



## **TOWN OF MONTAGUE, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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## 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 (the Town), as of and for the year ended June 30, 2020, (except for the Montague Contributory Retirement System which is as of and for the year ended December 31, 2019), 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.

### Auditors' 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 *Governmental 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine

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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, 2020, (except for the Montague Contributory Retirement System which is as of and for the year ended December 31, 2019) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund and Pension and OPEB schedules 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 February 22, 2021 on our consideration of the Town'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 solely 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 the effectiveness of the Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Melanson*

Greenfield, Massachusetts  
February 22, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Montague (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the 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 required 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, liabilities, and deferred outflows/inflows with the difference 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 and airport 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.

### ***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity established fees and charges designed to recover its costs, including capital costs such as depreciation and debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, on in more detail. Specifically, enterprise funds are used to account for sewer and airport operations, which are considered to be 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 is essential to a full understanding of the data provided in the government-wide and fund financial statements.



### **Required Supplementary Information (Other Than MD&A)**

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.

### **Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$(4,328,621) (i.e., net position), a change of \$778,383, and net position in business-type activities was \$12,875,232, a change of \$(80,571), as further discussed in the Government-Wide Financial Analysis section.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,416,275, a change of \$(500,131) in comparison to the reclassified prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,288,150, a change of \$(306,598) in comparison to the prior year.

### **Government-Wide Financial Analysis**

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

<b>NET POSITION</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 11,435,945	\$ 10,513,167	\$ 1,432,215	\$ 1,346,525	\$ 12,868,160	\$ 11,859,692
Capital assets	<u>19,047,197</u>	<u>21,183,105</u>	<u>21,488,972</u>	<u>13,098,068</u>	<u>40,536,169</u>	<u>34,281,173</u>
Total Assets	30,483,142	31,696,272	22,921,187	14,444,593	53,404,329	46,140,865
Deferred Outflows of Resources	1,859,777	2,114,369	208,210	222,149	2,067,987	2,336,518
Current liabilities	3,188,731	2,143,371	501,434	646,867	3,690,165	2,790,238
Non-current liabilities	<u>30,660,782</u>	<u>26,795,102</u>	<u>9,393,923</u>	<u>9,937,112</u>	<u>40,054,705</u>	<u>36,732,214</u>
Total Liabilities	33,849,513	28,938,473	9,895,357	10,583,979	43,744,870	39,522,452
Deferred Inflows of Resources	2,822,027	995,836	358,808	110,296	3,180,835	1,106,132
Net investment in capital assets	7,554,762	15,799,932	14,262,932	5,542,011	21,817,694	21,341,943
Restricted	771,066	913,515	-	-	771,066	913,515
Unrestricted	<u>(12,654,449)</u>	<u>(12,837,115)</u>	<u>(1,387,700)</u>	<u>(1,569,544)</u>	<u>(14,042,149)</u>	<u>(14,406,659)</u>
Total Net Position	\$ <u>(4,328,621)</u>	\$ <u>3,876,332</u>	\$ <u>12,875,232</u>	\$ <u>3,972,467</u>	\$ <u>8,546,611</u>	\$ <u>7,848,799</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 \$8,546,611, a change of \$697,812 in comparison to the reclassified prior year.

The largest portion of net position, \$21,817,694, 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, \$771,066, represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net position reflects a deficit of \$(14,042,149), primarily resulting from unfunded pension and OPEB liabilities.

**CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,143,807	\$ 1,196,987	\$ 2,421,316	\$ 2,426,197	\$ 3,565,123	\$ 3,623,184
Operating grants and contributions	1,552,667	1,044,577	-	-	1,552,667	1,044,577
Capital grants and contributions	588,966	1,033,100	621,268	174,393	1,210,234	1,207,493
General revenues:						
Property taxes	18,749,434	17,773,525	-	-	18,749,434	17,773,525
Excises	808,838	808,298	-	-	808,838	808,298
Penalties, interest and other taxes	150,246	162,667	-	-	150,246	162,667
Grants and contributions not restricted to specific programs	1,744,790	1,658,947	-	-	1,744,790	1,658,947
Investment income	54,852	61,757	1,697	103	56,549	61,860
Miscellaneous	<u>144,673</u>	<u>61,162</u>	<u>3,706</u>	<u>-</u>	<u>148,379</u>	<u>61,162</u>
Total Revenues	24,938,273	23,801,020	3,047,987	2,600,693	27,986,260	26,401,713
<b>Expenses</b>						
General government	3,049,497	2,767,221	-	-	3,049,497	2,767,221
Public safety	3,821,581	4,034,622	-	-	3,821,581	4,034,622
Education	11,456,860	10,860,317	-	-	11,456,860	10,860,317
Public works	3,521,344	4,309,634	-	-	3,521,344	4,309,634
Health and human services	357,038	374,260	-	-	357,038	374,260
Culture and recreation	1,114,212	1,078,863	-	-	1,114,212	1,078,863
Interest on long-term debt	360,269	316,439	-	-	360,269	316,439
Intergovernmental	197,617	198,697	-	-	197,617	198,697
Sewer services	-	-	2,694,768	3,300,077	2,694,768	3,300,077
Airport services *	<u>-</u>	<u>-</u>	<u>715,262</u>	<u>-</u>	<u>715,262</u>	<u>-</u>
Total Expenses	<u>23,878,418</u>	<u>23,940,053</u>	<u>3,410,030</u>	<u>3,300,077</u>	<u>27,288,448</u>	<u>27,240,130</u>
Change in Net Position Before Transfers and Other Financing Uses	1,059,855	(139,033)	(362,043)	(699,384)	697,812	(838,417)
Transfers In (Out)	(281,472)	(220,620)	281,472	220,620	-	-
Other Financing (Use)	<u>-</u>	<u>(522,277)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(522,277)</u>
Change in Net Position	778,383	(881,930)	(80,571)	(478,764)	697,812	(1,360,694)
Net Position - Beginning of Year, as reclassified	<u>(5,107,004)</u>	<u>4,758,262</u>	<u>12,955,803</u>	<u>4,451,231</u>	<u>7,848,799</u>	<u>9,209,493</u>
Net Position - End of Year	<u>\$ (4,328,621)</u>	<u>\$ 3,876,332</u>	<u>\$ 12,875,232</u>	<u>\$ 3,972,467</u>	<u>\$ 8,546,611</u>	<u>\$ 7,848,799</u>

\* Airport services were reported in governmental activities in 2019 and moved to business-type activities in 2020.

**Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$778,383. Key elements of this change are as follows:

General fund operations	\$ 240,035
Major fund - DPW facility capital project expenditures in excess of revenue, bond proceeds, and bond premiums	(412,639)
Non-major fund expenditures in excess of revenues and transfers in	(327,527)
Depreciation expense in excess of principal debt service	(50,308)
Capital assets purchases	7,769,345
Bond proceeds	(5,785,000)
Change in net pension liability, net of deferrals	(246,869)
Change in net OPEB liability, net of deferrals	(331,041)
Other	<u>(77,613)</u>
Total	<u>\$ 778,383</u>

**Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$(80,571). Key elements of this change are as follows:

Sewer fund expenditures in excess of revenues and transfers in	\$ (29,730)
Airport expenditures in excess of revenues and transfers in	<u>(50,841)</u>
Total	<u>\$ (80,571)</u>

**Financial Analysis of the Town'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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

### *General Fund*

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,288,150, while total fund balance was \$5,336,677. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	% of General Fund <u>Expenditures</u>
Unassigned fund balance	\$ 3,288,150	\$ 3,594,748	\$ (306,598)	15.3%
Total fund balance	\$ 5,336,677	\$ 5,096,642	\$ 240,035	24.8%

The total fund balance of the general fund changed by \$240,035 during the current fiscal year. Key elements of this change are as follows:

#### General Fund Operating Results:

Shortfall of tax collections vs. net assessment	\$ (489,785)
State and local revenues over budget	718,262
Budgetary appropriations unspent by departments	691,124
Use of free cash (fund balance) as a funding sources for non-recurring items	(1,765,779)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	(67,659)
Other financing use - refund to taxpayer	62,017
Change in Stabilization funds	<u>1,091,855</u>
Total	<u>\$ 240,035</u>

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General stabilization	\$ 1,066,480	\$ 991,701	\$ 74,779
Capital stabilization	1,103,910	178,810	925,100
Franklin County Technical School stabilization	98,498	46,031	52,467
Gill-Montague Regional School District stabilization	<u>77,784</u>	<u>38,275</u>	<u>39,509</u>
Total Stabilization Funds	<u>\$ 2,346,672</u>	<u>\$ 1,254,817</u>	<u>\$ 1,091,855</u>

### *Non-Major Governmental Funds*

The non-major fund balance changed by \$(327,527) primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

### *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 of the enterprise funds at the end of the year amounted to \$(1,387,700), a change of \$181,844 in comparison to the reclassified prior year.

