

TOWN OF MONTAGUE, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2015

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Montague, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montague, Massachusetts, as of and for the year ended June 30, 2015, (except for the Montague Contributory Retirement System which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montague, Massachusetts, as of June 30, 2015, (except for the Montague Contributory Retirement System which is as of and for the year ended December 31, 2014) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 23 to the combined financial statements, in 2014, the Montague Contributory Retirement System adopted Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans. 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 management's discussion and analysis and Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Contribu-

tions, the Schedule of Changes in Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015 on our consideration of the Town of Montague'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 Town's internal control over financial reporting and compliance.



December 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Montague, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Montague's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (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 our finances in a manner similar to a private-sector business.

The statement of net position presents information on all assets and liabilities, 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 is improving or deteriorating.

The statement of activities presents information showing how the Town'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., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer enterprise fund and airport enterprise fund activities.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be

divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, the enterprise funds are used to account for sewer and airport operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for sewer and airport operations, which are both considered to be a major funds.

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 statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that are 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 which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$14,792,020 (i.e., net position), a change of \$105,451 in comparison to the restated prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$4,360,096, a change of \$538,956 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,838,590, a change of \$375,560 in comparison with the prior year.
- Total long-term debt (i.e., long-term notes and bonds payable) at the close of the current fiscal year was \$11,152,556, a change of \$941,025 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	Current and other assets	\$ 5,749,333	\$ 5,232,838	\$ 1,397,362	\$ 1,184,441	\$ 7,146,695
Deferred outflows	29,764	-	3,761	-	33,525	-
Capital assets	<u>11,623,626</u>	<u>12,267,347</u>	<u>18,869,349</u>	<u>18,123,178</u>	<u>30,492,975</u>	<u>30,390,525</u>
Total assets and deferred outflows	17,402,723	17,500,185	20,270,472	19,307,619	37,673,195	36,807,804
Long-term liabilities outstanding	15,026,765	10,743,721	5,982,423	4,107,845	21,009,188	14,851,566
Other liabilities	<u>624,962</u>	<u>689,303</u>	<u>1,247,025</u>	<u>1,880,275</u>	<u>1,871,987</u>	<u>2,569,578</u>
Total liabilities	15,651,727	11,433,024	7,229,448	5,988,120	22,881,175	17,421,144
Net position						
Net investment in capital assets	5,484,048	5,691,512	13,452,844	13,093,907	18,936,892	18,785,419
Restricted	819,408	764,577	-	-	819,408	764,577
Unrestricted	<u>(4,552,460)</u>	<u>(388,928)</u>	<u>(411,820)</u>	<u>225,592</u>	<u>(4,964,280)</u>	<u>(163,336)</u>
Total net position	\$ <u>1,750,996</u>	\$ <u>6,067,161</u>	\$ <u>13,041,024</u>	\$ <u>13,319,499</u>	\$ <u>14,792,020</u>	\$ <u>19,386,660</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 837,052	\$ 871,817	\$ 1,905,699	\$ 1,833,226	\$ 2,742,751	\$ 2,705,043
Operating grants and contributions	827,004	794,799	-	-	827,004	794,799
Capital grants and contributions	588,859	676,261	1,006,940	798,507	1,595,799	1,474,768
General revenues:						
Property taxes	14,584,140	14,382,810	-	-	14,584,140	14,382,810
Excises	723,276	694,149	-	-	723,276	694,149
Penalties, interest and other taxes	119,445	118,289	-	-	119,445	118,289
Investment income	9,386	8,428	1,898	225	11,284	8,653
Grants and contributions not restricted	1,449,470	1,405,030	-	-	1,449,470	1,405,030
Miscellaneous	161,225	377,923	-	-	161,225	377,923
Total revenues	<u>19,299,857</u>	<u>19,329,506</u>	<u>2,914,537</u>	<u>2,631,958</u>	<u>22,214,394</u>	<u>21,961,464</u>
Expenses:						
General government	1,895,608	1,875,265	-	-	1,895,608	1,875,265
Public safety	2,149,342	2,016,917	-	-	2,149,342	2,016,917
Education	9,071,773	8,773,160	-	-	9,071,773	8,773,160
Public works	2,436,760	2,683,412	-	-	2,436,760	2,683,412
Health and human services	341,925	340,831	-	-	341,925	340,831
Culture and recreation	686,547	621,067	-	-	686,547	621,067
Employee benefits	2,233,827	2,444,625	-	-	2,233,827	2,444,625
Interest	250,821	260,278	-	-	250,821	260,278
Intergovernmental	146,411	167,489	-	-	146,411	167,489
Sewer operations	-	-	2,472,175	2,068,779	2,472,175	2,068,779
Airport operations	-	-	423,754	412,582	423,754	412,582
Total expenses	<u>19,213,014</u>	<u>19,183,044</u>	<u>2,895,929</u>	<u>2,481,361</u>	<u>22,108,943</u>	<u>21,664,405</u>
Change in net position before transfers	86,843	146,462	18,608	150,597	105,451	297,059
Transfers in (out)	<u>(230,267)</u>	<u>(211,620)</u>	<u>230,267</u>	<u>211,620</u>	<u>-</u>	<u>-</u>
Change in net position	(143,424)	(65,158)	248,875	362,217	105,451	297,059
Net position - beginning of year, as restated	<u>1,894,420</u>	<u>6,132,319</u>	<u>12,792,149</u>	<u>12,957,282</u>	<u>14,686,569</u>	<u>19,089,601</u>
Net position - end of year	<u>\$ 1,750,996</u>	<u>\$ 6,067,161</u>	<u>\$ 13,041,024</u>	<u>\$ 13,319,499</u>	<u>\$ 14,792,020</u>	<u>\$ 19,386,660</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$14,792,020, a change of \$105,451 from the restated prior year.

The largest portion of net position, \$18,936,892, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital

assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 of net position, \$819,408, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(4,552,460) (governmental) and \$(411,820) (business-type), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(143,424). Key elements of this change are as follows:

General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 333,282
State and local revenues over budget	183,755
Budgetary appropriations unspent by departments	294,295
Use of free cash (fund balance) as a funding source for non-recurring items	(911,642)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	8,160
Change in Stabilization funds	460,869
Non-major fund revenues, bond proceeds and transfers in excess of expenditures and transfers out	170,237
Depreciation expense in excess of principal debt service	(316,888)
Reverse bond proceeds from revenue	(103,000)
Capital assets purchased from taxation and grants	305,384
Net OPEB obligation liability increase	(629,358)
Net pension liability decrease	205,163
Other timing differences	<u>(143,681)</u>
Total	<u>\$ (143,424)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$248,875. Key elements of this change are as follows:

Sewer fund expenditures in excess of revenues	\$ (435,778)
Airport fund revenues in excess of expenditures	454,386
Transfers from general fund	<u>230,267</u>
Total	<u>\$ 248,875</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved 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 end of the current fiscal year, governmental funds reported combined ending fund balances of \$4,360,096, a change of \$538,956 in comparison with the prior year. Key elements of this change are as follows:

General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 333,282
State and local revenues over budget	183,755
Budgetary appropriations unspent by departments	294,295
Use of free cash (fund balance) as a funding source for non-recurring items	(911,642)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	8,160
Change in Stabilization funds	460,869
Non-major fund revenues, bond proceeds and transfers in excess of expenditures and transfers out	<u>170,237</u>
Total	<u>\$ 538,956</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,838,590 while total fund balance was \$3,493,815. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% of Total 2015 General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 2,838,590	\$ 2,463,030	\$ 375,560	16.4%
Total fund balance	3,493,815	3,125,096	368,719	20.2%

¹ Includes Stabilization funds.

