



## **TOWN OF MONTAGUE, MASSACHUSETTS**

Financial Statements and  
Required Supplementary Information  
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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## INDEPENDENT AUDITOR'S REPORT

To the Selectboard  
Town of Montague, Massachusetts

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montague, Massachusetts (the Town), as of and for the year ended June 30, 2022 (except for the Montague Contributory Retirement System, which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Montague, Massachusetts, as of June 30, 2022 (except for the Montague Contributory Retirement System, which is as of and for the year ended December 31, 2021), 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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### ***Change in Accounting Principle***

As discussed in Note 24 to the financial statements, in the year ending June 30, 2022, the Town adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as the right-to-use another entity's asset over a definitive period of time. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



- Obtain an understanding of internal control relevant to the audit 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 Town’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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 certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence 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 January 26, 2023 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 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 Government's internal control over financial reporting and compliance.

*Melanson*

Greenfield, Massachusetts  
January 26, 2023



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Montague, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022.

### **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 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. The Town's 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 the Town'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. Reconciliations are provided 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 establish 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, only 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 Town. 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 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 \$1,864,212, a change of \$4,907,659, and net position in business-type activities was \$12,529,823, a change of \$(8,275), as discussed further.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,945,632, a change of \$4,352,036 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,559,755, a change of \$936,405 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 year.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current and other assets	\$ 15,841,893	\$ 10,393,789	\$ 1,815,042	\$ 1,466,700	\$ 17,656,935	\$ 11,860,489
Capital assets	<u>22,392,240</u>	<u>21,718,124</u>	<u>21,575,714</u>	<u>21,968,677</u>	<u>43,967,954</u>	<u>43,686,801</u>
Total Assets	38,234,133	32,111,913	23,390,756	23,435,377	61,624,889	55,547,290
<b>Deferred Outflows of Resources</b>	2,565,069	2,007,229	306,383	265,413	2,871,452	2,272,642
<b>Liabilities</b>						
Current liabilities	3,100,070	3,981,977	729,905	2,037,145	3,829,975	6,019,122
Non-current liabilities	<u>23,614,693</u>	<u>29,199,562</u>	<u>8,959,990</u>	<u>8,605,761</u>	<u>32,574,683</u>	<u>37,805,323</u>
Total Liabilities	26,714,763	33,181,539	9,689,895	10,642,906	36,404,658	43,824,445
<b>Deferred Inflows of Resources</b>	12,220,227	3,981,050	1,477,421	519,786	13,697,648	4,500,836
<b>Net Position</b>						
Net investment in capital assets	9,030,028	7,713,233	13,801,940	15,072,617	22,831,968	22,785,850
Restricted	1,794,144	853,227	-	-	1,794,144	853,227
Unrestricted	<u>(8,959,960)</u>	<u>(11,609,907)</u>	<u>(1,272,117)</u>	<u>(2,534,519)</u>	<u>(10,232,077)</u>	<u>(14,144,426)</u>
Total Net Position	\$ <u>1,864,212</u>	\$ <u>(3,043,447)</u>	\$ <u>12,529,823</u>	\$ <u>12,538,098</u>	\$ <u>14,394,035</u>	\$ <u>9,494,651</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$14,394,035, a change of \$4,899,384 in comparison to the prior year.

The largest portion of net position, \$22,831,968, 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, \$1,794,144, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(10,232,077), primarily resulting from unfunded pension and OPEB liabilities.

