



## **TOWN OF MONTAGUE, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Select Board  
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, 2021, (except for the Montague Contributory Retirement System which is as of and for the year ended December 31, 2020), 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, 2021, (except for the Montague Contributory Retirement System which is as of and for the year ended December 31, 2020) 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 16, 2022 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 Town'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 16, 2022



## 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, 2021.

### **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, deferred outflows, and deferred 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**

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 \$(3,043,447), a change of \$1,285,174, and net position in business-type activities was \$12,538,098, a change of \$(337,134), as discussed further.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,593,596, a change of \$(1,822,679) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,619,723, a change of \$331,573 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.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 10,393,789	\$ 11,435,945	\$ 1,466,700	\$ 1,432,215	\$ 11,860,489	\$ 12,868,160
Capital assets	<u>21,718,124</u>	<u>19,047,197</u>	<u>21,968,677</u>	<u>21,488,972</u>	<u>43,686,801</u>	<u>40,536,169</u>
Total Assets	32,111,913	30,483,142	23,435,377	22,921,187	55,547,290	53,404,329
Deferred Outflows of Resources	2,007,229	1,859,777	265,413	208,210	2,272,642	2,067,987
<b>Liabilities</b>						
Current liabilities	3,981,977	3,188,731	2,037,145	501,434	6,019,122	3,690,165
Non-current liabilities	<u>29,199,562</u>	<u>30,660,782</u>	<u>8,605,761</u>	<u>9,393,923</u>	<u>37,805,323</u>	<u>40,054,705</u>
Total Liabilities	33,181,539	33,849,513	10,642,906	9,895,357	43,824,445	43,744,870
Deferred Inflows of Resources	3,981,050	2,822,027	519,786	358,808	4,500,836	3,180,835
<b>Net Position</b>						
Net investment in capital assets	7,713,233	7,554,762	15,072,617	14,262,932	22,785,850	21,817,694
Restricted	853,227	771,066	-	-	853,227	771,066
Unrestricted	<u>(11,609,907)</u>	<u>(12,654,449)</u>	<u>(2,534,519)</u>	<u>(1,387,700)</u>	<u>(14,144,426)</u>	<u>(14,042,149)</u>
Total Net Position	\$ <u>(3,043,447)</u>	\$ <u>(4,328,621)</u>	\$ <u>12,538,098</u>	\$ <u>12,875,232</u>	\$ <u>9,494,651</u>	\$ <u>8,546,611</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 \$9,494,651, a change of \$948,040 in comparison to the prior year.

The largest portion of net position, \$22,785,850, 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, \$853,227, represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net position reflect a deficit of \$(14,144,426), primarily resulting from unfunded pension and OPEB liabilities.

**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,488,997	\$ 1,143,807	\$ 2,306,806	\$ 2,421,316	\$ 3,795,803	\$ 3,565,123
Operating grants and contributions	1,607,855	1,552,667	-	-	1,607,855	1,552,667
Capital grants and contributions	883,217	588,966	146,569	621,268	1,029,786	1,210,234
General revenues:						
Property taxes	19,561,855	18,749,434	-	-	19,561,855	18,749,434
Excises	840,725	808,838	-	-	840,725	808,838
Penalties, interest and other taxes	339,185	150,246	-	-	339,185	150,246
Grants and contributions not restricted to specific programs	1,750,576	1,744,790	-	-	1,750,576	1,744,790
Investment income	19,912	54,852	176	1,697	20,088	56,549
Miscellaneous	157,836	144,673	498	3,706	158,334	148,379
<b>Total Revenues</b>	<u>26,650,158</u>	<u>24,938,273</u>	<u>2,454,049</u>	<u>3,047,987</u>	<u>29,104,207</u>	<u>27,986,260</u>
<b>Expenses</b>						
General government	2,591,290	3,049,497	-	-	2,591,290	3,049,497
Public safety	3,942,540	3,821,581	-	-	3,942,540	3,821,581
Education	12,237,717	11,456,860	-	-	12,237,717	11,456,860
Public works	3,697,405	3,521,344	-	-	3,697,405	3,521,344
Health and human services	998,407	357,038	-	-	998,407	357,038
Culture and recreation	967,896	1,114,212	-	-	967,896	1,114,212
Interest on long-term debt	401,437	360,269	-	-	401,437	360,269
Intergovernmental	205,770	197,617	-	-	205,770	197,617
Sewer services	-	-	2,288,450	2,694,768	2,288,450	2,694,768
Airport services	-	-	825,255	715,262	825,255	715,262
<b>Total Expenses</b>	<u>25,042,462</u>	<u>23,878,418</u>	<u>3,113,705</u>	<u>3,410,030</u>	<u>28,156,167</u>	<u>27,288,448</u>
Change in Net Position Before Transfers	1,607,696	1,059,855	(659,656)	(362,043)	948,040	697,812
Transfers In (Out)	<u>(322,522)</u>	<u>(281,472)</u>	<u>322,522</u>	<u>281,472</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,285,174	778,383	(337,134)	(80,571)	948,040	697,812
Net Position - Beginning of Year	<u>(4,328,621)</u>	<u>(5,107,004)</u>	<u>12,875,232</u>	<u>12,955,803</u>	<u>8,546,611</u>	<u>7,848,799</u>
Net Position - End of Year	<u>\$ (3,043,447)</u>	<u>\$ (4,328,621)</u>	<u>\$ 12,538,098</u>	<u>\$ 12,875,232</u>	<u>\$ 9,494,651</u>	<u>\$ 8,546,611</u>

**Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$1,285,174. Key elements of this change are as follows:

General fund operations	\$ 1,076,178
Major fund - DPW facility capital project expenditures in excess of revenue and transfers in	(2,848,950)
Non-major fund expenditures and transfers out in excess of revenues and transfers in	(49,907)
Depreciation expense in excess of principal debt service	(386,227)
Capital assets purchases	3,635,154
Change in net pension liability, net of deferrals	432,152
Change in net OPEB liability, net of deferrals	(657,354)
Other	<u>84,128</u>
Total	\$ <u>1,285,174</u>

**Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$(337,134). Key elements of this change are as follows:

Sewer fund revenues and transfers in in excess of expenditures	\$ 226,890
Airport expenditures in excess of revenues and transfers in	<u>(564,024)</u>
Total	\$ <u>(337,134)</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 \$3,619,723, while total fund balance was \$6,412,855. 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>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	% of General Fund <u>Expenditures</u>
Unassigned fund balance	\$ 3,619,723	\$ 3,288,150	\$ 331,573	16.2%
Total fund balance	\$ 6,412,855	\$ 5,336,677	\$ 1,076,178	28.7%

The total fund balance of the General Fund changed by \$1,076,178 during the current fiscal year. Key elements of this change are as follows:

Excess of tax collections vs. net assessment	\$ 65,482
State and local revenues and transfers over budget	328,512
Budgetary appropriations unspent by departments	706,602
Use of free cash (fund balance) as a funding sources for non-recurring items	(623,543)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	(147,532)
Change in Stabilization funds	739,758
Other	<u>6,899</u>
Total	\$ <u><u>1,076,178</u></u>

Included in the total General Fund balance are the Town’s stabilization accounts with the following balances:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
General stabilization	\$ 1,130,041	\$ 1,066,480	\$ 63,561
Capital stabilization	1,435,721	1,103,910	331,811
Cannabis impact fee stabilization	235,399	-	235,399
Franklin County Technical School stabilization	167,539	98,498	69,041
Gill-Montague Regional School District stabilization	<u>117,730</u>	<u>77,784</u>	<u>39,946</u>
Total Stabilization Funds	\$ <u><u>3,086,430</u></u>	\$ <u><u>2,346,672</u></u>	\$ <u><u>739,758</u></u>

*DPW Facility Capital Project Fund*

The capital project funds accounts for the construction of the Town’s Department of Public Works facility building. The capital project fund balance changed by \$(2,848,950) as a result of capital expenditures incurred during the fiscal year.