The total fund balance of the general fund changed by \$368,719 during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 333,282
State and local revenues over budget	183,755
Budgetary appropriations unspent by departments	294,295
Use of free cash (fund balance) as a funding source for non-recurring items	(911,642)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	8,160
Change in Stabilization funds	<u>460,869</u>
Total	<u>\$ 368,719</u>

Included in the total general fund balance are the Town's stabilization funds with the following balances:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
General stabilization	\$ 913,066	\$ 811,293	\$ 101,773
Capital stabilization	310,030	-	310,030
Franklin County Technical School stabilization	49,554	488	49,066
Gill-Montague Regional School District stabilization	<u>44</u>	<u>44</u>	<u>-</u>
Total Stabilization funds	<u>\$ 1,272,694</u>	<u>\$ 811,825</u>	<u>\$ 460,869</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position (as restated from the prior year) of the enterprise funds at the end of the year amounted to \$(411,820), a change of \$(70,286) in comparison with the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$81,727. Reasons for these amendments include:

- \$ 15,000 increase in police budget appropriation.
- \$ 40,000 purchase of dump truck.
- \$ 22,500 increase in legal fees.
- \$ 4,227 other increases.

All of this increase was funded through the use of free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$30,492,975 (net of accumulated depreciation), a change of \$102,450 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, construction in progress, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- \$ (737,961) depreciation expense – governmental activities.
- \$ (530,538) depreciation expense – sewer fund.
- \$ (369,092) depreciation expense – airport fund.
- \$ (211,143) capital asset disposals.
- \$ 39,390 purchase of library books.
- \$ 62,253 purchase of police vehicle and truck.
- \$ 127,445 purchase of loader.
- \$ 26,500 construction in progress – soil stabilization project.
- \$ 7,387 construction in progress – skateboard park project.
- \$ 42,408 construction in progress – Sheffield School boiler.
- \$ 841,207 construction in progress – pump station repairs and sewer line replacement.
- \$ 804,594 construction in progress – airport runway replacement.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$11,032,556, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

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

Ms. Carolyn Olsen
Town Accountant
Town of Montague
One Avenue A
Turners Falls, MA 01376

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 4,657,545	\$ 979,974	\$ 5,637,519
Receivables, net of allowance for uncollectibles:			
Property taxes	525,046	-	525,046
Excises	90,751	-	90,751
User fees	-	394,982	394,982
Intergovernmental	264,839	22,406	287,245
Departmental and other	938	-	938
Other assets	62,133	-	62,133
Noncurrent:			
Tax liens, net of allowance for uncollectible	148,081	-	148,081
Land and construction in progress	1,648,944	1,643,234	3,292,178
Capital assets, net of accumulated depreciation	9,974,682	17,226,115	27,200,797
DEFERRED OUTFLOWS OF RESOURCES	<u>29,764</u>	<u>3,761</u>	<u>33,525</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	17,402,723	20,270,472	37,673,195
LIABILITIES			
Current:			
Warrants payable	159,392	543,307	702,699
Accounts payable	68,637	-	68,637
Accrued payroll and withholdings	109,783	16,210	125,993
Accrued interest payable	-	64,156	64,156
Notes payable	125,679	623,352	749,031
Intergovernmental payable	64,332	-	64,332
Other liabilities	97,139	-	97,139
Current portion of long-term liabilities:			
Notes payable	20,000	-	20,000
Bonds payable	405,594	269,113	674,707
Capital lease	39,541	-	39,541
Landfill closure	12,500	-	12,500
Noncurrent:			
Notes payable, net of current portion	100,000	-	100,000
Bonds payable, net of current portion	5,754,928	4,602,921	10,357,849
Capital lease, net of current portion	41,388	-	41,388
Landfill closure, net of current portion	175,000	-	175,000
Accrued compensated absences	285,396	23,807	309,203
Net OPEB obligation	4,224,840	585,160	4,810,000
Net pension liability	<u>3,967,578</u>	<u>501,422</u>	<u>4,469,000</u>
TOTAL LIABILITIES	15,651,727	7,229,448	22,881,175
NET POSITION			
Net investment in capital assets	5,484,048	13,452,844	18,936,892
Restricted for:			
Grants and other statutory restrictions	724,166	-	724,166
Permanent funds:			
Nonexpendable	65,333	-	65,333
Expendable	29,909	-	29,909
Unrestricted	<u>(4,552,460)</u>	<u>(411,820)</u>	<u>(4,964,280)</u>
TOTAL NET POSITION	\$ 1,750,996	\$ 13,041,024	\$ 14,792,020

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,895,608	\$ 87,734	\$ 459,274	\$ -	\$ (1,348,600)	\$ -	\$ (1,348,600)
Public safety	2,149,342	298,360	42,083	-	(1,808,899)	-	(1,808,899)
Education	9,071,773	-	30,404	-	(9,041,369)	-	(9,041,369)
Public works	2,436,760	237,949	14,980	583,859	(1,599,972)	-	(1,599,972)
Health and human services	341,925	27,799	210,798	-	(103,328)	-	(103,328)
Culture and recreation	686,547	185,210	69,465	5,000	(426,872)	-	(426,872)
Employee benefits	2,233,827	-	-	-	(2,233,827)	-	(2,233,827)
Interest	250,821	-	-	-	(250,821)	-	(250,821)
Intergovernmental	146,411	-	-	-	(146,411)	-	(146,411)
Total Governmental Activities	19,213,014	837,052	827,004	588,859	(16,960,099)	-	(16,960,099)
Business-Type Activities:							
Sewer operations	2,472,175	1,868,923	-	165,619	-	(437,633)	(437,633)
Airport operations	423,754	36,776	-	841,321	-	454,343	454,343
Total Business-Type Activities	2,895,929	1,905,699	-	1,006,940	-	16,710	16,710
Total All Activities	\$ 22,108,943	\$ 2,742,751	\$ 827,004	\$ 1,595,799	(16,960,099)	16,710	(16,943,389)
General Revenues and Transfers:							
Property taxes					14,584,140	-	14,584,140
Excises					723,276	-	723,276
Penalties, interest and other taxes					119,445	-	119,445
Investment income					9,386	1,898	11,284
Grants and contributions not restricted					1,449,470	-	1,449,470
Miscellaneous					161,225	-	161,225
Transfers, net					(230,267)	230,267	-
Total general revenues and transfers					16,816,675	232,165	17,048,840
Change in Net Position					(143,424)	248,875	105,451
Net Position:							
Beginning of year, as restated					1,894,420	12,792,149	14,686,569
End of year					\$ 1,750,996	\$ 13,041,024	\$ 14,792,020

