Bonds may be obtained from Eastern Bank, Municipal Finance Department, Third Floor, 265 Franklin Street, Boston, Massachusetts 02110, telephone: (617) 235-8106. The Preliminary Official Statement is deemed final by the District as of its date for purposes of SEC Rule 15c2-12(b)1 except for the omission of the reoffering prices, interest rates and any other terms of the Bonds depending on such matters and the identity of the purchasers. Within seven (7) business days following the award of the Bonds in accordance herewith, no more than 100 copies of the Final Official Statement will be furnished to the successful bidder. Additional copies may be obtained at the purchaser's expense.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal for the Bonds.

Narragansett Regional School District, Massachusetts

Dated: January 6, 2016

By: /s/ Jill Berry, Treasurer

**CONTACT INFORMATION:**

**ISSUER**

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Baldwinville, MA 01436

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Treasurer

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**PAYING AGENT**

Commonwealth of Massachusetts  
Office of State Treasurer  
Assistant Director of Operations  
Debt Management  
3 Center Plaza – Suite 430  
Boston, MA 02108

John Durgin

Tel: 617-367-3900 Ext 502  
Fax: 617-227-1773  
Email: [jdurgin@tre.state.ma.us](mailto:jdurgin@tre.state.ma.us)

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## OFFICIAL STATEMENT

### NARRAGANSETT REGIONAL SCHOOL DISTRICT, MASSACHUSETTS

### \$3,400,000 GENERAL OBLIGATION STATE QUALIFIED SCHOOL BONDS

#### INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Narragansett Regional School District, Massachusetts (the “District”) in connection with the sale of \$3,400,000 General Obligation State Qualified School Bonds of the District (the “Bonds”).

The Bonds will be general obligations of the District for which its full faith and credit are pledged. They are not guaranteed by The Commonwealth of Massachusetts (the “Commonwealth”) or any other entity. The security for the Bonds is more fully described under the captions “THE BONDS - *Security and Remedies*” and “THE DISTRICT” below. See also “*Proposed Form of Legal Opinion*” in Appendix D.

Questions regarding information contained in this Official Statement or other matters should be directed to Lori Lombard, Vice President, Eastern Bank, (617) 235-8106 or Richard A. Manley, Jr., Esq., Locke Lord LLP (617) 239-0684. The information contained herein has been obtained from the sources indicated or from the District.

#### THE BONDS

##### Description of the Bonds

The Bonds will be dated January 27, 2016, and will bear interest payable on June 1, 2016 and semi-annually thereafter on each December 1 and June 1. Interest will be calculated on the basis of a 30-day month and a 360-day year. Principal on the Bonds will be payable on December 1 of the years and in the amounts shown on the cover of this Official Statement.

Principal and semi-annual interest on the Bonds will be paid by **The Treasurer and Receiver-General of The Commonwealth of Massachusetts**, Boston, Massachusetts, or its successor, as Paying Agent. So long as The Depository Trust Company, New York, New York (“DTC”), or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC participants. No physical distribution of Bonds will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody.

##### Security and Remedies

The Bonds will be general obligations of the Narragansett Regional School District, and, to the extent not paid from other sources, the Bonds will be payable as to both principal and interest from sums which are annually apportioned to the “Member Towns” in accordance with an agreement between such towns (the “District Agreement”). (A copy of the District Agreement is available upon request.) Pursuant to the District Agreement, the debt service on the Bonds is allocable to each of the Member Towns and principal and interest payments on the Bonds which is to be apportioned to each of the Member Towns is payable from taxes which may be levied upon all the taxable property in each such Member Town, subject to the limit imposed by Chapter 59, Section 21C of the Massachusetts General Laws.

##### State Qualified Bonds

The Bonds constitute “qualified bonds” pursuant to Chapter 44A of the General Laws. Pursuant to Chapter 44A the District Treasurer shall at the delivery date of the Bonds certify to the State Treasurer the maturity schedule, interest rates, and dates of payment of debt service on qualified bonds. The State Treasurer shall pay the debt service on qualified bonds and after payment shall withhold from the distributable aid (as defined in Chapter 44A) payable to the District an amount which will be sufficient to pay the debt service on the qualified bonds or, if the amount of such

distributable aid in any year is insufficient for the purpose, from any other amounts payable by the Commonwealth to the District under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the District other than for payment of debt service on such qualified bonds.

The Commonwealth covenants in Section 8 of Chapter 44A with the purchasers, holders and owners, from time to time, of qualified bonds that it will not repeal, revoke, rescind, modify, or amend the above described provisions so as to create any lien or charge on or pledge, assignment, diversion, withholding of payment, or other use of or deduction from any distributable aid or other amounts to be paid to any holder of qualified bonds which is prior in time or superior in right to the payment required by said provisions; provided, however, that nothing therein contained shall be deemed or construed to require the Commonwealth to continue to make payments of distributable aid or other amounts or to limit or prohibit the Commonwealth from repealing or amending any law heretofore or hereafter enacted for the payment of apportionment of such aid or other amounts, or of the manner, time or amount thereof.

Chapter 44A also provides that the certification to the State Treasurer as to the amount payable in any year for debt service on qualified bonds shall be fully conclusive as to such qualified bonds from and after the time of issuance of such qualified bonds, notwithstanding any irregularity, omission, or failure as to compliance with any of the provisions of Chapter 44A with respect to such qualified bonds.

Chapter 44A further provides that nothing therein shall be construed to relieve the District of the obligation imposed on it by law to appropriate and to include in its annual tax levy amounts necessary to pay, in each year, the principal and interest maturing and becoming due on any qualified bonds issued by the District; provided however that to the extent of the amounts of distributable aid or other amounts payable to the District which have been or are to be applied to the payment of such qualified bonds, the State Treasurer shall certify to the District Treasurer the amounts so withheld and thereafter such amounts shall be credited to the appropriations of the District for the current fiscal year; and provided, further that to the extent to which distributable aid is not appropriated by the Commonwealth in any fiscal year, such appropriated amounts of the District shall be used to pay the debt service maturing and becoming due in such year on such qualified bonds of the District.

Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any qualified bonds or to guarantee payment or stand as surety for the payment of any qualified bonds.

### **Coverage Analysis**

With maximum annual debt service on the Bonds projected at \$211,175 and net annual Chapter 70 payments to the District from the Commonwealth level funded at the fiscal year 2016 level of \$9,969,969, State aid coverage on the Bonds would be 47.21 times debt service.

### **Bankruptcy**

Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

## **State Distributions**

State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" and any other sums due and payable by the city or town to The Commonwealth of Massachusetts (the "Commonwealth") or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority ("MBTA") or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority ("MWRA") if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority ("MSBA"), or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

## **Record Date**

The record date for each payment of interest on the Bonds is the fifteenth day of the month preceding the interest payment date (if such date is not a business day, the record date will be the next succeeding business day) provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondholders at least ten (10) days before the special record date.

## **Book-Entry-Transfer System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered Bond certificate will be issued for each interest rate, each in the aggregate principal amount bearing such interest rate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its

regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's credit rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to be determined by lot the amount of the interest of each direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

## DTC Practices

The District can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

## Optional Redemption

The Bonds maturing on and before December 1, 2025 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after December 1, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the District, on and after December 1, 2025, either in whole or in part at any time, and if in part, by lot within a maturity at the price of par plus accrued interest to the date set for redemption.

## Mandatory Redemption

Term Bonds, if any, shall be subject to mandatory redemption on December 1 in the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated on the cover page of the Preliminary Official Statement at the principal amount therefor plus accrued interest to the redemption date, without premium.

## Notice of Redemption

Notice of any redemption of Bonds prior to their dates of maturity, specifying the Bonds (or portion thereof) to be redeemed and the place or places of payment shall be mailed to DTC (so long as it is the registered owner of the Bonds) not more than 60 days nor less than 30 days prior to the redemption date. Any failure of DTC to notify the DTC Participants of the redemption, or failure on the part of the DTC Participants or a nominee of a Beneficial Owner to notify the Beneficial Owner of the redemption shall not affect the validity of the redemption.

## Authorization and Use of Proceeds

<u>Amount of This Issue</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Date Authorized</u>	<u>Statutory Reference</u>	<u>BAN's Outstanding</u>	<u>Principal Paydown</u>
\$3,400,000	Biomass Facility	\$3,500,000(1)	3/18/2014	Ch.71, s.16(d)	\$3,250,000	\$ -0-
		400,000(1)	9/16/2015	Ch.71, s.16(d)	\$ -0-	\$ -0-

(1) The District has received grants from the Massachusetts Department of Energy Resources in the amount of \$250,000 and the USDA Forest Service in the amount of \$250,000 to complete the project.

## Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The District has covenanted to comply with such requirements to ensure that interest on the

Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account

receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

## **Bank Eligibility**

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

## **State School Building Assistance Program**

Under its school building assistance program, The Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

## **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District and the Member Towns by not later than 270 days after the end of each June 30<sup>th</sup> fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain

enumerated events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix E. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The District has timely filed all required annual reports and audited financial statements of the District. The Member Towns have provided operating data and certain financial information timely filed in the District's Annual Reports on EMMA. The District believes it has complied in all material respects in the last five years with its continuing disclosure obligations, except as set forth below:

Although the Town of Phillipston filed its June 30, 2014 audited financial statement on April 6, 2015, the Town was in compliance with the Rule by filing the June 30, 2014 unaudited financial statement in the District's Annual Report filed on EMMA on March 25, 2015. The Town of Phillipston included the June 30, 2013 audited financial statement in the March 25, 2015 Annual Report filing as well. The unaudited June 30, 2013 financial statement was timely filed with the District's Annual Report filed on March 24, 2014. It has recently come to the District's attention that the Town of Phillipston had not timely filed the June 30, 2012, June 30, 2011, and June 30, 2010 audited financial statements. All audited financial statements have now been filed and the District has filed a notice of late filing. The District is taking steps to ensure that going forward all filings are made in a timely manner.

The Town of Templeton has timely filed unaudited financial statements in each of the year's June 30, 2010 through June 30, 2014 and subsequently filed audited financial statements for the years June 30, 2010, 2011 and 2012. The Town has not had audited financial statements prepared for the fiscal years ending June 30, 2013 and June 30, 2014 as of the date of this Preliminary Official Statement. It is expected that the audited financial statements for those years will be filed when they become available.

The District Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the District from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Jill Berry, District Treasurer, Narragansett Regional School District, 462 Baldwinville Road, Baldwinville, MA 01436; (978) 939-5661.

## **Rating**

Application has been made to Moody's Investors Service for a rating on the Bonds. Such rating, if obtained, will reflect only the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

## **Financial Advisor**

Eastern Bank serves as financial advisor to the District.

## **Opinion of Bond Counsel**

The unqualified approving opinion as to the validity of the Bonds will be rendered by Locke Lord LLP of Boston, Massachusetts, Bond Counsel. The opinion will be dated as of the date of original delivery of the Bonds and will speak only as of such date. The proposed form of legal opinion is set forth in Appendix D hereto.

The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth as their opinion.



## THE DISTRICT

### General

The District was formed in 1955 pursuant to Chapter 71 of the Massachusetts General Laws, and the Agreement, as amended and supplemented. The District is a pre-kindergarten through grade 12 public school district that is comprised of the Towns of Phillipston and Templeton. The Member Towns are located approximately sixty miles west of Boston, forty miles north of Springfield and thirty miles north of Worcester.

### Principal Officials

The powers and duties of the District are vested in and exercised by Narragansett Regional School District School Committee (the "Committee"). The Committee is composed of eight elected members, five members from the Town of Templeton and three from the Town of Phillipston, each elected to three-year terms. To ensure compliance with the equal apportionment principles, committee member votes are weighted. Members serve until their respective successors are elected or appointed and qualified.

The following table sets forth the principal officials of the District.

<u>Office</u>	<u>Name</u>	<u>Town</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Superintendent of Schools	Dr. Stephen Hemman	N/A	N/A	6/30/2016
Asst. Business Manager	Ann Marie Geysler	N/A	N/A	N/A
Treasurer	Jill Berry	N/A	N/A	N/A

### Operating and Capital Costs

For the purpose of apportioning assessments levied by the District upon the Member Towns, the Agreement divides costs into two categories: capital costs and operating costs.

Capital costs include all expenditures relating to capital outlay, such as payment of principal and interest on bonds or other obligations issued by the District to finance capital costs, and any other expenses associated with the acquisition of real estate, the construction and improvement of buildings, grading, purchase of equipment, and other activities incidental to placing in operation the original school plant and any subsequent additions and improvements thereto. Capital costs shall also include any payments of principal or interest on any outstanding bonds or future bonds or other evidence of indebtedness issues by either Member Town to finance capital expenses in connection with schools initially constructed by either Member Town and leased to the District.

Operating costs include all other costs such as salaries, wages, supplies, texts, repair and maintenance expenditures, interest on notes issued in anticipation of revenue, and other costs incurred in the day-to-day operation of the District.

Capital costs are apportioned as follows: All capital costs in connection with any particular district school shall be apportioned between the Member Towns on the basis of each Member Town's pupil enrollment in such school. Each Member Town's share shall be determined by computing the ratio which its pupil enrollment in such school on the October 1 next preceding the first day of the fiscal year for which the apportionment is made bears to the total pupil enrollment from all the Member Towns in such school on that date. If there is no enrollment in such school on a regional basis on the aforesaid October 1, the apportionment of capital costs with respect thereto shall be made on the basis of the estimated pupil enrollments from each Member Town in such school on the aforesaid date had there been any enrollment, such estimate to be made by the Committee.

Each Member Town shall pay to the District its proportionate share of capital costs that consist of payments of principal or of interest on bonds or notes issued by the District not later than thirty days before the date on which each payment of such principal or interest is payable by the District, but not earlier than July 1 in any year.

Operating costs for each fiscal year shall be apportioned to the Member Towns on the basis of their respective pupil enrollments in the regional district schools. Each Member Town's share for each fiscal year shall be determined by computing the ratio which the Member Town's pupil enrollment in the regional district schools on the October 1 next

preceding the first day of the fiscal year for which the apportionment is made bears to the total pupil enrollment from all the Member Towns in regional district schools on the same date. In the event that enrollment in the regional district schools has not been accomplished by October 1 of any year, operating costs shall be apportioned on the basis of enrollment in all grades from kindergarten through grade twelve of pupils residing in each member town and receiving education at such town's expense on October 1 of that year. In the event that the cost of any single repair or maintenance project to be undertaken in a fiscal year is estimated in the budget for such fiscal year to be in excess of \$5,000, the cost of such project shall be apportioned as if it were a capital cost.

**Payment of Apportioned Costs**

The following table shows the apportionment to each of the Member Towns for operating and capital costs in the fiscal years 2016 and 2015.

<u>Town</u>	<u>Fiscal 2016</u>		<u>Fiscal 2016</u>	
	<u>Operating Costs</u>	<u>% of Total</u>	<u>Capital Costs</u>	<u>% of Total</u>
Phillipston .....	\$ 1,546,129	22.26%	\$ 94,262	17.97%
Templeton .....	<u>5,398,510</u>	<u>77.74</u>	<u>430,553</u>	<u>82.03</u>
Total .....	<u>\$ 6,944,639</u>	100.00%	<u>\$ 524,553</u>	100.00%

<u>Town</u>	<u>Fiscal 2015</u>		<u>Fiscal 2015</u>	
	<u>Operating Costs</u>	<u>% of Total</u>	<u>Capital Costs</u>	<u>% of Total</u>
Phillipston .....	\$ 1,510,958	22.751%	\$ 92,584	17.65%
Templeton .....	<u>5,130,328</u>	<u>77.249</u>	<u>431,969</u>	<u>82.35</u>
Total .....	<u>\$ 6,441,286</u>	100.00%	<u>\$ 524,553</u>	100.00%

Each Member Town's share for each fiscal year shall be determined by computing the ratio which the town's pupil enrollment on the October 1 next preceding the first day of the fiscal year for which the apportionment is made bears to the total pupil enrollment from the Member Towns on that date. The dates which each Member Town shall pay its proportionate share of the capital and operating costs to the District each year shall be as follows: 10% of such share on July 15; 20% on August 15; 30% on November 15; 40% on December 15; 50% on January 15; 60% on February 15; 70% on March 15; 80% on April 15; 90% on May 15, and 100% on June 15.

**Apportionment of Debt Service on the Bonds**

The payment of principal and interest on the Bonds will be apportioned to the Member Towns. Payments of principal and interest on the Bonds are to be apportioned to the Member Towns as a capital cost on the basis described above. The apportionment for fiscal year 2016 will be as follows:

<u>Town</u>	<u>% of Total</u>
Templeton.....	82.03%
Phillipston.....	17.97

**Withdrawal of a Member Town from the District**

Any Member Town may petition to withdraw from the District under terms stipulated in a proposed amendment to the Agreement provided (1) that the Member Town seeking to withdraw has paid over to the District any operating costs for which it became liable as a member of the District, and (2) that said Member Town shall remain liable to the District for its share of the indebtedness, other than temporary indebtedness incurred in anticipation of revenue, of the District outstanding at the time of such withdrawal, and for the interest thereon, to the same extent and in the same manner as though the Member Town had not withdrawn from the District, except that such liability shall be reduced by any amount which such Member Town has paid over at the time of withdrawal and which has been applied to the payment of such indebtedness and interest.