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

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$831,000. Reasons for these amendments include:

Purchase of voting booths	\$ 19,000
Increase in dispatch department budget	12,000
Transfer to capital stabilization fund	<u>800,000</u>
Total	<u>\$ 831,000</u>

Of this increase, \$31,000 was funded from free cash and \$800,000 was funded from overlay surplus.

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year end amounted to \$40,536,169 (net of accumulated depreciation). 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:

• Depreciation expense – governmental activities	\$ (949,297)
• Depreciation expense – enterprise activities	\$(1,082,224)
• Land improvements – complete streets	\$ 640,103
• Purchase of machinery and equipment	\$ 624,532
• Purchase of police vehicle	\$ 52,880
• Other	\$ 16,171
• Construction in progress – DPW	\$ 6,416,399
• Construction in progress – various	\$ 536,432

Additional information on capital assets can be found in the Notes to the Financial Statements.

***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$19,316,407, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes 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, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 8,503,298	\$ 895,354	\$ 9,398,652
Investments	584,586	127,008	711,594
Receivables, net of allowance for uncollectible:			
Property taxes	1,296,265	-	1,296,265
Excises	169,107	-	169,107
User fees	-	407,703	407,703
Departmental and other	95,515	-	95,515
Intergovernmental	542,786	-	542,786
Other assets	<u>82,481</u>	<u>2,150</u>	<u>84,631</u>
Total Current Assets	11,274,038	1,432,215	12,706,253
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax liens	161,907	-	161,907
Capital assets:			
Land and construction in progress	8,820,465	870,100	9,690,565
Other capital assets, net of accumulated depreciation	<u>10,226,732</u>	<u>20,618,872</u>	<u>30,845,604</u>
Total Noncurrent Assets	19,209,104	21,488,972	40,698,076
Total Assets	30,483,142	22,921,187	53,404,329
<b>Deferred Outflows of Resources</b>			
Related to pensions	1,328,139	127,196	1,455,335
Related to OPEB	<u>531,638</u>	<u>81,014</u>	<u>612,652</u>
Total Deferred Outflows of Resources	<u>1,859,777</u>	<u>208,210</u>	<u>2,067,987</u>

(continued)



**TOWN OF MONTAGUE, MASSACHUSETTS**

Statement of Net Position

June 30, 2020

(continued)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants payable	\$ 1,751,466	\$ 89,273	\$ 1,840,739
Accrued payroll and withholdings	165,553	13,388	178,941
Accrued interest payable	196,876	68,792	265,668
Notes payable	250,000	-	250,000
Intergovernmental payable	83,924	-	83,924
Other current liabilities	84,729	-	84,729
Current portion of long-term liabilities:			
Notes payable	20,000	-	20,000
Bonds payable	581,226	329,981	911,207
Capital leases	42,457	-	42,457
Landfill liability	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Total Current Liabilities	3,188,731	501,434	3,690,165
Noncurrent:			
Bonds payable, net of current portion	12,113,006	6,896,059	19,009,065
Net pension liability	4,709,809	451,060	5,160,869
Net OPEB liability	13,348,239	2,034,080	15,382,319
Compensated absences	332,950	12,724	345,674
Capital leases, net of current portion	44,278	-	44,278
Landfill liability, net of current portion	<u>112,500</u>	<u>-</u>	<u>112,500</u>
Total Noncurrent Liabilities	<u>30,660,782</u>	<u>9,393,923</u>	<u>40,054,705</u>
Total Liabilities	33,849,513	9,895,357	43,744,870
<b>Deferred Inflows of Resources</b>			
Related to pensions	1,258,104	120,489	1,378,593
Related to OPEB	<u>1,563,923</u>	<u>238,319</u>	<u>1,802,242</u>
Total Deferred Inflows of Resources	<u>2,822,027</u>	<u>358,808</u>	<u>3,180,835</u>
<b>Net Position</b>			
Net investment in capital assets	7,554,762	14,262,932	21,817,694
Restricted for:			
Grants and other statutory restrictions	669,569	-	669,569
Permanent funds:			
Nonexpendable	65,948	-	65,948
Expendable	35,549	-	35,549
Unrestricted	<u>(12,654,449)</u>	<u>(1,387,700)</u>	<u>(14,042,149)</u>
Total Net Position	\$ <u>(4,328,621)</u>	\$ <u>12,875,232</u>	\$ <u>8,546,611</u>

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
	Expenses						
<b>Governmental Activities</b>							
General government	\$ 3,049,497	\$ 391,348	\$ 771,093	\$ -	\$ (1,887,056)	\$ -	\$ (1,887,056)
Public safety	3,821,581	288,512	75,917	-	(3,457,152)	-	(3,457,152)
Education	11,456,860	-	144,486	-	(11,312,374)	-	(11,312,374)
Public works	3,521,344	278,962	265,074	588,966	(2,388,342)	-	(2,388,342)
Health and human services	357,038	30,505	142,715	-	(183,818)	-	(183,818)
Culture and recreation	1,114,212	154,480	153,382	-	(806,350)	-	(806,350)
Interest on long-term debt	360,269	-	-	-	(360,269)	-	(360,269)
Intergovernmental	197,617	-	-	-	(197,617)	-	(197,617)
Total Governmental Activities	23,878,418	1,143,807	1,552,667	588,966	(20,592,978)	-	(20,592,978)
<b>Business-Type Activities</b>							
Sewer services	2,694,768	2,383,984	-	322	-	(310,462)	(310,462)
Airport services	715,262	37,332	-	620,946	-	(56,984)	(56,984)
Total Business-Type Activities	3,410,030	2,421,316	-	621,268	-	(367,446)	(367,446)
Total	\$ 27,288,448	\$ 3,565,123	\$ 1,552,667	\$ 1,210,234	(20,592,978)	(367,446)	(20,960,424)
<b>General Revenues and Transfers</b>							
General Revenues:							
Property taxes					18,749,434	-	18,749,434
Excises					808,838	-	808,838
Penalties, interest and other taxes					150,246	-	150,246
Grants and contributions not restricted to specific programs					1,744,790	-	1,744,790
Investment income					54,852	1,697	56,549
Miscellaneous					144,673	3,706	148,379
Transfers					(281,472)	281,472	-
Total General Revenues and Transfers					21,371,361	286,875	21,658,236
Change in Net Position					778,383	(80,571)	697,812
<b>Net Position</b>							
Beginning of Year, as reclassified					(5,107,004)	12,955,803	7,848,799
End of Year					\$ (4,328,621)	\$ 12,875,232	\$ 8,546,611

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2020

	<u>General Fund</u>	<u>DPW Facility Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and short-term investments	\$ 5,289,860	\$ 2,641,518	\$ 571,920	\$ 8,503,298
Investments	480,191	-	104,395	584,586
Receivables:				
Property taxes	1,545,408	-	-	1,545,408
Excises	178,751	-	-	178,751
Departmental and other	57,397	-	38,118	95,515
Intergovernmental	-	-	542,786	542,786
Other assets	<u>80,381</u>	<u>-</u>	<u>2,100</u>	<u>82,481</u>
Total Assets	\$ <u>7,631,988</u>	\$ <u>2,641,518</u>	\$ <u>1,259,319</u>	\$ <u>11,532,825</u>
<b>Liabilities</b>				
Warrants payable	\$ 198,836	\$ 1,110,886	\$ 441,744	\$ 1,751,466
Accrued payroll and withholdings	157,678	-	7,875	165,553
Notes payable	-	-	250,000	250,000
Intergovernmental payable	83,924	-	-	83,924
Other liabilities	<u>73,995</u>	<u>-</u>	<u>10,734</u>	<u>84,729</u>
Total Liabilities	514,433	1,110,886	710,353	2,335,672
<b>Deferred Inflow of Resources</b>				
Unavailable revenues	1,780,878	-	-	1,780,878
<b>Fund Balances</b>				
Nonspendable	-	-	65,948	65,948
Restricted	-	1,530,632	891,642	2,422,274
Committed	1,981,267	-	68,010	2,049,277
Assigned	67,260	-	-	67,260
Unassigned	<u>3,288,150</u>	<u>-</u>	<u>(476,634)</u>	<u>2,811,516</u>
Total Fund Balances	<u>5,336,677</u>	<u>1,530,632</u>	<u>548,966</u>	<u>7,416,275</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>7,631,988</u>	\$ <u>2,641,518</u>	\$ <u>1,259,319</u>	\$ <u>11,532,825</u>