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

TOWN OF MONTAGUE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 3,789,620	\$ 867,925	\$ 4,657,545
Receivables:			
Property taxes	743,659	-	743,659
Excises	95,611	-	95,611
Intergovernmental	22,824	242,015	264,839
Departmental and other	2,382	-	2,382
Other assets	62,133	-	62,133
TOTAL ASSETS	<u>4,716,229</u>	<u>1,109,940</u>	<u>5,826,169</u>
LIABILITIES			
Warrants payable	\$ 128,281	\$ 31,111	\$ 159,392
Accounts payable	-	68,637	68,637
Accrued payroll and withholdings	101,135	8,648	109,783
Notes payable	-	125,679	125,679
Intergovernmental payable	64,332	-	64,332
Other liabilities	87,555	9,584	97,139
TOTAL LIABILITIES	<u>381,303</u>	<u>243,659</u>	<u>624,962</u>
DEFERRED INFLOWS OF RESOURCES	841,111	-	841,111
FUND BALANCES			
Nonspendable	-	65,333	65,333
Restricted	-	736,422	736,422
Committed	405,225	91,026	496,251
Assigned	250,000	-	250,000
Unassigned	2,838,590	(26,500)	2,812,090
TOTAL FUND BALANCES	<u>3,493,815</u>	<u>866,281</u>	<u>4,360,096</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,716,229</u>	<u>\$ 1,109,940</u>	<u>\$ 5,826,169</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITIONS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITIONS

JUNE 30, 2015

Total Governmental Fund Balances	\$ 4,360,096
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,623,626
<ul style="list-style-type: none">• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	29,764
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection.	764,275
<ul style="list-style-type: none">• Long-term liabilities, including notes payable, bonds payable, capital leases, landfill closure, accrued compensated absences, net OPEB obligation and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(15,026,765)</u>
Net Position of Governmental Activities	<u>\$ 1,750,996</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 14,757,203	\$ -	\$ 14,757,203
Excises	719,876	-	719,876
Penalties, interest and other taxes	119,445	-	119,445
Charges for services	308,611	345,016	653,627
Intergovernmental	1,712,799	1,152,534	2,865,333
Licenses and permits	157,347	-	157,347
Fines and forfeitures	25,678	-	25,678
Investment income	5,736	3,650	9,386
Miscellaneous	77,619	83,606	161,225
Total Revenues	<u>17,884,314</u>	<u>1,584,806</u>	<u>19,469,120</u>
Expenditures:			
Current:			
General government	1,102,297	528,041	1,630,338
Public safety	1,838,649	157,373	1,996,022
Education	9,044,436	-	9,044,436
Public works	1,881,657	569,511	2,451,168
Health and human services	319,194	21,502	340,696
Culture and recreation	470,840	211,696	682,536
Employee benefits	1,839,396	-	1,839,396
Debt service	632,656	39,238	671,894
Intergovernmental	146,411	-	146,411
Total Expenditures	<u>17,275,536</u>	<u>1,527,361</u>	<u>18,802,897</u>
Excess (deficiency) of revenues over expenditures	608,778	57,445	666,223
Other Financing Sources (Uses):			
Proceeds of bonds	-	103,000	103,000
Transfers in	-	9,792	9,792
Transfers (out)	(240,059)	-	(240,059)
Total Other Financing Sources (Uses)	<u>(240,059)</u>	<u>112,792</u>	<u>(127,267)</u>
Change in fund balance	368,719	170,237	538,956
Fund Equity, at Beginning of Year	<u>3,125,096</u>	<u>696,044</u>	<u>3,821,140</u>
Fund Equity, at End of Year	<u>\$ 3,493,815</u>	<u>\$ 866,281</u>	<u>\$ 4,360,096</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 538,956						
<ul style="list-style-type: none"> 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: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">305,384</td> </tr> <tr> <td style="padding-left: 40px;">Capital asset disposals, net</td> <td style="text-align: right;">(211,143)</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(737,961)</td> </tr> </table> 		Capital outlay purchases	305,384	Capital asset disposals, net	(211,143)	Depreciation	(737,961)
Capital outlay purchases	305,384						
Capital asset disposals, net	(211,143)						
Depreciation	(737,961)						
<ul style="list-style-type: none"> Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the change in deferred revenue, net of allowance for uncollectibles. <table> <tr> <td></td> <td style="text-align: right;">41,881</td> </tr> </table> 			41,881				
	41,881						
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., notes, bonds and capital leases) 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 transaction, however, has any effect on net position: <table> <tr> <td style="padding-left: 40px;">Issuance of debt</td> <td style="text-align: right;">(103,000)</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">421,073</td> </tr> <tr> <td style="padding-left: 40px;">Capital lease payments</td> <td style="text-align: right;">37,777</td> </tr> </table> 		Issuance of debt	(103,000)	Repayments of debt	421,073	Capital lease payments	37,777
Issuance of debt	(103,000)						
Repayments of debt	421,073						
Capital lease payments	37,777						
<ul style="list-style-type: none"> Some expenses reported in the statement of activities, such as landfill closure liability, accrued compensated absences net OPEB obligation and net pension liability, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td></td> <td style="text-align: right;"><u>(436,391)</u></td> </tr> </table> 			<u>(436,391)</u>				
	<u>(436,391)</u>						
Change in Net Position of Governmental Activities	\$ <u>(143,424)</u>						

