

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
Financial Statements
June 30, 2016 and 2015

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
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JUNE 30, 2016 AND 2015

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GOULET, SALVIDIO
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Town of Templeton, Massachusetts Municipal Water Department, an enterprise fund of the Town of Templeton, Massachusetts as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Templeton, Massachusetts Municipal Water Department as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

206 Southbridge Street
Auburn MA, 01501

324 Grove Street
Worcester MA, 01605

54 E. Main Street
Webster, MA 01570

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Town of Templeton, Massachusetts Municipal Water Department and do not purport to, and do not, present fairly the financial position of the Town of Templeton, Massachusetts, as of June 30, 2016 and 2015, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits information, and Net Pension Liability information on pages three through five and 24 through 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on page 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation the financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts

October 21, 2016

Management's Discussion and Analysis

Within this section of the Town of Templeton, Massachusetts Municipal Water Department's annual financial report, management provides a narrative discussion and analysis of the financial activities of the Department for the years ending June 30, 2016 and 2015. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. On June 30, 2016 it shows our net worth has increased 8.7% over the year ending June 30, 2015.

The Statements of Revenues, Expenses, and Changes in Net Position summarize our operating results and reveals how much income was earned for the year. As discussed in more detail below, our income for June 30, 2016 and 2015 was \$175,355 and \$91,349, respectively.

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

Summary of Net Position

	<u>2016</u>	<u>2015</u>
Current Assets	\$ 273,368	\$ 270,048
Noncurrent Assets	<u>6,364,543</u>	<u>6,398,218</u>
Total Assets	<u>6,637,911</u>	<u>6,668,266</u>
Deferred Outflows of Resources	<u>68,906</u>	<u>546</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,706,817</u>	<u>\$ 6,668,812</u>
Current Liabilities	\$ 634,167	\$ 630,843
Noncurrent Liabilities	<u>3,681,777</u>	<u>4,021,467</u>
Total Liabilities	<u>4,315,944</u>	<u>4,652,310</u>
Deferred Inflows of Resources	<u>199,016</u>	<u>0</u>
Net Position:		
Net Investment in Capital Assets	3,301,725	3,131,010
Net Position Restricted for Capital Project	14,098	14,098
Unrestricted	<u>(1,123,966)</u>	<u>(1,128,606)</u>
Total Net Position	<u>2,191,857</u>	<u>2,016,502</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,706,817</u>	<u>\$ 6,668,812</u>

Summary of Changes in Net Position

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 1,449,015	\$ 1,370,454
Operating Expenses	<u>1,167,412</u>	<u>1,162,756</u>
Operating Income	281,603	207,698
Non-Operating Revenues (Expenses)	<u>(106,248)</u>	<u>(116,349)</u>
Change in Net Position	175,355	91,349
Net Position – July 1	<u>2,016,502</u>	<u>1,925,153</u>
Net Position – June 30	<u>\$ 2,191,857</u>	<u>\$ 2,016,502</u>

Financial Highlights

Operating revenues increased from \$1,370,454 in 2015 to \$1,449,015 in 2016, primarily due to an increase in water customer service and usage charges effective December 31, 2015. Revenue from metered sales and entrance fees has changed cyclically over the past few years.

Water Sales and Supply

The Water Department provides public water to 2,185 residences and businesses within the town of Templeton, Massachusetts. Water is pumped from a total of four wells, two on Maple Street in Baldwinville, one on Sawyer Street in East Templeton and another on Willow Street in Otter River.

Templeton Water sold 116,187,750 gallons of water to its 2,185 water customers in 2016. Templeton Water's focus over this past fiscal year has been continued regulatory compliance with the Massachusetts Department of Environmental Protection (MA DEP).

Utility Plant and Debt Administration:

Net utility plant decreased by \$38,582 in fiscal year 2016. This decrease represents the difference between the current year net additions and the current fiscal year depreciation expense.

