

TOWN OF MONTAGUE, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORTS PURSUANT
TO *GOVERNMENT AUDITING STANDARDS*
AND UNIFORM GUIDANCE**

FOR THE YEAR ENDED JUNE 30, 2024

TOWN OF MONTAGUE, MASSACHUSETTS

CONTENTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs.....	8-10
Views of Responsible Officials and Planned Corrective Action.....	11

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Selectboard
Town of Montague, Massachusetts

We have audited, in accordance with the 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, the 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 (the Town), as of and for the year ended June 30, 2024 (except for the Montague Contributory Retirement System, which is as of and for the year ended December 31, 2023), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 4, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Greenfield, MA
February 4, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Selectboard
Town of Montague, Massachusetts

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Montague, Massachusetts' (the Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2024. The Town's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material, noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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, 2024 (except for the Montague Contributory Retirement System, which is as of and for the year ended December 31, 2023), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated February 4, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Greenfield, MA
February 4, 2025

TOWN OF MONTAGUE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

<i>Federal Agency</i>	Federal	Pass-Through	Federal
Cluster	Assistance	Identifying	Expenditures
Pass-Through Agency	Listing	Number	
Program Title	Number	Number	Expenditures
<i>U.S. Department of Agriculture</i>			
Direct Federal Program			
Community Facilities Loans and Grants	10.766	n/a	<u>\$ 38,657</u>
Total U.S. Department of Agriculture			38,657
<i>U.S. Department of Housing and Urban Development</i>			
Passed Through the Commonwealth of Massachusetts Department of Housing and Community Development			
Community Development Block Grant/State Grants and Non-Entitlement Grants in Hawaii - GY21	14.228	B-21-DC-25-001	120,542
Community Development Block Grant/State Grants and Non-Entitlement Grants in Hawaii - GY22/23	14.228	B-22-DC-25-0001/ B-23-DC-25-0001	<u>305,835</u>
Total U.S. Department of Housing and Urban Development			426,377
<i>U.S. Department of Interior</i>			
Direct Federal Program			
American Battlefield Protection	15.926	n/a	<u>30,850</u>
Total U.S. Department of Interior			30,850
<i>U.S. Department of Transportation</i>			
Passed Through the Massachusetts Aeronautics Commission			
Airport Improvement Program - 2020	20.106	0032-021-2020	25,257
Airport Improvement Program - 2022	20.106	0032-026-2022	64,246
Airport Improvement Program - 2023	20.106	0032-027-2023	<u>93,146</u>
Total U.S. Department of Transportation			182,649
<i>U.S. Department of the Treasury</i>			
Passed through the Massachusetts Executive Office for Administration and Finance			
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund (ARPA)	21.027	ARPACNTYSH192	<u>248,484</u>
Total U.S. Department of the Treasury			248,484
<i>U.S. Department of Homeland Security</i>			
Passed Through the Massachusetts Department of Transportation			
Emergency Management Performance Grant	97.042	Unavailable	2,631
BRIC: Building Resilient Infrastructure Communities	97.047	PDMC-PJ-01-MA-2019-003	<u>237,287</u>
Total U.S. Department of Homeland Security			239,918
Total Federal Expenditures			<u>\$ 1,166,935</u>

See accompanying notes to this schedule.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Montague, Massachusetts (the Town) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

NOTE 3 - DE MINIMIS COST RATE

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Town did not provide federal awards to subrecipients.

TOWN OF MONTAGUE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Non-compliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

<u><i>NAME OF FEDERAL PROGRAM OR CLUSTER</i></u>	<u><i>ASSISTANCE LISTING NUMBER(S)</i></u>
---	---

Coronavirus State and Local Fiscal Recovery Fund (ARPA)	21.027
---	--------

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
--	-----------

Auditee qualified as low-risk auditee? Yes No

TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

SECTION II- FINANCIAL STATEMENT FINDINGS

Material Weakness in Internal Control Over Financial Reporting

Finding: Correction of an Error – Capital Asset and Unearned Revenue Restatement

Criteria: The Town is responsible for establishing and maintaining effective internal controls over financial reporting to ensure accurate and complete financial statements. The Governmental Accounting Standards Board (GASB) provides the relevant standards for accounting and financial reporting of capital assets.

Condition: During the audit for the fiscal year ended June 30, 2024, the Town determined that an \$885,078 construction in progress asset reported in the prior year in the airport enterprise fund and business-type activities was not a town-owned asset. As a result, the beginning net position and capital assets balances were materially misstated. In addition, revenues received by the Town related to this project were in excess of expenses by \$391,390 and therefore should have been reported as unearned revenues.

Cause: The error occurred due to weaknesses in the Town’s internal controls over the recognition and reporting of capital assets and recognizing revenues when expenses occur.

Effect: The misstatement resulted in an overstatement of nonoperating revenues and understatement of capital assets in the prior fiscal year. The correction of this error required a restatement of the Town’s beginning net position as of July 1, 2023, as follows:

	Reporting Units Affected by Restatements of Beginning Balances	
	Fund Basis	Government-Wide
	Airport	Business-Type
	Enterprise	Business-Type
	Fund	Activities
06/30/23, as previously reported	\$ 8,951,777	\$ 14,017,687
Error corrections	(1,276,468)	(1,276,468)
06/30/23, as restated	\$ 7,675,309	\$ 12,741,219

TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

Finding: Correction of an Error – Capital Asset and Unearned Revenue Restatement (Continued)

Recommendation: We recommend that the Town strengthen its internal controls over financial reporting by implementing the following measures:

1. Develop and implement detailed procedures for the proper classification and capitalization of capital assets, ensuring compliance with GASB standards.
2. Perform periodic reviews and reconciliations of capital asset records to identify and correct any discrepancies in a timely manner.
3. Review revenues and grant agreements and ensure that revenues are recognized when eligibility requirements are met.

Views of Responsible Official: Management agrees with the finding.

Planned Corrective Action: Management's corrective action plan is included at the end of this report after the Schedule of Prior Year Findings.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.

TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

CORRECTIVE ACTION PLAN



TOWN OF MONTAGUE
Accounting Office
One Avenue A
Turners Falls, Massachusetts 01376
413 863-3200 ext. 121

February 4, 2025

To Whom It May Concern:

Audit Finding Reference: 2024-001 capital asset and unearned revenue restatement

Planned Corrective Action: The hangar project that the Franklin County Technical School has been building on the airport grounds has been removed from the capital assets records for the Town of Montague. This project is still being managed by the Town of Montague, but the assets of the project are no longer being tracked and capitalized. Also going forward the Town Accountant will be reviewing the capital asset accounts and spreadsheet tracking regularly to make sure the records are accurate and compliant with GASB. The Accountant will review revenues and grant agreements to ensure timing of revenue recognition.

Name of Contact Person and Completion Date:
Angelica Desroches, Town Accountant

The corrective action plan that was outlined above has been implemented since the beginning of FY25 upon the discovery of the error.

A handwritten signature in cursive script that reads "Angelica Desroches".

Angelica Desroches
Town Accountant
Town of Montague