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

TOWN OF MONTAGUE, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 14,423,921	\$ 14,423,921	\$ 14,423,921	\$ -
Excises	633,963	633,963	719,876	85,913
Penalties, interest and other taxes	110,500	110,500	119,445	8,945
Charges for services	269,200	269,200	308,611	39,411
Intergovernmental	1,716,421	1,716,421	1,712,799	(3,622)
Licenses and permits	105,400	105,400	157,347	51,947
Fines and forfeitures	25,800	25,800	25,678	(122)
Investment income	4,000	4,000	3,964	(36)
Miscellaneous	76,300	76,300	77,619	1,319
Transfers in	113,000	153,000	153,000	-
Other sources	869,915	911,642	911,642	-
Total Revenues and Other Sources	18,348,420	18,430,147	18,613,902	183,755
Expenditures and Other Uses:				
General government	1,142,850	1,149,950	1,097,681	52,269
Public safety	1,861,643	1,876,643	1,843,679	32,964
Education	9,029,060	9,029,060	9,029,060	-
Public works	1,899,069	1,951,596	1,923,891	27,705
Health and human services	339,293	339,293	319,194	20,099
Culture and recreation	454,127	454,127	451,728	2,399
Employee benefits	1,969,954	1,974,054	1,839,396	134,658
Debt service	641,418	641,418	632,656	8,762
Intergovernmental	168,642	168,642	146,411	22,231
Transfers out	842,364	845,364	852,156	(6,792)
Total Expenditures and Other Uses	18,348,420	18,430,147	18,135,852	294,295
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 478,050	\$ 478,050

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

TOWN OF MONTAGUE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Funds		Total Business-Type Activities
	Sewer Fund	Airport Fund	
ASSETS			
Current:			
Cash and short-term investments	\$ 674,935	\$ 305,039	\$ 979,974
User fees, net of allowance for uncollectible	394,982	-	394,982
Intergovernmental receivable	-	22,406	22,406
Total current assets	1,069,917	327,445	1,397,362
Noncurrent:			
Land and construction in progress	732,853	910,381	1,643,234
Capital assets, net of accumulated depreciation	11,408,835	5,817,280	17,226,115
Total noncurrent assets	12,141,688	6,727,661	18,869,349
DEFERRED OUTFLOWS OF RESOURCES	3,654	107	3,761
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	13,215,259	7,055,213	20,270,472
LIABILITIES			
Current:			
Warrants payable	237,315	305,992	543,307
Accrued payroll	15,639	571	16,210
Accrued interest payable	64,156	-	64,156
Notes payable	623,352	-	623,352
Current portion of long-term liabilities:			
Bonds payable	269,113	-	269,113
Total current liabilities	1,209,575	306,563	1,516,138
Noncurrent:			
Bonds payable, net of current portion	4,602,921	-	4,602,921
Accrued compensated absences	23,807	-	23,807
Net OPEB obligation	585,160	-	585,160
Net pension liability	487,121	14,301	501,422
Total noncurrent liabilities	5,699,009	14,301	5,713,310
TOTAL LIABILITIES	6,908,584	320,864	7,229,448
NET POSITION			
Net investment in capital assets	6,695,783	6,757,061	13,452,844
Unrestricted	(389,108)	(22,712)	(411,820)
TOTAL NET POSITION	\$ 6,306,675	\$ 6,734,349	\$ 13,041,024

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

TOWN OF MONTAGUE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds		Total Business-Type Activities
	Sewer Fund	Airport Fund	
Operating Revenues:			
Charges for services	\$ <u>1,868,923</u>	\$ <u>36,776</u>	\$ <u>1,905,699</u>
Total Operating Revenues	1,868,923	36,776	1,905,699
Operating Expenses:			
Operating expenses	1,768,831	54,662	1,823,493
Depreciation	<u>530,538</u>	<u>369,092</u>	<u>899,630</u>
Total Operating Expenses	<u>2,299,369</u>	<u>423,754</u>	<u>2,723,123</u>
Operating Income (Loss)	(430,446)	(386,978)	(817,424)
Nonoperating Revenues (Expenses):			
Investment income	1,855	43	1,898
Grant income	165,619	841,321	1,006,940
Interest expense	<u>(172,806)</u>	<u>-</u>	<u>(172,806)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(5,332)</u>	<u>841,364</u>	<u>836,032</u>
Income (Loss) Before Transfers	(435,778)	454,386	18,608
Transfers:			
Transfers in	<u>220,620</u>	<u>9,647</u>	<u>230,267</u>
Change in Net Position	(215,158)	464,033	248,875
Net Position at Beginning of Year, as restated	<u>6,521,833</u>	<u>6,270,316</u>	<u>12,792,149</u>
Net Position at End of Year	\$ <u>6,306,675</u>	\$ <u>6,734,349</u>	\$ <u>13,041,024</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds		Total Business-Type Activities
	Sewer Fund	Airport Fund	
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,730,844	\$ 14,370	\$ 1,745,214
Payments to vendors and employees	(1,508,961)	(85,463)	(1,594,424)
Net Cash Provided By (Used For) Operating Activities	221,883	(71,093)	150,790
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in	220,620	9,647	230,267
Net Cash Provided By Noncapital Financing Activities	220,620	9,647	230,267
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(841,207)	(502,514)	(1,343,721)
Issuance of short-term debt	870,056	-	870,056
Payments of short-term debt	(1,946,704)	-	(1,946,704)
Issuance of bonds and notes	1,550,000	-	1,550,000
Principal payments on bonds and notes	(290,901)	-	(290,901)
Grant income	165,619	841,321	1,006,940
Interest paid	(176,188)	-	(176,188)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(669,325)	338,807	(330,518)
<u>Cash Flows From Investing Activities:</u>			
Investment income	1,855	43	1,898
Net Cash Provided By Investing Activities	1,855	43	1,898
Net Change in Cash and Short-Term Investments	(224,967)	277,404	52,437
Cash and Short Term Investments, Beginning of Year	899,902	27,635	927,537
Cash and Short Term Investments, End of Year	\$ 674,935	\$ 305,039	\$ 979,974
<u>Reconciliation of Operating (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating (loss)	\$ (430,446)	\$ (386,978)	\$ (817,424)
Adjustments to reconcile operating (loss) to net cash provided by (used for) operating activities:			
Depreciation	530,538	369,092	899,630
Changes in assets and liabilities:			
User fees and other receivables	(22,158)	(22,406)	(44,564)
Deferred outflows	(3,654)	(107)	(3,761)
Warrants and accounts payable	167,901	(30,163)	137,738
Other liabilities	4,891	208	5,099
Net pension liability	(25,189)	(739)	(25,928)
Net Cash Provided By (Used For) Operating Activities	\$ 221,883	\$ (71,093)	\$ 150,790