Said petitioning town shall cease to be a Member Town if the proposed amendment is approved by the Committee and accepted by the petitioning Member Town and the other Member Town, acceptance by the petitioning Member Town and by the other Member Town to be a majority vote at an annual or special town meeting.

Money received by the District from the withdrawing town for payment of funded indebtedness and interest thereon shall be used for this purpose only.

### **Admission of Additional Towns**

By an amendment of the Agreement, any other town or towns may be admitted to the District upon adoption of the amendment and upon acceptance by the town or towns seeking admission of the agreement as amended.

### **Amendments to District Agreement**

The Agreement may be amended from time to time in the manner hereinafter provided, but no such amendment shall be made which shall substantially impair the rights of the holders of any bonds or notes or other indebtedness of the District then outstanding, or the rights of the District to procure the means for payment thereof, provided that nothing in this section shall prevent the admission of a new town or towns to the District and the reapportionment accordingly of that part of the costs of land acquisition and construction represented by bonds or notes of the District or by bonds or other evidence of indebtedness of Templeton or Phillipston which were issued to finance capital expenses in connection with the District. An amendment may be proposed by vote of the Committee or by vote of any town meeting of any Member Town. Any such proposal for amendment shall be presented to the Secretary of the Committee who shall mail or deliver a notice in writing to the board of selectmen of each of the Member Towns that a proposal to amend the Agreement has been received and shall enclose a copy of such proposal. The selectmen in each Member Town shall include in the warrant for the next annual or special town meeting called for the purpose, an article stating the proposal or substance thereof. Such amendment shall take effect upon its acceptance by each of the Member Towns at such next annual or special town meeting.

### **Property Tax Limitation**

Chapter 59, Section 21C of the Massachusetts General Laws, also known as Proposition 2 ½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on

the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality’s sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district’s governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Regional school districts are exempt from the provisions of the Massachusetts property tax limitation statutes. However, the amount of taxes that may be levied by the Member Towns to appropriate their respective shares of the District’s annual budget is subject to such limit, subject to the power of any Member Town to vote to exempt all or a portion of its share from the limit, for any single fiscal year.

**District School Facilities and Enrollments**

The Town of Phillipston is authorized to lease to the District all the premises and buildings known as the Phillipston Memorial School. The Town of Templeton is authorized to lease to the District all the premises and buildings known as the Baldwinville Elementary School and the Templeton Center School. Each of the leases is authorized for a term of twenty years and is renewable during the term at the option of the Committee by notice to the Town at least one year prior to the expiration of the initial or any renewal term. Each of the leases contains a provision for the extension of the term for an additional term not in excess of twenty years each, renewable during the term at the option of the Committee. The District is authorized to insure, repair, improve, alter, remodel or modernize any of these leased schools. The District owns and operates the Narragansett Regional Middle School and High School.

<u>Facility (1)</u>	<u>Grades</u>	<u>Date Built</u>	<u>Date (Remodeled)</u>	<u>Capacity</u>	<u>Current Enrollment</u>
Town of Phillipston:					
Phillipston Memorial ....	PreK-4	1948	1971/1997	250	168
Town of Templeton:					
Baldwinville Elementary	K-4	1923	--	375	245
Templeton Center (2).....	PreK-2	1940	1948	250	168
Middle School.....	5-8		2000	650	407
High School.....	9-12		2000	1,050	380

- (1) All of the above schools are in good to fair condition.
- (2) The Town of Templeton has approved the issuance of up to \$47,563,184 for the purpose of paying the costs of designing, constructing, originally equipping and furnishing a new Templeton Elementary School. For additional information, see “Authorized Unissued Debt and Prospective Financing” on page C-16.

The following table sets forth the actual enrollment of students as of October 1, 2010 through October 1, 2015.

	<b>Actual (1)</b>					
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Pre-K	40	39	53	48	59	78
K-4	489	454	452	451	454	503
Middle	511	528	489	463	453	407
High	453	443	429	385	382	380
<b>Totals:</b>	<u>1,493</u>	<u>1,464</u>	<u>1,423</u>	<u>1,347</u>	<u>1,348</u>	<u>1,368</u>

Source: Actuals: Department of Education. Enrollment by grade as of October 1st of the school year indicated.

## INDEBTEDNESS

### Authorization of Debt

The District may issue bonds or notes for acquiring land, for constructing, reconstructing, adding to and equipping school buildings, for remodeling and making extraordinary repairs to such buildings, for sewerage purposes, for purchasing equipment and for constructing, reconstructing and improving outdoor playground, athletic and recreational facilities, roadways and parking areas. Bonds and notes for such purposes are authorized on behalf of the District by vote of the Committee.

Within seven days after the date on which the District School Committee authorizes the incurring of debt, other than temporary debt in anticipation of revenue to be received from Member Towns, the committee shall cause written notice of the date of said authorization, the amount authorized, and the general purpose or purposes for authorizing such debt, to be given to the board of selectmen of each Member Town. The debt authorization takes effect after the expiration of sixty days from the passage of the vote, unless during that period the amount is disapproved by a vote of the town meeting of any Member Town.

### Types of Obligations

General Obligations. Massachusetts regional school districts are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue (“DOR”). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to

withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

*Tax Credit Bonds or Notes.* Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

*Bond Anticipation Notes.* These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

*Revenue Anticipation Notes.* These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

*Grant Anticipation Notes.* These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

**Debt Summary and Authorized Unissued Debt**

As of December 15, 2015, the Narragansett Regional School District had \$6,437,000 outstanding bonds and \$3,900,000 bonds which were authorized but unissued. \$6,437,000 has been excluded by the Member Towns from the provisions of Proposition 2 ½. Total interest outstanding of \$588,024 has also been excluded from Proposition 2 ½. The District receives an annual payment of \$1,239,179 from the MSBA to offset debt service expense.

The District has \$3,250,000 bond anticipation notes outstanding as of December 15, 2015. These notes will be retired with these Bond proceeds. Following the delivery of these Bonds, the District will have total outstanding debt in the amount of \$9,837,000. No additional debt is expected to be authorized by the District at this time.

**Five Years Outstanding Debt**

	As of June 30				
	2015	2014	2013	2012	2011
Long-Term Indebtedness(1)					
Schools .....	\$ 6,437,000	\$ 7,916,000	\$ 8,033,000	\$ 8,146,000	\$ 11,896,000
Short-Term Indebtedness					
Revenue Anticipation Notes .....	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Grant Anticipation Notes .....	-0-	-0-	-0-	-0-	-0-
Bond Anticipation Notes .....	2,000,000	-0-	224,400	500,000	-0-
Total Short-Term Indebtedness .....	\$ 2,000,000	\$ -0-	\$ 224,400	\$ 500,000	\$ -0-
Total Outstanding Indebtedness .....	\$ 8,437,000	\$ 7,916,000	\$ 8,257,400	\$ 8,646,000	\$ 11,896,000

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

## Principal Repayment Schedule

Fiscal Year	Outstanding as of 12/15/15(1) Principal	Interest	MSBA Grants	Principal This Issue	Estimated Interest(2)	Total Debt Service	Cumulative %Principal Retired(3)
2016	\$ 1,532,000	\$ 115,866	\$(1,239,179)	\$ -0-	\$ 39,757	\$ 448,444	15.5%
2017	1,587,000	176,580	(1,239,179)	85,000	113,938	723,339	32.5
2018	1,644,000	119,448	(1,239,179)	90,000	110,875	725,144	50.0
2019	1,674,000	60,264	(1,239,179)	95,000	107,875	697,960	67.9
2020	-	-	-	95,000	105,025	200,025	68.9
2021	-	-	-	100,000	102,100	202,100	69.9
2022	-	-	-	105,000	99,025	204,025	70.9
2023	-	-	-	110,000	95,800	205,800	72.0
2024	-	-	-	110,000	92,500	202,500	73.1
2025	-	-	-	115,000	89,125	204,125	74.3
2026	-	-	-	120,000	85,600	205,600	75.5
2027	-	-	-	120,000	82,000	202,000	76.8
2028	-	-	-	125,000	78,325	203,325	78.1
2029	-	-	-	135,000	74,425	209,425	79.4
2030	-	-	-	135,000	70,375	205,375	80.9
2031	-	-	-	145,000	66,175	211,175	82.3
2032	-	-	-	145,000	61,825	206,825	83.8
2033	-	-	-	150,000	57,025	207,025	85.4
2034	-	-	-	155,000	51,688	206,688	87.0
2035	-	-	-	160,000	46,175	206,175	88.7
2036	-	-	-	165,000	40,487	205,487	90.4
2037	-	-	-	175,000	34,100	209,100	92.3
2038	-	-	-	180,000	27,000	207,000	94.1
2039	-	-	-	190,000	19,600	209,600	96.0
2040	-	-	-	190,000	12,000	202,000	98.1
2041	-	-	-	205,000	4,100	209,100	100.0
Totals	<u>\$ 6,437,000</u>	<u>\$ 472,158</u>	<u>\$(4,956,716)</u>	<u>\$ 3,400,000</u>	<u>\$ 1,766,920</u>	<u>\$ 7,119,362</u>	

(1) Excludes short-term debt lease and installment purchase obligations overlapping debt and unfunded pension liability.

(2) Interest for the current issue is estimated at 3.75%.

(3) Includes the current issue.

## Capital Improvement Plan

The District has developed a five year plan for the maintenance and capital needs of the District related to infrastructure and technology totaling approximately \$500,000 annually. This does not include the replacement schedule for textbooks, software, and curriculum materials which are an ongoing process driven by the needs of the classroom, state educational standards, and needs for students.

## Revenue Anticipation Borrowing

Revenue anticipation notes are issued to meet current expenses in anticipation of revenues. They must mature within one year, but, if payable in less than one year, may under the statute be refunded from time to time up to one year from the original date of issue. The District has not issued any revenue anticipation notes in the last five fiscal years.

## DISTRICT FINANCES

### Collective Bargaining

District employees, with the exception of managerial and confidential employees, may bargain with the District through certified collective bargaining units on questions of wages, hours and other terms and conditions of employment. The District employs approximately 400 full and part-time employees, of which approximately 85% belong to collective bargaining units.

The following identifies the current employees of the District, the approximate membership and the bargaining unit under which they are organized.

<u>Bargaining Unit</u>	<u>Number of People</u>	<u>Contract Expiration</u>
Mass. Teacher's Association .....	125	June 30, 2016
AFL-CIO .....	80	June 30, 2016

### Budget Process

Not later than thirty days prior to the date on which the District adopts its final budget for the ensuing fiscal year, the Committee must prepare a tentative operating and maintenance budget for the ensuing fiscal year, attaching thereto provision for any installment of principal or interest to become due in such year on any bonds or other evidence of indebtedness of Templeton or Phillipston which were issued to finance capital expenses. The said committee shall mail a copy thereof to the selectmen and the finance or advisory committee, if any, of each Member Town itemizing each budget category.

Not later than 15 days following the date on which copies of the tentative operating and maintenance budget are mailed to the selectmen or finance or advisory committee, the Committee must hold a public hearing on such budget at such place within the District as the Committee may determine, giving public notice thereof at least seven days before the hearing by posting in at least three public places in each Member Town and publication as a paid notice in a newspaper circulating in the Member Towns. The Committee shall adopt such budget on or before the latest date therefore permitted by law, but in no event later than March 31, by the affirmative vote of a majority of the full membership of the Committee. The amounts so apportioned for each Member Town shall not later than 30 days following adoption of such budget be certified by the regional district treasurer to the treasurers of the Member Towns, and each Member Town must then consider the appropriation of such amounts at its next annual town meeting.

### Operating Budget

The following table shows the budgeted appropriations for fiscal years 2012 through 2016.

<b>Category:</b>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Administration .....	\$737,232	\$589,651	\$680,381	\$696,821	\$801,008
Instruction .....	9,136,018	9,370,649	9,188,131	9,203,089	9,240,336
Other School Services.....	1,639,156	1,564,746	1,522,525	1,452,154	1,341,804
Operation .....	1,481,777	1,519,681	1,522,405	1,549,637	1,549,877
Fixed Charges .....	2,333,013	2,961,045	3,098,503	3,540,464	3,049,765
Renovations .....	1,970,519	1,775,783	783,623	-	100,874
Programs with Other Schools.....	1,701,315	940,701	1,112,485	1,722,427	1,331,072
<i>Total Expenses:</i> .....	<u>\$18,999,030</u>	<u>\$18,722,256</u>	<u>\$17,908,053</u>	<u>\$18,164,592</u>	<u>\$17,414,736</u>

### Education Reform

State legislation known as the Education Reform Act of 1993, as amended imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the allocation of operating costs among the Member Towns of the District. Thus, operating costs may be apportioned on a basis that differs from that provided in the District Agreement.



## Investments

Investments of funds of cities, towns and districts, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, or in participation units in the Massachusetts Municipal Depository Trust (“MMDT”), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer’s office. According to the State Treasurer the Trust’s investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems. (See the audited financial statements of the District for June 30, 2014 in Appendix B for additional information.)

## State Aid

The District annually receives aid from The Commonwealth of Massachusetts under a variety of programs. Such aid is generally used by the District to reduce its operating and capital assessments on the Member Towns. The following shows the actual receipts of state aid received by the District for fiscal years 2013 through 2015 and the amount estimated for fiscal year 2016.

<u>Category</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Estimated Receipts:				
General School Aid.....	\$ 9,764,044	\$ 9,731,269	\$ 9,698,544	\$ 9,664,194
Transportation of Pupils.....	290,854	360,045	288,530	198,343
Charter Tuition Assessment Reimb..	6,251	8,930	66,885	62,085
School Choice Receiving Tuition....	862,803	837,024	864,074	803,812
Other.....	-	6,798	7,246	7,751
Total Estimated Receipts.....	<u>\$ 10,923,952</u>	<u>\$ 10,944,066</u>	<u>\$ 10,925,279</u>	<u>\$ 10,736,185</u>
Estimated Charges:				
Special Education.....	\$ 1,887	\$ -0-	\$ 1,052	\$ 1,196
Charter School Sending Tuition.....	92,299	124,790	206,102	174,849
School Choice Sending Tuition.....	859,797	787,854	654,623	615,891
Total Estimated Charges.....	<u>953,983</u>	<u>912,644</u>	<u>861,177</u>	<u>791,936</u>
Receipts Net of Charges.....	<u>\$ 9,969,969</u>	<u>\$ 10,031,422</u>	<u>\$ 10,063,502</u>	<u>\$ 9,949,249</u>

## Retirement Plan

Pensions for employees other than school department teaching staff are provided through a contributory retirement system under the Massachusetts Contributory Retirement Law, which is governed by Chapter 32 of the Massachusetts General Laws. The District contributes to the Worcester Regional Retirement System (the System), a cost sharing multiple-employer defined benefit pension plan administered by a county Retirement Board. The system provides retirement, disability and death benefits to plan members and beneficiaries. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. The report may be obtained by contacting the System located at Midstate Office Park, 23 Midstate Drive, Suite 106, Auburn, MA 01501.

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The District is required to pay into the System its share of the system wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The Districts contributions to the System for the current and past fiscal year are as follows: 2015: \$291,979, 2014: \$282,353 2013; \$281,339, 2012; \$276,612 and 2011 \$259,028.

School Department teaching staff contribute to the Massachusetts Teachers' Retirement System administered by the Massachusetts Teachers Retirement Board. The District's only contributions to this plan are through deductions from certain federal grants.