*Nonmajor Governmental Funds*

The nonmajor fund balance changed by \$(49,907) primarily from timing differences between the receipt and disbursement of grants and permanent financing of other 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 \$(2,534,519), a change of \$(1,146,819) in comparison to the 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 \$51,800. Reasons for these amendments include:

Increase in general government operating budget	\$ 12,000
Transfer to airport enterprise fund	<u>39,800</u>
Total	<u>\$ 51,800</u>

All of this increase was funded by free cash.

**Capital Assets and Debt Administration**

***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year end amounted to \$43,686,801 (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	\$ (964,227)
Depreciation expense – airport fund	(635,021)
Depreciation expense – sewer fund	(469,307)
Discontinued capital project	(89,561)
Land improvements	600,384
Building improvements	1,008,246
Books	75,116
Purchase of police vehicle	53,412
Foreclosed properties	1,035
Construction in progress – DPW facility	2,859,415
Construction in progress – Strathmore abatement	357,013
Construction in progress – various projects	289,163
Construction in progress – various sewer projects	<u>64,964</u>
Total	\$ <u><u>3,150,632</u></u>

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 \$19,009,064, all of which was backed by the full faith and credit of the government.

The Town maintained their AA rating from Standard & Poor's (S&P) from 2020 for general obligation debt.

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, 2021

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 6,331,061	\$ 1,065,288	\$ 7,396,349
Investments	2,159,353	2,592	2,161,945
Receivables, net of allowance for uncollectible:			
Property taxes	1,146,079	-	1,146,079
Excises	206,679	-	206,679
User fees	-	393,158	393,158
Departmental and other	101,900	-	101,900
Intergovernmental	96,895	1,352	98,247
Other assets	<u>100,750</u>	<u>4,310</u>	<u>105,060</u>
Total Current Assets	10,142,717	1,466,700	11,609,417
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax liens	251,072	-	251,072
Capital assets:			
Nondepreciable capital assets	12,327,091	1,445,887	13,772,978
Other capital assets, net of accumulated depreciation	<u>9,391,033</u>	<u>20,522,790</u>	<u>29,913,823</u>
Total Noncurrent Assets	<u>21,969,196</u>	<u>21,968,677</u>	<u>43,937,873</u>
Total Assets	32,111,913	23,435,377	55,547,290
<b>Deferred Outflows of Resources</b>			
Related to pensions	741,108	72,474	813,582
Related to OPEB	<u>1,266,121</u>	<u>192,939</u>	<u>1,459,060</u>
Total Deferred Outflows of Resources	2,007,229	265,413	2,272,642

(continued)

**TOWN OF MONTAGUE, MASSACHUSETTS**

Statement of Net Position  
June 30, 2021

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants payable	\$ 272,650	\$ 101,174	\$ 373,824
Accrued payroll and withholdings	201,736	17,087	218,823
Accrued interest	175,121	65,314	240,435
Unearned revenues	429,769	-	429,769
Notes payable	2,062,000	1,518,000	3,580,000
Intergovernmental payable	104,040	-	104,040
Other liabilities	64,518	-	64,518
Current portion of long-term liabilities:			
Bonds payable	615,365	335,570	950,935
Capital leases	44,278	-	44,278
Landfill liability	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Total Current Liabilities	3,981,977	2,037,145	6,019,122
Noncurrent:			
Other noncurrent liabilities	9,584	-	9,584
Bonds payable, net of current portion	11,497,641	6,560,488	18,058,129
Net pension liability	3,357,566	328,341	3,685,907
Net OPEB liability	13,914,113	1,705,896	15,620,009
Compensated absences	320,658	11,036	331,694
Landfill liability, net of current portion	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Noncurrent Liabilities	<u>29,199,562</u>	<u>8,605,761</u>	<u>37,805,323</u>
Total Liabilities	33,181,539	10,642,906	43,824,445
<b>Deferred Inflows of Resources</b>			
Related to pensions	1,591,164	155,602	1,746,766
Related to OPEB	<u>2,389,886</u>	<u>364,184</u>	<u>2,754,070</u>
Total Deferred Inflows of Resources	3,981,050	519,786	4,500,836
<b>Net Position</b>			
Net investment in capital assets	7,713,233	15,072,617	22,785,850
Restricted for:			
Grants and other statutory restrictions	750,501	-	750,501
Endowment funds:			
Nonexpendable	65,990	-	65,990
Expendable	36,736	-	36,736
Unrestricted	<u>(11,609,907)</u>	<u>(2,534,519)</u>	<u>(14,144,426)</u>
Total Net Position	<u>\$ (3,043,447)</u>	<u>\$ 12,538,098</u>	<u>\$ 9,494,651</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, 2021

	Expenses	Program Revenues			Net (Expenses) Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,591,290	\$ 461,866	\$ 521,811	\$ 250,000	\$ (1,357,613)	\$ -	\$ (1,357,613)
Public safety	3,942,540	560,313	82,696	-	(3,299,531)	-	(3,299,531)
Education	12,237,717	-	82,091	-	(12,155,626)	-	(12,155,626)
Public works	3,697,405	317,104	188,586	633,217	(2,558,498)	-	(2,558,498)
Health and human services	998,407	23,630	645,198	-	(329,579)	-	(329,579)
Culture and recreation	967,896	126,084	87,473	-	(754,339)	-	(754,339)
Interest on long-term debt	401,437	-	-	-	(401,437)	-	(401,437)
Intergovernmental	205,770	-	-	-	(205,770)	-	(205,770)
Total Governmental Activities	25,042,462	1,488,997	1,607,855	883,217	(21,062,393)	-	(21,062,393)
<b>Business-Type Activities</b>							
Sewer services	2,288,450	2,233,378	-	-	-	(55,072)	(55,072)
Airport services	825,255	73,428	-	146,569	-	(605,258)	(605,258)
Total Business-Type Activities	3,113,705	2,306,806	-	146,569	-	(660,330)	(660,330)
Total	\$ 28,156,167	\$ 3,795,803	\$ 1,607,855	\$ 1,029,786	(21,062,393)	(660,330)	(21,722,723)
<b>General Revenues and Transfers</b>							
Property taxes					19,561,855	-	19,561,855
Excises					840,725	-	840,725
Penalties, interest and other taxes					339,185	-	339,185
Grants and contributions not restricted to specific programs					1,750,576	-	1,750,576
Investment income					19,912	176	20,088
Miscellaneous					157,836	498	158,334
Transfers					(322,522)	322,522	-
Total General Revenues and Transfers					22,347,567	323,196	22,670,763
Change in Net Position					1,285,174	(337,134)	948,040
<b>Net Position</b>							
Beginning of Year					(4,328,621)	12,875,232	8,546,611
End of Year					\$ (3,043,447)	\$ 12,538,098	\$ 9,494,651