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

TOWN OF MONTAGUE, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Private Purpose Trust <u>Funds</u>	Pension Trust Fund (As of <u>December 31, 2014</u>)
<u>ASSETS</u>		
Cash and short-term investments	\$ 124,113	\$ 104,788
Investments	-	34,280,288
Accounts receivable	-	12,241
Total Assets	<u>124,113</u>	<u>34,397,317</u>
<u>NET POSITION</u>		
Total net position held in trust for pension benefits and other purposes	\$ <u>124,113</u>	\$ <u>34,397,317</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Private Purpose Trust Funds	Pension Trust Fund (For The Year Ended December 31, 2014)
Additions:		
Contributions:		
Employers	\$ -	\$ 1,644,354
Other systems and Commonwealth of Massachusetts	-	101,634
Plan members	-	779,716
	<hr/>	<hr/>
Total contributions	-	2,525,704
Investment Income:		
Interest and dividends	840	942,838
Realized gain on sale of investments	-	1,491,586
Increase in fair value of investments	-	151,541
Less: management fees	-	(177,454)
	<hr/>	<hr/>
Net investment income	840	2,408,511
	<hr/>	<hr/>
Total additions	840	4,934,215
Deductions:		
Benefit payments to plan members and beneficiaries	-	2,192,589
Reimbursements to other systems	-	135,099
Refunds to plan members	-	314,217
Administrative expenses	-	92,669
Scholarships awarded	3,850	-
	<hr/>	<hr/>
Total deductions	3,850	2,734,574
	<hr/>	<hr/>
Net increase (decrease)	(3,010)	2,199,641
Net position:		
Beginning of year, as restated	<hr/> 127,123	<hr/> 32,197,676
End of year	\$ <hr/> <hr/> 124,113	\$ <hr/> <hr/> 34,397,317

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

Town of Montague, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Montague (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB-14 (as amended) criteria of component units, other than as described below.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds: The Montague Contributory Retirement System, which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 1 Avenue A, Turners Falls, MA 01376.

B. Government-Wide and Fund Financial Statements

Government-Wide 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally

separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of*

accounting. Revenues are recognized as soon as they are both 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. All revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *sewer enterprise fund*, which accounts for operations of the Town's wastewater treatment facility and supporting infrastructure.
- The *airport enterprise fund*, which accounts for operating the Town's airport and supporting infrastructure.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *pension trust fund* accounts for the activities of the Montague Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are in-

vested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System consist of investments in a State pool and are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 ½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$542.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if

purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land and improvements	20
Building and improvements	20 – 40
Infrastructure	5 – 50
Vehicles	5 – 10
Equipment and furnishings	10

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not avail-

able for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic 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 disclosures 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.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/expenditures (GAAP basis)	\$ 17,884,314	\$ 17,275,536
Other financing sources/uses (GAAP basis)	<u>-</u>	<u>240,059</u>
Subtotal (GAAP Basis)	17,884,314	17,515,595
Remove the effect of adding Town's stabilization funds per GASB 54:		
Reverse the adjustment eliminating interfund transfers	153,000	612,097
Remove stabilization funds income	(1,772)	-
Adjust tax revenue to accrual basis	(333,282)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(397,065)
Add end of year appropriation carryforwards to expenditures	-	405,225
Recognize the use of fund balance as a funding source	<u>911,642</u>	<u>-</u>
Budgetary basis	<u>\$ 18,613,902</u>	<u>\$ 18,135,852</u>

D. Deficit Fund Equity

The following fund had a deficit balance as of June 30, 2015:

Soil Stabilization CPF	\$ (26,500)
------------------------	-------------

The deficit in this fund will be eliminated through future departmental revenues and bond proceeds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or

banking company for such excess.” Massachusetts General Law Chapter 32, Section 23, limits the System’s deposits “in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company.” The Town and the Contributory Retirement System do not have deposit policies for custodial credit risk.

As of June 30, 2015, none of the Town’s bank balance of \$5,812,644 was exposed to custodial credit risk as uninsured and/or uncollateralized.

As of December 31, 2014, none of the Contributory Retirement System’s bank balance of \$162,920 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. Investments

A. Credit Risk

Massachusetts General Law, Chapter 32, Section 23, limits the investment of Retirement System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets is invested in any one security.

All of the System’s investments are reported at fair value* and are comprised of shares in the Pension Reserve Investment Trust (PRIT) Fund, which is exempt from credit risk disclosure.

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have policies for custodial credit risk.

All of the System’s investments are comprised of shares in the Pension Reserve Investment Trust (PRIT) Fund, which is exempt from custodial credit risk disclosure.

C. Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

The System does not have an investment in one issuer greater than 5% of total investments other than the PRIT Fund.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Contributory Retirement System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have policies for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a semi-annual basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2015 consist of the following (in thousands):

Real Estate		
2015	\$ 359	
2014	140	
2013	47	
2012 and Prior	<u>5</u>	551
Personal Property		
2015	2	
2014	5	
2013	<u>1</u>	8
Tax Liens		<u>185</u>
Total		<u>\$ 744</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Sewer Enterprise</u>
Property taxes - current	\$ 34	\$ -
Property taxes - noncurrent	37	-
Excises	5	-
Other	2	34

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015.

8. Other Assets

The Town collects certain receivables on behalf of several Districts located within Town. The balance in other assets consist primarily of these receivables, which are offset by an intergovernmental payable.

9. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 13,963,026	\$ -	\$ (27,314)	\$ -	\$ 13,935,712
Machinery, equipment, vehicles and furnishings	2,989,709	229,089	(127,575)	-	3,091,223
Infrastructure	<u>273,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,792</u>
Total capital assets, being depreciated	17,226,527	229,089	(154,889)	-	17,300,727
Less accumulated depreciation for:					
Buildings and improvements	(4,598,626)	(489,240)	6,147	-	(5,081,719)
Machinery, equipment, vehicles and furnishings	(1,896,341)	(242,531)	127,575	-	(2,011,297)
Infrastructure	<u>(226,839)</u>	<u>(6,190)</u>	<u>-</u>	<u>-</u>	<u>(233,029)</u>
Total accumulated depreciation	<u>(6,721,806)</u>	<u>(737,961)</u>	<u>133,722</u>	<u>-</u>	<u>(7,326,045)</u>
Total capital assets, being depreciated, net	10,504,721	(508,872)	(21,167)	-	9,974,682
Capital assets, not being depreciated:					
Land	784,632	-	(189,976)	-	594,656
Construction in progress	<u>977,993</u>	<u>76,295</u>	<u>-</u>	<u>-</u>	<u>1,054,288</u>
Total capital assets, not being depreciated	<u>1,762,625</u>	<u>76,295</u>	<u>(189,976)</u>	<u>-</u>	<u>1,648,944</u>
Governmental activities capital assets, net	<u>\$ 12,267,346</u>	<u>\$ (432,577)</u>	<u>\$ (211,143)</u>	<u>\$ -</u>	<u>\$ 11,623,626</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 13,903,043	\$ -	\$ -	\$ 89,500	\$ 13,992,543
Machinery, equipment, vehicles and furnishings	103,706	-	-	-	103,706
Infrastructure	<u>10,938,485</u>	<u>-</u>	<u>-</u>	<u>933,172</u>	<u>11,871,657</u>
Total capital assets, being depreciated	24,945,234	-	-	1,022,672	25,967,906
Less accumulated depreciation for:					
Buildings and improvements	(5,567,072)	(521,439)	-	-	(6,088,511)
Machinery, equipment, vehicles and furnishings	(71,897)	(7,070)	-	-	(78,967)
Infrastructure	<u>(2,203,192)</u>	<u>(371,121)</u>	<u>-</u>	<u>-</u>	<u>(2,574,313)</u>
Total accumulated depreciation	<u>(7,842,161)</u>	<u>(899,630)</u>	<u>-</u>	<u>-</u>	<u>(8,741,791)</u>
Total capital assets, being depreciated, net	17,103,073	(899,630)	-	1,022,672	17,226,115
Capital assets, not being depreciated:					
Land	266,750	-	-	-	266,750
Construction in progress	<u>753,355</u>	<u>1,645,801</u>	<u>-</u>	<u>(1,022,672)</u>	<u>1,376,484</u>
Total capital assets, not being depreciated	<u>1,020,105</u>	<u>1,645,801</u>	<u>-</u>	<u>(1,022,672)</u>	<u>1,643,234</u>
Business-type activities capital assets, net	<u>\$ 18,123,178</u>	<u>\$ 746,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,869,349</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 266,205
Public safety	175,589
Education	69,745
Public works	189,730
Culture and recreation	<u>36,692</u>
Total depreciation expense - governmental activities	<u>\$ 737,961</u>
Business-Type Activities:	
Sewer	\$ 530,538
Airport	<u>369,092</u>
Total depreciation expense - business-type activities	<u>\$ 899,630</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	<u>Entity-wide Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net difference between projected and actual pension investment earnings	\$ 29,764	\$ 3,761