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
June 30, 2020

<b>Total Governmental Fund Balances</b>	\$ 7,416,275
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</li></ul>	19,047,197
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection.</li></ul>	1,683,998
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, net pension liability and net OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds.</li></ul>	(31,255,665)
<ul style="list-style-type: none"><li>• Other.</li></ul>	<u>(1,220,426)</u>
<b>Net Position of Governmental Activities</b>	\$ <u><u>(4,328,621)</u></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, 2020

	General <u>Fund</u>	DPW Facility Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>				
Property taxes	\$ 18,179,697	\$ -	\$ -	\$ 18,179,697
Excises	759,003	-	-	759,003
Penalties, interest and other taxes	150,246	-	-	150,246
Charges for services	656,361	-	313,181	969,542
Intergovernmental	2,013,817	-	1,867,827	3,881,644
Licenses and permits	149,706	-	-	149,706
Fines and forfeitures	23,629	-	-	23,629
Investment income	48,130	-	6,722	54,852
Miscellaneous	82,368	-	65,636	148,004
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	22,062,957	-	2,253,366	24,316,323
<b>Expenditures</b>				
Current:				
General government	1,563,191	-	988,985	2,552,176
Public safety	2,150,567	-	203,332	2,353,899
Education	11,382,041	-	-	11,382,041
Public works	2,454,889	6,416,399	1,046,808	9,918,096
Health and human services	239,118	-	25,128	264,246
Culture and recreation	604,832	-	290,340	895,172
Employee benefits	2,183,125	-	-	2,183,125
Debt service:				
Principal	458,908	-	25,000	483,908
Interest	305,062	-	3,400	308,462
Intergovernmental	197,617	-	-	197,617
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	21,539,350	6,416,399	2,582,993	30,538,742
Excess (Deficiency) of Revenues over Expenditures	523,607	(6,416,399)	(329,627)	(6,222,419)
<b>Other Financing Sources (Uses)</b>				
Issuance of bonds	-	5,785,000	-	5,785,000
Issuance of refunding bond	2,385,980	-	-	2,385,980
Payments to refunding agent	(2,790,980)	-	-	(2,790,980)
Bond premiums	405,000	218,760	-	623,760
Transfers in	-	-	2,100	2,100
Transfers (out)	(283,572)	-	-	(283,572)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(283,572)	6,003,760	2,100	5,722,288
Change in Fund Balance	240,035	(412,639)	(327,527)	(500,131)
Fund Balance, at Beginning of Year, as reclassified	5,096,642	1,943,271	876,493	7,916,406
Fund Balance, at End of Year	\$ <u>5,336,677</u>	\$ <u>1,530,632</u>	\$ <u>548,966</u>	\$ <u>7,416,275</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, 2020

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (500,131)</b>
<ul style="list-style-type: none"><li>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:</li></ul>	
Capital outlay	7,769,345
Depreciation	(949,297)
<ul style="list-style-type: none"><li>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:</li></ul>	
Issuance of debt	(5,785,000)
Bond refunding	415,209
Repayments of debt	483,780
Premiums on bonds payable	(603,865)
Repayments of capital lease	40,712
Other	(85,115)
<ul style="list-style-type: none"><li>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.</li></ul>	
	609,110
<ul style="list-style-type: none"><li>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</li></ul>	
Change in pension expense from GASB 68	(246,869)
Change in OPEB expense from GASB 75	(331,041)
<ul style="list-style-type: none"><li>Other.</li></ul>	
	<u>(38,455)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>778,383</u></b>

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2020

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 830,478	\$ 64,876	\$ 895,354
Investments	127,008	-	127,008
User fees, net of allowance for uncollectible	407,703	-	407,703
Other assets	<u>1,000</u>	<u>1,150</u>	<u>2,150</u>
Total Current Assets	1,366,189	66,026	1,432,215
Noncurrent:			
Capital assets:			
Land and construction in progress	235,396	634,704	870,100
Other capital assets, net of accumulated depreciation	<u>12,380,482</u>	<u>8,238,390</u>	<u>20,618,872</u>
Total Noncurrent Assets	12,615,878	8,873,094	21,488,972
Total Assets	13,982,067	8,939,120	22,921,187
<b>Deferred Outflows of Resources</b>			
Related to pensions	127,196	-	127,196
Related to OPEB	<u>81,014</u>	<u>-</u>	<u>81,014</u>
Total Deferred Outflows of Resources	208,210	-	208,210
<b>Liabilities</b>			
Current:			
Warrants payable	83,250	6,023	89,273
Accrued payroll	12,786	602	13,388
Accrued interest payable	68,792	-	68,792
Current portion of long-term liabilities:			
Bonds payable	<u>329,981</u>	<u>-</u>	<u>329,981</u>
Total Current Liabilities	494,809	6,625	501,434
Noncurrent:			
Bonds payable, net of current portion	6,896,059	-	6,896,059
Net pension liability	451,060	-	451,060
Net OPEB liability	2,034,080	-	2,034,080
Compensated absences	<u>12,724</u>	<u>-</u>	<u>12,724</u>
Total Noncurrent Liabilities	<u>9,393,923</u>	<u>-</u>	<u>9,393,923</u>
Total Liabilities	9,888,732	6,625	9,895,357
<b>Deferred Inflows of Resources</b>			
Related to pensions	120,489	-	120,489
Related to OPEB	<u>238,319</u>	<u>-</u>	<u>238,319</u>
Total Deferred Inflows of Resources	358,808	-	358,808
<b>Net Position</b>			
Net investment in capital assets	5,389,838	8,873,094	14,262,932
Unrestricted	<u>(1,447,101)</u>	<u>59,401</u>	<u>(1,387,700)</u>
Total Net Position	\$ <u><u>3,942,737</u></u>	\$ <u><u>8,932,495</u></u>	\$ <u><u>12,875,232</u></u>

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, 2020

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 2,383,984	\$ 37,332	2,421,316
Other	<u>3,706</u>	<u>-</u>	<u>3,706</u>
Total Operating Revenues	2,387,690	37,332	2,425,022
<b>Operating Expenses</b>			
Salaries and benefits	713,931	15,371	729,302
Other operating expenses	1,307,361	86,974	1,394,335
Depreciation	<u>469,307</u>	<u>612,917</u>	<u>1,082,224</u>
Total Operating Expenses	<u>2,490,599</u>	<u>715,262</u>	<u>3,205,861</u>
Operating Income (Loss)	(102,909)	(677,930)	(780,839)
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental revenue	322	620,946	621,268
Investment income	1,648	49	1,697
Interest expense	<u>(204,169)</u>	<u>-</u>	<u>(204,169)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(202,199)</u>	<u>620,995</u>	<u>418,796</u>
Income (Loss) Before Transfers	(305,108)	(56,935)	(362,043)
Transfers in	<u>275,378</u>	<u>6,094</u>	<u>281,472</u>
Change in Net Position	(29,730)	(50,841)	(80,571)
Net Position at Beginning of Year, as reclassified	<u>3,972,467</u>	<u>8,983,336</u>	<u>12,955,803</u>
Net Position at End of Year	\$ <u><u>3,942,737</u></u>	\$ <u><u>8,932,495</u></u>	\$ <u><u>12,875,232</u></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, 2020

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 2,625,283	\$ 181,500	\$ 2,806,783
Payments to employees	(701,623)	(15,145)	(716,768)
Payments to vendors	<u>(1,383,237)</u>	<u>(198,510)</u>	<u>(1,581,747)</u>
Net Cash Provided By (Used For) Operating Activities	540,423	(32,155)	508,268
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers in	<u>275,378</u>	<u>6,094</u>	<u>281,472</u>
Net Cash Provided By Noncapital Financing Activities	275,378	6,094	281,472
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	12,883	(530,058)	(517,175)
Principal payments on bonds and notes	(317,134)	-	(317,134)
Grant income	322	620,946	621,268
Interest payments	<u>(256,263)</u>	<u>-</u>	<u>(256,263)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(560,192)	90,888	(469,304)
<b>Cash Flows From Investing Activities</b>			
Investment income	1,648	49	1,697
Investment purchases (sales)	<u>(127,008)</u>	<u>-</u>	<u>(127,008)</u>
Net Cash Provided By (Used For) Investing Activities	<u>(125,360)</u>	<u>49</u>	<u>(125,311)</u>
Net Change in Cash and Short-Term Investments	130,249	64,876	195,125
Cash and Short Term Investments, Beginning of Year	<u>700,229</u>	<u>-</u>	<u>700,229</u>
Cash and Short Term Investments, End of Year	<u><u>\$ 830,478</u></u>	<u><u>\$ 64,876</u></u>	<u><u>\$ 895,354</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>			
Operating (loss)	\$ (102,909)	\$ (677,930)	\$ (780,839)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Depreciation	469,307	612,917	1,082,224
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	162,076	136,534	298,610
Other assets	75,517	7,635	83,152
Deferred outflows - related to pensions	56,256	-	56,256
Deferred outflows - related to OPEB	(42,317)	-	(42,317)
Warrants and accounts payable	(132,132)	(99,330)	(231,462)
Accrued and other liabilities	5,364	(11,981)	(6,617)
Net pension liability	(183,636)	-	(183,636)
Net OPEB liability	(15,615)	-	(15,615)
Deferred inflows - related to pensions	115,421	-	115,421
Deferred inflows - related to OPEB	<u>133,091</u>	<u>-</u>	<u>133,091</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ 540,423</u></u>	<u><u>\$ (32,155)</u></u>	<u><u>\$ 508,268</u></u>