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2021

	General Fund	DPW Facility Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 5,119,741	\$ 499,082	\$ 712,238	\$ 6,331,061
Investments	1,720,990	-	438,363	2,159,353
Receivables:				
Property taxes	1,564,042	-	-	1,564,042
Excises	217,686	-	-	217,686
Departmental and other	52,680	-	49,220	101,900
Intergovernmental	-	-	96,895	96,895
Other assets	<u>100,750</u>	<u>-</u>	<u>-</u>	<u>100,750</u>
Total Assets	<u>\$ 8,775,889</u>	<u>\$ 499,082</u>	<u>\$ 1,296,716</u>	<u>\$ 10,571,687</u>
<b>Liabilities</b>				
Warrants payable	\$ 171,394	\$ 5,400	\$ 95,856	\$ 272,650
Accrued payroll and withholdings	189,288	-	12,448	201,736
Unearned revenue	-	-	429,769	429,769
Notes payable	-	1,812,000	250,000	2,062,000
Intergovernmental payable	104,040	-	-	104,040
Other liabilities	<u>64,518</u>	<u>-</u>	<u>9,584</u>	<u>74,102</u>
Total Liabilities	529,240	1,817,400	797,657	3,144,297
<b>Deferred Inflow of Resources</b>				
Unavailable revenues	1,833,794	-	-	1,833,794
<b>Fund Balances</b>				
Nonspendable	-	-	65,990	65,990
Restricted	-	-	915,249	915,249
Committed	2,509,932	-	28,407	2,538,339
Assigned	283,200	-	-	283,200
Unassigned	<u>3,619,723</u>	<u>(1,318,318)</u>	<u>(510,587)</u>	<u>1,790,818</u>
Total Fund Balances	<u>6,412,855</u>	<u>(1,318,318)</u>	<u>499,059</u>	<u>5,593,596</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,775,889</u>	<u>\$ 499,082</u>	<u>\$ 1,296,716</u>	<u>\$ 10,571,687</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, 2021

<b>Total governmental fund balances</b>	\$ 5,593,596
<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>	21,718,124
<ul style="list-style-type: none"><li>• Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.</li></ul>	741,108
<ul style="list-style-type: none"><li>• Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.</li></ul>	1,266,121
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,655,896
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(175,121)
<ul style="list-style-type: none"><li>• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:<ul style="list-style-type: none"><li>Bonds payable</li><li>Net pension liability</li><li>Net OPEB liability</li><li>Compensated absences</li></ul></li></ul>	<ul style="list-style-type: none"><li>(12,113,006)</li><li>(3,357,566)</li><li>(13,914,113)</li><li>(320,658)</li></ul>
<ul style="list-style-type: none"><li>• Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.</li></ul>	(1,591,164)
<ul style="list-style-type: none"><li>• Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.</li></ul>	(2,389,886)
<ul style="list-style-type: none"><li>• Other reconciling items.</li></ul>	<u>(156,778)</u>
<b>Net position of governmental activities</b>	<u>\$ (3,043,447)</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, 2021

	General Fund	DPW Facility Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 19,621,101	\$ -	\$ -	\$ 19,621,101
Excises	803,153	-	-	803,153
Penalties, interest and other taxes	339,185	-	-	339,185
Charges for services	619,169	-	468,830	1,087,999
Intergovernmental	1,921,890	-	2,324,493	4,246,383
Licenses and permits	383,558	-	-	383,558
Fines and forfeitures	18,098	-	-	18,098
Investment income	14,399	-	5,513	19,912
Miscellaneous	97,126	9,644	51,066	157,836
Total Revenues	23,817,679	9,644	2,849,902	26,677,225
<b>Expenditures</b>				
Current:				
General government	1,267,309	-	927,369	2,194,678
Public safety	2,135,864	-	440,803	2,576,667
Education	12,162,898	-	-	12,162,898
Public works	2,371,831	2,859,414	832,092	6,063,337
Health and human services	258,492	-	641,743	900,235
Culture and recreation	600,265	-	106,806	707,071
Employee benefits	2,342,308	-	-	2,342,308
Debt service:				
Principal	553,000	-	25,000	578,000
Interest	444,118	-	2,300	446,418
Intergovernmental	205,770	-	-	205,770
Total Expenditures	22,341,855	2,859,414	2,976,113	28,177,382
Excess (Deficiency) of Revenues over Expenditures	1,475,824	(2,849,770)	(126,211)	(1,500,157)
<b>Other Financing Sources (Uses)</b>				
Transfers in	846	820	77,150	78,816
Transfers out	(400,492)	-	(846)	(401,338)
Total Other Financing Sources (Uses)	(399,646)	820	76,304	(322,522)
Change in Fund Balance	1,076,178	(2,848,950)	(49,907)	(1,822,679)
Fund Balances, Beginning of Year	5,336,677	1,530,632	548,966	7,416,275
Fund Balances, End of Year	\$ 6,412,855	\$ (1,318,318)	\$ 499,059	\$ 5,593,596

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, 2021

<b>Net change in fund balances - total governmental funds</b>	\$	(1,822,679)																																										
<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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Capital outlay</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">3,635,154</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(964,227)</td> </tr> </table> </li> <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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Repayments of long-term notes</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">20,000</td> </tr> <tr> <td>Repayments of general obligation bonds</td> <td></td> <td style="text-align: right;">514,049</td> </tr> <tr> <td>Repayments of direct borrowings</td> <td></td> <td style="text-align: right;">43,951</td> </tr> <tr> <td>Bond premium amortization</td> <td></td> <td style="text-align: right;">23,226</td> </tr> <tr> <td>Repayments of capital lease</td> <td></td> <td style="text-align: right;">42,457</td> </tr> </table> </li> <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 net change in unavailable revenue, net of charge in allowance for doubtful accounts. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(28,102)</td> </tr> </table> </li> <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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Change in net pension liability and related deferred outflows and inflows</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">432,152</td> </tr> <tr> <td>Change in OPEB liability and related deferred outflows and inflows</td> <td></td> <td style="text-align: right;">(657,354)</td> </tr> <tr> <td>Change in accrued employee benefits</td> <td></td> <td style="text-align: right;">12,291</td> </tr> <tr> <td>Change in accrued interest on bonds payable</td> <td></td> <td style="text-align: right;">21,756</td> </tr> <tr> <td>Other</td> <td></td> <td style="text-align: right;">12,500</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">12,500</td> </tr> </table> </li> </ul>			Capital outlay		3,635,154	Depreciation		(964,227)	Repayments of long-term notes		20,000	Repayments of general obligation bonds		514,049	Repayments of direct borrowings		43,951	Bond premium amortization		23,226	Repayments of capital lease		42,457			(28,102)	Change in net pension liability and related deferred outflows and inflows		432,152	Change in OPEB liability and related deferred outflows and inflows		(657,354)	Change in accrued employee benefits		12,291	Change in accrued interest on bonds payable		21,756	Other		12,500			12,500
Capital outlay		3,635,154																																										
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		12,500																																										
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,285,174</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, 2021

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 1,001,963	\$ 63,325	\$ 1,065,288
Investments	2,592	-	2,592
User fees, net of allowance for uncollectible	393,158	-	393,158
Intergovernmental receivables	1,352	-	1,352
Other assets	<u>4,310</u>	<u>-</u>	<u>4,310</u>
Total Current Assets	1,403,375	63,325	1,466,700
Noncurrent:			
Capital assets:			
Nondepreciable capital assets	204,020	1,241,867	1,445,887
Other capital assets, net of accumulated depreciation	<u>11,911,175</u>	<u>8,611,615</u>	<u>20,522,790</u>
Total Noncurrent Assets	12,115,195	9,853,482	21,968,677
Total Assets	13,518,570	9,916,807	23,435,377
<b>Deferred Outflows of Resources</b>			
Related to pensions	72,474	-	72,474
Related to OPEB	<u>192,939</u>	<u>-</u>	<u>192,939</u>
Total Deferred Outflows of Resources	265,413	-	265,413
<b>Liabilities</b>			
Current:			
Warrants payable	71,551	29,623	101,174
Accrued payroll	16,374	713	17,087
Accrued interest	65,314	-	65,314
Notes payable	-	1,518,000	1,518,000
Current portion of long-term liabilities:			
Bonds payable	<u>335,570</u>	<u>-</u>	<u>335,570</u>
Total Current Liabilities	488,809	1,548,336	2,037,145
Noncurrent:			
Bonds payable, net of current portion	6,560,488	-	6,560,488
Net pension liability	328,341	-	328,341
Net OPEB liability	1,705,896	-	1,705,896
Compensated absences	<u>11,036</u>	<u>-</u>	<u>11,036</u>
Total Noncurrent Liabilities	<u>8,605,761</u>	<u>-</u>	<u>8,605,761</u>
Total Liabilities	9,094,570	1,548,336	10,642,906
<b>Deferred Inflows of Resources</b>			
Related to pensions	155,602	-	155,602
Related to OPEB	<u>364,184</u>	<u>-</u>	<u>364,184</u>
Total Deferred Inflows of Resources	519,786	-	519,786
<b>Net Position</b>			
Net investment in capital assets	5,219,135	9,853,482	15,072,617
Unrestricted	<u>(1,049,508)</u>	<u>(1,485,011)</u>	<u>(2,534,519)</u>
Total Net Position	<u>\$ 4,169,627</u>	<u>\$ 8,368,471</u>	<u>\$ 12,538,098</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, 2021