11. Warrants and Accounts Payable

Warrants payable represent 2015 expenditures paid by July 15, 2015 as permitted by law. Accounts payable represents additional 2015 expenditures paid after July 15, 2015.

12. Anticipation Notes Payable

The Town had the following short-term notes outstanding at June 30, 2015:

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2015</u>
Bond anticipation	0.50%	01/22/15	01/21/16	\$ 123,352
Bond anticipation	0.50%	06/15/15	04/14/16	\$ 500,000
Bond anticipation	0.75%	06/29/15	06/28/16	\$ 26,500
State anticipation	0.60%	06/29/15	08/27/15	\$ 99,179
Total				<u>\$ 749,031</u>

The following summarizes activity in short-term notes payable during fiscal year 2015:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
State anticipation	\$ 88,712	\$ 99,179	\$ (88,712)	\$ 99,179
Bond anticipation	1,803,000	896,556	(2,049,704)	649,852
Revenue anticipation	-	4,000,000	(4,000,000)	-
Total	<u>\$ 1,891,712</u>	<u>\$ 4,995,735</u>	<u>\$ (6,138,416)</u>	<u>\$ 749,031</u>

13. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds and notes currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2015</u>
<u>Bonds Payable:</u>			
Landfill	08/15/19	5.25%	\$ 175,000
Colle Opera House	06/15/22	4.25%	70,000
Municipal purpose	11/01/26	4.11%	395,000
Combined sewer overflow (MWPAT)	07/15/27	2.00%	248,291
Municipal purpose	11/15/27	4.50%	4,050,000
FRCOG Brownsfields	06/30/33	2.50%	119,695
Municipal purpose	05/15/34	3.00%	95,000
Combined sewer overflow (MWPAT)	01/15/39	2.41%	633,177
USDA	11/01/45	4.38%	<u>374,359</u>
Total Bonds Payable			6,160,522
<u>Notes Payable: *</u>			
Sheffield Parking Lot and Roof	05/22/16	2.15%	<u>120,000</u>
Total Notes Payable			<u>120,000</u>
Total Governmental Activities			<u>\$ 6,280,522</u>

** This borrowing is a combination of several short-term notes intended to finance this project over periods up to ten years. This is being accomplished by rolling over a series of short-term notes for lesser amounts each year. The interest rates reported are the interest rates for the short-term notes issued in fiscal year 2015 and due in fiscal year 2016.*

<u>Business-Type Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2015</u>
Millers Falls sewer (MWPAT)	02/01/17	N/A	\$ 137,675
Combined sewer overflow (MWPAT)	02/01/18	N/A	35,496
Sewer - property acquisition	06/15/22	4.34%	35,000
Sewer - multiple purpose	06/15/23	4.42%	225,000
Sewer - multiple purpose	11/01/26	4.11%	149,729
Combined sewer overflow (MWPAT)	07/15/27	2.00%	372,436
Sewer - multiple purpose	05/15/34	3.00%	1,485,000
Combined sewer overflow (MWPAT)	01/15/39	2.41%	949,764
USDA	11/01/45	4.38%	561,541
USDA	09/21/47	4.13%	<u>920,393</u>
Total Business-Type Activities			<u>\$ 4,872,034</u>

B. State Revolving Loan

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the States and are used by local communities to improve their sewer systems.

In fiscal years 1996, 1997, 2007 and 2008 the Town was issued loans through the Massachusetts Water Pollution Abatement Trust (MWPAT) Revolving Loan Program to improve its sewer infiltration/inflow system. The total is included in the Town's proprietary fund.

	<u>Loan Authorized</u>	<u>Subsidy</u>	<u>Repayment Obligation</u>	<u>Balance at June 30, 2015</u>
Millers Falls sewer	\$ 907,181	\$ 232,451	\$ 674,730	\$ 137,675
Combined sewer overflow	205,196	47,169	158,027	35,496
Combined sewer overflow	957,448	-	957,448	372,436
Combined sewer overflow	<u>1,911,052</u>	<u>-</u>	<u>1,911,052</u>	<u>949,764</u>
Total	<u>\$ 3,980,877</u>	<u>\$ 279,620</u>	<u>\$ 3,701,257</u>	<u>\$ 1,495,371</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term bonds and notes outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 425,594	\$ 229,763	\$ 655,357
2017	436,869	215,280	652,149
2018	423,178	200,020	623,198
2019	429,525	184,032	613,557
2020	440,907	167,665	608,572
2021 - 2025	2,086,635	601,654	2,688,289
2026 - 2030	1,480,431	196,310	1,676,741
2031 and thereafter	<u>557,383</u>	<u>132,945</u>	<u>690,328</u>
Total	<u>\$ 6,280,522</u>	<u>\$ 1,927,669</u>	<u>\$ 8,208,191</u>
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 269,113	\$ 171,308	\$ 440,421
2017	273,468	160,599	434,067
2018	201,842	150,491	352,333
2019	198,485	144,102	342,587
2020	205,974	137,549	343,523
2021 - 2025	990,035	588,136	1,578,171
2026 - 2030	906,913	433,447	1,340,360
2031 and thereafter	<u>1,826,204</u>	<u>518,698</u>	<u>2,344,902</u>
Total	<u>\$ 4,872,034</u>	<u>\$ 2,304,330</u>	<u>\$ 7,176,364</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2014 <u>Restated</u>	Additions	Reductions	Total Balance June 30, 2015	Less Current Portion	Long-Term Portion June 30, 2015
<u>Governmental Activities</u>						
Notes payable	\$ 138,721	\$ -	\$ (18,721)	\$ 120,000	\$ (20,000)	100,000
Bonds payable	6,459,875	103,000	(402,353)	6,160,522	(405,594)	5,754,928
Capital lease	118,706	-	(37,777)	80,929	(39,541)	41,388
Landfill closure	200,000	-	(12,500)	187,500	(12,500)	175,000
Accrued compensated absences	230,937	54,459	-	285,396	-	285,396
Net OPEB obligation	3,595,482	629,358	-	4,224,840	-	4,224,840
Net pension liability	4,172,741	-	(205,163)	3,967,578	-	3,967,578
Totals	<u>\$ 14,916,462</u>	<u>\$ 786,817</u>	<u>\$ (676,514)</u>	<u>\$ 15,026,765</u>	<u>\$ (477,635)</u>	<u>\$ 14,549,130</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 3,612,935	\$ 1,550,000	\$ (290,901)	\$ 4,872,034	\$ (269,113)	\$ 4,602,921
Accrued compensated absences	20,392	3,415	-	23,807	-	23,807
Net OPEB obligation	474,518	110,642	-	585,160	-	585,160
Net pension liability	527,350	-	(25,928)	501,422	-	501,422
Totals	<u>\$ 4,635,195</u>	<u>\$ 1,664,057</u>	<u>\$ (316,829)</u>	<u>\$ 5,982,423</u>	<u>\$ (269,113)</u>	<u>\$ 5,713,310</u>