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2020

	Pension and OPEB <u>Trust Funds</u>	Private Purpose Trust <u>Funds</u>
<b>Assets</b>		
Cash and short-term investments	\$ 327,539	\$ 125,987
Investments in external investment pools	47,449,573	-
Accounts receivable	<u>12,229</u>	<u>-</u>
Total Assets	47,789,341	125,987
 <b>Liabilities</b>		
Accounts payable	<u>1,732</u>	<u>-</u>
 <b>Net Position</b>		
Restricted for pension purposes	47,236,045	-
Restricted for OPEB purposes	551,564	-
Restricted for individual organizations and other governments	<u>-</u>	<u>125,987</u>
Total Net Position	\$ <u><u>47,787,609</u></u>	\$ <u><u>125,987</u></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, 2020

	Pension and OPEB Trust <u>Funds</u>	Private Purpose Trust <u>Funds</u>
<b>Additions</b>		
Contributions:		
Employers	\$ 2,500,208	\$ -
Plan members	828,201	-
Other systems and Commonwealth of Massachusetts	159,521	-
Other	<u>6,600</u>	<u>-</u>
Total Contributions	3,494,530	-
Investment Income:		
Interest and dividends	9,354	2,900
Appreciation in fair value of investments	6,808,108	-
Less: management fees	<u>(227,906)</u>	<u>-</u>
Net Investment Income	<u>6,589,556</u>	<u>2,900</u>
Total Additions	10,084,086	2,900
<b>Deductions</b>		
Benefit payments to plan members, beneficiaries and other systems	3,777,924	-
Refunds to plan members	99,547	-
Transfers to other systems	129,411	-
Administrative expenses	118,593	-
Scholarships awarded	<u>-</u>	<u>1,651</u>
Total Deductions	<u>4,125,475</u>	<u>1,651</u>
Net Increase	5,958,611	1,249
<b>Net Position Restricted for Pensions and Other Purposes</b>		
Beginning of Year	<u>41,828,998</u>	<u>124,738</u>
End of Year	\$ <u><u>47,787,609</u></u>	\$ <u><u>125,987</u></u>

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:

##### ***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 2020, it was determined that no entities met the required GASB-14 (as amended) criteria of component units, other than as described below.

*Fiduciary Component Unit:* The Montague Contributory Retirement System (the System) 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 part of the pension and OPEB 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.

##### ***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.

#### ***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*. 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. For this purpose, the Town considers property tax revenue to be available if they are collected within 60 days of the end of the current fiscal period. All other 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- 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.

- The *DPW facility capital project fund*, which accounts for the construction of the Town's Department of Public Works facility building.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 non-operating 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 fund*, which accounts for operating the Town's airport and supporting infrastructure.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *pension and other post-employment benefits trust funds* are used to accumulate resources for retiree post-employment benefits.
- 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.

### ***Cash and 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 invested 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. Generally, 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".

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

The Town's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

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 are carried at fair value, except certificate of deposits, which are reported at cost.

#### ***Property Tax Limitations***

Legislation known as "Proposition 2 ½" has limited 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% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$300,815. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

#### ***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 acquisition 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 improvements	20
Building and improvements	20 – 40
Infrastructure	5 – 50
Vehicles	5 – 10
Equipment and furnishings	10

### ***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.

### ***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.

### ***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 available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation 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.

### *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**

### *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.

### ***Deficit Fund Equity***

Certain individual special revenue funds and capital project funds reflected deficit balances totaling \$(476,634) as of June 30, 2020.

It is anticipated that the deficits in these funds will be eliminated through future intergovernmental revenues and bond proceeds.

### **3. Deposits and Investments – Town (excluding the Pension and OPEB Trust Funds)**

State statutes (MGL Chapter 44, Section 55) place certain limitations on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, Certain External Investment Pools and Pool Participants, to reports its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54, provides additional investment options for certain special revenue, trust, and OPEB funds.

#### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, none of the Town's bank balance of \$ 9,541,561 was exposed to custodial credit risk as uninsured and uncollateralized. \$1,398,124 of the Town's total cash balance is held in the Massachusetts Municipal Depository Trust (MMDT).

### ***Investment Summary***

The following is a summary of the Town's investments as of June 30, 2020:

<u>Investment Type</u>	
Certificate of deposits	\$ 237,927
Corporate bonds	211,849
Corporate equities	71,312
U.S. Treasury and agencies	<u>190,506</u>
Total Investments	\$ <u>711,594</u>

### ***Custodial Credit Risk – Investments***

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, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2020, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

### ***Credit Risk – Investments of Debt Securities***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town does not have formal investment policies related to credit risk.

As of June 30, 2020, the credit quality ratings, as rated by S&P Global Ratings, of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>			
		<u>AAA</u>	<u>A+</u>	<u>A</u>	<u>BBB+</u>
Corporate bonds	\$ <u>211,849</u>	\$ <u>30,229</u>	\$ <u>64,871</u>	\$ <u>56,241</u>	\$ <u>60,508</u>

### ***Concentration of Credit Risk – Investments***

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Individual investments exceeding 5% of the Town's total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
GSB Athletic Club CD	\$57,006	8.01%

***Interest Rate Risk – Investments of Debt Securities***

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 Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

All of the Town's investments in corporate bonds and U.S. Treasury and agencies mature in 1-5 years.

***Foreign Currency Risk – Investments***

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

***Fair Value***

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>	Quotes prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Corporate bonds	\$ 211,849	\$ -	\$ 211,849	\$ -
Corporate equities	71,312	71,312	-	-
U.S Treasury and agencies	<u>190,506</u>	-	190,506	-
Total	<u>\$ 473,667</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

#### **4. Investments - OPEB Trust Fund**

The Town does not have any formal investment policies for the OPEB Trust Fund.

All of the OPEB Trust Fund's investments of \$551,564 are invested in the external (State) investment pool – State Retirees Benefits Trust Fund (SRBT).

##### ***Custodial Credit Risk***

All of the OPEB Trust Funds investments are exempt from custodial credit risk disclosures as they are invested in SRBT.

##### ***Credit Risk – Investment of Debt Securities***

All of the OPEB Trust Funds investments are exempt from credit risk disclosure as they are invested in SRBT.

##### ***Concentration of Credit Risk***

All of the OPEB Trust Funds investments are exempt from concentration of credit risk disclosures as they are invested in SRBT.

**Interest Rate Risk**

All of the OPEB Trust Funds investments are exempt from interest rate risk disclosure as they are invested in SRBT.

**Foreign Currency Risk**

All of the OPEB Trust Funds investments are exempt from foreign currency risk disclosure as they are invested in SRBT, which does not invest in foreign investments.

**Fair Value**

The OPEB Trust Fund investments are in SRBT, which are measured at net asset value and are not subject to fair value measurement.

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>551,564</u>	\$ -	Monthly	30 days

**5. Investments – Pension Trust Fund (The System)**

All of the Montague Contributory Retirement System’s (the System) investments totaling \$46,898,009 are in an external (State) investment pool (PRIT)\*.

\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law (MGL), 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 MGL, Chapter 30B.

**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 a formal investment policy for custodial credit risk but manages custodial credit risk through diversification and the “prudent person” principles outlined in PERAC guidelines.

All the System’s investment of \$46,898,009 are exempt from the custodial risk disclosure.

Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

***Credit Risk – Investments of Debt Securities***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of 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.

Due to their nature, none of the System's investments are subject to credit risk disclosure.

***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 PRIT.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2019, all of the System's investments are exempt from concentration of credit risk disclosure.

***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 formal investment policies limiting 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 System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

***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 a formal investment policy related to foreign currency risk.

### ***Fair Value***

The System's investments are in PRIT, which are measured at net asset value and are not subject to fair value measurement.