	CHANGE IN NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,610,234	\$ 1,488,997	\$ 2,760,149	\$ 2,306,806	\$ 4,370,383	\$ 3,795,803
Operating grants and contributions	2,555,889	1,607,855	-	-	2,555,889	1,607,855
Capital grants and contributions	602,989	883,217	575,811	146,569	1,178,800	1,029,786
General revenues:						
Property taxes	20,148,752	19,561,855	-	-	20,148,752	19,561,855
Excises	849,193	840,725	-	-	849,193	840,725
Penalties, interest, and other taxes	595,163	339,185	-	-	595,163	339,185
Grants and contributions not restricted to specific programs	1,828,072	1,750,576	-	-	1,828,072	1,750,576
Investment income	160,119	19,912	14,787	176	174,906	20,088
Miscellaneous	700,123	157,836	19,519	498	719,642	158,334
<b>Total Revenues</b>	<b>29,050,534</b>	<b>26,650,158</b>	<b>3,370,266</b>	<b>2,454,049</b>	<b>32,420,800</b>	<b>29,104,207</b>
<b>Expenses</b>						
General government	2,954,638	2,591,290	-	-	2,954,638	2,591,290
Public safety	3,299,491	3,942,540	-	-	3,299,491	3,942,540
Education	12,281,300	12,237,717	-	-	12,281,300	12,237,717
Public works	3,295,519	3,697,405	-	-	3,295,519	3,697,405
Health and human services	396,349	998,407	-	-	396,349	998,407
Culture and recreation	959,055	967,896	-	-	959,055	967,896
Interest on long-term debt	434,569	401,437	-	-	434,569	401,437
Intergovernmental	204,643	205,770	-	-	204,643	205,770
Sewer services	-	-	2,382,716	2,288,450	2,382,716	2,288,450
Airport services	-	-	1,313,136	825,255	1,313,136	825,255
<b>Total Expenses</b>	<b>23,825,564</b>	<b>25,042,462</b>	<b>3,695,852</b>	<b>3,113,705</b>	<b>27,521,416</b>	<b>28,156,167</b>
Change in Net Position Before Transfers	5,224,970	1,607,696	(325,586)	(659,656)	4,899,384	948,040
Transfers In (Out)	(317,311)	(322,522)	317,311	322,522	-	-
Change in Net Position	4,907,659	1,285,174	(8,275)	(337,134)	4,899,384	948,040
Net Position - Beginning of Year	(3,043,447)	(4,328,621)	12,538,098	12,875,232	9,494,651	8,546,611
Net Position - End of Year	\$ 1,864,212	\$ (3,043,447)	\$ 12,529,823	\$ 12,538,098	\$ 14,394,035	\$ 9,494,651

Fiscal year 2021 amounts were not restated because the application of Governmental Accounting Standards Board Statement No. 87, *Leases*, to prior amounts was not practical.

**Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$4,907,659. Key elements of this change are as follows:

General fund operations	\$ 1,734,626
Major fund - Town grant fund revenues and transfers in in excess of expenditures and transfers out	353,665
Nonmajor governmental fund revenues and transfers in in excess of expenditures and transfers out	2,263,745
Bond proceeds	(1,571,000)
Depreciation expense in excess of principal debt service	(482,043)
Capital assets purchases	1,957,196
Change in net pension liability, net of deferrals	1,072,067
Change in net OPEB liability, net of deferrals	478,912
Other	<u>(899,509)</u>
Total	\$ <u>4,907,659</u>

**Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$(8,275). Key elements of this change are as follows:

Sewer fund revenues and transfers in in excess of expenses	\$ 441,334
Airport expenditures and transfers out in excess of revenues and transfers in	<u>(449,609)</u>
Total	\$ <u>(8,275)</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 the Town'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 \$4,559,755, while total fund balance was \$8,147,481. 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, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	% of General Fund <u>Expenditures</u>
Unassigned fund balance	\$ 4,559,755	\$ 3,619,723	\$ 940,032	19.5%
Total fund balance	\$ 8,147,481	\$ 6,412,855	\$ 1,734,626	34.9%

The total fund balance of the General Fund changed by \$1,734,626 during the current fiscal year. Key elements of this change are as follows:

Excess of tax collections vs. net assessment	\$ 537,754
State and local revenues and transfers over budget	852,234
Budgetary appropriations unspent by departments	763,561
Use of free cash (fund balance) as a funding source for non-recurring items	(1,319,718)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	722,157
Change in Stabilization funds	159,264
Other	<u>19,374</u>
Total	\$ <u>1,734,626</u>

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
General stabilization	\$ 1,133,668	\$ 1,130,041	\$ 3,627
Capital stabilization	1,404,858	1,435,721	(30,863)
Cannabis impact fee stabilization	461,051	235,399	225,652
Franklin County Technical School stabilization	143,025	167,539	(24,514)
Gill-Montague Regional School District stabilization	<u>103,092</u>	<u>117,730</u>	<u>(14,638)</u>
Total	\$ <u>3,245,694</u>	\$ <u>3,086,430</u>	\$ <u>159,264</u>

*Town Grant Fund*

The Town grant fund consists of activity related to Town grants. Fund balance changed by \$353,665, primarily from timing differences between the receipt and disbursement of these grants.

*Nonmajor Governmental Funds*

The fund balance of nonmajor governmental funds changed by \$2,263,745, primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

**Proprietary Funds**

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

Unrestricted net position of the enterprise funds at the end of the year amounted to a deficit of \$(1,272,117), a change of \$1,262,402 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 \$498,836. Reasons for these amendments include:

Increase in operating budget	\$ 73,566
Increase in capital budget	<u>425,270</u>
Total	<u>\$ 498,836</u>

Of this increase, \$420,000 was transferred from the capital stabilization fund, \$10,000 was transferred from a special revenue fund, and \$68,836 was funded from 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 \$43,967,954 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, vehicles and furnishings, construction in progress, and infrastructure.