E. Overlapping Debt

The Town is a member community of other governmental agencies, which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets of these agencies and are funded through user charges and/or assessments to the Town. The following summarizes the debt of these other agencies and the Town's related participation percentages:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
<u>Gill-Montague Regional School District:</u>			
Gill-Montague Regional High School	\$ <u>1,155,000</u>	89.36%	\$ <u>1,032,108</u>
Total	\$ <u>1,155,000</u>		\$ <u>1,032,108</u>

14. Capital Lease Obligations

The Town is the lessee of a highway department dump truck under a capital lease expiring on July 5, 2016. Future minimum lease payments consisted of the following as of June 30, 2015:

2016	\$ 43,320
2017	<u>43,321</u>
Total minimum lease payments	86,641
Less amounts representing interest	<u>(5,712)</u>
Present Value of Minimum Lease Payments	<u>\$ 80,929</u>

15. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$187,500 reported as landfill liability at June 30, 2015 represents the estimated cost of monitoring the landfill for the next 15 years. This amount is based on what it would cost to perform all closure and post-closure care in 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The deferred inflow of resources balance as of June 30, 2015 consists of unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance of the general fund deferred inflows of resources account is equal to the total of all June 30, 2015 receivable balances.

17. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2015:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 153,000	\$ 852,156
Town stabilization funds	612,097	153,000
Nonmajor Governmental Funds:		
Special revenue funds	3,000	-
Capital project funds	6,792	-
Sewer enterprise fund	220,620	-
Airport enterprise fund	9,647	-
Total	<u>\$ 1,005,156</u>	<u>\$ 1,005,156</u>

Transfers are used to (1) move revenues from the fund that by statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations. The transfers to the airport and sewer funds from the general fund are made to supplement the annual budget.

18. **Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

19. **Governmental Funds – Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2015:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds, capital projects funded by bonds and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital project accounts funded by appropriation and funds set-aside by the Town.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes fund balance (free cash) voted to be used in the subsequent fiscal year.

Unassigned - Represents amounts that are available to be spent in future periods. This fund balance classification includes stabilization funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54) and funds with deficit balances at June 30, 2015.

Following is a breakdown of the Town's fund balances at June 30, 2015:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 65,333	\$ 65,333
Total Nonexpendable	-	65,333	65,333
Restricted			
Special revenue funds	-	674,400	674,400
Capital project funds funded by bonds and grants	-	32,113	32,113
Expendable permanent funds	-	29,909	29,909
Total Restricted	-	736,422	736,422
Committed			
Special articles	405,225	-	405,225
Capital project funds funded by general fund appropriation	-	41,260	41,260
Town set-asides	-	49,766	49,766
Total Committed	405,225	91,026	496,251
Assigned			
Reserved for expenditures	250,000	-	250,000
Total Assigned	250,000	-	250,000
Unassigned			
Unassigned	1,565,896	-	1,565,896
Stabilization funds	1,272,694	-	1,272,694
Deficit capital project funds	-	(26,500)	(26,500)
Total Unassigned	2,838,590	(26,500)	2,812,090
Total Fund Balance	\$ 3,493,815	\$ 866,281	\$ 4,360,096

20. Subsequent Events

Debt – Subsequent to June 30, 2015, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Revenue anticipation	\$ 2,000,000	0.50%	08/19/15	10/13/15

21. Commitments and Contingencies

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

Self-Insurance – The Town participates in the Hampshire County Group Insurance Trust to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of June 30, 2015 the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$200,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2015, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$3.7 million, the Trust was in a surplus position of approximately \$24.3 million.

22. Post-Employment Health Care and Life Insurance Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the statement of net position over time.

A. Plan Description

In addition to providing the pension benefits described in the following footnote, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2013, the actuarial valuation date, approximately 61 retirees and 65 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute 20% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2015 annual other post-employment benefits (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2013.

	Governmental <u>Funds</u>	Sewer <u>Fund</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 1,040,340	\$ 139,660	\$ 1,180,000
Interest on net OPEB obligation	118,543	41,457	160,000
Adjustment to ARC	<u>(177,525)</u>	<u>(22,475)</u>	<u>(200,000)</u>
Annual OPEB cost	981,358	158,642	1,140,000
Contributions made	<u>(352,000)</u>	<u>(48,000)</u>	<u>(400,000)</u>
Increase (decrease) in net OPEB obligation	629,358	110,642	740,000
Net OPEB obligation - beginning of year	<u>3,595,482</u>	<u>474,518</u>	<u>4,070,000</u>
Net OPEB obligation - end of year	<u>\$ 4,224,840</u>	<u>\$ 585,160</u>	<u>\$ 4,810,000</u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,140,000	35%	\$ 4,810,000
2014	\$ 1,120,000	35%	\$ 4,070,000
2013	\$ 1,133,819	47%	\$ 3,338,762
2012	\$ 1,118,605	44%	\$ 2,733,447
2011	\$ 1,099,075	41%	\$ 2,106,964
2010	\$ 1,253,257	43%	\$ 1,454,589
2009	\$ 1,196,883	41%	\$ 703,139

The Town's net OPEB obligation as of June 30, 2015 is recorded as separate line item in the accompanying government-wide financial statements.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 12,930,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 12,930,000</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,210,000</u>
UAAL as a percentage of covered payroll	<u>403%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and 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.