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>46,898,009</u>	\$ -	Monthly	30 days

## **6. Property Taxes and Excises Receivable**

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also, by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements accordingly.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year's levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing



date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2020 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 876,965	\$ (28,009)	\$ 848,956	\$ -
Personal property taxes	466,247	(18,938)	447,309	-
Tax liens	<u>202,196</u>	<u>(40,289)</u>	<u>-</u>	<u>161,907</u>
Total Property Taxes	<u>\$ 1,545,408</u>	<u>\$ (87,236)</u>	<u>\$ 1,296,265</u>	<u>\$ 161,907</u>
Motor vehicle excise	\$ 177,656	\$ (9,644)	\$ 168,012	\$ -
Boat excise	<u>1,095</u>	<u>-</u>	<u>1,095</u>	<u>-</u>
Total Excises	<u>\$ 178,751</u>	<u>\$ (9,644)</u>	<u>\$ 169,107</u>	<u>\$ -</u>

## 7. User Fee Receivables

Receivables for user charges at June 30, 2020 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer	<u>\$ 508,004</u>	<u>\$ (100,301)</u>	<u>\$ 407,703</u>

## 8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

## 9. 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.

## 10. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,105,263	\$ 342,773	\$ -	\$ 16,448,036
Machinery, equipment, vehicles and furnishings	3,880,421	444,685	(213,571)	4,111,535
Infrastructure	<u>751,443</u>	<u>-</u>	<u>-</u>	<u>751,443</u>
Total Capital Assets, Being Depreciated	20,737,127	787,458	(213,571)	21,311,014
Less accumulated depreciation for:				
Buildings and improvements	(7,322,546)	(603,642)	-	(7,926,188)
Machinery, equipment, vehicles and furnishings	(2,685,884)	(316,832)	213,571	(2,789,145)
Infrastructure	<u>(340,126)</u>	<u>(28,823)</u>	<u>-</u>	<u>(368,949)</u>
Total Accumulated Depreciation	<u>(10,348,556)</u>	<u>(949,297)</u>	<u>213,571</u>	<u>(11,084,282)</u>
Total Capital Assets, Being Depreciated, Net	10,388,571	(161,839)	-	10,226,732
Capital assets, not being depreciated:				
Land	1,018,260	16,171	-	1,034,431
Construction in progress	<u>820,321</u>	<u>6,965,713</u>	<u>-</u>	<u>7,786,034</u>
Total Capital Assets, Not Being Depreciated	<u>1,838,581</u>	<u>6,981,884</u>	<u>-</u>	<u>8,820,465</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,227,152</u>	<u>\$ 6,820,045</u>	<u>\$ -</u>	<u>\$ 19,047,197</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,141,009	\$ 297,330	\$ -	\$ 18,438,339
Machinery, equipment, vehicles and furnishings	288,974	232,727	-	521,701
Infrastructure	<u>15,030,075</u>	<u>-</u>	<u>-</u>	<u>15,030,075</u>
Total Capital Assets, Being Depreciated	33,460,058	530,057	-	33,990,115
Less accumulated depreciation for:				
Buildings and improvements	(8,473,403)	(731,284)	-	(9,204,687)
Machinery, equipment, vehicles and furnishings	(128,997)	(50,339)	-	(179,336)
Infrastructure	<u>(3,686,619)</u>	<u>(300,601)</u>	<u>-</u>	<u>(3,987,220)</u>
Total Accumulated Depreciation	<u>(12,289,019)</u>	<u>(1,082,224)</u>	<u>-</u>	<u>(13,371,243)</u>
Total Capital Assets, Being Depreciated, Net	21,171,039	(552,167)	-	20,618,872
Capital assets, not being depreciated:				
Land	780,539	-	-	780,539
Construction in progress	<u>102,444</u>	<u>-</u>	<u>(12,883)</u>	<u>89,561</u>
Total Capital Assets, Not Being Depreciated	<u>882,983</u>	<u>-</u>	<u>(12,883)</u>	<u>870,100</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,054,022</u>	<u>\$ (552,167)</u>	<u>\$ (12,883)</u>	<u>\$ 21,488,972</u>

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

<b>Governmental Activities</b>	
General government	\$ 310,894
Public safety	230,136
Education	74,819
Public works	218,490
Culture and recreation	<u>114,958</u>
Total governmental activities	\$ <u>949,297</u>
<b>Business-Type Activities</b>	
Sewer	\$ 469,307
Airport	<u>612,917</u>
Total business-type activities	\$ <u>1,082,224</u>

## 11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75 are more formally discussed in the corresponding pension and OPEB notes.

## 12. Warrants Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020 as permitted by law.

## 13. Notes Payable

The Town had the following note outstanding at June 30, 2020:

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2020</u>
Bond anticipation	1.24%	06/01/20	12/01/20	\$ <u>250,000</u>

The following summarizes activity in short-term notes payable during fiscal year 2020:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ -	\$ 250,000	\$ -	\$ 250,000
Revenue anticipation	<u>-</u>	<u>4,000,000</u>	<u>(4,000,000)</u>	<u>-</u>
Total	\$ <u>-</u>	\$ <u>4,250,000</u>	\$ <u>(4,000,000)</u>	\$ <u>250,000</u>

#### 14. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through fiscal year 2022. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2020:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2021	\$ 46,179
2022	<u>46,179</u>
Total Minimum Lease Payments	92,358
Less: amounts representing interest	<u>(5,623)</u>
Present Value of Minimum Lease Payments	\$ <u><u>86,735</u></u>

The following is an analysis for the leased assets included in the capital assets at June 30, 2020:

	<u>Governmental Activities</u>
Machinery, vehicles, and equipment	\$ 212,665
Less: accumulated depreciation	<u>(41,619)</u>
Equipment under capital leases, net	\$ <u><u>171,046</u></u>

## 15. Long-Term Debt

### ***Long-Term Debt Supporting Activities***

The Town issues general obligation bonds, all of which are direct placements, direct borrowings, and long-term notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and loans from direct borrowings have been issued for both governmental and business-type activities. General obligation bonds, direct borrowings, and long-term notes currently outstanding are as follows:

	Original	Serial	Interest	Amount		Total Amount
	Issue	Maturities	Rate(s) %	Outstanding	Bond	Outstanding
<b>Governmental Activities</b>		Through		as of	Premium	as of
				June 30, 2020		June 30, 2020
<i>General Obligation Bonds</i>						
Colle Opera House	\$ 250,000	06/15/22	4.25%	\$ 20,000	\$ -	\$ 20,000
Municipal purpose	988,000	11/01/26	4.11%	145,000	-	145,000
Police Station	2,320,853	02/01/28	5.00%	2,320,853	-	2,320,853
Montague Center School Roof	34,148	02/01/28	5.00%	34,148	-	34,148
Soil Stabilization	72,000	06/30/31	2.75 - 5.0%	68,000	-	68,000
Skatepark	84,000	06/30/31	2.75 - 5.0%	80,000	-	80,000
FRCOG Brownfields	130,000	06/30/33	2.50%	91,590	-	91,590
Municipal purpose	103,000	05/15/34	3.00%	70,000	-	70,000
DPW Facility	2,503,000	06/30/44	2.75 - 5.0%	2,468,000	-	2,468,000
DPW Facility	5,785,000	02/01/45	2% - 5%	5,785,000	603,865	6,388,865
Sewer	332,000	02/01/45	2% - 5%	332,000	-	332,000
Total general obligation bonds				11,414,591	603,865	12,018,456
<i>Loans - Direct Borrowings</i>						
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	152,022	-	152,022
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	523,754	-	523,754
Total loans - direct borrowings				675,776	-	675,776
<i>Notes Payable *</i>						
Sheffield Parking Lot and Roof	142,374	05/22/21	2.15%	20,000	-	20,000
Total notes payable				20,000	-	20,000
Total governmental activities				\$ 12,110,367	\$ 603,865	\$ 12,714,232

\* 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 2020 and due in fiscal year 2021.