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

Depreciation expense - governmental activities	\$ (1,074,182)
Depreciation expense - airport fund	(672,251)
Depreciation expense - sewer fund	(469,553)
Land purchases	86,136
Building improvements	832,158
Books	70,459
Purchase of police vehicle	44,983
Purchase of sewer camera	114,812
Purchase of dump truck/spreader	251,367
Purchase of mini-excavator- airport fund	163,500
Purchase of compact loader- airport fund	124,226
Construction in progress - Chestnut hill loop bridge	421,255
Construction in progress - Canal district improvements	263,277
Construction in progress - various projects	138,268
Construction in progress - sewer projects	147,821
Construction in progress - airport projects	47,077
Disposals	(208,200)

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

### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$19,715,489, all of which was backed by the full faith and credit of the Town.

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 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, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 9,553,644	\$ 758,001	\$ 10,311,645
Investments	2,201,535	387,213	2,588,748
Receivables, net of allowance for uncollectibles:			
Property taxes	580,474	-	580,474
Excises	132,972	-	132,972
User fees	-	357,210	357,210
Departmental and other	94,214	-	94,214
Intergovernmental	246,265	3,323	249,588
Leases	61,528	74,537	136,065
Other assets	<u>107,015</u>	<u>-</u>	<u>107,015</u>
Total Current Assets	12,977,647	1,580,284	14,557,931
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax liens	237,717	-	237,717
Leases	2,626,529	234,758	2,861,287
Capital assets:			
Nondepreciable capital assets	2,451,666	1,570,785	4,022,451
Other capital assets, net of accumulated depreciation	<u>19,940,574</u>	<u>20,004,929</u>	<u>39,945,503</u>
Total Noncurrent Assets	<u>25,256,486</u>	<u>21,810,472</u>	<u>47,066,958</u>
Total Assets	38,234,133	23,390,756	61,624,889
<b>Deferred Outflows of Resources</b>			
Related to pension	1,475,824	166,535	1,642,359
Related to OPEB	<u>1,089,245</u>	<u>139,848</u>	<u>1,229,093</u>
Total Deferred Outflows of Resources	2,565,069	306,383	2,871,452

(continued)



**TOWN OF MONTAGUE, MASSACHUSETTS**

Statement of Net Position  
June 30, 2022

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants payable	\$ 785,871	\$ 81,545	\$ 867,416
Accrued payroll and withholdings	103,193	8,972	112,165
Accrued interest	210,504	92,331	302,835
Unearned revenue	1,157,506	-	1,157,506
Due to other funds	-	91,202	91,202
Intergovernmental payable	111,878	-	111,878
Other current liabilities	47,966	-	47,966
Current portion of long-term liabilities:			
Bonds and loans payable	670,652	455,855	1,126,507
Landfill liability	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Total Current Liabilities	3,100,070	729,905	3,829,975
Noncurrent:			
Other noncurrent liabilities	9,584	-	9,584
Bonds and loans payable, net of current portion	12,485,063	7,580,969	20,066,032
Landfill liability, net of current portion	87,500	-	87,500
Net pension liability	1,028,319	116,038	1,144,357
Net OPEB liability	9,699,101	1,245,269	10,944,370
Compensated absences liability	<u>305,126</u>	<u>17,714</u>	<u>322,840</u>
Total Noncurrent Liabilities	<u>23,614,693</u>	<u>8,959,990</u>	<u>32,574,683</u>
Total Liabilities	26,714,763	9,689,895	36,404,658
<b>Deferred Inflows of Resources</b>			
Related to pension	3,583,060	404,319	3,987,379
Related to OPEB	5,949,110	763,807	6,712,917
Related to leases	<u>2,688,057</u>	<u>309,295</u>	<u>2,997,352</u>
Total Deferred Inflows of Resources	12,220,227	1,477,421	13,697,648
<b>Net Position</b>			
Net investment in capital assets	9,030,028	13,801,940	22,831,968
Restricted for:			
Grants and other statutory restrictions	1,691,350	-	1,691,350
Endowment funds:			
Nonexpendable	66,004	-	66,004
Expendable	36,790	-	36,790
Unrestricted	<u>(8,959,960)</u>	<u>(1,272,117)</u>	<u>(10,232,077)</u>
Total Net Position	<u>\$ 1,864,212</u>	<u>\$ 12,529,823</u>	<u>\$ 14,394,035</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, 2022