In the July 1, 2013 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 9.5% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 2.5%.

23. Contributory Retirement System

The Town follows the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description and Contribution Information

The Town is a member of the Montague Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial systems.

Substantially all employees of the Town are members of the Montague Contributory Retirement System (MCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the MCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the MCRS Retirement Board, contribution percentages and benefits paid.

The System is governed by a five-member board. The five members include one Ex-Officio, one appointed by the Town, two elected by the members and retirees, and a fifth member chosen by the other four mem-

bers with the approval of the Public Employee Retirement Administration Commission. The System Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at January 1, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	121
Active plan members	<u>195</u>
Total	<u><u>316</u></u>
Number of participating employers	5

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from 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 deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, mem-

bers voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

The Town's contribution to the System for the year ended June 30, 2015 was \$869,556, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2014 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.55%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

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

E. Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2015 were as follows:

Net Pension Liability of Employers

Total pension liability	\$ 42,848
Plan fiduciary net position	<u>34,397</u>
Employers' net pension liability	<u>\$ 8,451</u>
Plan fiduciary net position as a percentage of total pension liability	80.28%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	1/1/2014
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.25-4.75%
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$18,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period ended December 31, 2013.

Mortality rates were based on RP-2000 table with scale AA (gender distinct).

During the fiscal year there were no changes of benefit terms or assumptions.

Target Allocations

All of the System's investments are held within the Pension Reserves Investment Trust (PRIT) which is managed by the Pension Reserves Investment Management Board (PRIM). PRIM's asset allocation and approved policy targets are voted on by the Board of Trustees. PRIM utilizes NPEC, LLC's annual asset class assumptions as part of the asset allocation process. The assumptions made by NEPC are based on a combination of historical data and forward looking analysis. The long-term expected rate of return on pension plan investments was based on the current market environment, the current market price, and by using a building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for PRIM for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	7.75%	1.12%
Small/Mid Cap Equities	3.50%	8.00%	0.28%
International Equities	22.00%	8.50%	1.87%
Total Fixed Income	19.00%	6.00%	1.14%
Private equity	10.00%	9.75%	0.98%
Private Debt	4.00%	8.25%	0.33%
Real Estate	10.00%	6.50%	0.65%
Hedge Funds	9.00%	7.00%	0.63%
Others	8.00%	6.88%	0.55%
Total	<u>100.00%</u>		7.55%
Inflation			Not explicitly stated
Expected arithmetic nominal return			<u>7.55%</u>

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

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2015	\$ 6,909	\$ 4,469	\$ 2,361

F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of \$4,469 (in thousands) for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 employers, actuarially determined. At December 31, 2014, the Town's proportion was 53 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$605,777. In addition, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 33
Total	<u>\$ 33</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 8
2017	8
2018	8
2019	<u>9</u>
Total	<u>\$ 33</u>

24. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant re-

ductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

25. Beginning Net Position Restatement

The beginning (July 1, 2014) net position of the System has been restated as follows:

	<u>Pension Trust Fund</u>
As previously reported, 12/31/14	\$ 31,392,863
Restate for adjustment to annualize revenue	<u>804,813</u>
As restated, 12/31/14	<u>\$ 32,197,676</u>

The beginning (July 1, 2014) net position of the Town has been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
		<u>Sewer Fund</u>	<u>Airport Fund</u>
As previously reported, 06/30/14	\$ 6,067,161	\$ 7,034,143	\$ 6,285,356
GASB 68 Implementation	<u>(4,172,741)</u>	<u>(512,310)</u>	<u>(15,040)</u>
As restated, 06/30/14	<u>\$ 1,894,420</u>	<u>\$ 6,521,833</u>	<u>\$ 6,270,316</u>

TOWN OF MONTAGUE, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 (Unaudited)
 (All amounts in thousands)

Other Post-Employment Benefits
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/13	\$ -	\$ 12,930	\$ 12,930	0.0%	\$ 3,210	403%
07/01/10	\$ -	\$ 14,583	\$ 14,583	0.0%	N/A	N/A
12/31/07	\$ -	\$ 17,231	\$ 17,231	0.0%	N/A	N/A

See Independent Auditors' Report.

TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

(Dollar amounts in thousands)

(Unaudited)

<u>Montague Contributory Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	<u>53%</u>
Proportionate share of the net pension liability for the most recent measurement date	<u>\$ 4,469</u>
Covered-employee payroll for the most recent measurement date	<u>\$ 3,569</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>125%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>80%</u>

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

See Independent Auditors' Report.

TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULE OF CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

(Dollar amounts in thousands)

(Unaudited)

<u>Montague Contributory Retirement System:</u>	<u>2015</u>
Town's contractually required contribution for the current fiscal year	\$ 870
Town's contributions in relation to the contractually required contribution	<u>870</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ <u>3,624</u>
Contributions as a percentage of covered-employee payroll	<u>24%</u>

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

See Independent Auditors' Report.

TOWN OF MONTAGUE, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Changes in the Net Pension Liability

(Unaudited)

	<u>2015</u>
Total pension liability	
Service cost	\$ 880
Interest on unfunded liability - time value of \$	3,164
Benefit payments, including refunds of member contributions	<u>(2,282)</u>
Net change in total pension liability	1,762
Total pension liability - beginning	<u>41,086</u>
Total pension liability - ending (a)	<u>\$ 42,848</u>
Plan fiduciary net position *	
Contributions - employer	\$ 1,644
Contributions - member	520
Other additions	2
Net investment income	2,408
Benefit payments, including refunds of member contributions	(2,282)
Administrative expense	<u>(93)</u>
Net change in plan fiduciary net position	2,199
Plan fiduciary net position - beginning	<u>32,198</u>
Plan fiduciary net position - ending (b)	<u>\$ 34,397</u>
Net pension liability (asset) - ending (a-b)	<u>\$ 8,451</u>

* Reflects certain rounding and immaterial classification differences from page 23.

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

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

See Independent Auditors' Report.

TOWN OF MONTAGUE, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Dollar amounts in thousands)
(Unaudited)

Schedule of Net Pension Liability	<u>2015</u>
Total pension liability	\$ 42,848
Plan fiduciary net position	<u>34,397</u>
Net pension liability (asset)	<u>\$ 8,451</u>
Plan fiduciary net position as a percentage of the total pension liability	80%
Covered employee payroll	\$ 6,426
Participating employer net pension liability (asset) as a percentage of covered employee payroll	132%
Schedule of Contributions	<u>2015</u>
Actuarially determined contribution	\$ 1,644
Contributions in relation to the actuarially determined contribution	<u>1,644</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 6,426
Contributions as a percentage of covered employee payroll	26%
Schedule of Investment Returns	
<i>Year Ended December 31</i>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	7.55%

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

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