Both retirement systems are contributory defined benefit plans. Membership in the plans are mandatory immediately upon the commencement of employment for all permanent full-time employees. Below is information relating to the actuarial accrued liability, assets, and unfunded actuarial accrued liability of the Worcester Regional Retirement System. The estimates were determined based on using an investment rate of return of 8.00%,

<u>Valuation Date</u>	<u>1/1/2014</u>	<u>1/1/2012</u>
1. Actuarial Accrued Liability	\$1,087,769,903	\$982,796,782
2. Actuarial Value of Assets	488,346,471	436,671,982
3. Unfunded Actuarial Accrued Liability (UAAL)	\$599,423,432	\$546,124,800
4. Funded Ratio = 2. ÷ 1.	44.9%	44.4%

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
1/1/2014	488,346,471	1,087,769,903	599,423,432	44.9%	252,829,591	237.1%
1/1/2012	436,671,982	982,796,782	546,124,800	44.4%	238,952,079	228.5%
1/1/2010	413,976,785	863,002,067	449,025,282	48.0%	241,992,607	185.6%
1/1/2007	389,758,785	692,768,325	303,009,540	56.3%	211,518,755	143.3%
1/1/2004	350,879,900	552,773,549	201,893,649	63.5%	170,669,442	118.3%
1/1/2001	316,389,108	426,280,953	109,891,845	74.2%	145,000,347	75.8%
1/1/1999	248,967,040	374,455,997	125,488,957	66.5%	119,857,640	104.7%
1/1/1998	240,982,371	394,330,873	153,348,502	61.1%	134,803,954	113.8%
1/1/1997	174,065,213	291,956,757	117,891,544	59.6%	111,270,545	106.0%

Worcester Regional Retirement System  
Actuarial Valuation as of January 1, 2014

Pension System

<u>Year Ended June 30,</u>	<u>Worcester County Retirement System</u>			<u>School District (B/A)</u>	
	<u>Annual Required Contributions</u>	<u>(A) Actual Contributions</u>	<u>Percentage Contributed</u>	<u>(B) Actual Contribution</u>	<u>Districts Percentage of System Wide Actual Contributions</u>
2014	\$ 37,510,266	\$ 37,510,266	100.0%	282,353	0.75%
2013	35,036,320	35,036,320	100.0%	281,339	0.80%
2012	33,072,000	33,072,000	100.0%	275,612	0.83%

Schedule of Appropriations

Fiscal Year Ending	Employer Normal Cost	Amortization Payment of UAL	Amortization Payment of ERI 2002	Amortization Payment of ERI 2003	Amortization Payment of ERI 2010	Total Employer Cost	Increase over Prior Year	Unfunded Actuarial Accrued Liability
2015	\$9,315,146	\$29,367,569	\$1,210,184	\$237,271	\$5,810	\$40,135,980		\$599,423,432
2016	9,293,514	32,534,944	1,264,642	247,948	5,810	43,346,858	8.00%	615,951,915
2017	9,258,061	35,970,079	1,321,551	259,106	5,810	46,814,607	8.00%	630,506,760
2018	9,207,714	39,694,466	1,381,020	270,766	5,810	50,559,776	8.00%	642,654,073
2019	9,141,340	43,731,291	1,443,167	282,950	5,810	54,604,558	8.00%	651,903,206
2020	9,057,738	48,105,582	1,508,109	295,683	5,810	58,972,922	8.00%	657,700,473
2021	8,955,634	52,844,348	1,575,975	308,988	5,810	63,690,755	8.00%	659,422,229
2022	8,833,684	57,976,739	1,646,893	322,893	5,810	68,786,019	8.00%	656,367,242
2023	8,690,461	63,540,011	1,721,003	337,423	-	74,288,898	8.00%	647,748,308
2024	8,524,460	67,124,026	1,798,447	352,607	-	77,799,540	4.73%	632,683,005
2025	8,334,087	69,808,987	1,879,378	368,475	-	80,390,927	3.33%	612,663,717
2026	8,117,658	72,601,347	1,963,950	385,056	-	83,068,011	3.33%	588,206,561
2027	7,873,393	75,505,401	2,052,327	402,383	-	85,833,504	3.33%	558,842,563
2028	7,599,414	78,525,617	2,144,683	420,490	-	88,690,204	3.33%	524,060,651
2029	7,293,732	81,666,642	-	-	-	88,960,374	0.30%	483,304,098
2030	7,515,148	84,933,307	-	-	-	92,448,455	3.92%	438,699,873
2031	7,745,422	88,330,639	-	-	-	96,076,061	3.92%	387,196,568
2032	7,984,906	91,863,865	-	-	-	99,848,771	3.93%	328,109,027
2033	8,233,971	95,538,419	-	-	-	103,772,390	3.93%	260,691,952
2034	8,492,997	99,359,957	-	-	-	107,852,954	3.93%	184,134,880
2035	8,762,384	103,334,354	-	-	-	112,096,738	3.93%	97,556,743
2036	9,042,548	-	-	-	-	9,042,548	-91.93%	-
2037	9,333,918	-	-	-	-	9,333,918	3.22%	-
2038	9,636,941	-	-	-	-	9,636,941	3.25%	-
2039	9,952,087	-	-	-	-	9,952,087	3.27%	-
2040	10,279,838	-	-	-	-	10,279,838	3.29%	-
2041	10,620,700	-	-	-	-	10,620,700	3.32%	-
2042	10,975,195	-	-	-	-	10,975,195	3.34%	-
2043	11,343,870	-	-	-	-	11,343,870	3.36%	-
2044	11,727,293	-	-	-	-	11,727,293	3.38%	-

Worcester Regional Retirement System  
Actuarial Valuation as of January 1, 2014

**Other Post Employment Benefits**

In addition to pension benefits, districts, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by districts, cities or towns is generally provided on a pay-as-you-go basis. The Governmental Accounting Standards Board (“GASB”) recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Districts, cities and towns that choose to self-insure all or a portion of the costs of the health care benefits they provide to employees and retirees may establish a trust fund for the purposes of paying claims. In addition, districts, cities and towns may establish a trust fund for the purpose of pre-funding other post employment benefits liability in the same manner as traditional pension benefits.

The District has implemented GASB 45 for certain post-employment health care and life insurance benefits provided by the District. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$26,312,953 and the actuarial value of plan assets was \$0. The annual required contribution is \$1,812,857 based on an investment rate of return of 4%. The District's contribution in fiscal year 2015 was \$777,301, \$777,528 in 2014, \$754,016 in 2013 and \$835,338 in fiscal year 2012. The District has established an OPEB trust fund and expects to begin funding in fiscal year 2017.

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2012	\$ 2,050,850	40.71%	\$ 3,557,144
June 30, 2013	\$ 2,143,913	35.20%	\$ 4,947,041
June 30, 2014	\$ 2,124,171	36.60%	\$ 6,293,684

**Contracts and Capital Lease Agreements**

The District is obligated under a contract with First Student Inc., an independent busing company, for pupil transportation services beginning July 1, 2015 through June 30, 2020 in the amount of \$574,689 each fiscal year.

The District also has several capital equipment leases with combined annual payments in the amount of \$138,466.

**Regional School District Excess and Deficiency Funds**

Also called the “surplus revenue” account, this is the amount by which cash, accounts receivable and other assets exceed a regional school district’s liabilities and reserves as certified by the Massachusetts Director of Accounts. The regional school committee must apply certified amounts exceeding 5 percent of the district’s prior year operating and capital costs to reduce the assessment on member cities and towns.

The table below reflects the excess and deficiency balances for the following fiscal years.

Fiscal Year Ended June 30	E&D Balance
2015(1).....	\$300,000
2014.....	114,517
2013.....	189,820
2012.....	41,088
2011.....	96,165

(1) Estimated.

**Financial Statements**

Comparative Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years ending June 30, 2010 through 2014 have been extracted from the audits of Roselli, Clark & Associates, Certified Public Accountants and are included as Appendix A. The District’s financial statements for the fiscal year ended June 30, 2014 are attached as Appendix B.

**Litigation**

In the opinion of the District, there is no litigation either threatened or pending which, either individually or in the aggregate, is likely to result in final judgments against the District which would materially affect its financial position.

**NARRAGANSETT REGIONAL SCHOOL DISTRICT, MASSACHUSETTS**

**By: /s/ Jill Berry, Treasurer**

Dated: January 6, 2016

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**NARRAGANSETT REGIONAL SCHOOL DISTRICT  
COMPARATIVE BALANCE SHEETS AS OF JUNE 30(1)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011(2)</u>	<u>2010</u>
Assets:					
Cash and cash equivalents	\$ 939,183	\$ 727,997	\$ 435,502	\$ 521,756	\$ 933,237
Investments			-	-	-
Receivables:					
State and federal governments	5,105,187	5,370,454	5,274,912	8,712,390	9,557,101
Other			-		-
Total Assets	<u>6,044,370</u>	<u>6,098,451</u>	<u>5,710,414</u>	<u>9,234,146</u>	<u>10,490,338</u>
Liabilities:					
Warrants and accounts payable	222,476	251,079	128,957	128,090	176,880
Accrued payroll	305,980	101,090	75,976	135,279	117,927
Other liabilities			-	-	30,305
Deferred revenue	<u>5,098,108</u>	<u>5,192,439</u>	<u>5,274,912</u>	<u>8,712,390</u>	<u>9,557,101</u>
Total Liabilities	<u>5,626,564</u>	<u>5,544,608</u>	<u>5,479,845</u>	<u>8,975,759</u>	<u>9,882,213</u>
Fund Balances:					
Reserved for expenditures			-		-
Reserved for encumbrances			-	-	225,683
Reserved for capital expenditures			-		-
Unreserved:					
Designated for authorized deferral of teacher's pay			-	-	(16,968)
Designated for subsequent year's assessment reduction			-	-	330,519
Designated for subsequent year's expenditures			-	-	-
Undesignated			-	-	68,891
Restricted					
Committed			-	-	-
Assigned	81,073	90,335	140,698	108,685	-
Unassigned	<u>336,733</u>	<u>463,508</u>	<u>89,871</u>	<u>149,702</u>	<u>-</u>
Total Fund Balances	<u>417,806</u>	<u>553,843</u>	<u>230,569</u>	<u>258,387</u>	<u>608,125</u>
Total Liabilities and Fund Equity	<u>\$ 6,044,370</u>	<u>\$ 6,098,451</u>	<u>\$ 5,710,414</u>	<u>\$ 9,234,146</u>	<u>\$ 10,490,338</u>

(1) Extracted from financial statement.

(2) The School District has adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in 2011.

**NARRAGANSETT REGIONAL SCHOOL DISTRICT  
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
AS OF JUNE 30**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:					
Town Assessments	\$ 7,054,370	\$ 6,372,196	\$ 6,283,461	\$ 6,285,775	\$ 6,219,144
Intergovernmental Aid	13,494,847	10,251,923	11,304,605	11,277,812	12,010,065
Intergovernmental on behalf payments		3,105,231	2,795,455	2,559,598	2,481,127
Interest Income	2,641	1,897	4,437	1,009	488
Departmental and miscellaneous	14,242	7,469	18,890	13,634	28,308
Total Revenues	<u>20,566,100</u>	<u>19,738,716</u>	<u>20,406,848</u>	<u>20,137,828</u>	<u>20,739,132</u>
Expenditures:					
Current:					
Instruction	1,665,643	8,948,031	9,135,601	9,613,484	9,316,520
Administration	7,760,970	730,837	848,307	827,001	828,007
Pupil transportation	1,015,804	926,134	859,481	733,101	957,854
Athletics	297,117	285,402	203,095	190,811	296,194
Other school services	817,609	302,269	269,491	320,251	313,717
Operations and maintenance	1,602,337	1,511,402	1,522,928	1,491,592	1,426,121
Employee benefits and insurance	6,031,440	2,773,766	2,741,153	2,638,218	2,649,545
MA Retirement on behalf payments		3,105,231	2,795,455	2,559,598	2,481,127
Payments to other districts			-	-	-
Special education		477,240	552,068	482,064	440,219
School choice assessments	933,555	791,151	720,811	661,396	686,908
Capital acquisitions	189,854	142,515	93,374	173,036	261,731
Debt Service	632,043	685,097	1,752,698	1,778,282	1,762,954
Total Expenditures	<u>20,946,372</u>	<u>20,679,075</u>	<u>21,494,462</u>	<u>21,468,834</u>	<u>21,420,897</u>
Exces (Deficiency) of Revenues Over Expenditures	<u>(380,272)</u>	<u>(940,359)</u>	<u>(1,087,614)</u>	<u>(1,331,006)</u>	<u>(681,765)</u>
Other Financing Uses:	<u>244,235</u>	<u>1,263,633</u>	<u>1,059,796</u>	<u>931,095</u>	<u>730,378</u>
Net Change in Fund Balances	<u>(136,037)</u>	<u>323,274</u>	<u>(27,818)</u>	<u>(399,911)</u>	<u>48,613</u>
Fund Balance, Beginning of Year	<u>553,843</u>	<u>230,569</u>	<u>258,387</u>	<u>658,298</u>	<u>559,512</u>
Fund Balance, End of Year	<u>\$ 417,806</u>	<u>\$ 553,843</u>	<u>\$ 230,569</u>	<u>\$ 258,387</u>	<u>\$ 608,125</u>

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**NARRAGANSETT REGIONAL SCHOOL  
DISTRICT**

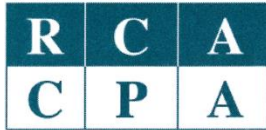
Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2014

# NARRAGANSETT REGIONAL SCHOOL DISTRICT

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## **INDEPENDENT AUDITORS' REPORT**

Honorable School Committee and Superintendent  
Narragansett Regional School District  
Baldwinville, Massachusetts

Honorable School Committee:

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Narragansett Regional School District, (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of those 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2014 and the respective changes in financial position where applicable and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note III. Subsection F, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion was not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the funding progress and contribution funding for pension benefits and other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the financial reporting and compliance.

*Roselli, Clark and Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
January 14, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the District, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

### Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent year by approximately \$7.2 million (total net position).
- The government's total net position decreased by approximately \$1.6 million.
- The District's unassigned fund balance reported in the general fund was approximately \$0.3 million (1.6% of General Fund expenditures) and total fund balance was approximately \$0.4 million (2.0% of General Fund expenditures). The District reported restricted fund balances of over \$0.5 million in the Combined Nonmajor Governmental Funds in addition to a committed balance of over \$0.5 million in the School Choice Major Fund.
- The District's long-term debt decreased approximately \$0.1 million during the fiscal year due to regular scheduled principle payments.

### Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick leave and other postemployment benefits.)

The government-wide financial statements consist of those whose activities that are principally supported by assessments to users and intergovernmental revenue (*governmental activities*). The District does not maintain any *business-type activities*.

The governmental activities of the District include administration, instruction, transportation, athletics, other pupil services, operation and maintenance of schools, school choice and charter assessments, grant expenditures, food services, and financing service.

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

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

- Nonspendable —amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund

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

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

Reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and School Choice Major Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been included as required supplementary information for the general fund to demonstrate compliance with this budget.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District’s own programs.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s progress in funding its obligation to provide pension and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by nearly \$7.2 million at the close of the most recent fiscal year.

The condensed statement of net position is presented in the following table:

	<b>Governmental Activities</b>	
	2014	2013
<b>Assets</b>		
Current and other assets	\$ 7,337,022	\$ 7,489,747
Capital assets, net	15,045,981	15,313,432
Total assets	<u>22,383,003</u>	<u>22,803,179</u>
<b>Deferred Outflows of Financial Resources</b>	-	-
<b>Liabilities</b>		
Current and other liabilities	663,839	846,214
Non-current liabilities	14,534,581	13,189,078
Total liabilities	<u>15,198,420</u>	<u>14,035,292</u>
<b>Deferred Inflows of Financial Resources</b>	-	-
<b>Net Position</b>		
Net Investment in capital assets	7,052,056	12,176,904
Restricted	5,678,401	691,433
Unrestricted	(5,545,874)	(4,100,450)
Net Position	<u>\$ 7,184,583</u>	<u>\$ 8,767,887</u>

By far, the largest portion (approximately \$7.0 million) of the District’s net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used

to liquidate these liabilities. An additional portion (over \$5.7 million) of the District’s net position represents resources that are subject to external restriction on how they may be used.

The remaining net position balance consists of *unrestricted net position*, which is reflected as a negative balance (approximately \$5.5 million). This is due to the recognition of other postemployment benefits of approximately \$6.3 million since the implementation of Governmental Accounting Standards Board Statement (“GASB”) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2010.

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

	<b>Governmental Activities</b>	
	2014	2013
<b>REVENUES:</b>		
Program revenues:		
Charges for services	\$ 493,644	\$ 363,381
Operating grants and contributions	5,199,981	4,882,990
Capital grants and contributions	225,000	-
General revenues:		
Assessments to member communities	7,054,370	6,372,196
Grants and contributions not restricted to specific programs	10,195,551	10,681,649
Unrestricted investment income	2,641	1,897
Other	66,014	7,469
Total revenues	<u>23,237,201</u>	<u>22,309,582</u>
<b>EXPENSES:</b>		
Administration	2,669,464	730,837
Instructional	13,870,862	9,023,394
Transportation	1,015,804	926,134
Athletics	401,322	296,431
Other pupil services	1,583,419	368,566
Operations and maintenance	2,616,002	1,512,019
Property and liability insurance	-	101,019
Pension benefits	-	3,381,260
Fringe benefits	-	3,760,569
Special education tuition	-	765,216
School choice and charter assessments	933,555	791,151
Grant Expenditures	1,063,599	828,215
Food services	398,749	429,156
Capital acquisitions	-	16,091
Depreciation (unallocated)	-	673,160
Debt Service:		
Interest	267,729	296,175
Total expenses	<u>24,820,505</u>	<u>23,899,393</u>
Change in net position	(1,583,304)	(1,589,811)
Net position – beginning of the year	<u>8,767,887</u>	<u>10,357,698</u>
Net position – end of the year	<u>\$ 7,184,583</u>	<u>\$ 8,767,887</u>



**Governmental Activities** The governmental activities decreased net position by approximately \$1.6 million. This was due primarily to current year non-cash charges related to the District's other postemployment benefits. These charges amounted to \$1.3 million in the current period.

Total revenues increased approximately \$0.9 million year over year. This was due primarily to an increase in member assessments of approximately \$0.7 million with minor increase in other areas accounting for the difference. Major revenues consisted of operating grants, member assessments and grants not restricted to specific programs which represented 22.4%, 30.4% and 43.9% of total revenue respectively for the year ended June 30, 2014. No other revenue sources exceed 10% of total revenues.

Major expenses were for instruction, which represented 55.6% of total expenses, administration, which represent 10.8% of total expenses, and operations and maintenance, which represented 10.5% of total expenses. Total expenses increased approximately \$0.9 million which was consistent with the revenue increase (see above). No other expenses were greater than 10% of total expenses.

### **Fund-wide Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the District's governmental funds balance sheet reported a combined ending fund balance of approximately (\$1.6) million, which represents a decrease of approximately \$0.3 million from the prior year balance. This was due mostly to timing of revenues and expenditures in the non-major and school choice funds. The general fund revenues and expenses were relatively consistent during the year.