	Business-Type Activities		
	Enterprise Funds		
	Sewer <u>Fund</u>	Airport <u>Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 2,233,378	\$ 73,428	2,306,806
Other	<u>498</u>	<u>-</u>	<u>498</u>
Total Operating Revenues	2,233,876	73,428	2,307,304
<b>Operating Expenses</b>			
Salaries and benefits	305,695	35,701	341,396
Other operating expenses	1,291,089	154,533	1,445,622
Depreciation	<u>469,307</u>	<u>635,021</u>	<u>1,104,328</u>
Total Operating Expenses	<u>2,066,091</u>	<u>825,255</u>	<u>2,891,346</u>
Operating Income (Loss)	167,785	(751,827)	(584,042)
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental revenue	-	146,569	146,569
Investment income	147	29	176
Interest expense	<u>(222,359)</u>	<u>-</u>	<u>(222,359)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(222,212)</u>	<u>146,598</u>	<u>(75,614)</u>
(Loss) Before Transfers	(54,427)	(605,229)	(659,656)
Transfers in	<u>281,317</u>	<u>41,205</u>	<u>322,522</u>
Change in Net Position	226,890	(564,024)	(337,134)
Net Position, Beginning of Year	<u>3,942,737</u>	<u>8,932,495</u>	<u>12,875,232</u>
Net Position, End of Year	<u>\$ 4,169,627</u>	<u>\$ 8,368,471</u>	<u>12,538,098</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, 2021

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 2,243,759	\$ 74,578	\$ 2,318,337
Payments to employees	(705,645)	(35,590)	(741,235)
Payments to vendors	<u>(1,248,066)</u>	<u>(130,933)</u>	<u>(1,378,999)</u>
Net Cash Provided By (Used For) Operating Activities	290,048	(91,945)	198,103
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers in	<u>281,317</u>	<u>41,205</u>	<u>322,522</u>
Net Cash Provided By Noncapital Financing Activities	281,317	41,205	322,522
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(58,185)	(1,615,409)	(1,673,594)
Issuance of short-term debt	-	1,518,000	1,518,000
Principal payments on bonds and notes	(329,982)	-	(329,982)
Grant income	-	146,569	146,569
Interest payments	<u>(136,276)</u>	<u>-</u>	<u>(136,276)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(524,443)	49,160	(475,283)
<b>Cash Flows From Investing Activities</b>			
Investment income	147	29	176
Investment purchases	<u>124,416</u>	<u>-</u>	<u>124,416</u>
Net Cash Provided By Investing Activities	<u>124,563</u>	<u>29</u>	<u>124,592</u>
Net Change in Cash and Short-Term Investments	171,485	(1,551)	169,934
Cash and Short Term Investments, Beginning of Year	<u>830,478</u>	<u>64,876</u>	<u>895,354</u>
Cash and Short Term Investments, End of Year	\$ <u><u>1,001,963</u></u>	\$ <u><u>63,325</u></u>	\$ <u><u>1,065,288</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>			
Operating income (loss)	\$ 167,785	\$ (751,827)	\$ (584,042)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	469,307	635,021	1,104,328
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	14,545	-	14,545
Other assets	(1,352)	1,150	(202)
Deferred outflows - related to pensions	54,722	-	54,722
Deferred outflows - related to OPEB	(111,925)	-	(111,925)
Warrants payable	(11,699)	23,600	11,901
Accrued and other liabilities	(1,410)	111	(1,299)
Net pension liability	(122,719)	-	(122,719)
Net OPEB liability	(328,184)	-	(328,184)
Deferred inflows - related to pensions	35,113	-	35,113
Deferred inflows - related to OPEB	<u>125,865</u>	<u>-</u>	<u>125,865</u>
Net Cash Provided By (Used For) Operating Activities	\$ <u><u>290,048</u></u>	\$ <u><u>(91,945)</u></u>	\$ <u><u>198,103</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, 2021

	Pension and OPEB <u>Trust Funds</u>	Private Purpose Trust <u>Funds</u>
<b>Assets</b>		
Cash and short-term investments	\$ 429,232	\$ 124,347
Investments in external investment pools	52,791,988	-
Accounts receivable	<u>15,697</u>	<u>-</u>
Total Assets	53,236,917	124,347
<b>Liabilities</b>		
Accounts payable	<u>2,972</u>	<u>-</u>
<b>Net Position</b>		
Restricted for pension purposes	52,383,359	-
Restricted for OPEB purposes	850,586	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>124,347</u>
Total Net Position	\$ <u><u>53,233,945</u></u>	\$ <u><u>124,347</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, 2021

	Pension and OPEB Trust <u>Funds</u>	Private Purpose Trust <u>Funds</u>
<b>Additions</b>		
Contributions:		
Employers	\$ 2,571,927	\$ -
Plan members	896,930	-
Other systems and Commonwealth of Massachusetts	<u>163,372</u>	<u>-</u>
Total Contributions	3,632,229	-
Investment Income:		
Interest and dividends	181,022	1,110
Increase in fair value of investments	5,832,242	-
Less: Management fees	<u>(226,755)</u>	<u>-</u>
Net Investment Income	<u>5,786,509</u>	<u>1,110</u>
Total Additions	9,418,738	1,110
<b>Deductions</b>		
Benefit payments to plan members, beneficiaries and other systems	3,814,982	-
Refunds to plan members	34,479	-
Transfers to other systems	7,491	-
Administrative expenses	115,450	-
Scholarships awarded	<u>-</u>	<u>2,750</u>
Total Deductions	<u>3,972,402</u>	<u>2,750</u>
Net Increase (Decrease)	5,446,336	(1,640)
<b>Net Position Restricted for Pensions and Other Purposes</b>		
Beginning of Year	<u>47,787,609</u>	<u>125,987</u>
End of Year	<u>\$ 53,233,945</u>	<u>\$ 124,347</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 accounting policies:

#### ***Reporting Entity***

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by GAAP, these financial statements present the government and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required Governmental Accounting Standards Boards Statement No. 14 *The Financial Reporting Entity* (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. *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* 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* accounts for operations of the Town's wastewater treatment facility and supporting infrastructure.
- The *Airport Fund* 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.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The 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.

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, which approximates the net asset value of \$1 per share.

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 2021 tax levy reflected an excess capacity of \$500,818. 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. The General Fund is the only fund that reports a positive unassigned fund balance.

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 funds reflected deficit balances as of June 30, 2021.

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, Massachusetts General Law (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 consist 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 Governmental Accounting Standards Board Statement No. 79 *Certain Investment Pools and Pool Participants*. MMDT has an average 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, 2021, none of the Town’s bank balance of \$ 6,120,606 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$1,462,307 was invested in a state pool, which is not subject to this disclosure.