<b>Business-Type Activities</b>	<b>Original Issue</b>	<b>Serial Maturities Through</b>	<b>Interest Rate(s) %</b>	<b>Amount Outstanding as of June 30, 2020</b>
<i>General Obligation Bonds</i>				
Sewer - property acquisition	\$ 120,000	06/15/22	4.34%	\$ 10,000
Sewer - multiple purpose	589,000	06/15/23	4.42%	75,000
Sewer - multiple purpose	306,000	11/01/26	4.11%	74,729
Sewer - multiple purpose	1,550,000	05/15/34	3.00%	1,190,000
Storm Drains	644,000	06/30/44	2.75 - 5.0%	630,000
Pump Station	393,000	06/30/44	2.75 - 5.0%	388,000
Sewer Lines	994,000	06/30/44	2.75 - 5.0%	981,000
Sewer	498,000	02/01/45	2% - 5%	498,000
Total general obligation bonds				3,846,729
<i>Loans - Direct Borrowings</i>				
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	228,033
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	785,632
MCWT	1,583,047	06/30/44	2.75 - 5.0%	1,519,011
USDA	958,000	09/21/47	4.13%	846,635
Total loans - direct borrowings				3,379,311
Total business-type activities				\$ 7,226,040

### ***Future Debt Service***

The annual payments to retire all general obligation bonds from direct placements and direct borrowings outstanding as of June 30, 2020 are as follows:

<b>Governmental</b>	<b>Bonds - Direct Placements</b>		<b>Loans - Direct Borrowings</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 537,275	\$ 420,107	\$ 43,951	\$ 15,196
2022	570,427	386,962	44,938	14,208
2023	576,582	360,232	45,948	13,198
2024	595,740	333,098	46,981	12,166
2025	624,904	305,854	48,037	11,110
2026 - 2030	2,769,106	1,099,898	184,927	40,987
2031 - 2035	1,960,947	692,774	157,172	22,200
2036 and thereafter	4,383,475	625,138	103,822	3,800
Total	\$ 12,018,456	\$ 4,224,063	\$ 675,776	\$ 132,865

Business-Type	Bonds - Direct Placements		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 182,000	\$ 134,694	\$ 147,981	\$ 87,443
2022	184,000	126,700	151,570	83,954
2023	183,000	118,900	155,250	80,373
2024	169,000	111,175	159,028	76,699
2025	170,000	105,088	162,903	72,930
2026 - 2030	922,729	426,864	768,339	307,769
2031 - 2035	975,000	253,506	794,634	214,668
2036 and thereafter	1,061,000	154,927	1,039,606	180,069
Total	<u>\$ 3,846,729</u>	<u>\$ 1,431,854</u>	<u>\$ 3,379,311</u>	<u>\$ 1,103,905</u>

The long-term notes payable balance of \$20,000 is due in fiscal year 2021.

### ***Changes in General Long-Term Liabilities***

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
<b>Governmental Activities</b>						
Notes payable	\$ 40,000	\$ -	\$ (20,000)	\$ 20,000	\$ (20,000)	-
General obligation bonds	6,116,493	5,785,000	(486,903)	11,414,590	(514,049)	10,900,541
Loans - direct borrowings	1,067,865	-	(392,088)	675,777	(43,951)	631,826
Unamortized premium	-	627,091	(23,226)	603,865	(23,226)	580,639
Subtotal - bonds payable	7,184,358	6,412,091	(902,217)	12,694,232	(581,226)	12,113,006
Net pension liability	6,110,213	-	(1,400,404)	4,709,809	-	4,709,809
Net OPEB liability	13,450,708	-	(102,469)	13,348,239	-	13,348,239
Compensated absences	281,996	50,954	-	332,950	-	332,950
Capital lease	127,447	-	(40,712)	86,735	(42,457)	44,278
Landfill closure	137,500	-	(12,500)	125,000	(12,500)	112,500
Total	<u>\$ 27,332,222</u>	<u>\$ 6,463,045</u>	<u>\$ (2,478,302)</u>	<u>\$ 31,316,965</u>	<u>\$ (656,183)</u>	<u>\$ 30,660,782</u>
<b>Business-Type Activities</b>						
General obligation bonds	\$ 3,495,728	\$ 498,000	\$ (147,000)	\$ 3,846,728	\$ (182,000)	\$ 3,664,728
Loans - direct borrowings	4,047,447	-	(668,135)	3,379,312	(147,981)	3,231,331
Subtotal - bonds payable	7,543,175	498,000	(815,135)	7,226,040	(329,981)	6,896,059
Net pension liability	634,696	-	(183,636)	451,060	-	451,060
Net OPEB liability	2,049,695	-	(15,615)	2,034,080	-	2,034,080
Compensated absences	11,557	1,167	-	12,724	-	12,724
Total	<u>\$ 10,239,123</u>	<u>\$ 499,167</u>	<u>\$ (1,014,386)</u>	<u>\$ 9,723,904</u>	<u>\$ (329,981)</u>	<u>\$ 9,393,923</u>

### ***Long-Term Debt Supporting Governmental and Business-Type Activities***

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise fund. All other long-term debt is repaid from the funds that the cost related to, primarily the general fund and enterprise funds.

## ***Advance and Current Refunding***

### ***Current Year***

On January 22, 2020, the Town issued general obligation refunding bonds in the amount of \$3,185,000 with a variable interest rate ranging from 2.0% to 5.0% to advance refund \$863,627 of the USDA 2007 bonds with an interest rate of 4.38% and \$2,790,980 of the 2009 general obligation bonds with an interest rate of 4.5%. The USDA 2007 bonds mature on November 1, 2045 and are callable on January 22, 2020. The 2009 general obligation bonds mature on November 15, 2027 and are callable on January 22, 2020. The general obligation refunding bonds were issued at 108% and, after paying issuance costs of \$60,687, the net proceeds were \$3,654,607. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the USDA 2007 bonds and the 2009 general obligation bonds are called on January 22, 2020. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$(632,915), which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$591,856.

There is no defeased debt outstanding at June 30, 2020.

### ***Overlapping Debt***

The Town is a member community of a regional school district, which is 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 the regional school district and are funded through assessments to the Town. The following summarizes the debt of the regional school district 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>
<b><i>Gill-Montague Regional School District</i></b>			
Gill-Montague Regional High School	\$ 630,000	93.50%	\$ 589,050
Sheffield School Windows	120,000	100.00%	120,000
<b><i>Franklin County Technical School</i></b>			
School Building Remodel	<u>2,055,000</u>	12.56%	<u>258,108</u>
Total	\$ <u>2,805,000</u>		\$ <u>967,158</u>



## 16. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$125,000 reported as landfill post closure care liability at June 30, 2020 represents the remaining estimated post closure maintenance costs. These amounts are based on what it would cost to perform all post closure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

## 17. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

## 18. Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General fund	\$ 2,100	\$ (283,572)
<b>Business-Type Funds</b>		
Sewer fund	275,378	-
Airport fund	<u>6,094</u>	<u>-</u>
Total	<u>\$ 283,572</u>	<u>\$ (283,572)</u>

## 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 has 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, 2020:

***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, projects funded by bond issuances, 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 resolution, capital project accounts funded by appropriation, special purpose stabilization funds, 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, general stabilization funds set aside by Town Meeting vote and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2020:

	General Fund	DPF Facility Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 65,948	\$ 65,948
Total Nonexpendable	-	-	65,948	65,948
Restricted				
Bonded projects	-	1,530,632	-	1,530,632
Special revenue funds	-	-	856,093	856,093
Expendable permanent funds	-	-	35,549	35,549
Total Restricted	-	1,530,632	891,642	2,422,274
Committed				
Special articles	701,075	-	-	701,075
Stabilization funds for specific purposes*	1,280,192	-	-	1,280,192
Capital project funds funded by general fund appropriation	-	-	15,360	15,360
Town set-asides	-	-	52,650	52,650
Total Committed	1,981,267	-	68,010	2,049,277
Assigned				
Reserved for expenditures				
School building related projects	20,000			20,000
Town projects	47,260			47,260
Total Assigned	67,260	-	-	67,260
Unassigned				
General fund	2,221,670	-	-	2,221,670
General stabilization fund*	1,066,480	-	-	1,066,480
Deficit funds	-	-	(476,634)	(476,634)
Total Unassigned	3,288,150	-	(476,634)	2,811,516
Total Fund Balance	\$ 5,336,677	\$ 1,530,632	\$ 548,966	\$ 7,416,275

\* Massachusetts General Law Chapter 40 Section 5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

## 20. Montague Contributory Retirement System

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

### ***Plan Description***

Substantially all employees of the Town are members of the Montague Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. 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 System, contribution percentages and benefits paid. The System's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 1 Avenue A, Turners Falls, MA 01376.

### ***Participants' 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 on or 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%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

### ***Participant Retirement Benefits***

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.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, 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%, 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. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

#### *Methods of Payment*

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### *Participant Refunds*

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

#### *Employer Contributions*

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, 2020 was \$1,005,908, which was equal to its annual required contribution.

#### ***Summary of Significant Accounting Policies***

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.