The District's unassigned fund balance reported in the General Fund was approximately \$0.3 million (1.6% of General Fund expenditures). The District reported restricted and committed fund balances of over \$0.5 million in the Combined Nonmajor Governmental Funds and School Choice Major Fund.

### **General Fund Budgetary Highlights**

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

### **Capital Asset and Long-Term Financing Administration**

**Capital Assets** The District's investment in capital assets for its governmental activities as of June 30, 2014 amounts to approximately \$15.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, and equipment and reflects a decrease of approximately \$0.3 million, from prior year as depreciation for current year exceeded new additions.

Additional information on the District's capital assets can be found in Note II subsection D.

**Long-Term** – At the end of the current year, the District had total debt outstanding of \$7.9 million which is fully accounted for as general obligation bonds within the governmental activities.

Additional information on the District's short-term and long-term debt can be found in Note II under subsections F and G. of this report.

### **Current Economic Issues Affecting the Budget**

- Unfunded mandates continue to drain District resources both in unanticipated expenditures and increased administration time to implement the mandates. These include No Child Left Behind (NCLB), Massachusetts Comprehensive Assessment System (MCAS) remediation, Student Information Management System (SIMS) and End of Year (EOY) reporting as a few examples.
- The Chapter 70 funding formula has changed so that over the last five years there is more per pupil equity in the minimum contributions that the member Districts have to fund in their assessment. Member District minimum contributions shift, causing assessment increases in some Towns and decreases in others but are more proportional to the student population. This shift is not a result of the District Agreement but rather a change in the Chapter 70 funding formula and the 'minimum' contributions required of the member Districts.
- The District has responded well financially, despite a declining economy and uncertainty in State and Federal Funding. If state aid continues to be limited and communities continue to be hamstrung by levy limits, the Administration and District School Committee will be faced with challenges to continue providing quality vocational and academic education.

These factors, among others, were considered in preparing the District's budget for the 2015 fiscal year.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Ruth Miller, Superintendent of Schools, at Narragansett Regional School District, 462 Baldwinville, MA 01436

**NARRAGANSETT REGIONAL SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2014**

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	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,962,828
Receivables, net:	
Intergovernmental receivables	5,374,194
Capital assets, not being depreciated	261,600
Capital assets, net of accumulated depreciation	14,784,381
<b>Total Assets</b>	<b>22,383,003</b>
<b>Deferred Outflows of Resources</b>	
	-
<b>Liabilities</b>	
Warrants and accounts payable	357,859
Accrued payroll and withholdings	305,980
Noncurrent liabilities:	
Due in one year	1,550,059
Due in more than one year	12,984,522
<b>Total Liabilities</b>	<b>15,198,420</b>
<b>Deferred Inflows of Resources</b>	
	-
<b>Net Position</b>	
Net Investment in capital assets	7,052,056
Restricted:	
Massachusetts School Building Authority Grants	5,098,108
Federal and State grants	81,646
Revolving and other specific purposes	498,647
Unrestricted	(5,545,874)
<b>Total Net Position</b>	<b>\$ 7,184,583</b>

See accompanying notes to basic financial statements.

NARRAGANSETT REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>Functions/Programs</b>					
<u>Governmental Activities:</u>					
Administration	\$ 2,669,464	\$ -	\$ 2,305,253	\$ -	(364,211)
Instructional	13,870,862	127,162	1,175,455	-	(12,568,245)
Transporation	1,015,804	-	-	-	(1,015,804)
Athletics	401,322	72,055	38,460	-	(290,807)
Other pupil services	1,583,419	100,609	290,564	-	(1,192,246)
Operations and maintenance	2,616,002	-	167,004	225,000	(2,223,998)
School choice and charter assessments	933,555	-	-	-	(933,555)
Grant Expenditures	1,063,599	-	1,018,470	-	(45,129)
Food services	398,749	193,818	204,775	-	(156)
Interest expense	267,729	-	-	-	(267,729)
					-
Total Governmental Activities	<u>\$ 24,820,505</u>	<u>\$ 493,644</u>	<u>\$ 5,199,981</u>	<u>\$ 225,000</u>	<u>(18,901,880)</u>
<u>General Revenues:</u>					
					7,054,370
					10,195,551
					2,641
					66,014
					<u>17,318,576</u>
					Change in Net Position
					(1,583,304)
<u>Net Position:</u>					
					Beginning of year
					<u>8,767,887</u>
					<b>End of year</b>
					<b><u>\$ 7,184,583</u></b>

See accompanying notes to basic financial statements.

**NARRAGANSETT REGIONAL SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General	School Choice Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 939,183	\$ 498,587	\$ 525,058	\$ 1,962,828
Due from other government	5,105,187	78,389	190,618	5,374,194
<b>Total Assets</b>	<u>6,044,370</u>	<u>576,976</u>	<u>715,676</u>	<u>7,337,022</u>
<b>Total Deferred Outflows of Resources</b>	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 6,044,370</u>	<u>\$ 576,976</u>	<u>\$ 715,676</u>	<u>\$ 7,337,022</u>
<b>Liabilities</b>				
Warrants and accounts payable	\$ 222,476	\$ -	\$ 135,383	\$ 357,859
Accrued payroll and withholdings	305,980	-	-	305,980
<b>Total Liabilities</b>	<u>528,456</u>	<u>-</u>	<u>135,383</u>	<u>663,839</u>
<b>Deferred Outflows of Resources</b>				
Unavailable revenue - intergovernmental	5,098,108	-	-	5,098,108
<b>Total Deferred Inflows of Resources</b>	<u>5,098,108</u>	<u>-</u>	<u>-</u>	<u>5,098,108</u>
<b>Fund Balances:</b>				
Restricted	-	-	580,293	580,293
Committed	-	576,976	-	576,976
Assigned	81,073	-	-	81,073
Unassigned	336,733	-	-	336,733
<b>Total Fund Balances</b>	<u>417,806</u>	<u>576,976</u>	<u>580,293</u>	<u>1,575,075</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 6,044,370</u>	<u>\$ 576,976</u>	<u>\$ 715,676</u>	<u>\$ 7,337,022</u>

See accompanying notes to basic financial statements.

**NARRAGANSETT REGIONAL SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

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<b>Total Governmental Fund Balances</b>	<b>\$</b>	<b>1,575,075</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,045,981
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		5,098,108
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:		
Bonds and notes payable		(7,916,000)
Capital lease obligations		(77,924)
Compensated absences		(246,973)
Other postemployment benefits		(6,293,684)
		(6,293,684)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>7,184,583</u></b>

See accompanying notes to basic financial statements.

**NARRAGANSETT REGIONAL SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2014**

	General	School Choice Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Assessments to Member Towns	\$ 7,054,370	\$ -	\$ -	\$ 7,054,370
Intergovernmental	13,494,847	758,747	1,461,268	15,714,862
Charges for services:				
School Lunch	-	-	193,818	193,818
Tuition and fees	-	78,389	221,437	299,826
Investment income	2,641	-	-	2,641
Other revenues	14,242	-	51,772	66,014
<b>Total Revenues</b>	<u>20,566,100</u>	<u>837,136</u>	<u>1,928,295</u>	<u>23,331,531</u>
<b>Expenditures</b>				
Administration	1,665,643	-	57,832	1,723,475
Instructional	7,760,970	795,202	109,136	8,665,308
Transporation	1,015,804	-	-	1,015,804
Athletics	297,117	-	12,942	310,059
Other pupil services	817,609	-	103,222	920,831
Operations and maintenance	1,602,337	-	-	1,602,337
Employee benefits	6,031,440	-	-	6,031,440
School choice and charter assessments	933,555	-	-	933,555
Grant Expenditures	-	-	1,063,599	1,063,599
Food services	-	-	398,749	398,749
Capital acquisitions	189,854	-	249,938	439,792
Debt Service:				
Principal	341,400	-	-	341,400
Interest	290,643	-	-	290,643
<b>Total Expenditures</b>	<u>20,946,372</u>	<u>795,202</u>	<u>1,995,418</u>	<u>23,736,992</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(380,272)</u>	<u>41,934</u>	<u>(67,123)</u>	<u>(405,461)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from capital lease financing	71,380	-	-	71,380
Transfers in	172,855	-	-	172,855
Transfers out	-	(128,838)	(44,017)	(172,855)
<b>Total Other Financing Sources (uses) net</b>	<u>244,235</u>	<u>(128,838)</u>	<u>(44,017)</u>	<u>71,380</u>
<b>Net Change in Fund Balance</b>	(136,037)	(86,904)	(111,140)	(334,081)
Fund Balances - Beginning	<u>553,843</u>	<u>663,880</u>	<u>691,433</u>	<u>1,909,156</u>
Fund Balances - Ending	<u><b>\$ 417,806</b></u>	<u><b>\$ 576,976</b></u>	<u><b>\$ 580,293</b></u>	<u><b>\$ 1,575,075</b></u>

See accompanying notes to basic financial statements.

**NARRAGANSETT REGIONAL SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**JUNE 30, 2014**

		Total
<b>Net Change in Fund Balances - Total Governmental Fund Balances</b>	<b>\$</b>	<b>(334,081)</b>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:</p>		
Capital outlays	\$ 384,692	
Depreciation expense	<u>(652,143)</u>	
Net effect of reporting capital assets		(267,451)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued. Whereas these amounts are unearned and amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:</p>		
Proceeds from capital lease obligations	(71,380)	
Repayment of debt	341,400	
Repayments of capital lease obligations	<u>65,023</u>	
Net effect of reporting long-term debt		335,043
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue.</p>		
		(94,331)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>		
Accrued interest	22,914	
Compensated absences	101,245	
Other postemployment benefits	<u>(1,346,643)</u>	
Net effect of reporting long-term liabilities		<u>(1,222,484)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(1,583,304)</u></b>

See accompanying notes to basic financial statements.



NARRAGANSETT REGIONAL SCHOOL DISTRICT

STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

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	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 311,141	\$ 136,607
<b>Total Assets</b>	<u>311,141</u>	<u>136,607</u>
<b>Liabilities:</b>		
Other liabilities	-	136,607
<b>Total Liabilities</b>	<u>-</u>	<u>136,607</u>
<b>Net Position:</b>		
Held in Trust for other purposes	311,141	-
<b>Net Position</b>	<u>\$ 311,141</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

NARRAGANSETT REGIONAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2014

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Interest Income	\$ 94
Contributions	11,625
<b>Total Additions</b>	<u>11,719</u>
<b>Deductions:</b>	
Scholarships and assistance	<u>14,153</u>
<b>Total Deductions</b>	<u>14,153</u>
<b>Change in Net Position</b>	(2,434)
<b>Net Position - Beginning</b>	313,575
<b>Net Position - Ending</b>	<u><u>\$ 311,141</u></u>

See accompanying notes to basic financial statements.

# NARRAGANSETT REGIONAL SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

The accompanying basic financial statements of the Narragansett Regional School District (the "District"); have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board ("GASB"), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the District:

#### **A. Reporting Entity**

The Narragansett Regional School District operates under a regional agreement as amended July 1, 1997. The School District is comprised of the Towns of Templeton and Phillipston and serves the educational needs of students in grades kindergarten (K) through twelve (12).

The form of government is an elected eight (8)-member school committee, which is responsible for appointing a Superintendent who is the chief operating official for the School District.

The School District operates four school buildings – Baldwinville Elementary School, Narragansett Regional Middle/High School, Phillipston Memorial School and Templeton Center School. The School District is responsible for both the operating and capital costs related to all buildings, which are apportioned to the towns based on student enrollment in accordance with the regional agreement.

The District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. There are no component units that meet the requirements for inclusion in the District's basic financial statements.

#### **B. Government-Wide and Fund Financial Statements**

The Government-Wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by member District assessments and intergovernmental revenues, are reported on this statement.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of an individual governmental or

enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

- 2) The total assets and deferred outflows of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Government-Wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member District assessments are recognized as revenues in the year for which they are levied. State grants, local aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member community assessments, state grants such as Chapter 70 and other items not restricted to specific programs are reported instead as *general revenues*.

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

Member District assessments are apportioned amongst capital and operating costs and are based on student population. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

The *School Choice Fund* is a revolving account authorized by Massachusetts General Laws, Chapter 76, section 12B, for the receipt of tuition from other school systems. The School District can expend from this revolving account for any educational purpose.

The *Nonmajor Governmental Funds* consist of special revenue funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of this fund type:

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes.

The *Capital Project Fund* is used to account for the roof project renovations for the Middle/High School.

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

The government reports the following fiduciary fund type:

The *Private Purpose Trust Fund* is used to account for various scholarship awards.

The *Agency Fund* is used to account for assets held in a custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The District's agency funds consist of student activity accounts.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity**

*Deposits and Investments* – The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value.

*Receivables* – Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

Intergovernmental revenues are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

*Inventories and Prepaid Items* – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital Assets* – Capital assets, which include land, construction in progress, building and improvements, machinery, equipment and textbooks, and furniture, are reported in the Government-Wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than one year. The costs of normal

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

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and building improvements	5 - 40 years
Machinery, equipment and furnishings	5 - 10 years

Inter-fund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Inter-fund Transfers– During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfer out in the individual fund statements.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law.

Compensated Absences – It is the District’s policy to permit employees to accumulate earned but unused vacation and sick benefits. Compensated absence liabilities related to governmental activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-Term Obligations – Long-term debt is reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of the long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

*Massachusetts School Building Authority Grants* represent assets that have restrictions placed on them related to the future debt service costs of school construction.

*Federal and State grants* represent assets that have restrictions placed on them from federal and state granting agencies.

*Revolving and Other Purposes* represent amounts that can be spent only for specific purpose because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

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

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

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

*Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless this decision making authority removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

*Assigned* represents amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the School Committee. The District has by ordinance authorized the School Business Manager to assign fund balance. The School Committee may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

The District has not established financial policies with respect to maintaining minimum fund balance amounts but must follow State regulations with respect to maximum balances it may maintain in its excess and deficiency account with a ceiling of 5% of operating budget.

Stabilization Fund – the district maintains a stabilization fund which may be used for any municipal purpose upon two-thirds vote of the School Committee. The balance total \$50,522 at June 30, 2014 are reported as unassigned fund balance in the general fund.

Encumbrances – The District’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the School Accountant as assigned, and (2) classify encumbrances that result from an action of the School Committee Meeting as committed. Encumbrances of funds already restricted, or committed are included with the classification of those fund balances and not reported separately.

The District Reports \$81,073 of encumbrances from the normal purchasing activity at June 30, 2014 as assigned in the general fund and does not report any encumbrances from School Committee Meeting votes.

The following table represents the fund equity categorizations:

	General	School Choice Fund	Nonmajor Governmental Funds	Total
Restricted:				
Federal and state grants	-	-	81,646	81,646
Revolving	-	-	433,570	433,570
Capital projects	-	-	40,498	40,498
Gifts and other	-	-	24,579	24,579
Assigned:				
Encumbrances	81,073	-	-	81,073
Committed:				
Subsequent year budget	-	576,976	-	576,976
Unassigned	336,733	-	-	336,733
	<u>\$ 417,806</u>	<u>\$ 576,976</u>	<u>\$ 580,293</u>	<u>\$ 1,575,075</u>

**E. Excess of Expenditures Over Appropriations**

During the fiscal year ended, expenditures did not exceed appropriations for the legally adopted budget.



**F. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**II. Detailed Notes to All Funds**

**A. Deposits and Investments**

A cash and investment pool is maintained that is available for use by all funds. Each fund type’s portion of this pool is displayed on the balance sheet as “cash and cash equivalents”.

State laws and regulations require the District to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer’s investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the District’s deposits was \$2,410,576 and the bank balance was \$2,599,693. Of the District’s bank balance, \$2,547,702 was covered by federal depository insurance leaving the remaining balance (\$51,991) exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the District may not be able to recover the full amount of its principal investment and/or investment earnings.

Interest Rate Risk – The District has formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk – The District does not place a limit on the amount that may be invested in any one issuer.

Credit Risk – The District has adopted a formal policy related to credit risk.

**B. Receivables** – Receivables as of year-end for the individual major and nonmajor governmental funds were as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Intergovernmental	5,374,194	-	5,374,194
Total	<u>\$ 5,374,194</u>	<u>\$ -</u>	<u>\$ 5,374,194</u>

**School Building Assistance Reimbursement** – As of June 30, 2014, The District expects to receive \$5,105,187 applicable to approved eligible school construction costs from the MSBA. The amount is recorded as a receivable in the General Fund and as part of intergovernmental receivables.

**C. Interfund Payables, Receivables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

Transfer Out	Transfer In	
	General Fund	Total
School Choice Fund	\$ 128,838	\$ 128,838 (1)
Nonmajor Governmental Funds	44,017	44,017 (2)
Total	<u>\$ 172,855</u>	<u>\$ 172,855</u>

(1) Operating transfer from School Choice Fund

(2) Operating transfer from Circuit Breaker Revolving Fund

**D. Capital Assets**

Capital activity for the year ended June 30, 2014 is summarized in the following table:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 11,662	\$ -	\$ -	\$ 11,662
Construction in process	-	249,938	-	249,938
Total capital assets not being depreciated	<u>11,662</u>	<u>249,938</u>	<u>-</u>	<u>261,600</u>
Capital assets being depreciated:				
Buildings and improvements	21,518,037	-	-	21,518,037
Machinery, equipment and furniture	1,550,164	134,754	-	1,684,918
Total capital assets being depreciated	<u>23,068,201</u>	<u>134,754</u>	<u>-</u>	<u>23,202,955</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,388,588)	(579,620)	-	(6,968,208)
Machinery, equipment and Textbooks	(1,377,843)	(72,523)	-	(1,450,366)
Total accumulated depreciation	<u>(7,766,431)</u>	<u>(652,143)</u>	<u>-</u>	<u>(8,418,574)</u>
Total capital assets being depreciated, net	<u>15,301,770</u>	<u>(517,389)</u>	<u>-</u>	<u>14,784,381</u>
Governmental activities capital assets, net	<u>\$ 15,313,432</u>	<u>\$ (267,451)</u>	<u>\$ -</u>	<u>\$ 15,045,981</u>

Depreciation expense was charged ratably by cost to the various functional line items.