**Investment Summary**

The following is a summary of the Town’s investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Certificate of deposits	\$ 220,038
Corporate bonds	979,876
Corporate equities	423,510
Federal agency securities	168,315
U.S. Treasury notes	<u>370,206</u>
Total Investments	\$ <u>2,161,945</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, 2021, 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, 2021, 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>AA</u>	<u>BBB+</u>	<u>BBB</u>
Corporate bonds	\$ 979,876	\$ -	\$ 146,472	\$ 370,407	\$ 261,576	\$ 201,421
Federal agency securities	<u>168,315</u>	<u>168,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>1,148,191</u>	\$ <u>168,315</u>	\$ <u>146,472</u>	\$ <u>370,407</u>	\$ <u>261,576</u>	\$ <u>201,421</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>
General Electric	\$ 127,515	5.90%
Merck & Co	\$ 114,385	5.29%
Emerson Electric	\$ 113,206	5.24%

**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.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Corporate bonds	979,876	32,087	947,789
Federal agency securities	168,315	-	168,315
U.S. Treasury notes	<u>370,206</u>	<u>180,137</u>	<u>190,069</u>
Total	\$ <u>1,518,397</u>	\$ <u>212,224</u>	\$ <u>1,306,173</u>

**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.

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, 2021:

Investment Type	Amount	Fair Value Measurements Using:		
		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	\$ 979,876	\$ -	\$ 979,876	\$ -
Corporate equities	423,510	423,510	-	-
Federal agency securities	168,315	-	168,315	-
U.S. Treasury notes	<u>370,206</u>	<u>-</u>	<u>370,206</u>	<u>-</u>
Total	\$ <u>1,941,907</u>	\$ <u>423,510</u>	\$ <u>1,518,397</u>	\$ <u>-</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.

As of June 30, 2021, all of the OPEB Trust Fund investments are invested in the external (State) investment pool – State Retirees Benefits Trust Fund (SRBT).

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

As of June 30, 2021, all of the OPEB Trust Fund 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**

All of the investments for the OPEB Trust Fund are invested in SRBT, which is not measured at fair value, but instead are measured at net asset value (NAV):

<u>Description</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>850,586</u>	\$ -	Monthly	30 days

**5. Investments – Pension Trust Fund**

All of the Montague Contributory Retirement System’s (the System) investments totaling \$51,941,402 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 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.

All the System’s investments 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. The System does not have formal investment policies related to credit risk.

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

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

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investments in a single issuer. 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 external investment pools are excluded from concentration of credit disclosure.

As of December 31, 2020, 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>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>51,941,402</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, 2021 consist of the following:

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 457,167	\$ (24,549)	\$ 432,618	\$ -
Personal property taxes	793,048	(79,587)	713,461	-
Tax liens	<u>313,827</u>	<u>(62,755)</u>	<u>-</u>	<u>251,072</u>
Total property taxes	<u>\$ 1,564,042</u>	<u>\$ (166,891)</u>	<u>\$ 1,146,079</u>	<u>\$ 251,072</u>
Motor vehicle excise	\$ 216,438	\$ (11,007)	\$ 205,431	\$ -
Boat excise	<u>1,248</u>	<u>-</u>	<u>1,248</u>	<u>-</u>
Total excises	<u>\$ 217,686</u>	<u>\$ (11,007)</u>	<u>\$ 206,679</u>	<u>\$ -</u>

## 7. User Fee Receivables

Receivables for user charges at June 30, 2021 consist of the following:

	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Sewer	\$ <u>532,982</u>	\$ <u>(139,824)</u>	\$ <u>393,158</u>

## 8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2021.

## 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, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,448,036	\$ -	\$ -	\$ 16,448,036
Machinery, equipment, vehicles and furnishings	4,111,535	128,528	-	4,240,063
Infrastructure	<u>751,443</u>	<u>-</u>	<u>-</u>	<u>751,443</u>
Total Capital Assets, Being Depreciated	21,311,014	128,528	-	21,439,542
Less accumulated depreciation for:				
Buildings and improvements	(7,926,188)	(612,212)	-	(8,538,400)
Machinery, equipment, vehicles and furnishings	(2,789,145)	(323,192)	-	(3,112,337)
Infrastructure	<u>(368,949)</u>	<u>(28,823)</u>	<u>-</u>	<u>(397,772)</u>
Total Accumulated Depreciation	<u>(11,084,282)</u>	<u>(964,227)</u>	<u>-</u>	<u>(12,048,509)</u>
Capital Assets, Being Depreciated, Net	10,226,732	(835,699)	-	9,391,033
Capital assets, not being depreciated:				
Land	1,034,431	1,035	-	1,035,466
Construction in progress	<u>7,786,034</u>	<u>3,505,591</u>	<u>-</u>	<u>11,291,625</u>
Total Capital Assets, Not Being Depreciated	<u>8,820,465</u>	<u>3,506,626</u>	<u>-</u>	<u>12,327,091</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,047,197</u>	<u>\$ 2,670,927</u>	<u>\$ -</u>	<u>\$ 21,718,124</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,438,339	\$ 1,008,246	\$ -	\$ 19,446,585
Machinery, equipment, vehicles and furnishings	521,701	-	-	521,701
Infrastructure	<u>15,030,075</u>	<u>-</u>	<u>-</u>	<u>15,030,075</u>
Total Capital Assets, Being Depreciated	33,990,115	1,008,246	-	34,998,361
Less accumulated depreciation for:				
Buildings and improvements	(9,204,687)	(753,388)	-	(9,958,075)
Machinery, equipment, vehicles and furnishings	(179,336)	(50,339)	-	(229,675)
Infrastructure	<u>(3,987,220)</u>	<u>(300,601)</u>	<u>-</u>	<u>(4,287,821)</u>
Total Accumulated Depreciation	<u>(13,371,243)</u>	<u>(1,104,328)</u>	<u>-</u>	<u>(14,475,571)</u>
Capital Assets, Being Depreciated, Net	20,618,872	(96,082)	-	20,522,790
Capital assets, not being depreciated:				
Land	780,539	600,384	-	1,380,923
Construction in progress	<u>89,561</u>	<u>64,964</u>	<u>(89,561)</u>	<u>64,964</u>
Total Capital Assets, Not Being Depreciated	<u>870,100</u>	<u>665,348</u>	<u>(89,561)</u>	<u>1,445,887</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,488,972</u>	<u>\$ 569,266</u>	<u>\$ (89,561)</u>	<u>\$ 21,968,677</u>

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

<b>Governmental Activities</b>	
General government	\$ 319,464
Public safety	197,698
Education	74,819
Public works	253,749
Culture and recreation	<u>118,497</u>
Total Governmental Activities	\$ <u>964,227</u>
<b>Business-Type Activities</b>	
Sewer	\$ 469,307
Airport	<u>635,021</u>
Total Business-Type Activities	\$ <u>1,104,328</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. Unearned Revenue**

Unearned revenue represents grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next few years.