Debt Administration

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

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

Significant Balances and Transactions:

Shared Facilities

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

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 14,051	\$ 16,382
Petty Cash	400	400
Accounts Receivable, Net	201,010	208,001
Other Accounts Receivable	116	116
Materials and Supplies	40,482	38,935
Prepaid Expenses	<u>17,309</u>	<u>6,214</u>
 TOTAL CURRENT ASSETS	 <u>273,368</u>	 <u>270,048</u>
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	109,132	104,225
Capital Fund	14,098	14,098
Utility Plant Assets, Net	<u>6,241,313</u>	<u>6,279,895</u>
 TOTAL NONCURRENT ASSETS	 <u>6,364,543</u>	 <u>6,398,218</u>
 TOTAL ASSETS	 <u>6,637,911</u>	 <u>6,668,266</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions	<u>68,906</u>	<u>546</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 6,706,817</u>	 <u>\$ 6,668,812</u>

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2016	2015
CURRENT LIABILITIES:		
Accounts Payable	\$ 23,405	\$ 34,879
Payable to Municipal Light Department	253,956	236,993
Current Portion of Long-Term Debt	313,297	313,297
Accrued Compensation	15,371	15,371
Accrued Interest Payable	28,138	30,303
 TOTAL CURRENT LIABILITIES	 634,167	 630,843
NONCURRENT LIABILITIES:		
Other Postemployment Benefit Obligation	361,531	278,175
Net Pension Liability	797,955	907,704
Long-Term Debt, Less Current Portion	2,522,291	2,835,588
 TOTAL NONCURRENT LIABILITIES	 3,681,777	 4,021,467
 TOTAL LIABILITIES	 4,315,944	 4,652,310
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	199,016	0
NET POSITION:		
Net Investment in Capital Assets	3,301,725	3,131,010
Net Position Restricted for Capital Project	14,098	14,098
Unrestricted Net Position	(1,123,966)	(1,128,606)
 TOTAL NET POSITION	 2,191,857	 2,016,502
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 \$ 6,706,817	 \$ 6,668,812

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Metered Sales	\$ 1,413,656	\$ 1,328,846
Entrance Fees	10,000	2,500
Other Operating Revenues	25,359	39,108
 TOTAL OPERATING REVENUES	 1,449,015	 1,370,454
 OPERATING EXPENSES:		
Operations	652,901	666,406
Maintenance	312,542	295,678
Depreciation	201,969	200,672
 TOTAL OPERATING EXPENSES	 1,167,412	 1,162,756
 OPERATING INCOME	 281,603	 207,698
 NONOPERATING REVENUES (EXPENSES):		
Interest Income	479	367
Miscellaneous Nonoperating Income	11,650	12,777
Interest Expense	(118,377)	(129,493)
 TOTAL NONOPERATING REVENUES (EXPENSES)	 (106,248)	 (116,349)
 CHANGE IN NET POSITION	 175,355	 91,349
 NET POSITION - JULY 1	 2,016,502	 1,925,153
 NET POSITION - JUNE 30	 \$ 2,191,857	 \$ 2,016,502

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,456,006	\$ 1,387,947
Cash Payments to Suppliers and Employees	(870,498)	(836,814)
Other Revenues Received	11,650	12,777
	597,158	563,910
Net Cash Provided by Operating Activities	597,158	563,910
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	479	367
	479	367
Net Cash Provided by Investing Activities	479	367
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Plant and Construction	(163,387)	(33,153)
Payments on Bond Principal	(313,297)	(313,297)
Interest Paid on Bonds	(118,377)	(129,493)
	(595,061)	(475,943)
Net Cash Used in Capital and Related Financing Activities	(595,061)	(475,943)
NET INCREASE IN CASH	2,576	88,334
CASH AND CASH EQUIVALENTS, JULY 1	135,105	46,771
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 137,681	\$ 135,105

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 281,603	\$ 207,698
Miscellaneous Nonoperating Income	11,650	12,777
Depreciation	201,969	200,672
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	6,991	17,493
Deferred Outflows of Resources Related to Pensions	(68,360)	(546)
Materials and Supplies	(1,547)	(597)
Prepaid Expenses	(11,095)	13,784
Increase (Decrease) in Liabilities:		
Accounts Payable	(11,474)	(21,660)
Accrued Expenses	0	2,915
Accrued Interest Payable	(2,165)	(2,152)
Deferred Inflows of Resources Related to Pensions	199,016	0
Net Pension Liability	(109,749)	21,472
Other Payables	16,963	31,401
Other Postemployment Benefits Obligation	83,356	80,653
Net Cash Provided by Operating Activities	\$ 597,158	\$ 563,910

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2016	2015
Operating Fund	\$ 14,051	\$ 16,382
Petty Cash	400	400
Depreciation cash designated for capital additions	109,132	104,225
Cash reserved for capital additions	14,098	14,098
	\$ 137,681	\$ 135,105

See Accompanying Notes to Financial Statements

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity

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

Basis of Presentation

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

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

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

Union Labor

Non-management labor is covered by a three year union contract which expired on June 30, 2016. The contract was renewed for an additional three years effective July 1, 2016 and expires on June 30, 2019.