**E. Leases**

The District has entered into 4 lease purchase agreements to purchase technology equipment. These long-term leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2014, are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 39,171
2016	28,431
2017	<u>19,522</u>
<b>Total Minimum Lease Payments</b>	87,124
Less amount representing interest	<u>(9,200)</u>
<b>Present Value of Net Minimum Lease Payments</b>	<u>\$ 77,924</u>

Assets acquired through capital leases are as follows:

Assets:	<u>Amount</u>
Computer Equipment	\$ 142,539
Less: Accumulated depreciation	<u>(42,230)</u>
Total	<u>\$ 100,309</u>

**F. Temporary Debt**

The District is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue anticipation notes (“RANs”).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of BANs or grant anticipation notes (“GANs”). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the District and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. Temporary Notes outstanding at June 30, 2014, are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
BAN - A	0.65%	Matured	\$ 224,400	\$ -	\$ (224,400)	\$ -
Total Governmental Notes			224,400	-	(224,400)	-
Total Temporary Notes Payable			<u>\$ 224,400</u>	<u>\$ -</u>	<u>\$ (224,400)</u>	<u>\$ -</u>

**G. Long-term Debt**

The District issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental activities. Additionally, the District incurs various other long-term obligations relative to associated personnel costs.

State law permits the District, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a District may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit

The following represents the changes in long-term liabilities during the fiscal year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 8,033,000	\$ -	\$ (117,000)	\$ 7,916,000	\$ 1,479,000
Capital Leases	71,567	71,380	(65,023)	77,924	34,013
Compensated absences	348,218	-	(101,245)	246,973	37,046
Other postemployment benefits	4,947,041	2,124,171	(777,528)	6,293,684	-
<b>Total Governmental Activities</b>	<u>\$ 13,399,826</u>	<u>\$ 2,195,551</u>	<u>\$ (1,060,796)</u>	<u>\$ 14,534,581</u>	<u>\$ 1,550,059</u>
<b>Total Long-term Obligations</b>	<u>\$ 13,399,826</u>	<u>\$ 2,195,551</u>	<u>\$ (1,060,796)</u>	<u>\$ 14,534,581</u>	<u>\$ 1,550,059</u>

The liabilities will be liquidated from the general fund.

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2014:

<u>Description of Issue</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Maturities</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>					
General Obligation Bonds	3.60%	\$ 8,033,000	\$ -	\$ (117,000)	\$ 7,916,000
<b>Total Governmental Activities</b>		<u>8,033,000</u>	<u>-</u>	<u>(117,000)</u>	<u>7,916,000</u>
<b>Total Bond and Note Debt</b>		<u>\$ 8,033,000</u>	<u>\$ -</u>	<u>\$ (117,000)</u>	<u>\$ 7,916,000</u>

At June 30, 2014 the district had the following authorized and unissued debt:

<u>Project</u>	<u>Amount</u>
<i>Governmental Activities:</i>	
MS Roof Project	<u>\$ 445,336</u>

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

<i>Governmental Activities - Total Bond and Note Indebtedness</i>			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	
<u>June 30</u>	<u>Balance</u>	<u>Balance</u>	<u>Total</u>
2015	\$ 1,479,000	\$ 284,976	\$ 1,763,976
2016	1,532,000	231,732	1,763,732
2017	1,587,000	176,580	1,763,580
2018	1,644,000	119,448	1,763,448
2019	1,674,000	60,264	1,734,264
Total	<u>\$ 7,916,000</u>	<u>\$ 873,000</u>	<u>\$ 8,789,000</u>

### **III. Other Information**

#### **A. Retirement System**

*Plan Description* - The District contributes to the Worcester County Retirement System (WCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Worcester County Retirement Board (WCRB). Substantially all employees are members of the System.

The WCRS provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the WCRB and are borne by the WCRS. The WCRS issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC) that includes financial statements and required supplementary information. The report may be obtained by writing to the Worcester Regional Retirement System located at Midstate Office Park, 23 Midstate Drive, Suite 106, Auburn, MA 01501.

*Funding Policy* - Plan members are required to contribute to the WCRS at rates ranging from 5% to 11% of annual covered compensation. The District is required to pay into the WCRS for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the District are governed by Chapter 32 of the MGL. The District's contributions to the WCRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$282,353, \$281,339, and \$275,612 respectively, which equaled 100% of its required contribution for each year.

#### **B. Massachusetts Teacher's Retirement System**

Teachers and certain administrative employees of the District participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$3,204,966 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the District, which does not contribute directly to this system.

**C. Other Postemployment Benefits**

Plan Description – In addition to the pension benefits previously described, the District provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements and state law. All benefits are provided through the District’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 183 active employees and 109 retired employees for a total of 292.

Funding Policy - The contribution requirements of Plan members and the District are established and may be amended by the District. Required contributions are based on projected pay-as-you-go financing. The costs of administering the Plan are paid by the District.

Annual OPEB Cost and Net OPEB Obligation - The District’s annual OPEB cost is calculated based on the annual required contribution “ARC” of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the District’s OPEB obligation:

Annual required contribution (ARC)	\$ 1,812,857
Interest on net OPEB obligation	197,881
Adjustment to ARC	<u>113,433</u>
Annual OPEB cost	2,124,171
Contributions made	<u>(777,528)</u>
Increase in net OPEB obligation	1,346,643
Net OPEB obligation at beginning of year	<u>4,947,041</u>
Net OPEB obligation at end of year	<u><u>\$ 6,293,684</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2012	\$ 2,050,850	40.71%	\$ 3,557,144
June 30, 2013	\$ 2,143,913	35.20%	4,947,041
June 30, 2014*	\$ 2,124,171*	36.60%	\$ 6,293,684

\* The AOPEBC at June 30, 2014 was charged to the following functional programs within the Statement of Activities: Administration \$276,142; Instruction \$1,519,207; Athletics \$25,490; Other Pupil Services \$192,662 and Operation and Maintenance of \$110,660.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2014 for the most recent actuarial valuation performed as of July 1, 2013, was as follows:

Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 26,312,953	\$ 26,312,953	0.00%	\$ N/A	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL of benefits.

Methods and Assumptions – 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 the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The significant methods and assumptions as of the latest valuation are as follows:

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	26 years as of July 1, 2013
Investment rate or return	4.0%
Salary increases	3.0%
Inflation rate	2.5%
Healthcare/Medical cost trend rate	5% in year 2014 and thereafter

#### D. Risk Financing

The School District is exposed to various risks of loss related to torts, theft, damage and destruction of assets; errors and omissions; and natural disaster. The District has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### E. Contingencies

The School District is a member of the Minuteman Nashoba Health Group (the Group), a public entity risk pool, consisting of sixteen (16) other voting governmental entities from the neighboring geographic area, with whom the School District shares the risk of providing health care to eligible active and former employees.

The School District pays monthly premiums to the Group. These payments are funded in part from the School District, and payroll withholdings from active employees, or direct payments

from retired and certain eligible former employees. In general, the School District pays 75 percent of the cost of insurance for active and retired employees. Other past employees who may be eligible to participate in the plan must pay 100 percent of their premium cost.

The Group makes payment through a third party administrator for actual health claims incurred for the entire group. In addition, the Group purchases supplemental insurance coverage for catastrophic health claims related to an individual participant.

At the end of the Group's fiscal year, June 30, the Group's insurance consultant will determine if assets are sufficient to meet the liabilities of the Group on an accrual basis and premium rates are adjusted to meet the anticipated needs of the ensuing year.

It is anticipated that if claims liability exceed assets, discretion of the Group's Board of Directors, assets of the Group, which are in excess of claims computed on an actuarial basis, can be distributed to each of the Group's participants based upon a formula described in the Group agreement.

Based upon the unaudited results of the operations of the Group for the fiscal year ended June 30, 2014, the School District's insurance consultants have reported that the Minuteman Noshoba Health Group has sufficient assets to pay all known and estimated liabilities for health claims incurred through June 30, 2014. The Board of Directors has not acted to disburse any of the assets to the Group's participants.

The District is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2014, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the District at June 30, 2014.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**F. Implementation of New GASB Pronouncements**

*Current Year Implementations* –

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of GASB 65 became effective for the District in fiscal year 2014, and did not have a material effect on its financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that



resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of GASB 66 became effective for the District in fiscal year 2014 and did not have a material effect on its financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of GASB 70 became effective for the District in fiscal year 2014 and did not have a material effect on its financial statements.

Future Implementations –

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of GASB 67 become effective for the Worcester County Retirement System as of December 31, 2014 and the correlative impact will be reflected by the District in fiscal year 2015 through GASB 68 (see below). The District believes the adoption of this statement will have a material effect on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 (fiscal year 2015). The District believes the adoption of this statement will have a material impact on the financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2013 (fiscal year 2015). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of GASB 71 is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made

by a state or local government employer or nonemployer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 (fiscal year 2015). The District is currently evaluating whether adoption will have a material impact on the financial statements.

**IV. Economic Dependence**

During the year ended June 30, 2014, approximately 66% of revenues of the general fund were recognized from the Commonwealth of Massachusetts.

NARRAGANSETT REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

SCHEDULE OF FUNDING PROGRESS

Worcester County Regional Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2014	\$ 488,346,471	\$ 1,087,769,903	\$ 599,423,432	44.9%	\$ 252,829,591	237.1%
1/1/2012	436,671,982	982,796,782	546,124,800	44.4%	238,952,079	228.5%
1/1/2010	413,976,785	863,002,067	449,025,282	48.0%	241,992,607	185.6%

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2013	\$ -	\$ 26,312,953	\$ 26,312,953	0.0%	N/A	N/A
7/1/2012	-	24,469,213	24,469,213	0.0%	11,171,839	219.0%
7/1/2011	-	23,279,050	23,279,050	0.0%	11,409,889	204.0%

SCHEDULE OF CONTRIBUTION FUNDING

Pension System

Year Ended June 30,	Worcester County Retirement System			School District (B/A)	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	Districts Percentage of System Wide Actual Contributions
2014	\$ 37,510,266	\$ 37,510,266	100.0%	282,353	0.75%
2013	35,036,320	35,036,320	100.0%	281,339	0.80%
2012	33,072,000	33,072,000	100.0%	275,612	0.83%

Other Postemployment Benefits

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2014	\$ 2,124,171	\$ 777,528	36.6%
2013	2,143,913	754,016	35.2%
2012	2,050,850	835,338	40.7%

See accompanying independent auditor's report.

NARRAGANSETT REGIONAL SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>REVENUES</b>						
Member community assessments	\$ 7,054,370	\$ 7,054,370	\$ 7,054,370	\$ -	\$ 7,054,370	\$ -
Intergovernmental	10,224,411	10,224,411	10,289,881	-	10,289,881	65,470
Investment income	-	-	2,563	-	2,563	2,563
Other revenues	-	-	14,242	-	14,242	14,242
<b>Total Revenues</b>	<b>17,278,781</b>	<b>17,278,781</b>	<b>17,361,056</b>	<b>-</b>	<b>17,361,056</b>	<b>82,275</b>
<b>EXPENDITURES</b>						
Instructional services	7,748,158	7,748,158	7,689,590	12,513	7,702,103	46,055
Administrative operations	1,625,292	1,625,292	1,665,643	3,540	1,669,183	(43,891)
Student transportation	924,705	924,705	1,015,804	-	1,015,804	(91,099)
Athletics	275,840	275,840	297,117	-	297,117	(21,277)
Other school services	868,991	868,991	817,609	-	817,609	51,382
Operations and maintenance	1,608,021	1,608,021	1,602,337	42,950	1,645,287	(37,266)
Property and liability insurance	92,427	92,427	92,508	-	92,508	(81)
Pension benefits	282,353	282,353	282,353	-	282,353	-
Fringe benefits	2,627,607	2,627,607	2,451,613	-	2,451,613	175,994
Tuitions and school assessments	1,789,321	1,789,321	994,500	12,070	1,006,570	782,751
Debt service	640,088	640,088	632,043	-	632,043	8,045
Capital Acquisitions	151,535	151,535	189,854	10,000	199,854	(48,319)
<b>Total Expenditures</b>	<b>18,634,338</b>	<b>18,634,338</b>	<b>17,730,971</b>	<b>\$ 81,073</b>	<b>17,812,044</b>	<b>822,294</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	1,204,165	1,204,165	172,855	-	172,855	(1,031,310)
<b>Total Other Financing Sources (Uses)</b>	<b>1,204,165</b>	<b>1,204,165</b>	<b>172,855</b>	<b>-</b>	<b>172,855</b>	<b>(1,031,310)</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (151,392)	\$ (151,392)	\$ (197,060)	-	\$ (278,133)	\$ (126,741)
<b>OTHER BUDGETARY ITEMS:</b>						
Prior year encumbrances	110,392	110,392	-	-	-	-
E&D Surplus	41,000	41,000	-	-	-	-
<b>Total Other Budgetary Items</b>	<b>151,392</b>	<b>151,392</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	\$ -	\$ -				

**NARRAGANSETT REGIONAL SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014**

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**I. Budgetary Basis of Accounting**

An annual budget is legally adopted for the General Fund by the School Committee. Subsequent to the School Committee’s approval, the budget is presented to member Districts. The budget is accepted by the majority Town Meeting approval and must be approved by both of the District’s members. Increases in the budget subsequent to the approval of the annual budget require majority Committee approval. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance.

The District adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2014, there were no changes made to the original voted budget.

The School Business Manager has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted. Budgetary control is exercised through the District’s accounting system.

Budgetary-to-GAAP Reconciliation – The District’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2014, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis	\$ -	\$ -	\$ 17,361,056
Stabilization investment income	-	78	78
On behalf payments	3,204,966	-	3,204,966
Revenues on a GAAP basis	<u>\$ 3,204,966</u>	<u>\$ 78</u>	<u>\$ 20,566,100</u>
Expenditures on a budgetary basis	\$ -	\$ -	\$ 17,730,971
Expenditure recognition timing difference	(60,945)	-	(60,945)
Purchases from capital leases	71,380	-	71,380
On behalf payments	3,204,966	-	3,204,966
Expenditures on a GAAP basis	<u>\$ 3,204,966</u>	<u>\$ -</u>	<u>\$ 20,946,372</u>
Net transfers on a budgetary basis	\$ -	\$ -	\$ 172,855
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,855</u>

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**INFORMATION RELATING TO  
MEMBER TOWNS OF THE DISTRICT**

**TOWN OF PHILLIPSTON,  
MASSACHUSETTS**

### General

The Town of Phillipston, incorporated in 1814 is located in Worcester County and occupies a land area of approximately 25 square miles and according to the most recent census has a population of 1,715. Phillipston is a residential and rural community located on Route 2 with several campgrounds, restaurants, and a public beach at Queen Lake. The major highways in the area are U.S. Route 202, State Route 2, which runs east to west across northern Massachusetts, and State Route 101. The Town of Phillipston is bordered by Templeton on the east, Barre on the south, Petersham and Athol on the southwest and west, and Royalton on the north.

### Government

Local legislative decisions are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of three selectmen.

### Demographic Data

The following tables set forth age characteristics, income levels, housing characteristics, population trends, and employment figures for the Town of Phillipston, Worcester County, and The Commonwealth of Massachusetts.