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions***

At June 30, 2020, the Town reported a liability of approximately \$5.16 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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 June 30, 2020, the Town's proportion was 49.96%, which was a decrease of (1.52)% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,266,986. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 201,339	\$ (332,734)
Net difference between projected and actual investment earnings	-	(902,278)
Changes in assumptions	1,253,996	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(143,581)
Total	\$ <u>1,455,335</u>	\$ <u>(1,378,593)</u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021	\$ 166,234
2022	65,799
2023	131,596
2024	<u>(286,887)</u>
Total	\$ <u>76,742</u>

### ***Actuarial Assumptions***

The total pension liability in the latest actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	1/1/2020
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	13 years
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	Group 1 4.25%
	Group 2 4.50%
	Group 4 4.75%
Inflation rate	Not explicitly stated
Post-retirement cost-of-living adjustment	3% of first \$18,000

Mortality rates were based on the following:

- Pre-retirement and beneficiary mortality: Rates reflect the RP-2014 Blue Collar table projected generationally with Scale MP-2018 (gender distinct).
- Mortality for retired members: Rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).
- Mortality for disabled members: Rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scape MP-2018 (gender distinct).

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period ended December 31, 2019.

### ***Changes in Assumptions***

The investment rate of return decreased from 7.25% in 2018 to 7.0% in 2020. This change increased the System's actuarial accrued liability by approximately \$1.4 million. The mortality tables were also updated, causing an increase in the System's actuarial accrued liability by approximately \$300,000.



**Target Allocations**

The long-term expected rate of return on pension plan investments was determined by using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major 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>Long-term Expected Real Rate of Return</u>
Domestic equity	13.00%	0.79%
International equity	13.00%	0.89%
Emerging markets equity	5.00%	0.47%
Hedged equity	8.00%	0.45%
Core fixed income	15.00%	1.58%
Value-added fixed income	8.00%	0.54%
Private equity	13.00%	1.30%
Real estate	10.00%	0.62%
Timberland	4.00%	0.25%
Portfolio completion (PCS)	11.00%	0.64%
Total	100.00%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 or 1 percentage-point higher than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 8,252,393	\$ 5,160,869	\$ 2,541,465

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

**21. Other Post-Employment Benefits (GASB 74 and GASB 75)**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2016, the Town established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2020.

***General Information about the OPEB Plan***  
***Plan Description***

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Hampshire County Group Insurance Trust. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

### ***Benefits Provided***

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

### ***Funding Policy***

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on actuarially determined amounts.

### ***Plan Membership***

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	67
Active employees	<u>72</u>
Total	<u><u>139</u></u>

### ***Investments***

All of the OPEB Trust Fund assets are invested in the external (State) investment pool – State Retirees Benefits Trust Fund (SRBT).

*Rate of return.* For the year ended June 30, 2020 , the annual money-weighted rate of return on investments, net of investment expense, was 1.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### ***Actuarial Assumptions and Other Inputs***

The net OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3%
Salary increases	3%
Municipal bond rate/discount rate	2.66%
Healthcare cost trend rates	8% decreasing to an ultimate rate of 5% as of 2025 and later years
Retirees' share of benefit-related costs	20%
Participation rate	100% of eligible retirees

Mortality rates were based on RP-2014 with MP-2016 projected.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2019.

### ***Target Allocations***

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.00%	6.5%
Fixed income	22.00%	1.5%
Private equity	11.00%	6.0%
Real estate	10.00%	5.5%
Cash	<u>17.00%</u>	0.0%
Total	<u>100.00%</u>	

### ***Contributions***

The Town's policy is to contribute amounts provided annually by the budget.

### ***Discount Rate***

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.66% (based on index provided by S&P Municipal Bond 20 Year High Grade Bond index as of June 30, 2020) was used.

### ***Net OPEB Liability***

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 15,933,883
Plan fiduciary net position	<u>(551,564)</u>
Net OPEB Liability	<u>\$ 15,382,319</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.46%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

**Changes in the Net OPEB Liability**

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, Beginning of Year	\$ 15,992,613	\$ 492,210	\$ 15,500,403
Changes for the year:			
Service cost	703,582	-	703,582
Interest	439,383	-	439,383
Contributions - employer	-	538,228	(538,228)
Net investment income	-	9,354	(9,354)
Difference between expected and actual experience	(1,034,568)	-	(1,034,568)
Changes in assumptions	321,101	-	321,101
Benefit payments	<u>(488,228)</u>	<u>(488,228)</u>	<u>-</u>
Net Changes	<u>(58,730)</u>	<u>59,354</u>	<u>(118,084)</u>
Balances, End of Year	\$ <u>15,933,883</u>	\$ <u>551,564</u>	\$ <u>15,382,319</u>

Change in assumptions and other inputs reflect a change in the discount rate from 2.79% in 2019 to 2.66% in 2020.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
\$17,854,219	\$15,382,319	\$12,910,420

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

1% Decrease <u>(7.0%)</u>	Current Healthcare Cost Trend Rates <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
\$12,588,112	\$15,382,319	\$18,732,472

***OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB***

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$944,428. At June 30, 2020, the Town reported deferred outflows and deferred (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (1,795,565)
Change in assumptions	612,652	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(6,677)</u>
Total	\$ <u>612,652</u>	\$ <u>(1,802,242)</u>

Amount reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2021	\$ (184,804)
2022	(184,804)
2023	(184,804)
2024	(181,411)
2025	(182,287)
Thereafter	<u>(271,480)</u>
Total	\$ <u>(1,189,590)</u>

## 22. Consolidation of Pension and OPEB Trust Funds

The Montague Contributory Retirement System and the Montague OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2019)	Other Post-Employment Benefit Trust Fund	Pension and OPEB Trust Funds
<b>Assets</b>			
Cash and short-term investments	\$ 327,539	\$ -	\$ 327,539
Investments in external investment pools	46,898,009	551,564	47,449,573
Accounts receivable	<u>12,229</u>	<u>-</u>	<u>12,229</u>
Total Assets	47,237,777	551,564	47,789,341
<b>Liabilities</b>			
Accounts payable	<u>1,732</u>	<u>-</u>	<u>1,732</u>
<b>Net Position</b>			
Restricted for pension purposes	47,236,045	-	47,236,045
Restricted for OPEB purposes	<u>-</u>	<u>551,564</u>	<u>551,564</u>
Total Net Position	<u>\$ 47,236,045</u>	<u>\$ 551,564</u>	<u>\$ 47,787,609</u>

	Pension Trust Fund (year ended December 31, 2019)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
<b>Additions</b>			
Contributions:			
Employers	\$ 1,961,980	\$ 538,228	\$ 2,500,208
Plan members	828,201	-	828,201
Other systems and Commonwealth of Massachusetts	159,521	-	159,521
Other	6,600	-	6,600
Total Contributions	2,956,302	538,228	3,494,530
Investment Income:			
Interest and dividends	-	9,354	9,354
Appreciation in fair value of investments	6,808,108	-	6,808,108
Less: management fees	(227,906)	-	(227,906)
Net Investment Income	6,580,202	9,354	6,589,556
Total Additions	9,536,504	547,582	10,084,086
<b>Deductions</b>			
Benefit payments to plan members, beneficiaries and other systems	3,289,696	488,228	3,777,924
Refunds to plan members	99,547	-	99,547
Transfers to other systems	129,411	-	129,411
Administrative expenses	118,593	-	118,593
Total Deductions	3,637,247	488,228	4,125,475
Net Increase	5,899,257	59,354	5,958,611
<b>Net Position Restricted for Pensions and OPEB Purposes</b>			
Beginning of Year	41,336,788	492,210	41,828,998
End of Year	\$ 47,236,045	\$ 551,564	\$ 47,787,609

## 23. Subsequent Events

Management has evaluated subsequent events through February 22, 2021, which is the date the financial statements were available to be issued.

### **Debt**

Subsequent to June 30, 2020, the Town has incurred the following additional short-term debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Revenue anticipation note	\$ 1,000,000	0.70%	07/06/20	10/08/20
Revenue anticipation note	\$ 1,500,000	1.05%	07/06/20	10/08/20
Bond anticipation note	\$ 1,812,000	1.00%	09/25/20	09/24/21



## **24. Commitments and Contingencies**

### ***COVID-19***

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

### ***Outstanding Legal Issues***

There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

### ***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, 2020 the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$275,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2020, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$4.8 million, the Trust was in a surplus position of approximately \$28.6 million.

### ***Colle Building Lease***

In April 2019 The Town entered into a lease agreement with Center for Responsive Schools, Inc. whereby the Town leased land, a building and improvements at 85 Avenue A in Turners Falls, Massachusetts known as the Colle Building.