	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	\$ 2,954,638	\$ 716,009	\$ 1,784,202	\$ -	\$ (454,427)	\$ -	\$ (454,427)
Public safety	3,299,491	484,889	69,083	-	(2,745,519)	-	(2,745,519)
Education	12,281,300	-	129,249	-	(12,152,051)	-	(12,152,051)
Public works	3,295,519	202,280	236,460	602,989	(2,253,790)	-	(2,253,790)
Health and human services	396,349	33,232	275,208	-	(87,909)	-	(87,909)
Culture and recreation	959,055	173,824	61,687	-	(723,544)	-	(723,544)
Interest on long-term debt	434,569	-	-	-	(434,569)	-	(434,569)
Intergovernmental	204,643	-	-	-	(204,643)	-	(204,643)
Total Governmental Activities	23,825,564	1,610,234	2,555,889	602,989	(19,056,452)	-	(19,056,452)
<b>Business-Type Activities</b>							
Sewer services	2,382,716	2,492,292	-	16,500	-	126,076	126,076
Airport services	1,313,136	267,857	-	559,311	-	(485,968)	(485,968)
Total Business-Type Activities	3,695,852	2,760,149	-	575,811	-	(359,892)	(359,892)
Total	\$ 27,521,416	\$ 4,370,383	\$ 2,555,889	\$ 1,178,800	(19,056,452)	(359,892)	(19,416,344)
		<b>General Revenues and Transfers</b>					
					20,148,752	-	20,148,752
					849,193	-	849,193
					595,163	-	595,163
					1,828,072	-	1,828,072
					160,119	14,787	174,906
					700,123	19,519	719,642
					(317,311)	317,311	-
					23,964,111	351,617	24,315,728
					4,907,659	(8,275)	4,899,384
		<b>Net Position</b>					
					(3,043,447)	12,538,098	9,494,651
					\$ 1,864,212	\$ 12,529,823	\$ 14,394,035

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2022

	General Fund	Town Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 6,621,549	\$ 1,853,596	\$ 1,078,499	\$ 9,553,644
Investments	2,112,025	-	89,510	2,201,535
Receivables:				
Property taxes	982,258	-	-	982,258
Excises	146,213	-	-	146,213
Departmental and other	44,916	-	49,298	94,214
Intergovernmental	91,432	-	154,833	246,265
Leases	2,688,057	-	-	2,688,057
Other assets	<u>107,015</u>	<u>-</u>	<u>-</u>	<u>107,015</u>
Total Assets	<u>\$ 12,793,465</u>	<u>\$ 1,853,596</u>	<u>\$ 1,372,140</u>	<u>\$ 16,019,201</u>
<b>Liabilities</b>				
Warrants payable	\$ 530,266	\$ 72,388	\$ 183,217	\$ 785,871
Accrued payroll and withholdings	98,303	-	4,890	103,193
Unearned revenue	-	1,157,506	-	1,157,506
Intergovernmental payable	111,878	-	-	111,878
Other liabilities	<u>47,966</u>	<u>-</u>	<u>9,584</u>	<u>57,550</u>
Total Liabilities	788,413	1,229,894	197,691	2,215,998
<b>Deferred Inflow of Resources</b>				
Unavailable revenues	1,169,514	-	-	1,169,514
Related to leases	2,688,057	-	-	2,688,057
<b>Fund Balances</b>				
Nonspendable	-	-	66,004	66,004
Restricted	-	673,010	1,150,245	1,823,255
Committed	3,359,198	-	21,914	3,381,112
Assigned	228,528	-	-	228,528
Unassigned	<u>4,559,755</u>	<u>(49,308)</u>	<u>(63,714)</u>	<u>4,446,733</u>
Total Fund Balances	<u>8,147,481</u>	<u>623,702</u>	<u>1,174,449</u>	<u>9,945,632</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,793,465</u>	<u>\$ 1,853,596</u>	<u>\$ 1,372,140</u>	<u>\$ 16,019,201</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, 2022

<b>Total Governmental Fund Balances</b>	\$ 9,945,632
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.</li> </ul>	22,392,240
<ul style="list-style-type: none"> <li>• Deferred outflows of resources related to pension to be recognized in pension expense in future periods.</li> </ul>	1,475,824
<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>	1,089,245
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>	992,206
<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>	(210,504)
<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 governmental funds: <ul style="list-style-type: none"> <li>Bonds and loans payable</li> <li>Net pension liability</li> <li>Net OPEB liability</li> <li>Compensated absences liability</li> <li>Landfill liability</li> </ul> </li> </ul>	(13,155,715)
	(1,028,319)
	(9,699,101)
	(305,126)
	(100,000)
<ul style="list-style-type: none"> <li>• Deferred inflows of resources related to pension to be recognized in pension expense in future periods.</li> </ul>	(3,583,060)
<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>	<u>(5,949,110)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 1,864,212</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, 2022