#### Median Age

<u>Age</u>	<u>Phillipston</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	103	5.4%	47,230	5.9%	367,252	5.6%
5 Years to 19 Years	382	20.2	164,998	20.8	1,262,333	19.4
20 Years to 64 Years	1,230	64.9	481,852	60.6	3,991,339	61.3
65 Years and Over	179	9.5	100,901	12.7	891,303	13.7
Total	<u>1,894</u>	<u>100.0%</u>	<u>794,981</u>	<u>100.0%</u>	<u>6,512,227</u>	<u>100.0%</u>
Median Age	41		39		39	
Median Age (2000)	36.6		36.3		36.5	

Source: U.S. Department of Commerce

#### Per Capita Income

<u>Year</u>	<u>Phillipston</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
2014 5-year estimates	\$30,195	61.4%	\$32,072	39.5%	\$36,441	40.4%
1999	18,706	41.5	22,983	48.3	25,952	50.7
1989	13,216	129.5	15,500	124.4	17,224	131.0
1979	5,759		6,908		7,457	
% Below Poverty Level (2014 5-year estimates)	4.6%		11.6%		11.6%	

Source: U.S. Department of Commerce

## Family Income

<u>Income for Families</u>	<u>Phillipston</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	-0-	0.0%	7,023	3.5%	59,047	3.7%
10,000 - 24,999	17	3.9	16,364	8.1	133,424	8.3
25,000 - 49,999	56	12.7	33,586	16.7	259,622	16.1
50,000 - 74,999	103	23.4	33,633	16.7	250,684	15.5
75,000 - 99,999	114	25.9	30,778	15.3	226,045	14.0
100,000 - 149,999	113	25.6	42,697	21.2	331,419	20.5
150,000 or more	<u>38</u>	<u>8.6</u>	<u>37,022</u>	<u>18.4</u>	<u>354,821</u>	<u>22.0</u>
Total	<u>441</u>	<u>100.0%</u>	<u>201,103</u>	<u>100.0%</u>	<u>1,615,062</u>	<u>100.0%</u>
Median Income	\$81,685		\$82,736		\$86,132	

Source: U.S. Department of Commerce

## Household Income

<u>Income for Households</u>	<u>Phillipston</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	3	0.5%	16,646	5.5%	154,704	6.1%
10,000 - 24,999	35	6.0	43,141	14.4	352,172	13.9
25,000 - 49,999	116	19.8	58,268	19.4	464,120	18.3
50,000 - 74,999	124	21.1	50,002	16.6	402,049	15.8
75,000 - 99,999	143	24.4	40,356	13.4	322,545	12.7
100,000 - 149,999	119	20.3	50,907	16.9	426,367	16.8
150,000 or more	<u>47</u>	<u>8.0</u>	<u>41,035</u>	<u>13.7</u>	<u>416,528</u>	<u>16.4</u>
Total	<u>587</u>	<u>100.0%</u>	<u>300,355</u>	<u>100.0%</u>	<u>2,538,485</u>	<u>100.0%</u>
Median Income	\$78,490		\$65,453		\$67,846	

Source: U.S. Department of Commerce

## Median Value Owner-Occupied Housing Units

<u>Units</u>	<u>Phillipston</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	35	6.3%	10,004	5.1%	68,804	4.4%
100,000 - 199,999	212	38.3	46,862	23.9	221,311	14.0
200,000 - 299,999	213	38.4	68,198	34.8	392,286	24.8
300,000 - 499,999	81	14.6	54,935	28.1	566,852	35.9
500,000 - 999,999	13	2.3	14,283	7.3	274,666	17.4
1,000,000 or more	<u>-0-</u>	<u>0.0</u>	<u>1,424</u>	<u>0.7</u>	<u>57,019</u>	<u>3.6</u>
Total	<u>554</u>	<u>100.0%</u>	<u>195,706</u>	<u>100.0%</u>	<u>1,580,938</u>	<u>100.0%</u>
Median Value	\$214,000		\$255,600		\$329,900	

Source: U.S. Department of Commerce



## Population

Year	Phillipston		Worcester County		Massachusetts	
	Number	% Change	Number	% Change	Number	% Change
2014 estimate	1,715	2.0%	813,475	1.9%	6,745,408	3.0%
2010	1,682	3.8	798,552	6.3	6,547,629	3.1
2000	1,621	9.2	750,963	5.8	6,349,097	5.5
1990	1,485	46.9	709,705	9.8	6,016,425	4.9
1980	1,011		646,352		5,737,037	

Source: U.S. Department of Commerce for actuals and estimates,  
Massachusetts Institute for Social & Economic Research for projections.

## Unemployment

Calendar Year(1)	Labor Force	Employment	Unemployment Rate			
			Town	County	State	US
2015 (October)	924	881	4.7%	4.7%	4.5%	4.8%
2014	950	883	7.1	6.2	5.8	6.2
2013	938	862	8.1	7.3	6.7	7.4
2012	934	864	7.5	7.2	6.7	8.1
2011	933	859	7.9	7.8	7.2	8.9

Source: Massachusetts Department of Employment & Training  
(1) Full year averages except for 2015 which is for the month indicated.

## Employment and Payrolls

Employment by Industry	Calendar Year Average				
	2014	2013	2012	2011	2010
Construction & Natural Resources	12	10	10	-0-	-0-
Manufacturing	-0-	-0-	-0-	-0-	-0-
Trade, Transportation & Utilities	-0-	-0-	9	9	11
Financial Activities	-0-	-0-	-0-	-0-	-0-
Professional & Business Services	-0-	-0-	-0-	-0-	-0-
Education & Health Services	17	16	-0-	-0-	-0-
Leisure & Hospitality	-0-	-0-	-0-	-0-	-0-
Information & Other Services	-0-	-0-	10	10	12
Public Administration	-0-	-0-	-0-	-0-	-0-
Total Employment	<u>229</u>	<u>216</u>	<u>198</u>	<u>168</u>	<u>170</u>
Number of Establishments	25	23	25	27	28
Total Annual Wage (000)	\$4,206	\$3,622	\$3,297	\$2,972	\$3,164
Average Weekly Wage	353	322	320	340	358

Source: Massachusetts Department of Employment & Training

## INDEBTEDNESS

### Debt Limits

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

### Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by vote of two-thirds of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

### Long-Term Indebtedness

	As of June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Long-Term Indebtedness(1)					
Within the General Debt Limit:					
Departmental Equipment .....	\$ 156,000	\$ 196,000	\$ -0-	\$ -0-	\$ -0-
Total Within the General Debt Limit .....	\$ 156,000	\$ 196,000	\$ -0-	\$ -0-	\$ -0-
Outside the General Debt Limit:					
Other Outside General .....	\$ 638,334	\$ 663,979	\$ 689,624	\$ 715,269	\$ 740,914
Total Outside the General Debt Limit .....	\$ 638,334	\$ 663,979	\$ 689,624	\$ -0-	\$ -0-
Total Long-Term Indebtedness .....	\$ 794,334	\$ 859,979	\$ 689,624	\$ 715,269	\$ 740,914

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

### Overlapping Debt(1)

In addition to direct debt, the Town is indirectly liable for a portion of the debt and other expenses incurred by various overlapping governmental authorities and agencies. The following table sets forth the outstanding bonded debt of each authority or agency, the Town's percentage and dollar share of this outstanding debt and the Town's fiscal year 2016 dollar assessment.

	Outstanding Dec. 15, 2015	Estimated Share % Phillipston	Assessment for Operations & Debt Service FY 2016
Narragansett Regional School District (2).....	\$6,437,000	17.97 %	\$5,828,801
Montachusett Regional Voc. Tech. School District(3)....	5,235,000	1.72	172,421

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2)(3) Source: The respective School District. Debt is as of December 15, 2015. The operating expenses and debt service of the regional school district are apportioned among the member municipalities. The shares of the member municipalities vary from year to year according to pupil enrollment.

## PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see “*Analysis of Property Tax Levies and Levy Limits*” below. As to the inclusion of debt service and judgments, see “*THE BONDS – Securities and Remedies*” above. The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds, the use of which is otherwise provided for by law, the deducting for appropriations voted from available funds for a fiscal year cannot exceed the “free cash” as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months’ collections and receipts on account of earlier years’ taxes after the date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements, no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items below.

### Tax Levy Computation

	For Fiscal Year				
	2016	2015	2014	2013	2012
Gross Amount to be Raised:					
Appropriations .....	\$ 4,053,378	\$ 3,695,331	\$ 3,915,127	\$ 3,791,549	\$ 3,495,455
Other Local Expenditures .....	116,300	142,768	97,225	18,667	2,638
State & County Charges .....	3,801	3,802	2,964	3,568	3,090
Overlay Reserve .....	25,709	21,514	28,459	24,763	25,906
Total Gross Amount to be Raised	4,199,188	3,863,414	4,043,775	3,838,548	3,527,089
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State...	240,479	230,097	217,274	212,030	200,502
Estimated Receipts - Local .....	600,176	470,471	446,360	454,532	401,500
Available Funds Appropriated:					
Free Cash .....	105,000	157,536	215,545	73,733	68,128
Revenue Sharing .....	-0-	-0-	-0-	-0-	-0-
Other Available Funds .....	178,201	95,384	158,755	227,658	115,620
Free Cash & Other Revenue Used to Reduce the Tax Rate .....	-0-	-0-	-0-	-0-	-0-
Total Estimated Receipts & Revenue	1,123,856	953,488	1,037,934	967,953	785,750
Net Amount to be Raised (Tax Levy)	\$ 3,075,332	\$ 2,909,926	\$ 3,005,841	\$ 2,870,595	\$ 2,741,339
Property Valuation .....	\$ 182,080,026	\$ 185,345,625	\$ 184,520,599	\$ 184,485,525	\$ 187,506,055

Source: Massachusetts Department of Revenue.

### Analysis of Property Tax Levies and Levy Limits

Under the law, the Town is allowed to increase future levies by up to 2.5% of the full and fair cash value, but not more than 2.5% of the previous fiscal year’s maximum levy plus amounts permitted for debt overrides and certain valuation increases attributable to new growth.

The following table reflects the calculation of levy limits for the following fiscal years.

	For Fiscal Year				
	2016	2015	2014	2013	2012
Primary Levy Limit (1) .....	\$ 4,552,001	\$ 4,633,641	\$ 4,613,015	\$ 4,612,138	\$ 4,687,651
Prior Fiscal Year Levy Limit .....	\$ 2,849,685	\$ 2,766,892	\$ 2,681,772	\$ 2,605,207	\$ 2,532,842
2.5% Levy Growth .....	71,242	69,172	67,044	65,130	63,321
New Growth (2) .....	19,629	13,621	18,076	11,435	9,044
Overrides .....	-0-	-0-	-0-	-0-	-0-
Growth Levy Limit .....	2,940,556	2,849,685	2,766,892	2,681,772	2,605,207
Debt Exclusions .....	136,644	135,707	257,718	213,807	136,271
Capital Expenditure Exclusions ...	-0-	-0-	-0-	-0-	-0-
Other Adjustments .....	-0-	-0-	-0-	-0-	-0-
Tax Levy Limit .....	<u>\$ 3,077,200</u>	<u>\$ 2,985,392</u>	<u>\$ 3,024,610</u>	<u>\$ 2,895,579</u>	<u>\$ 2,741,478</u>
Tax Levy .....	3,075,332	2,909,926	3,005,841	2,870,595	2,741,339
Unused Levy Capacity (3) .....	<u>\$ 1,868</u>	<u>\$ 75,466</u>	<u>\$ 18,769</u>	<u>\$ 24,984</u>	<u>\$ 139</u>
Unused Primary Levy Capacity (4)	\$ 1,611,445	\$ 1,783,956	\$ 1,846,123	\$ 1,930,366	\$ 2,082,444

Source: Massachusetts Department of Revenue.

(1) 2.5% of assessed valuation.

(2) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy Limit less Growth Levy Limit.

**Pledged Taxes.** Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes.

**Initiative Petitions.** Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

## **Tax Rates and Valuations**

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property and the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

## Assessed Valuations

	For Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Real Property(1) .....	\$ 177,618,915	\$ 180,869,677	\$ 180,127,024	\$ 179,996,703	\$ 182,607,600
Personal Property(1) .....	<u>4,461,111</u>	<u>4,475,948</u>	<u>4,393,575</u>	<u>4,488,822</u>	<u>4,898,455</u>
Total .....	<u>\$ 182,080,026</u>	<u>\$ 185,345,625</u>	<u>\$ 184,520,599</u>	<u>\$ 184,485,525</u>	<u>\$ 187,506,055</u>
Equalized Value(2) .....	\$ 190,957,600	\$ 190,957,600	\$ 203,252,800	\$ 203,252,800	\$ 229,184,900
Percent of Total Assessed to Equalized Valuation .....	95.4%	97.1%	90.8%	90.8%	81.8%

Source: Massachusetts Department of Revenue.

(1) As of the prior January 1st.

(2) Based on the equalized valuation in effect for each year.

## Classification

Type of Property	Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation
Residential .....	\$ 170,803,590	93.8%	\$ 174,269,860	94.0%	\$ 173,397,860	94.0%
Open Space .....	-0-	0.0	-0-	0.0	-0-	0.0
Commercial .....	6,520,225	3.6	6,250,217	3.4	6,379,564	3.5
Industrial .....	295,100	0.2	349,600	0.2	349,600	0.2
Personal .....	<u>4,461,111</u>	<u>2.5</u>	<u>4,475,948</u>	<u>2.4</u>	<u>4,393,575</u>	<u>2.4</u>
Total	<u>\$ 182,080,026</u>	<u>100.0%</u>	<u>\$ 185,345,625</u>	<u>100.0%</u>	<u>\$ 184,520,599</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue.

## Tax Rates

Type of Property	For Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Residential .....	\$16.89	\$15.70	\$16.29	\$15.56	\$14.62
Open Space .....	16.89	15.70	16.29	15.56	14.62
Commercial .....	16.89	15.70	16.29	15.56	14.62
Industrial .....	16.89	15.70	16.29	15.56	14.62
Personal .....	<u>16.89</u>	<u>15.70</u>	<u>16.29</u>	<u>15.56</u>	<u>14.62</u>
Average Tax Rate .....	<u>\$16.89</u>	<u>\$15.70</u>	<u>\$16.29</u>	<u>\$15.56</u>	<u>\$14.62</u>
Full Value Tax Rate(2) .....	\$16.10	\$15.24	\$14.79	\$14.12	\$11.96

Source: Massachusetts Department of Revenue.

(1) Based on the equalized valuation in effect for each year.

## Tax Collections

The taxes for each fiscal year generally are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1. The Town has accepted a statute providing for quarterly tax payments; under that statute, preliminary tax payments are to be due on August 1, and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum from the

due date. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). If the property has been transferred an unenforced lien expires on the fourth December 31, after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table reflects the total tax levy, the reserve for abatements, the net tax levy, and the amount of levy collected during the fiscal year payable.

	For Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Tax Levy .....	\$ 2,909,926	\$ 3,005,841	\$ 2,870,595	\$ 2,741,339	\$ 2,714,130
Overlay Reserve for Abatements	<u>21,514</u>	<u>28,459</u>	<u>24,763</u>	<u>25,906</u>	<u>20,203</u>
Net Tax Levy(1) .....	<u>\$ 2,888,413</u>	<u>\$ 2,977,382</u>	<u>\$ 2,845,831</u>	<u>\$ 2,715,433</u>	<u>\$ 2,693,928</u>
Amount Collected					
During Fiscal Year Payable(2) ...	\$ 2,832,164	\$ 2,830,287	\$ 2,807,052	\$ 2,686,753	\$ 2,680,857
Percent of Net Tax Levy .....	98.1%	95.1%	98.6%	98.9%	99.5%

(1) Net after deductions of overlay reserve for abatements.

(2) Actual collections of levy less refunds and amounts refundable but including proceeds of tax titles and tax possessions attributed to such levy but not including abatements or other credits.

## Ten Largest Taxpayers

The following is a list of the ten largest taxpayers for fiscal year 2015. The following taxpayers are current with the payment of their real and personal tax payments.

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Levy</u>	<u>Amount of Tax</u>
Verizon New England	Utility	\$1,399,000	0.75%	\$21,514
Mass. Electric	Utility	1,281,690	0.69	21,374
Individual	Residential	920,900	0.50	14,458
Individual	Residential	866,700	0.47	13,607
Phillipston Enterprise LLC	Garage	855,300	0.46	13,428
Individual	Residential	808,800	0.44	12,698
Individual	Residential	661,000	0.36	10,378
King Phillip	Restaurant	659,000	0.36	10,346
Individual	Residential	603,200	0.33	9,470
Individual	Residential	<u>598,500</u>	0.32	<u>9,396</u>
<b>Total:</b>		<u>\$8,654,090</u>		<u>\$136,669</u>

## TOWN FINANCES

### Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April, May or June. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "Property Tax" above.)

### Operating Budget Trends

The following table sets forth the operating budgets for the following fiscal years as voted by the Town. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items nor supplemental budget appropriations. See "*Budget and Appropriation Process*" above. The budgets summarized below include expenditures for "non-operating" or capital outlay items authorized under "special" warrant articles at town meetings which are not funded by debt. Water and Sewer operations are included in the budgets adopted by the town meeting. The following table sets forth the operating budgets for the following fiscal years as voted by the Town.

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Government.....	\$ 539,291	\$ 490,303	\$ 558,967	\$ 601,491
Public Safety.....	655,560	594,032	578,275	599,379
Education.....	1,828,293	1,791,551	1,787,460	1,701,040
Public Works.....	224,090	223,098	224,942	226,109
Health & human services.....	96,935	96,685	94,573	87,345
Culture & Recreation.....	34,041	30,523	43,738	43,747
Pension and Fringe Benefits.....	218,118	183,185	183,478	166,137
State and County Assessments.....	3,801	-	2,964	3,568
Debt Service.....	155,183	115,570	234,478	195,643
Unclassified .....	4,191	4,197	-	-
<b>Totals:</b>	<u>\$ 3,759,503</u>	<u>\$ 3,529,144</u>	<u>\$ 3,708,875</u>	<u>\$ 3,624,459</u>

### Retirement Plan

The Town is a member of the Worcester County Retirement System (the "System"). The System is a cost-sharing multiple-employer defined benefit pension plan administered by the Franklin Regional Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The System provides retirement benefits, cost of living adjustments, disability benefits and death benefits. The System is a member of the Massachusetts Contributory System and is

governed by Chapter 32 of the Massachusetts General Laws. The annual contributions of the Town to the contributory retirement systems for the following fiscal years are set forth below.

	<u>For Fiscal Year</u>				
	<u>2016</u> (1)	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contribution.....	\$104,118	\$69,185	\$64,550	\$46,137	\$48,104

(1) Budgeted.