**13. Notes Payable**

The Town had the following notes outstanding at June 30, 2021:

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2021</u>
Bond anticipation - public works facility	1.00%	09/25/20	09/24/21	\$ 1,812,000
Bond anticipation - airport improvements	0.37%	05/04/21	12/01/21	1,518,000
Bond anticipation - building remodeling	0.54%	12/01/20	12/01/21	<u>250,000</u>
Total				\$ <u>3,580,000</u>

The following summarizes activity in short-term notes payable during fiscal year 2021:

<u>Purpose</u>	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ 250,000	\$ 3,580,000	\$ (250,000)	\$ 3,580,000
Revenue anticipation	<u>-</u>	<u>4,500,000</u>	<u>(4,500,000)</u>	<u>-</u>
Total	\$ <u>250,000</u>	\$ <u>8,080,000</u>	\$ <u>(4,750,000)</u>	\$ <u>3,580,000</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, 2021:

<u>Fiscal Year</u>	Capital <u>Leases</u>
2022	\$ <u>46,179</u>
Total Minimum Lease Payments	46,179
Less: amounts representing interest	<u>(1,901)</u>
Present Value of Minimum Lease Payments	\$ <u>44,278</u>

The following is an analysis for the leased assets included in the capital assets at June 30, 2021:

	Governmental <u>Activities</u>
Machinery, vehicles, and equipment	\$ 212,665
Less: accumulated depreciation	<u>(62,886)</u>
Equipment under capital leases, net	\$ <u>149,779</u>

## 15. Long-Term Debt

### ***General Obligation Bonds and Loans***

The Town issues general obligation bonds (including direct placements) and loans from direct borrowings 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 bond and loans from direct borrowings outstanding are as follows:

<b>Governmental Activities</b>	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>June 30, 2021</u>
<i>General Obligation Bonds</i>				
Colle Opera House	\$ 250,000	06/15/22	4.25%	\$ 10,000
Municipal purpose	988,000	11/01/26	4.11%	115,000
Police Station - refunded	2,320,853	02/01/28	5.00%	2,079,406
Montague Center School Roof - refunded	34,148	02/01/28	5.00%	30,596
Soil Stabilization	72,000	06/30/31	2.75 - 5.0%	63,000
Skatepark	84,000	06/30/31	2.75 - 5.0%	74,000
FRCOG Brownfields	130,000	06/30/33	2.50%	85,539
Municipal purpose	103,000	05/15/34	3.00%	65,000
DPW Facility	2,503,000	06/30/44	2.75 - 5.0%	2,404,000
DPW Facility	5,785,000	02/01/45	2% - 5%	6,230,639
Sewer - refunded	332,000	02/01/45	2% - 5%	<u>324,000</u>
Total general obligation bonds				11,481,180
<i>Loans - Direct Borrowings</i>				
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	131,586
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	<u>500,240</u>
Total loans - direct borrowings				<u>631,826</u>
Total Governmental Activities				\$ <u><u>12,113,006</u></u>

<b>Business-Type Activities</b>	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2021</u>
<i>General Obligation Bonds</i>				
Sewer - property acquisition	\$ 120,000	06/15/22	4.34%	\$ 5,000
Sewer - multiple purpose	589,000	06/15/23	4.42%	50,000
Sewer - multiple purpose	306,000	11/01/26	4.11%	59,729
Sewer - multiple purpose	1,550,000	05/15/34	3.00%	1,125,000
Storm Drains	644,000	06/30/44	2.75 - 5.0%	607,000
Pump Station	393,000	06/30/44	2.75 - 5.0%	378,000
Sewer Lines	994,000	06/30/44	2.75 - 5.0%	954,000
Sewer - refunded	498,000	02/01/45	2% - 5%	<u>486,000</u>
Total general obligation bonds				3,664,729
<i>Loans - Direct Borrowings</i>				
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	197,378
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	750,360
MCWT	1,583,047	06/30/44	2.75 - 5.0%	1,453,583
USDA	958,000	09/21/47	4.13%	<u>830,008</u>
Total loans - direct borrowings				<u>3,231,329</u>
Total Business-Type Activities				<u>\$ 6,896,058</u>

### **Future Debt Service**

The annual payments to retire all bonds and loans outstanding as of June 30, 2021 are as follows:

<b>Governmental</b>	<u>General Obligation Bonds</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	652,070	278,259	49,117	10,028
2027 - 2031	2,510,005	977,263	165,746	36,898
2032 - 2036	1,974,204	649,179	161,012	18,359
Thereafter	<u>3,977,248</u>	<u>513,109</u>	<u>70,047</u>	<u>1,701</u>
Total	<u>\$ 11,481,180</u>	<u>\$ 3,803,956</u>	<u>\$ 631,826</u>	<u>\$ 117,668</u>

Business-Type	General Obligation Bonds		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
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	178,000	99,159	166,879	69,061
2027 - 2031	947,729	392,688	752,392	289,386
2032 - 2036	894,000	220,726	815,181	194,764
Thereafter	<u>939,000</u>	<u>122,725</u>	<u>868,126</u>	<u>149,296</u>
Total	\$ <u>3,664,729</u>	\$ <u>1,297,161</u>	\$ <u>3,231,329</u>	\$ <u>1,016,463</u>

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

During the year ended June 30, 2021, 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	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -	\$ -
General obligation bonds	11,414,590	-	(514,049)	10,900,541	(547,201)	10,353,340
Loans - direct borrowings	675,777	-	(43,951)	631,826	(44,938)	586,888
Unamortized premium	<u>603,865</u>	<u>-</u>	<u>(23,226)</u>	<u>580,639</u>	<u>(23,226)</u>	<u>557,413</u>
Subtotal - Bonds payable	12,694,232	-	(581,226)	12,113,006	(615,365)	11,497,641
Net pension liability	4,709,809	-	(1,352,243)	3,357,566	-	3,357,566
Net OPEB liability	13,348,239	565,874	-	13,914,113	-	13,914,113
Compensated absences	332,950	-	(12,292)	320,658	-	320,658
Capital lease	86,735	-	(42,457)	44,278	(44,278)	-
Landfill liability	<u>125,000</u>	<u>-</u>	<u>(12,500)</u>	<u>112,500</u>	<u>(12,500)</u>	<u>100,000</u>
Total	\$ <u>31,316,965</u>	\$ <u>565,874</u>	\$ <u>(2,020,718)</u>	\$ <u>29,862,121</u>	\$ <u>(672,143)</u>	\$ <u>29,189,978</u>
<b>Business-Type Activities</b>						
General obligation bonds	\$ 3,846,729	\$ -	\$ (182,000)	\$ 3,664,729	\$ (184,000)	\$ 3,480,729
Loans - direct borrowings	<u>3,379,309</u>	<u>-</u>	<u>(147,980)</u>	<u>3,231,329</u>	<u>(151,570)</u>	<u>3,079,759</u>
Subtotal - Bonds payable	7,226,038	-	(329,980)	6,896,058	(335,570)	6,560,488
Net pension liability	451,060	-	(122,719)	328,341	-	328,341
Net OPEB liability	2,034,080	-	(328,184)	1,705,896	-	1,705,896
Compensated absences	<u>12,724</u>	<u>-</u>	<u>(1,688)</u>	<u>11,036</u>	<u>-</u>	<u>11,036</u>
Total	\$ <u>9,723,902</u>	\$ <u>-</u>	\$ <u>(782,571)</u>	\$ <u>8,941,331</u>	\$ <u>(335,570)</u>	\$ <u>8,605,761</u>

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

Bonds and loans from direct borrowings 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 funds. All other long-term debt is repaid from the funds that the cost related to, primarily the General Fund and enterprise funds.