Water Plant and Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of the Department’s assets. Estimated useful lives of the Department’s assets range from 5 to 60 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Materials and Supplies

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

Taxes

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

Cash and Cash Equivalents

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

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Use of Estimates

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

Prepayments

Prepayments consist of prepaid expenses attributable to insurance.

Accounts Receivable Customers

The Municipal Water Department carries its accounts receivable in full, allocating a portion of the total to liens which are placed for collection with the Town Treasurer to properly reflect the realizable value. On a periodic basis, the Department evaluates its accounts receivable and reviews accounts placed for liens, based on its history of past write-offs and collections and determines if the recording of an allowance for uncollectible accounts is necessary. No allowance has been recorded as of June 30, 2016 and 2015, respectively.

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

Advertising Costs

The Department expenses advertising costs as incurred. Advertising expense was \$561 and \$132 for the years ended June 30, 2016 and 2015, respectively.

Compensated Absences

Templeton Municipal Water Department's employment benefit plan provides that employees are entitled to a minimum of five vacation days per year up to thirty days per year depending on years of service and employment classification. Employees are allowed to accumulate up to one week of unused vacation to the following year. Upon retirement, employees eligible under years of service or age and service are paid up to 25 days accumulation sick-time maximum.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/expenditure) until then.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Reclassification

Certain prior year amounts have been reclassified to conform to the 2016 presentation.

NOTE 2 – UNBILLED REVENUES:

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

NOTE 3 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is required to be implemented for periods beginning after June 15, 2017. The Water Department is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 4 – CONCENTRATION OF CREDIT RISK:

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

NOTE 5 – CASH:

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

	2016	2015
Funds for General Operation	\$ 14,051	\$ 16,382
Petty Cash	400	400
Funds Reserved for Future Plant and Equipment Additions – depreciation cash	109,132	104,225
Funds Reserved for Future Plant and Equipment Additions – restricted bond	14,098	14,098
	\$ 137,681	\$ 135,105

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 – CASH (Continued):

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

NOTE 6 – ACCOUNTS RECEIVABLE:

Accounts Receivable - Customers consists of the following:

	2016	2015
Accounts Receivable, Customers	\$ 193,158	\$ 197,125
Accounts Receivable, Customer Liens	7,852	10,876
Accounts Receivable Customers, Net	\$ 201,010	\$ 208,001

NOTE 7 – RELATED PARTY TRANSACTIONS:

The Department occupies common administration space with the Town of Templeton Municipal Light Plant, and certain administrative duties are performed by employees of the Light Plant. The Department reimburses the Light Plant for certain employees' labor and for certain expenses. Reimbursements for 2016 and 2015 were \$16,963 and \$31,401, respectively. The Light Plant owns the building in which the Department occupies space. The Light Plant does not charge rent to the Department.

The Department is owned by the Town of Templeton. Water sales to municipal buildings included in revenues was approximately \$3,887 and \$2,809 for June 30, 2016 and 2015, respectively. Accounts receivable from these departments was \$106 and \$427 for June 30, 2016 and 2015, respectively.

The Department reimburses the town for various employee benefits and services, including health insurance and Worcester Regional Retirement. For the years ended June 30, 2016 and 2015, the total amounts paid for these services were \$134,496 and \$160,162, respectively. At June 30, 2016 and 2015, amounts payable to the town were \$7,767 and \$13,716, respectively.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 – LONG-TERM DEBT:

	2016	2015
General Obligation Bond, of \$3,800,000, issued June 15, 2003; interest ranging from 2.60% to 4.00%, due in annual installments of \$190,000. The final payment is due June 2023.	\$ 1,330,000	\$ 1,520,000
General Obligation Bond, of \$2,300,000, issued September 1, 2006; interest at 4.75%, due in annual installments of \$115,000. The final payment is due September 2027.	1,265,000	1,380,000
USDA construction loan, of \$331,885, issued August 27, 2004, interest at 4.625%, due in annual installments of \$8,297. The final payment is due September 2045.	240,588	248,885
Total Long Term Debt	2,835,588	3,148,885
Less: Current Portion of Bond and Loan Payable	(313,297)	(313,297)
	\$ 2,522,291	\$ 2,835,588

Future payments on long-term debt are:

	Principal	Interest	Total
2017	\$ 313,297	\$ 109,153	\$ 422,450
2018	313,297	97,536	410,833
2019	313,297	85,845	399,142
2020	313,297	73,926	387,223
2021	313,297	61,818	375,115
2022-2026	996,485	145,312	1,141,797
2027-2031	156,485	34,912	191,397
2032-2036	41,485	23,018	64,503
2037-2041	41,485	13,515	55,000
2042-2045	33,163	3,833	36,996
	\$ 2,835,588	\$ 648,868	\$ 3,484,456

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 – UTILITY PLANT ASSETS:

	Balance <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>
Capital Assets Noting Being Depreciated:				
Construction in Progress	\$ -	\$ 104,000	\$ -	\$ 104,000
Capital Assets Being Depreciated:				
Infrastructure	\$ 8,096,959	\$ 24,658	\$ (26,526)	\$ 8,095,091
Machinery and Equipment	568,999	34,729	-	603,728
Total Capital Assets being Depreciated	<u>8,665,958</u>	<u>59,387</u>	<u>(26,526)</u>	<u>8,698,819</u>
Less Accumulated Depreciation for:				
Infrastructure	(1,974,750)	(161,476)	26,526	(2,109,700)
Machinery and Equipment	(411,313)	(40,493)	-	(451,806)
Total Accumulated Depreciation	<u>(2,386,063)</u>	<u>(201,969)</u>	<u>26,526</u>	<u>(2,561,506)</u>
Capital Assets Being Depreciated, Net	<u>6,279,895</u>	<u>(142,582)</u>	<u>-</u>	<u>6,137,313</u>
Utility Plant Assets, Net	<u>\$ 6,279,895</u>	<u>\$ (38,582)</u>	<u>\$ -</u>	<u>\$ 6,241,313</u>

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS:

	<u>2016</u>	<u>2015</u>
Cost of Capital Assets Acquired	\$ 8,698,819	\$ 8,665,958
Less: Accumulated Depreciation	2,561,506	2,386,063
Less: Outstanding Debt Related to Capital Assets	<u>2,835,588</u>	<u>3,148,885</u>
Net Investment in Capital Assets	<u>\$ 3,301,725</u>	<u>\$ 3,131,010</u>

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS:

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

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

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

At July 1, 2014, the date of the latest actuarial report, the Department’s membership in the plan consisted of the following:

Current retirees and beneficiaries	2	
Current active members	5	
Total	7	

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

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

The following shows the components of the Water Department’s annual OPEB costs for the years ending June 30, 2016 and 2015 the amount actually contributed to the plan, and changes in net OPEB obligation based on the actuarial valuation as of July 1, 2014:

	2016	2015
Annual required contribution	\$ 60,802	\$ 59,327
Interest on net OPEB obligation	11,126	7,902
Adjustments to annual required contribution	(15,468)	(10,984)
Amortization of actuarial (Gain)/Losses	37,144	32,660
Annual OPEB expense	93,604	88,905
Expected benefit payments	(10,248)	(8,252)
Increase in net OPEB obligation	83,356	80,653
Net OPEB obligation, Beginning of year	278,175	197,522
Net OPEB obligation, End of year	\$ 361,531	\$ 278,175

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

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

<u>Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 45,068	24.3%	\$ 154,846
2014	\$ 47,612	10.3%	\$ 197,522
2015	\$ 88,905	9.3%	\$ 278,175
2016	\$ 93,604	10.9%	\$ 361,531

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

The funded status is as follows:

Actuarial accrued liability (AAL)	\$ 958,036
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability	<u>\$ 958,036</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 365,922
UAAL as a percentage of covered payroll	261.81%

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

Actuarial Methods and Assumptions: In the July 1, 2014 actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 4% rate of return and an annual health cost rate trend of 5%. Both rates included a 2.5% general inflation assumption. The UAAL is being amortized over 30 years at a level dollar amount.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 – PENSION PLAN:

Plan Description-The Water Department, through the Town of Templeton, is a member of the Worcester Regional Retirement System which, in turn, is a member of the Massachusetts Contributory Retirement System which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a cost-sharing multiple-employer contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by teachers' retirement board. The Plan's separately issued financial statements can be obtained by contacting Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Benefits Provided-The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of member's highest three-year average annual rate of regular compensation. For members who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the retirement system: Group 1, Group 2, and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service if hired after 1978 and if classified in group 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 55 years of age with 10 years of service if in group 2, and 55 years of age if classified in group 4 or hired prior to 1978. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors: including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Employees who resign from state service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 – PENSION PLAN (Continued):

Contributions- Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee’s membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. The Department is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study. The actuarially determined Department contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Department’s contribution to the System for the years ended June 30, 2016 and 2015 was \$50,576 and \$60,282, respectively, which equaled its required contribution for each year.

Pension Liabilities- At June 30, 2016 and 2015, the Water Department reported a liability of \$797,955 and \$907,704, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2014. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At December 31, 2015 and 2014, the Town’s proportion was 1.36% and 1.72%, respectively.

The Department’s portion of the net pension liability was based on the percentage of the Department’s payroll to the total Town’s payroll as of the measured date of December 31, 2015 and 2014. At December 31, 2015 and 2014, the Department’s portion was 8.256% and 8.837% of the Town’s total payroll, respectively.

Pension Expense- For the years ended June 30, 2016 and 2015 the Department recognized a pension expense of \$81,032 and \$81,208, respectively. For the years ended June 30, 2016 and 2015, the Department reported deferred inflows of resources related to pensions of \$199,016 and \$0, respectively, consisting of the changes in proportion of differences between employer contributions and proportionate share of contributions which amounted to \$148,925, also included is the change in the percentage of the Department’s payroll to the Town’s total payroll which amounted to \$60,185, and the amortization of deferred inflows which amounted to \$(10,098). For the years ended June 30, 2016 and 2015, the Department reported deferred outflows of resources related to pensions of \$68,906 and \$546, respectively, from the differences between projected and actual investment earnings.

The Department’s net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
Year Ended June 30:		Year Ended June 30:	
2017	\$ 15,824	2017	\$ 40,123
2018	15,824	2018	40,123
2019	15,824	2019	40,123
2020	15,724	2020	40,123
Thereafter	<u>5,710</u>	Thereafter	<u>38,524</u>
Total	<u>\$ 68,906</u>	Total	<u>\$ 199,016</u>

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 – PENSION PLAN (Continued):

Actuarial Assumptions-The total pension liability as of June 30, 2016 and 2015 was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	<p><i>Unfunded Actuarial Accrued Liability (UAL):</i> Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035.</p> <p><i>Early Retirement Incentive Programs (ERI) for 2002 and 2003:</i> Increasing dollar amount at 4.5% to reduce the unfunded Actuarial Accrued Liability attributable to ERI to zero on or before June 30, 2028.</p> <p><i>Early Retirement Incentive Program (ERI) for 2010:</i> Level dollar amount to reduce the Unfunded Actuarial Accrued Liability attributable to ERI to zero on or before June 30, 2022.</p>
Remaining Amortization Period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (8 years)
Asset Valuation Method	<p>The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:</p> <ol style="list-style-type: none"> a. 80% of gains and losses of the prior year, b. 60% of gains and losses of the second prior year, c. 40% of gains and losses of the third prior year and d. 20% of gains and losses of the fourth prior year
Inflation Rate	Not explicitly assumed
Projected Salary Increases	The assumed rates for salary increases including longevity is 3%
Cost of Living Allowance	Cost-of Living Allowances (COLA) are assumed to be 3% of the pension amount, capped at \$480 per year. Previously, capped at \$420.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 – PENSION PLAN (Continued):

Actuarial Assumptions (Continued):

Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Healthy Retirees	RP-2000 Mortality Table Projected to 2014 with Scale AA.
Disabled Retirees	RP-2000 Mortality Table set forward two years for disabled members.
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation
Annuity Savings Fund Interest Rate	2.00% per year