<u>Pension System</u>					
<u>Year Ended June 30,</u>	<u>Worcester Regional Retirement System</u>			<u>Town of Phillipston</u>	
	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>	<u>Actual Contribution</u>	<u>Town's Percentage of System Wide Contributions</u>
		<i>(a)</i>		<i>(b)</i>	<i>(b/a)</i>
2014	\$ 37,510,266	\$ 37,510,266	100.00%	\$ 65,550	0.17%
2013	35,056,320	35,056,320	100.00%	46,137	0.13%
2012	33,072,000	33,072,000	100.00%	48,104	0.15%

The foregoing data does not include the retirement system costs or liabilities attributable to employees of the County or the retirement system costs or liabilities of any other entity of which the Town is a constituent part. The Actuarial Accrued Liability (UAAL) of the Worcester County Regional Retirement System (the "System") as of January 1, 2014 was estimated at \$1,087,769,903, its assets were \$488,346,471 and the Unfunded Actuarial Accrued Liability of the System was \$599,423,432. For additional information regarding the funding progress and funding schedule of the System through 2035 see "The District – Retirement Plan" above. The report may be obtained by contacting the System located at Midstate Office Park, 23 Midstate Drive, Suite 106, Auburn, MA 01501.

### Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the costs of the health care benefits they provide to employees and retirees may establish a trust fund for the purposes of paying claims.

The Town has not elected the provisions of MGL Chapter 32 that pertain to providing other post-employment benefits besides pension benefits to retirees. Accordingly, there is no liability for health, life or any other benefits except retirement as discussed above. Retirees may, for a period of up to 18 months after retirement pay entirely into the Town under COBRA, the cost of their monthly health insurance premium.

In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post employment benefits liability in the same manner as traditional pension benefits.



**Stabilization Fund Balances**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund, appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a town at a town meeting and also at a special town meeting by a two-thirds vote for any lawful purpose.

The following table reflects the Stabilization Fund Balance for the following fiscal years.

	For Fiscal Year Ending June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Stabilization Fund Balance .....	\$ 209,101	\$ 264,957	\$ 252,210	\$ 375,237	\$ 352,376

Source: Massachusetts Department of Revenue.

**Free Cash**

Under Massachusetts law, an amount known as “free cash” is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. Free cash as of the beginning of the fiscal year, together with collections of prior years’ taxes through March 31, is available under current law for appropriation to reduce the following fiscal years’ tax levy.

	For Fiscal Year Beginning July 1				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Free Cash .....	\$ 344,270	\$ 249,228	\$ 157,536	\$ 234,873	\$ 73,733

Source: Massachusetts Department of Revenue - Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years.

**INFORMATION RELATING TO  
MEMBER TOWNS OF THE DISTRICT**

**TOWN OF TEMPLETON,  
MASSACHUSETTS**

**General**

The Town of Templeton, incorporated in 1752 is located in Worcester County and occupies a land area of approximately 32 square miles and according to the most recent census has a population of 8,155. Templeton is a rural community composed of four villages: Templeton, East Templeton, Baldwinville and Otter River. The Town has some industry, including paper and printing. The Otter River State Forest provides a broad recreation base for the community. Templeton is a member of the Montachusett Regional Transit Authority (MRTA). The Town is bordered by Royalston and Winchendon on the north, Gardner on the east, Hubbardston on the southeast, and Phillipston on the west.

**Government**

Local legislative decisions are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of three selectmen.

**Demographic Data**

The following tables set forth age characteristics, income levels, housing characteristics, population trends, and employment figures for the Town of Templeton, Worcester County, and the Commonwealth of Massachusetts.

**Median Age**

<u>Age</u>	<u>Templeton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	443	5.5%	45,689	5.7%	365,403	5.5%
5 Years to 19 Years	1,432	17.7	161,580	20.0	1,247,674	18.7
20 Years to 64 Years	4,915	60.7	491,426	60.9	4,085,614	61.4
65 Years and Over	1,301	16.1	108,109	13.4	958,600	14.4
Total	<u>8,091</u>	<u>100.0%</u>	<u>806,804</u>	<u>100.0%</u>	<u>6,657,291</u>	<u>100.0%</u>
Median Age	44		40		39	
Median Age (2000)	38		36.3		36.5	

Source: U.S. Department of Commerce

**Per Capita Income**

<u>Year</u>	<u>Templeton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
2014 5-year estimates	\$28,918	31.5%	\$32,072	39.5%	\$36,441	40.4%
1999	21,994	64.8	22,983	48.3	25,952	50.7
1989	13,347	125.0	15,500	124.4	17,224	131.0
1979	5,933		6,908		7,457	
% Below Poverty Level (2014 5-year estimates)	10.6%		11.6%		11.6%	

Source: U.S. Department of Commerce

## Family Income

<u>Income for Families</u>	<u>Templeton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	93	4.2%	7,023	3.5%	59,047	3.7%
10,000 - 24,999	165	7.5	16,364	8.1	133,424	8.3
25,000 - 49,999	220	10.0	33,586	16.7	259,622	16.1
50,000 - 74,999	467	21.3	33,633	16.7	250,684	15.5
75,000 - 99,999	392	17.9	30,778	15.3	226,045	14.0
100,000 - 149,999	662	30.2	42,697	21.2	331,419	20.5
150,000 or more	<u>191</u>	<u>8.7</u>	<u>37,022</u>	<u>18.4</u>	<u>354,821</u>	<u>22.0</u>
Total	<u>2,190</u>	<u>100.0%</u>	<u>201,103</u>	<u>100.0%</u>	<u>1,615,062</u>	<u>100.0%</u>
Median Income	\$84,537		\$82,736		\$86,132	

Source: U.S. Department of Commerce

## Household Income

<u>Income for Households</u>	<u>Templeton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	239	7.9%	16,646	5.5%	154,704	6.1%
10,000 - 24,999	452	15.0	43,141	14.4	352,172	13.9
25,000 - 49,999	449	14.9	58,268	19.4	464,120	18.3
50,000 - 74,999	559	18.6	50,002	16.6	402,049	15.8
75,000 - 99,999	398	13.2	40,356	13.4	322,545	12.7
100,000 - 149,999	720	23.9	50,907	16.9	426,367	16.8
150,000 or more	<u>191</u>	<u>6.3</u>	<u>41,035</u>	<u>13.7</u>	<u>416,528</u>	<u>16.4</u>
Total	<u>3,008</u>	<u>100.0%</u>	<u>300,355</u>	<u>100.0%</u>	<u>2,538,485</u>	<u>100.0%</u>
Median Income	\$68,929		\$65,453		\$67,846	

Source: U.S. Department of Commerce

## Median Value Owner-Occupied Housing Units

<u>Units</u>	<u>Templeton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	218	8.6%	10,004	5.1%	68,804	4.4%
100,000 - 199,999	932	36.7	46,862	23.9	221,311	14.0
200,000 - 299,999	1,042	41.0	68,198	34.8	392,286	24.8
300,000 - 499,999	277	10.9	54,935	28.1	566,852	35.9
500,000 - 999,999	72	2.8	14,283	7.3	274,666	17.4
1,000,000 or more	<u>-0-</u>	<u>0.0</u>	<u>1,424</u>	<u>0.7</u>	<u>57,019</u>	<u>3.6</u>
Total	<u>2,541</u>	<u>100.0%</u>	<u>195,706</u>	<u>100.0%</u>	<u>1,580,938</u>	<u>100.0%</u>
Median Value	\$208,500		\$255,600		\$329,900	

Source: U.S. Department of Commerce

## Population

<u>Year</u>	<u>Templeton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2014 estimate	8,155	1.8%	813,475	1.9%	6,745,408	3.0%
2010	8,013	17.9	798,552	6.3	6,547,629	3.1
2000	6,799	5.6	750,963	5.8	6,349,097	5.5
1990	6,438	6.1	709,705	9.8	6,016,425	4.9
1980	6,070		646,352		5,737,037	

Source: U.S. Department of Commerce for actuals and estimates,  
Massachusetts Institute for Social & Economic Research for projections.

## Unemployment

<u>Calendar Year(1)</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment Rate</u>			
			<u>Town</u>	<u>County</u>	<u>State</u>	<u>US</u>
2015 (October)	4,258	4,059	4.7%	4.7%	4.5%	4.8%
2014	4,308	4,034	6.4	6.2	5.8	6.2
2013	4,275	3,939	7.9	7.3	6.7	7.4
2012	4,260	3,926	7.8	7.2	6.7	8.1
2011	4,254	3,898	8.4	7.8	7.2	8.9

Source: Massachusetts Department of Employment & Training  
(1) Full year averages except for 2015 which is for the month indicated.

## INDEBTEDNESS

### Debt Limits

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

### Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by vote of two-thirds of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

## Long-Term Indebtedness

	As of June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Long-Term Indebtedness(1)					
Within the General Debt Limit:					
Sewers & Drains .....	\$ 3,464,655	\$ 3,765,907	\$ 4,057,179	\$ 4,344,151	\$ 4,729,745
Land Acquisition .....	420,000	560,000	700,000	-0-	-0-
Total Within the General Debt Limit .....	<u>\$ 3,884,655</u>	<u>\$ 4,325,907</u>	<u>\$ 4,757,179</u>	<u>\$ 4,344,151</u>	<u>\$ 4,729,745</u>
Outside the General Debt Limit:					
Sewers .....	\$ 965,450	\$ 1,141,253	\$ 1,313,032	\$ 1,477,705	\$ 1,637,417
Other Outside General .....	579,106	627,725	676,222	509,419	547,616
Electric .....	540,000	620,000	700,000	780,000	860,000
Water .....	3,148,885	3,462,182	3,775,479	4,088,776	4,402,073
Total Outside the General Debt Limit .....	<u>\$ 5,233,441</u>	<u>\$ 5,851,160</u>	<u>\$ 6,464,734</u>	<u>\$ 6,855,900</u>	<u>\$ 7,447,106</u>
Total Long-Term Indebtedness .....	<u>\$ 9,118,096</u>	<u>\$ 10,177,066</u>	<u>\$ 11,221,913</u>	<u>\$ 11,200,051</u>	<u>\$ 12,176,851</u>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

## Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Amount (1) .....	\$ 9,118,096	\$ 10,177,066	\$ 11,221,913	\$ 11,200,051	\$ 12,176,851
Per Capita (2) .....	1,118.10	1,247.95	1,379.63	1,391.14	1,514.72
Percent of Assessed Valuation (3) .....	1.65%	1.88%	2.07%	1.93%	2.03%
Percent of Equalized Valuation (4) .....	1.60	1.60	1.76	1.65	1.79
Per Capita as a percent of					
Personal Income (2) per capita .....	4.04	4.51	4.99	5.03	5.48

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.

(3) Source: Board of Assessors - Assessed valuation as of the prior January 1.

(4) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations are established for January 1 of each even-numbered year).

## Overlapping Debt

In addition to direct debt, the Town is indirectly liable for a portion of the debt and other expenses incurred by various overlapping governmental authorities and agencies (1). The following table sets forth the outstanding and authorized but unissued bonded debt of each authority or agency, the Town's percentage and dollar share of this outstanding debt and the Town's fiscal year 2016 dollar assessment.

	Outstanding <u>Dec. 15, 2015</u>	Estimated Share % <u>Templeton</u>	Assessment for Operations & Debt Service <u>FY 2016</u>
Narragansett Regional School District (2).....	\$6,437,000	82.03 %	\$5,828,801
Montachusett Regional Voc. Tech. School District (3).....	5,235,000	6.09	601,056

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2)(3) Source: The District. Debt is as of December 15, 2015. The operating expenses and debt service of the regional school district are apportioned among the member municipalities. The shares of the member municipalities vary from year to year according to pupil enrollment.

## Annual Debt Service Requirements

Fiscal Year	Outstanding as of 12/15/15(1)(2)(3)		Total Debt Service	Cumulative % Principal Retired
	Principal	Interest		
2016	\$ 323,910	\$ 209,340	\$ 533,250	3.9%
2017	1,093,271	304,208	1,397,479	16.9
2018	1,093,597	259,812	1,353,409	30.0
2019	967,443	218,773	1,186,216	41.6
2020	976,058	176,984	1,153,042	53.2
2021	780,941	140,472	921,413	62.6
2022	795,676	107,571	903,247	72.1
2023	730,499	73,059	803,558	80.8
2024	525,234	40,300	565,534	87.1
2025	521,920	19,557	541,477	93.3
2026	153,547	14,574	168,121	95.2
2027	153,547	9,590	163,137	97.0
2028	38,547	6,906	45,453	97.5
2029	38,547	6,522	45,069	97.9
2030	18,547	6,139	24,686	98.1
2031	18,547	5,755	24,302	98.4
2032	18,547	5,371	23,918	98.6
2033	18,547	4,987	23,534	98.8
2034	8,297	4,604	12,901	98.9
2035	8,297	4,220	12,517	99.0
2036	8,297	3,836	12,133	99.1
2037	8,297	3,452	11,749	99.2
2038	8,297	3,069	11,366	99.3
2039	8,297	2,685	10,982	99.4
2040	8,297	2,301	10,598	99.5
2041	8,297	1,918	10,215	99.6
2042	8,297	1,534	9,831	99.7
2043	8,297	1,150	9,447	99.8
2044	8,297	766	9,063	99.9
2045	8,272	383	8,655	100.0
Total	<u>\$8,366,464</u>	<u>\$1,639,838</u>	<u>\$10,006,302</u>	

(1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.

(2) Principal totaling \$3,468,072 and interest totaling \$681,127 has been exempted from the provisions of Proposition 2 1/2.

(3) Principal totaling \$27,180 and interest totaling \$1,356 is self-supporting.

## Authorized Unissued Debt and Prospective Financing

On November 9, 2015 the Town voted to borrow up to \$47,563,184 for the purpose of paying the costs of designing, constructing, originally equipping and furnishing a new Templeton Elementary School. The Town may be eligible for a grant from the MSBA for 62.84% of eligible, approved project costs. The Town has voted to exempt the amounts required for the payment of principal and interest from the limitations on taxes imposed by M.G.L. 59, section 21C "Proposition 2 1/2". The Town has also approved a borrowing of \$975,000 to pay costs of designing, constructing and equipping a 4,000 square foot addition to and remodeling of the Templeton Police Station. The Town has voted to exempt the amounts required for the payment of principal and interest from the limitations on taxes imposed by M.G.L. 59, section 21C "Proposition 2 1/2".

## PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see “*Analysis of Property Tax Levies and Levy Limits*” below. As to the inclusion of debt service and judgments, see “THE BONDS – *Securities and Remedies*” above. The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds, the use of which is otherwise provided for by law, the deducting for appropriations voted from available funds for a fiscal year cannot exceed the “free cash” as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months’ collections and receipts on account of earlier years’ taxes after the date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements, no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items below.

### Tax Levy Computation

	For Fiscal Year				
	2016	2015	2014	2013	2012
Gross Amount to be Raised:					
Appropriations .....	\$ 15,753,396	\$ 14,469,018	\$ 13,847,042	\$ 13,314,471	\$ 14,595,508
Other Local Expenditures .....	276,020	280,644	69,513	66,089	137,340
State & County Charges .....	56,478	53,261	58,343	52,210	50,126
Overlay Reserve .....	123,239	137,051	93,506	163,303	109,523
Total Gross Amount to be Raised	16,209,132	14,939,974	14,068,403	13,596,074	14,892,497
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State...	1,513,425	1,435,232	1,441,137	1,396,952	1,285,413
Estimated Receipts - Local .....	4,368,984	4,004,864	3,508,054	3,710,002	3,592,585
Available Funds Appropriated:					
Free Cash .....	-0-	-0-	94,988	-0-	-0-
Revenue Sharing .....	-0-	-0-	-0-	-0-	-0-
Other Available Funds .....	982,899	300,675	244,499	446,244	840,065
Free Cash & Other Revenue Used to Reduce the Tax Rate .....	175,643	-0-	-0-	377,964	686,628
Total Estimated Receipts & Revenue	7,040,951	5,740,771	5,288,678	5,931,163	6,404,691
 Net Amount to be Raised (Tax Levy)	 \$ 9,168,181	 \$ 9,199,203	 \$ 8,779,726	 \$ 7,664,911	 \$ 8,487,806
 Property Valuation .....	 \$ 556,659,447	 \$ 552,836,694	 \$ 540,623,505	 \$ 542,840,725	 \$ 581,356,554

Source: Massachusetts Department of Revenue.

### Analysis of Property Tax Levies and Levy Limits

Under the law, the Town is allowed to increase future levies by up to 2.5% of the full and fair cash value, but not more than 2.5% of the previous fiscal year’s maximum levy plus amounts permitted for debt overrides and certain valuation increases attributable to new growth.

The following table reflects the calculation of levy limits for the following fiscal years.