**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	\$ 525,000	87.36%	\$ 458,640
Sheffield School Windows	60,000	100.00%	60,000
<b><i>Franklin County Technical School</i></b>			
School Building Remodel	<u>1,925,000</u>	12.56%	<u>241,780</u>
Total	\$ <u>2,510,000</u>		\$ <u>760,420</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 \$112,500 reported as landfill post closure care liability at June 30, 2021 represents the remaining estimated post closure maintenance costs. These amounts are based on what it would cost to perform all post closure care in 2021. 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	\$ 846	\$ (400,492)
DPW facility	820	-
Nonmajor Funds:		
Special revenue	77,150	(846)
<b>Business-Type Funds</b>		
Sewer fund	281,317	-
Airport fund	<u>41,205</u>	<u>-</u>
Total	<u>\$ 401,338</u>	<u>\$ (401,338)</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, 2021:

### ***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 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, 2021:

	General Fund	DPF Facility Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Nonexpendable permanent funds	\$ -	\$ -	\$ 65,990	\$ 65,990
Total Nonexpendable	-	-	65,990	65,990
<b>Restricted</b>				
Special revenue funds	-	-	878,513	878,513
Expendable permanent funds	-	-	36,736	36,736
Total Restricted	-	-	915,249	915,249
<b>Committed</b>				
Special articles				
General government	129,823	-	-	129,823
Public safety	8,483	-	-	8,483
Education	75,250	-	-	75,250
Public works	116,525	-	-	116,525
Health and human services	49,900	-	-	49,900
Culture and recreation	173,562	-	-	173,562
Stabilization funds for specific purposes*	1,956,389	-	-	1,956,389
Capital project funds funded by general fund appropriation	-	-	15,360	15,360
Town set-asides	-	-	13,047	13,047
Total Committed	2,509,932	-	28,407	2,538,339
<b>Assigned</b>				
Reserved for expenditures				
Operating budget	10,000	-	-	10,000
Capital budget	273,200	-	-	273,200
Total Assigned	283,200	-	-	283,200
<b>Unassigned</b>				
General fund	2,489,682	-	-	2,489,682
General Stabilization fund*	1,130,041	-	-	1,130,041
Deficits	-	(1,318,318)	(510,587)	(1,828,905)
Total Unassigned	3,619,723	(1,318,318)	(510,587)	1,790,818
Total Fund Balance	\$ 6,412,855	\$ (1,318,318)	\$ 499,059	\$ 5,593,596

\* 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, 2021 was \$1,058,834, 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, 2021, the Town reported a liability of approximately \$3.69 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020, rolled forward to December 31, 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, 2021, the Town's proportion was 51.30%, which was an increase of 1.34% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Town recognized pension expense of \$606,879. 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	\$ 103,626	\$ (170,829)
Net difference between projected and actual earnings on pension plan investments	-	(1,575,937)
Changes in assumptions	707,427	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>2,529</u>	<u>-</u>
Total	<u>\$ 813,582</u>	<u>\$ (1,746,766)</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>	
2022	\$ (142,325)
2023	(74,835)
2024	(505,187)
2025	<u>(210,837)</u>
Total	\$ <u>(933,184)</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	12 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).

### **Target Allocations**

The long-term expected rate of return on pension plan investments was determined 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>
U.S. equity	21.20%	1.36%
International equity	11.80%	0.78%
Emerging markets equity	5.00%	0.42%
Hedged equity	1.00%	0.06%
Core fixed income	15.00%	1.41%
Value-added fixed income	8.00%	0.50%
Private equity	14.00%	1.43%
Real estate	10.00%	0.60%
Timberland	4.00%	0.26%
Portfolio completion (PCS)	<u>10.00%</u>	0.52%
Total	<u>100.00%</u>	

### **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 one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$6,970,644	\$3,685,907	\$895,698

***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, 2021.

***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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	65
Active employees	<u>70</u>
Total	<u><u>135</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, 2021 , the annual money-weighted rate of return on investments, net of investment expense, was 29.6%. 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 July 1, 2020, 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	2.18%
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 PRI-2012 with MP-2020 projection.

### **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, 2021 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%	6.0%
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**

In addition to the implicit subsidy contribution, 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 2.18% (based on index provided by S&P Municipal Bond 20 Year High Grade Bond index as of June 30, 2021) was used.

### **Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 16,470,595
Plan fiduciary net position	<u>(850,586)</u>
Net OPEB Liability	<u>\$ 15,620,009</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.16%

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 <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, Beginning of Year	\$ 15,933,883	\$ 551,564	\$ 15,382,319
Changes for the year:			
Service cost	687,573	-	687,573
Interest	418,656	-	418,656
Contributions - employer	-	507,924	(507,924)
Net investment income	-	181,022	(181,022)
Difference between expected and actual experience	(1,255,968)	-	(1,255,968)
Changes in assumptions	1,076,375	-	1,076,375
Benefit payments	<u>(389,924)</u>	<u>(389,924)</u>	<u>-</u>
Net Changes	<u>536,712</u>	<u>299,022</u>	<u>237,690</u>
Balances, End of Year	<u>\$ 16,470,595</u>	<u>\$ 850,586</u>	<u>\$ 15,620,009</u>

Change in assumptions and other inputs reflect a change in the discount rate from 2.66% in 2020 to 2.18% in 2021.

**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 one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(1.18%)</u>	Current Discount Rate <u>(2.18%)</u>	1% Increase <u>(3.18%)</u>
\$17,862,328	\$15,620,009	\$13,377,691

**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 one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
\$12,741,789	\$15,620,009	\$19,068,322

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$851,034. At June 30, 2021, 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	\$ -	\$ (2,616,830)
Change in assumptions	1,459,060	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(137,240)</u>
Total	\$ <u>1,459,060</u>	\$ <u>(2,754,070)</u>

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

<u>Year ended June 30:</u>	
2022	\$ (240,523)
2023	(240,523)
2024	(237,130)
2025	(238,006)
2026	(204,736)
Thereafter	<u>(134,092)</u>
Total	\$ <u>(1,295,010)</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 <u>(December 31, 2020)</u>	Other Post-Employment Benefit Trust Fund	Pension and OPEB Trust Funds
<b>Assets</b>			
Cash and short-term investments	\$ 429,232	\$ -	\$ 429,232
Investments in external investment pools	51,941,402	850,586	52,791,988
Accounts receivable	<u>15,697</u>	<u>-</u>	<u>15,697</u>
Total Assets	52,386,331	850,586	53,236,917
<b>Liabilities</b>			
Accounts payable	<u>2,972</u>	<u>-</u>	<u>2,972</u>
<b>Net Position</b>			
Restricted for pension purposes	52,383,359	-	52,383,359
Restricted for OPEB purposes	<u>-</u>	<u>850,586</u>	<u>850,586</u>
Total Net Position	<u>\$ 52,383,359</u>	<u>\$ 850,586</u>	<u>\$ 53,233,945</u>

	Pension Trust Fund (year ended <u>December 31, 2020</u> )	Other Post-Employment Benefits <u>Trust Fund</u>	Pension and OPEB <u>Trust Funds</u>
<b>Additions</b>			
Contributions:			
Employers	\$ 2,064,003	\$ 507,924	\$ 2,571,927
Plan members	896,930	-	896,930
Other systems and Commonwealth of Massachusetts	<u>163,372</u>	<u>-</u>	<u>163,372</u>
Total Contributions	3,124,305	507,924	3,632,229
Investment Income:			
Interest and dividends	-	181,022	181,022
Appreciation in fair value of investments	5,832,242	-	5,832,242
Less: Management fees	<u>(226,755)</u>	<u>-</u>	<u>(226,755)</u>
Net Investment Income	<u>5,605,487</u>	<u>181,022</u>	<u>5,786,509</u>
Total Additions	8,729,792	688,946	9,418,738
<b>Deductions</b>			
Benefit payments to plan members, beneficiaries and other systems			
	3,425,058	389,924	3,814,982
Refunds to plan members	34,479	-	34,479
Transfers to other systems	7,491	-	7,491
Administrative expenses	<u>115,450</u>	<u>-</u>	<u>115,450</u>
Total Deductions	<u>3,582,478</u>	<u>389,924</u>	<u>3,972,402</u>
Net Increase	5,147,314	299,022	5,446,336
<b>Net Position Restricted for Pensions and OPEB Purposes</b>			
Beginning of Year	<u>47,236,045</u>	<u>551,564</u>	<u>47,787,609</u>
End of Year	<u>\$ 52,383,359</u>	<u>\$ 850,586</u>	<u>\$ 53,233,945</u>

## 23. Subsequent Events

Management has evaluated subsequent events through February 16, 2022, which is the date the financial statements were available to be issued.