The term of the agreement is 3 years commencing on June 1, 2019 and ending on May 31, 2022. The Center for Responsive Schools, Inc. shall pay rent at the following rate, \$8,513 per month for year 1 (annual total of \$102,156), \$8,598 per month for year 2 (annual total of \$103,176), and monthly rent of \$8,686 per month for year 3 (annual total of \$104,232).

## 25. Beginning Fund Balance/Net Position Reclassification

The beginning (July 1, 2019) fund balance/net position of the Town's Airport enterprise fund has been reclassified from governmental activities to business-type activities. Although the Town voted to adopt enterprise fund legislation for airport operations, prior to fiscal year 2020, under the criteria established by GASB, it did not qualify as an enterprise fund since it did not fund all of its operations. The following reconciliation is provided:

	Governmental Activities	Business-Type Activities Airport
As previously reported	\$ 3,876,332	\$ -
Reclassify as an enterprise fund	<u>(8,983,336)</u>	<u>8,983,336</u>
As reclassified	\$ <u><u>(5,107,004)</u></u>	\$ <u><u>8,983,336</u></u>

## 26. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**TOWN OF MONTAGUE, MASSACHUSETTS**

Required Supplemental Information

General Fund

Schedule of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Property taxes	\$ 18,669,482	\$ 18,669,482	\$ 18,179,697	\$ (489,785)
Excises	347,037	347,037	759,003	411,966
Penalties, interest and other taxes	106,000	106,000	150,246	44,246
Charges for services	470,729	470,729	656,361	185,632
Intergovernmental	1,997,463	1,997,463	2,013,817	16,354
Licenses and permits	136,000	136,000	149,706	13,706
Fines and forfeitures	14,000	14,000	23,629	9,629
Investment income	9,000	9,000	24,861	15,861
Miscellaneous	<u>61,500</u>	<u>61,500</u>	<u>82,368</u>	<u>20,868</u>
Total Revenues	21,811,211	21,811,211	22,039,688	228,477
<b>Expenditures</b>				
General government	1,467,135	1,500,235	1,342,537	157,698
Public safety	2,220,371	2,232,227	2,156,337	75,890
Education	11,448,513	11,448,513	11,423,984	24,529
Public works	2,603,256	2,591,694	2,459,619	132,075
Health and human services	289,363	289,363	239,118	50,245
Culture and recreation	708,969	706,669	705,384	1,285
Employee benefits	2,371,226	2,371,226	2,183,125	188,101
Debt service	828,414	828,414	763,970	64,444
Intergovernmental	<u>196,667</u>	<u>196,573</u>	<u>197,617</u>	<u>(1,044)</u>
Total Expenditures	<u>22,133,914</u>	<u>22,164,914</u>	<u>21,471,691</u>	<u>693,223</u>
Excess (Deficiency) of Revenues Over Expenditures	(322,703)	(353,703)	567,997	921,700
<b>Other Financing Sources/Uses</b>				
Transfers out	(550,059)	(1,350,059)	(1,352,158)	(2,099)
Use of free cash:				
Operating budget	206,065	218,065	-	(218,065)
Capital budget	677,214	696,214	-	(696,214)
Transfer Stabilization funds	51,500	51,500	-	(51,500)
Other source	-	800,000	-	(800,000)
Other uses	<u>(62,017)</u>	<u>(62,017)</u>	<u>-</u>	<u>62,017</u>
Total Other Financing Sources/Uses	<u>322,703</u>	<u>353,703</u>	<u>(1,352,158)</u>	<u>(1,705,861)</u>
Overall Budgetary (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(784,161)</u>	\$ <u>(784,161)</u>

See Independent Auditors' Report.

## Notes to the Required Supplemental Information For General Fund Budget

### Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### 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>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP basis	\$ 22,062,957	\$ 21,539,350	\$ 283,572
Remove the effect of combining stabilization and general fund:			
Reverse the adjustment eliminating interfund transfers	-	-	1,068,586
Remove stabilization funds investment income	(23,269)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(768,734)	-
Add end of year appropriation carryforwards from expenditures	<u>-</u>	<u>701,075</u>	<u>-</u>
Budgetary Basis	<u>\$ 22,039,688</u>	<u>\$ 21,471,691</u>	<u>\$ 1,352,158</u>

See Independent Auditors' Report.

**TOWN OF MONTAGUE, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

(Amounts expressed in thousands)

**Montague Contributory Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	49.96%	\$ 5,161	\$ 3,766	137.04%	82.06%
June 30, 2019	December 31, 2018	51.48%	\$ 6,745	\$ 3,790	177.97%	75.93%
June 30, 2018	December 31, 2017	51.94%	\$ 4,959	\$ 3,824	129.68%	81.78%
June 30, 2017	December 31, 2016	52.36%	\$ 5,715	\$ 3,641	156.96%	77.20%
June 30, 2016	December 31, 2015	52.19%	\$ 5,375	\$ 3,354	160.26%	77.00%
June 30, 2015	December 31, 2014	52.88%	\$ 4,469	\$ 3,569	125.22%	80.30%

*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**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

**Montague Contributory Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	December 31, 2019	\$ 1,006	\$ 1,006	-	\$ 3,766	26.71%
June 30, 2019	December 31, 2018	\$ 1,006	\$ 1,006	-	\$ 3,790	26.54%
June 30, 2018	December 31, 2017	\$ 978	\$ 978	-	\$ 3,824	25.58%
June 30, 2017	December 31, 2016	\$ 950	\$ 950	-	\$ 3,641	26.09%
June 30, 2016	December 31, 2015	\$ 925	\$ 925	-	\$ 3,354	27.58%
June 30, 2015	December 31, 2014	\$ 870	\$ 870	-	\$ 3,569	24.38%

*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**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in the Net OPEB Liability

(Unaudited)

(Amounts expressed in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 704	\$ 587	\$ 567	\$ 528
Interest	439	475	476	457
Difference between expected and actual experience	(1,035)	(1,187)	420	-
Change in assumptions	321	442	-	-
Benefit payments, including refunds of member contributions	<u>(488)</u>	<u>(516)</u>	<u>(469)</u>	<u>(455)</u>
Net Change in Total OPEB Liability	(59)	(199)	994	530
Total OPEB Liability - Beginning	<u>15,992</u>	<u>16,191</u>	<u>15,197</u>	<u>14,667</u>
Total OPEB Liability - Ending (a)	\$ <u>15,933</u>	\$ <u>15,992</u>	\$ <u>16,191</u>	\$ <u>15,197</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 538	\$ 566	\$ 519	\$ 510
Net investment income	9	29	36	22
Benefit payments, including refunds of member contributions	<u>(488)</u>	<u>(516)</u>	<u>(469)</u>	<u>(455)</u>
Net Change in Plan Fiduciary Net Position	59	79	86	77
Plan Fiduciary Net Position - Beginning	<u>492</u>	<u>413</u>	<u>327</u>	<u>250</u>
Plan Fiduciary Net Position - Ending (b)	\$ <u>551</u>	\$ <u>492</u>	\$ <u>413</u>	\$ <u>327</u>
Net OPEB Liability - Ending (a-b)	\$ <u>15,382</u>	\$ <u>15,500</u>	\$ <u>15,778</u>	\$ <u>14,870</u>

*Schedules are 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**

Requirement Supplementary Information

Other Post-Employment Benefits (OPEB)

Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

(Amounts expressed in thousands)

<b>Schedule of Net OPEB Liability</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 15,933	\$ 15,992	\$ 16,191	\$ 15,197
Plan fiduciary net position	<u>(551)</u>	<u>(492)</u>	<u>(413)</u>	<u>(327)</u>
Net OPEB Liability	<u>\$ 15,382</u>	<u>\$ 15,500</u>	<u>\$ 15,778</u>	<u>\$ 14,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.46%	3.08%	2.55%	2.15%
Covered payroll	\$ 4,179	\$ 3,894	\$ 3,650	\$ 3,650
Net OPEB liability as a percentage of covered payroll	368.08%	398.05%	432.27%	407.40%
<b>Schedule of Contributions</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,758	\$ 1,646	\$ 1,032	\$ 985
Contributions in relation to the actuarially determined contribution	<u>(538)</u>	<u>(566)</u>	<u>(519)</u>	<u>(510)</u>
Contribution Deficiency (Excess)	<u>\$ 1,220</u>	<u>\$ 1,080</u>	<u>\$ 513</u>	<u>\$ 475</u>
Covered payroll	\$ 4,179	\$ 3,894	\$ 3,650	\$ 3,650
Contributions as a percentage of covered payroll	12.87%	14.54%	14.22%	13.97%
<b>Schedule of Investment Returns</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	1.90%	6.60%	10.86%	8.45%

*Schedules are 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.