	For Fiscal Year				
	2016	2015	2014	2013	2012
Primary Levy Limit (1) .....	\$ 13,916,486	\$ 13,820,917	\$ 13,515,588	\$ 13,571,018	\$ 14,533,914
Prior Fiscal Year Levy Limit .....	\$ 8,173,449	\$ 7,900,181	\$ 7,050,514	\$ 6,845,778	\$ 6,645,260
2.5% Levy Growth .....	204,461	197,655	176,290	171,144	166,132
New Growth (2) .....	94,321	69,582	52,305	33,592	34,386
Overrides .....	-0-	-0-	620,000	-0-	-0-
Growth Levy Limit .....	8,477,220	8,173,449	7,900,181	7,050,514	6,845,778
Debt Exclusions .....	693,445	1,029,115	879,659	619,335	1,645,147
Capital Expenditure Exclusions ...	-0-	-0-	-0-	-0-	-0-
Other Adjustments .....	-0-	-0-	-0-	-0-	-0-
Tax Levy Limit .....	<u>\$ 9,170,665</u>	<u>\$ 9,202,564</u>	<u>\$ 8,779,840</u>	<u>\$ 7,669,849</u>	<u>\$ 8,490,925</u>
Tax Levy .....	<u>9,168,181</u>	<u>9,199,203</u>	<u>8,779,726</u>	<u>7,664,911</u>	<u>8,487,806</u>
Unused Levy Capacity (3) .....	<u>\$ 2,484</u>	<u>\$ 3,361</u>	<u>\$ 114</u>	<u>\$ 4,938</u>	<u>\$ 3,119</u>
Unused Primary Levy Capacity (4)	\$ 5,439,266	\$ 5,647,468	\$ 5,615,407	\$ 6,520,504	\$ 7,688,136

Source: Massachusetts Department of Revenue.

(1) 2.5% of assessed valuation.

(2) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy Limit less Growth Levy Limit.

**Pledged Taxes.** Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes.

**Initiative Petitions.** Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

## **Tax Rates and Valuations**

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property and the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.



## Assessed Valuations

	For Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Real Property(1) .....	\$ 546,843,275	\$ 542,702,491	\$ 530,919,646	\$ 532,004,172	\$ 569,706,935
Personal Property(1) .....	9,816,172	10,134,203	9,703,859	10,836,553	11,649,619
Total .....	<u>\$ 556,659,447</u>	<u>\$ 552,836,694</u>	<u>\$ 540,623,505</u>	<u>\$ 542,840,725</u>	<u>\$ 581,356,554</u>
Equalized Value(2) .....	\$ 571,482,700	\$ 571,482,700	\$ 636,045,100	\$ 636,045,100	\$ 680,174,700
Percent of Total Assessed to Equalized Valuation .....	97.4%	96.7%	85.0%	85.3%	85.5%

Source: Massachusetts Department of Revenue.

(1) As of the prior January 1st.

(2) Based on the equalized valuation in effect for each year.

## Ten Largest Taxpayers

<u>Name</u>	<u>Nature of Business</u>	2015	
		<u>Assessed Valuation</u>	<u>Tax Amount</u>
Templeton Fish & Game Club	Sports Club & Camps	\$ 6,164,568	\$ 104,075
Seaman Paper Co. of Mass.	Manufacturing	3,289,600	51,234
Frantz, Bobbie Jo	Manufacturing	2,292,100	44,177
W J Graves Construction Co., Inc.	Gravel	2,251,500	35,900
Swift Water Associates	Apartments	1,829,500	27,841
Hurtubise, Robert	Self-Storage	1,647,400	24,916
Heatherwood Housing Assoc. LP	Apartments	1,362,100	20,801
Matuszewicz, Wm & Annette	Golf Course	1,157,521	18,809
Huhtala Oil	Oil/Gas	1,146,000	18,158
The Fletcher Trust	Gravel	1,144,200	17,964
<b>Total:</b>		<u>\$ 22,284,489</u>	<u>\$ 363,875</u>

## Classification

<u>Type of Property</u>	Fiscal 2016		Fiscal 2015		Fiscal 2014	
	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>
Residential .....	\$ 492,912,833	88.5%	\$ 489,950,380	88.6%	\$ 478,369,138	88.5%
Open Space .....	-0-	0.0	-0-	0.0	-0-	0.0
Commercial .....	35,442,442	6.4	34,684,011	6.3	34,556,708	6.4
Industrial .....	18,488,000	3.3	18,068,100	3.3	17,993,800	3.3
Personal .....	9,816,172	1.8	10,134,203	1.8	9,703,859	1.8
Total	<u>\$ 556,659,447</u>	<u>100.0%</u>	<u>\$ 552,836,694</u>	<u>100.0%</u>	<u>\$ 540,623,505</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue.

## Tax Levy and Collections

The taxes for each fiscal year generally are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1. The Town has accepted a statute providing for quarterly tax payments; under that statute, preliminary tax payments are to be due on August 1, and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum from the due date. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). If the property has been transferred an unenforced lien expires on the fourth December 31, after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table reflects the total tax levy, the reserve for abatements, the net tax levy, and the amount of levy collected during the fiscal year payable.

	For Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Tax Levy .....	\$ 9,199,203	\$ 8,779,726	\$ 7,664,911	\$ 8,487,806	\$ 7,544,631
Overlay Reserve for Abatements	<u>137,051</u>	<u>93,506</u>	<u>163,303</u>	<u>109,523</u>	<u>107,270</u>
Net Tax Levy(1) .....	<u>\$ 9,062,152</u>	<u>\$ 8,686,220</u>	<u>\$ 7,501,608</u>	<u>\$ 8,378,283</u>	<u>\$ 7,437,361</u>
Amount Collected					
During Fiscal Year Payable(2) ...	\$ 8,459,953	\$ 7,975,282	\$ 7,223,555	\$ 7,871,069	\$ 7,171,044
Percent of Net Tax Levy .....	93.4%	91.8%	96.3%	93.9%	96.4%

(1) Net after deductions of overlay reserve for abatements.

(2) Actual collections of levy less refunds and amounts refundable but including proceeds of tax titles and tax possessions attributed to such levy but not including abatements or other credits.

## TOWN FINANCES

### Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April, May or June. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "Property Taxation" above.)

### Operating Budget Trends

The following table sets forth the operating budgets for the following fiscal years as voted by the Town. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items nor supplemental budget appropriations. See "*Budget and Appropriation Process*" above.

The budgets summarized below include expenditures for "non-operating" or capital outlay items authorized under "special" warrant articles at town meetings which are not funded by debt. Water and Sewer operations are included in the budgets adopted by the town meeting.

	Appropriated Fiscal Year <u>2016</u>	Appropriated Fiscal Year <u>2015</u>	Appropriated Fiscal Year <u>2014</u>	Appropriated Fiscal Year <u>2013</u>	Appropriated Fiscal Year <u>2012</u>
General Government.....	\$ 2,929,680	\$ 1,027,462	\$ 2,592,916	\$ 1,822,208	\$ 2,617,209
Public Safety.....	1,414,545	1,348,591	1,519,057	1,398,339	1,738,091
Education.....	6,008,312	5,976,832	6,018,125	5,634,422	5,621,787
Public Works.....	825,444	815,230	941,906	941,327	1,071,538
Human Services.....	256,915	505,703	265,723	232,224	296,577
Parks and Recreation.....	79,088	281,797	90,058	87,058	96,281
Debt Service.....	1,709,097	1,914,815	1,391,046	1,163,752	2,008,984
Intergovernmental.....	<u>197,549</u>	<u>1,207,617</u>	-	<u>79,495</u>	<u>50,128</u>
<b>Totals:</b>	<u>\$ 13,420,630</u>	<u>\$ 13,078,047</u>	<u>\$ 12,818,831</u>	<u>\$ 11,358,825</u>	<u>\$ 13,500,595</u>

**Retirement Plan**

The Town is a member of the Worcester County Retirement System (the “System”). The System is a cost-sharing multiple-employer defined benefit pension plan administered by the Franklin Regional Retirement Board. Each participating employers’ share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers’ Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers’ Retirement Board and are the legal responsibility of the Commonwealth. The System provides retirement benefits, cost of living adjustments, disability benefits and death benefits. The System is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws. The report may be obtained by contacting the System located at Midstate Office Park, 23 Midstate Drive, Suite 106, Auburn, MA 01501.

The annual contributions of the Town to the contributory retirement systems for the following fiscal years are set forth below.

	<u>For Fiscal Year</u>				
	<u>2016(1)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contribution.....	\$ 624,341	\$ 622,149	\$ 595,275	\$ 497,249	\$ 472,154

(1) Budgeted.

The foregoing data does not include the retirement system costs or liabilities attributable to employees of the County or the retirement system costs or liabilities of any other entity of which the Town is a constituent part. The Actuarial Accrued Liability (UAAL) of the Worcester County Regional Retirement System (the “System”) as of January 1, 2014 was estimated at \$1,087,769,903, its assets were \$488,346,471 and the Unfunded Actuarial Accrued Liability of the System was \$599,423,432. For additional information regarding the funding progress and funding schedule of the System through 2035 see “The District – Retirement Plan” above.

**Other Post Employment Benefits**

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The Governmental Accounting Standards Board (“GASB”) recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the costs of the health care benefits they provide to employees and retirees may establish a trust fund for the purposes of paying claims. The pay-as-you-go cost to the Town for such benefits in recent years is set forth below.

	<u>For Fiscal Year Ending June 30</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Amount.....	\$ 205,722	\$ 194,078	\$ 183,596	\$ 207,720	\$ 170,028

In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post employment benefits liability in the same manner as traditional pension benefits. The Town was required to implement GASB reporting requirements for other post employment benefits beginning in fiscal year 2009. The Town has not yet performed an actuarial valuation of its non-pension, post-employment benefit liability, but it expects seek a special town meeting appropriation to hire an outside firm to perform an actuarial valuation of its post-employment benefit liability.

**Stabilization Fund Balances**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund, appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a town at a town meeting and also at a special town meeting by a two-thirds vote for any lawful purpose.

The following table reflects the Stabilization Fund Balance for the following fiscal years.

	For Fiscal Year Ending June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Stabilization Fund Balance .....	\$ 117,914	\$ 70,318	\$ 125,817	\$ 326,418	\$ 436,639

Source: Massachusetts Department of Revenue.

**Free Cash**

Under Massachusetts law, an amount known as “free cash” is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. Free cash as of the beginning of the fiscal year, together with collections of prior years’ taxes through March 31, is available under current law for appropriation to reduce the following fiscal years’ tax levy.

	For Fiscal Year Beginning July 1				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Free Cash .....	\$ N/A	\$ -26,899	\$ 100,000	\$ 189,081	\$ 686,628

Source: Massachusetts Department of Revenue - Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years.

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(Date of Delivery)

Jill Berry, Treasurer  
Narragansett Regional School District  
Baldwinville, Massachusetts

\$3,400,000  
Narragansett Regional School District, Massachusetts  
General Obligation State Qualified School Bonds  
Dated January 27, 2016

We have acted as bond counsel to the Narragansett Regional School District, Massachusetts (the “District”) in connection with the issuance by the District of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the District contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the District, a body corporate and politic, organized and existing under and pursuant to Chapter 71 of the Massachusetts General Laws, as amended and supplemented (“Chapter 71”), and an Agreement, as amended (the “District Agreement”), between the Towns of Phillipston and Templeton, Massachusetts (the “Member Towns”).
2. The Bonds are qualified bonds as defined in Chapter 44A of the General Laws and are entitled to the benefits of the provisions thereof.
3. The District Agreement, as amended, made under the applicable provisions of Chapter 71, provides for the annual apportionment between the Member Towns of the budgeted expenses of the District for the ensuing year, including principal and interest payments on the Bonds (to the extent such expenses are not paid from other sources).
4. Under existing law, including Section 16B of Chapter 71, the amounts so apportioned to and appropriated by the Member Towns shall be paid by each Member Town to the District in accordance with the terms of the District Agreement.

5. To pay amounts apportioned to and appropriated by the Member Towns to pay their respective shares of the principal of and interest on the Bonds, each Member Town has power to levy ad valorem taxes upon all the property situated within its respective territorial limits and taxable by it, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

6. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the District with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure by the District to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 7 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

7. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

8. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

AM 56854798.1



**NARRAGANSETT REGIONAL SCHOOL DISTRICT, MASSACHUSETTS  
PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Narragansett Regional School District, Massachusetts (the “Issuer”) in connection with the issuance of its \$3,400,000 General Obligation State Qualified School Bonds dated January 27, 2016 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Persons” shall mean the Issuer and the other obligated persons with respect to the Bonds within the meaning of the Rule, which are the Towns of Phillipston and Templeton, Massachusetts, being each of the Issuer’s member towns.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in

Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information of the Issuer for the preceding fiscal year of the type presented in the Issuer's Official Statement dated January 14, 2016 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budgets, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer and (vii) other post-employment benefits liability of the Issuer,

(b) the most recently available audited financial statements of the Issuer prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available, and

(c) quantitative information for the preceding fiscal year of the type presented in Appendix C of such Official Statement relating to the Obligated Persons other than the Issuer regarding (i) revenues and expenditures of such Obligated Persons, (ii) fund balances, (iii) property tax information, (iv) outstanding indebtedness of such Obligated Persons, (v) pension obligations of such Obligated Persons, and (vi) other post-employment benefits liability of such Obligated Persons. (If audited financial statements are available for any of such Obligated Persons for any fiscal year, the annual report of that fiscal year will include the audited financial statements for that fiscal year. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.)

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of an Obligated Person or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of an Obligated Person.\*
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Persons, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person[s], or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person[s].

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: January 27, 2016

NARRAGANSETT REGIONAL SCHOOL  
DISTRICT, MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

By \_\_\_\_\_  
Chair, Regional School District  
Committee

[Exhibit A – MSRB FILING INFORMATION]  
[Exhibit B – NOTICE OF FAILURE TO FILE ANNUAL REPORT]

# TOWN OF [PHILLIPSTON][TEMPLETON], MASSACHUSETTS

## PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of [Phillipston][Templeton], Massachusetts (the “Town”) in connection with the issuance by the Narragansett Regional School District, Massachusetts (the “Issuer”) of its \$3,400,000 General Obligation State Qualified School Bonds dated January 27, 2016 (the “Bonds”). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports.

(a) The Town, or the Issuer on behalf of the Town, shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted when available separately from the balance of the Annual Report.

(b) If the Town is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Town shall send a notice to the MSRB, in substantially the form

attached as Exhibit B, unless the Issuer files such a notice with respect to the Town's annual report.

SECTION 4. Content of Annual Reports. The Town's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in Appendix C of the Issuer's Official Statement dated January 14, 2016 relating to the Bonds regarding (i) revenues and expenditures of the Town relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Town, (vi) pension obligations of the Town, and (vii) other post-employment benefits liability of the Town, and

(b) the most recently available audited financial statements of the Town, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Town, the other obligated person[s] with respect to the Bonds, or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Town shall clearly identify each such other document so incorporated by reference.

SECTION 5. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the [prior redemption or] payment in full of all of the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall

present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 8. Default. In the event of a failure of the Town to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Town of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply with this Disclosure Certificate shall be an action for specific performance of the Town's obligations hereunder and not for money damages in any amount.

SECTION 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: January 27, 2016

TOWN OF  
[PHILLIPSTON][TEMPLETON],  
MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

[Exhibit A – MSRB Filing Information]  
[Exhibit B – Notice of Failure to File Annual Report]

AM 56855418.1



**PROPOSAL FOR  
\$3,400,000  
Narragansett Regional School District, Massachusetts  
General Obligation State Qualified School Bonds**

Sale Date: January 14, 2016

Jill Berry, Treasurer  
Narragansett Regional School District, Massachusetts  
c/o Eastern Bank, Municipal Finance Dept.  
265 Franklin Street  
Boston, Massachusetts 02110

Dear Ms. Berry:

For all of \$3,400,000 Narragansett Regional School District, Massachusetts, General Obligation State Qualified School Bonds (the "Bonds") as further described in the Notice of Sale dated January 6, 2016, we bid \_\_\_\_\_ and accrued interest, if any, for each \$100 face value of the Bonds, bearing interest at the rate or rates per annum as follows:

<b>Year</b>	<b>Rate</b>	%	<b><u>Year</u></b>	<b>Rate</b>	%
2016.....	_____		2029.....	_____	
2017.....	_____		2030.....	_____	
2018.....	_____		2031.....	_____	
2019.....	_____		2032.....	_____	
2020.....	_____		2033.....	_____	
2021.....	_____		2034.....	_____	
2022.....	_____		2035.....	_____	
2023.....	_____		2036.....	_____	
2024.....	_____		2037.....	_____	
2025.....	_____		2038.....	_____	
2026.....	_____		2039.....	_____	
2027.....	_____		2040.....	_____	
2028.....	_____				

**The undersigned hereby acknowledges the receipt of and the opportunity to examine the Preliminary Official Statement accompanying the said Notice of Sale.**

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

No bid of less than par **PLUS A PREMIUM OF NOT LESS THAN \$45,000**, will be considered.

The following is our computation of the true interest cost and percent true interest cost, made as provided in the above mentioned Notice of Sale, but not constituting any part of the foregoing proposal, of the purchase of \$3,400,000 Bonds under the foregoing proposal:

Gross Interest Cost.....	\$ _____
Underwriters Premium.....	\$ _____
Net Interest Cost.....	\$ _____
Percent True Interest Cost.....	_____%

(four decimals)

The Municipal Finance Department of Eastern Bank will assist in submitting bids on this issue, if desired. Please sign a blank bid form and mail to the above address or fax in advance of the sale to: (617) 235-8110; or telephone final figures to us at (617) 235-8106 or 235-8104 approximately one-half hour prior to the sale. Bidders are responsible for any error in bids submitted in this manner.

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