Investment Policy- The Plan’s asset allocation policies are established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major category asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan’s target asset allocation as of December 31, 2015 are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40%	8.02%
Fixed Income	23%	5.09%
Private Equity	10%	9.50%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	7.07%
Hedge Funds	9%	6.50%
Other	4%	6.18%

*Discount Rate-*The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 – PENSION PLAN (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.75%)</u>	<u>Discount Rate</u>	<u>(7.75%)</u>
		<u>(7.75%)</u>	<u>(8.75%)</u>
Proportionate share of the Net Pension Liability	\$ 960,590	\$ 797,955	\$ 659,614

Pension Plan Fiduciary Net Position- Detailed information about the pension plan’s fiduciary net position is available in the separately issued Worcester Regional Retirement System financial report.

NOTE 13 – SUBSEQUENT EVENT:

During fiscal year 2017 the Department was approved for bond and grant proceeds by the United States Department of Agriculture for the purposes of the replacement of the Ladder Hill Water Storage Tank.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS

Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	For the Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Total Payroll	UAAL as a Percentage of Payroll
7/1/2010	6/30/2011	\$ -	\$ 429,607	\$ 429,607	0.00%	\$ 287,034	149.67%
7/1/2011	6/30/2012	\$ -	\$ 465,322	\$ 465,322	0.00%	\$ 288,530	161.27%
7/1/2011	6/30/2013	\$ -	\$ 503,204	\$ 503,204	0.00%	\$ 296,227	169.87%
7/1/2011	6/30/2014	\$ -	\$ 543,433	\$ 543,433	0.00%	\$ 291,007	186.74%
7/1/2014	6/30/2015	\$ -	\$ 888,659	\$ 888,659	0.00%	\$ 307,070	289.40%
7/1/2014	6/30/2016	\$ -	\$ 958,036	\$ 958,036	0.00%	\$ 365,922	261.81%

Schedule of Actuarial Methods and Assumptions

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

Actuarial Methods:

Valuation Date	7/1/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year Level Dollar Basis
Remaining Amortization Period	23 years

Actuarial Assumptions:

Assumed Retirement	Age 65
Discount Rate	4.00%
Projected Salary Increases	3.00%
Healthcare Cost Trend Rate	5.00%

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

Schedule of the Department's Proportionate Share of the Net Pension Liability (NPL)

Actuarial Valuation Date	Measurement Date	For the Year Ending	Department's Portion of the NPL	Department's Proportionate Share of the NPL	Department's Total Employee Payroll	NPL as a Percentage of Total Employee	Department's Proportionate Share of the Plan's Fiduciary NPL as a Percentage of the Department's Total Pension Liability
1/1/2014	12/31/2014	6/30/2015	0.1525%	\$ 907,704	\$ 348,393	260.50%	47.94%
1/1/2014	12/31/2015	6/30/2016	0.1124%	\$ 797,955	\$ 365,922	218.07%	44.52%

Schedule of Contributions

Actuarial Valuation Date	Measurement Date	For the Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Department's Total Employee Payroll	Contribution as a Percentage of Department's Total Employee Payroll
1/1/2014	12/31/2014	6/30/2015	\$ 60,282	\$ (60,282)	\$ -	\$ 348,393	17.30%
1/1/2014	12/31/2015	6/30/2016	\$ 50,576	\$ (50,576)	\$ -	\$ 365,922	13.82%

Note: These schedules are intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditors' Report

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

NOTE A – PENSION PLAN

Changes of Benefit Terms

The Athol Retirement System was dissolved effective January 1, 2015. All assets and liabilities were transferred to the Worcester Regional Retirement System.

Changes of Assumptions

The long term rate of investment return was decreased from 8% to 7.75%.

TOWN OF TEMPLETON, MASSACHUSETTS
MUNICIPAL WATER DEPARTMENT
SCHEDULES OF OPERATIONS EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATIONS EXPENSES:		
Chemical and Water Testing Expenses	\$ 44,461	\$ 35,518
Electricity	68,710	70,582
Insurance	29,434	25,755
Materials and Supplies	17,952	24,365
Miscellaneous	13,601	7,122
Office Expense	20,203	21,167
Outside Services	13,994	29,118
Salaries and Benefits	437,396	440,594
Transportation	7,150	12,185
TOTAL OPERATIONS EXPENSES	\$ 652,901	\$ 666,406

See Independent Auditors' Report