### **Debt**

Subsequent to June 30, 2021, the Town has incurred the following additional short-term debt:

<u>Type</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Revenue anticipation note	\$ 2,500,000	0.34%	07/08/21	10/08/21
Revenue anticipation note	\$ 2,500,000	0.45%	01/14/22	04/14/22

In addition, in November 2021, the Town also issued two general obligation bonds. The Town issued a \$1,295,000 general obligation bond with interest rates between 2-5% for the planning, design and construction of the new public works facility. The Town also issued a \$1,490,000 general obligation bond with interest rates between 2.05-4% for the purchase of airport land and other airport projects and the abatement of asbestos related to the Strathmore Mill Complex.

#### ***Capital Lease***

Subsequent to June 30, 2021, the Town went out to bid and entered in a capital lease agreement for a sludge dewatering screw press for approximately \$266,000.

## **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, 2021 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, 2021, 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 \$33.3 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. New Pronouncements**

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. Management has not evaluated the effect this standard will have on the financial statements.

**TOWN OF MONTAGUE, MASSACHUSETTS**

Required Supplemental Information  
 Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual - General Fund  
 For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Property taxes	\$ 19,555,619	\$ 19,555,619	\$ 19,621,101	\$ 65,482
Excises	676,000	676,000	803,153	127,153
Penalties, interest and other taxes	130,000	130,000	160,981	30,981
Charges for services	474,586	474,586	619,169	144,583
Intergovernmental	1,975,140	1,975,140	1,921,890	(53,250)
Licenses and permits	126,500	126,500	184,674	58,174
Fines and forfeitures	19,000	19,000	18,098	(902)
Investment income	5,000	5,000	2,973	(2,027)
Miscellaneous	66,406	66,406	97,126	30,720
<b>Total Revenues</b>	<b>23,028,251</b>	<b>23,028,251</b>	<b>23,429,165</b>	<b>400,914</b>
<b>Expenditures</b>				
General government	1,401,847	1,426,347	1,263,457	162,890
Public safety	2,213,489	2,213,489	2,130,064	83,425
Education	12,029,677	12,029,677	12,031,452	(1,775)
Public works	2,634,685	2,584,685	2,339,228	245,457
Health and human services	281,368	331,368	308,392	22,976
Culture and recreation	577,289	577,289	576,534	755
Employee benefits	2,477,057	2,464,557	2,342,308	122,249
Debt service	1,067,741	1,067,741	997,118	70,623
Intergovernmental	205,772	205,772	205,770	2
<b>Total Expenditures</b>	<b>22,888,925</b>	<b>22,900,925</b>	<b>22,194,323</b>	<b>706,602</b>
Excess of Revenues Over Expenditures	139,326	127,326	1,234,842	1,107,516
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,047	50,047	50,846	799
Transfers out	(761,936)	(801,736)	(801,736)	-
Use of free cash:				
Operating budget	55,040	67,040	-	(67,040)
Capital budget	121,260	121,260	-	(121,260)
OPEB contribution	68,000	68,000	-	(68,000)
Transfer to stabilization funds	327,443	327,443	-	(327,443)
Transfer to airport fund	-	39,800	-	(39,800)
Other source	820	820	-	(820)
<b>Total Other Financing Sources (Uses)</b>	<b>(139,326)</b>	<b>(127,326)</b>	<b>(750,890)</b>	<b>(623,564)</b>
Overall Budgetary Excess	\$ -	\$ -	\$ 483,952	\$ 483,952

See Independent Auditors' Report.

**Notes to Required Supplementary 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 to budgetary data.

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

	<u>Revenues</u>	<u>Expenditures</u>	Other Financing <u>Sources (Uses)</u>
GAAP basis	\$ 23,817,679	\$ 22,341,855	\$ (399,646)
Remove the effect of combining stabilization and general fund:			
Reverse the adjustment eliminating interfund transfers	-	-	(351,244)
Remove stabilization funds cannabis revenues	(377,088)	-	-
Remove stabilization funds investment income	(11,426)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(701,075)	-
Add end of year appropriation carryforwards from expenditures	-	553,543	-
Budgetary Basis	<u>\$ 23,429,165</u>	<u>\$ 22,194,323</u>	<u>\$ (750,890)</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, 2021	December 31, 2020	51.30%	\$ 3,686	\$ 3,867	95.32%	87.94%
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, 2021	December 31, 2020	\$ 1,059	\$ 1,059	-	\$ 4,316	24.54%
June 30, 2020	December 31, 2019	\$ 1,006	\$ 1,006	-	\$ 4,145	24.27%
June 30, 2019	December 31, 2018	\$ 1,006	\$ 1,006	-	\$ 3,826	26.29%
June 30, 2018	December 31, 2017	\$ 978	\$ 978	-	\$ 3,818	25.62%
June 30, 2017	December 31, 2016	\$ 950	\$ 950	-	\$ 3,646	26.06%
June 30, 2016	December 31, 2015	\$ 925	\$ 925	-	\$ 3,863	23.95%
June 30, 2015	December 31, 2014	\$ 870	\$ 870	-	\$ 3,499	24.86%

*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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 688	\$ 704	\$ 587	\$ 567	\$ 528
Interest	419	439	475	476	457
Difference between expected and actual experience	(1,256)	(1,035)	(1,187)	420	-
Change in assumptions	1,076	321	442	-	-
Benefit payments, including refunds of member contributions	<u>(390)</u>	<u>(488)</u>	<u>(516)</u>	<u>(469)</u>	<u>(455)</u>
Net Change in Total OPEB Liability	537	(59)	(199)	994	530
Total OPEB Liability - Beginning	<u>15,933</u>	<u>15,992</u>	<u>16,191</u>	<u>15,197</u>	<u>14,667</u>
Total OPEB Liability - Ending (a)	<u>\$ 16,470</u>	<u>\$ 15,933</u>	<u>\$ 15,992</u>	<u>\$ 16,191</u>	<u>\$ 15,197</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 508	\$ 538	\$ 566	\$ 519	\$ 510
Net investment income	181	9	29	36	22
Benefit payments, including refunds of member contributions	<u>(390)</u>	<u>(488)</u>	<u>(516)</u>	<u>(469)</u>	<u>(455)</u>
Net Change in Plan Fiduciary Net Position	299	59	79	86	77
Plan Fiduciary Net Position - Beginning	<u>551</u>	<u>492</u>	<u>413</u>	<u>327</u>	<u>250</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 850</u>	<u>\$ 551</u>	<u>\$ 492</u>	<u>\$ 413</u>	<u>\$ 327</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 15,620</u>	<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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 16,470	\$ 15,933	\$ 15,992	\$ 16,191	\$ 15,197
Plan fiduciary net position	<u>(850)</u>	<u>(551)</u>	<u>(492)</u>	<u>(413)</u>	<u>(327)</u>
Net OPEB Liability	\$ <u>15,620</u>	\$ <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	5.16%	3.46%	3.08%	2.55%	2.15%
 Covered employee payroll	\$ 3,862	\$ 4,179	\$ 3,894	\$ 3,650	\$ 3,650
 Net OPEB liability as a percentage of covered employee payroll	404.45%	368.08%	398.05%	432.27%	407.40%
 <b>Schedule of Contributions</b>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,725	\$ 1,758	\$ 1,646	\$ 1,032	\$ 985
Contributions in relation to the actuarially determined contribution	<u>(508)</u>	<u>(538)</u>	<u>(566)</u>	<u>(519)</u>	<u>(510)</u>
Contribution Deficiency	\$ <u>1,217</u>	\$ <u>1,220</u>	\$ <u>1,080</u>	\$ <u>513</u>	\$ <u>475</u>
 Covered employee payroll	\$ 3,862	\$ 4,179	\$ 3,894	\$ 3,650	\$ 3,650
 Contributions as a percentage of covered employee payroll	13.15%	12.87%	14.54%	14.22%	13.97%
 <b>Schedule of Investment Returns</b>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	29.60%	1.90%	6.60%	10.86%	8.45%

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