	General <u>Fund</u>	Town Grant <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>				
Property taxes	\$ 20,675,868	\$ -	\$ -	\$ 20,675,868
Excises	922,900	-	-	922,900
Penalties, interest, and other taxes	595,163	-	-	595,163
Charges for services	613,592	53,580	410,800	1,077,972
Intergovernmental	2,096,482	2,263,278	637,942	4,997,702
Licenses and permits	627,188	-	-	627,188
Fines and forfeitures	17,591	-	-	17,591
Investment income	42,837	1,019	4,029	47,885
Miscellaneous	<u>199,480</u>	<u>2</u>	<u>500,641</u>	<u>700,123</u>
Total Revenues	25,791,101	2,317,879	1,553,412	29,662,392
<b>Expenditures</b>				
Current:				
General government	1,391,848	1,441,551	6,700	2,840,099
Public safety	2,415,085	11,982	241,805	2,668,872
Education	12,221,539	11,858	-	12,233,397
Public works	2,647,811	498,389	797,411	3,943,611
Health and human services	284,363	79,535	-	363,898
Culture and recreation	642,314	95,195	78,465	815,974
Employee benefits	2,566,073	-	-	2,566,073
Debt service:				
Principal	567,139	-	25,000	592,139
Interest	426,334	-	1,200	427,534
Intergovernmental	<u>204,643</u>	<u>-</u>	<u>-</u>	<u>204,643</u>
Total Expenditures	<u>23,367,149</u>	<u>2,138,510</u>	<u>1,150,581</u>	<u>26,656,240</u>
Excess of Revenues over Expenditures	2,423,952	179,369	402,831	3,006,152
<b>Other Financing Sources (Uses)</b>				
Issuance of bonds	-	-	1,571,000	1,571,000
Bond premiums	-	-	92,195	92,195
Transfers in	49,185	201,481	207,719	458,385
Transfers out	<u>(738,511)</u>	<u>(27,185)</u>	<u>(10,000)</u>	<u>(775,696)</u>
Total Other Financing Sources (Uses)	<u>(689,326)</u>	<u>174,296</u>	<u>1,860,914</u>	<u>1,345,884</u>
Change in Fund Balance	1,734,626	353,665	2,263,745	4,352,036
Fund Balances, Beginning of Year	<u>6,412,855</u>	<u>270,037</u>	<u>(1,089,296)</u>	<u>5,593,596</u>
Fund Balances, End of Year	\$ <u>8,147,481</u>	\$ <u>623,702</u>	\$ <u>1,174,449</u>	\$ <u>9,945,632</u>

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2022

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	4,352,036																																													
<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;">1,957,185</td> </tr> <tr> <td>Net effect from disposal of assets</td> <td></td> <td style="text-align: right;">(208,887)</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(1,074,182)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g. bonds, loans, 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%;">Issuance of general obligation bonds</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(1,571,000)</td> </tr> <tr> <td>Premiums received on issuance of general obligation bonds</td> <td></td> <td style="text-align: right;">(92,195)</td> </tr> <tr> <td>Repayments of general obligation bonds</td> <td></td> <td style="text-align: right;">547,201</td> </tr> <tr> <td>Repayments of direct borrowings</td> <td></td> <td style="text-align: right;">44,937</td> </tr> <tr> <td>Bond premium amortization</td> <td></td> <td style="text-align: right;">28,348</td> </tr> <tr> <td>Repayments of capital lease</td> <td></td> <td style="text-align: right;">44,278</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 change 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;">(663,690)</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 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;">1,072,067</td> </tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td> <td></td> <td style="text-align: right;">478,912</td> </tr> <tr> <td>Change in compensated absences liability</td> <td></td> <td style="text-align: right;">15,532</td> </tr> <tr> <td>Change in accrued interest on bonds payable</td> <td></td> <td style="text-align: right;">(35,383)</td> </tr> <tr> <td>Change in landfill liability</td> <td></td> <td style="text-align: right;">12,500</td> </tr> </table> </li> </ul>			Capital outlay		1,957,185	Net effect from disposal of assets		(208,887)	Depreciation		(1,074,182)	Issuance of general obligation bonds		(1,571,000)	Premiums received on issuance of general obligation bonds		(92,195)	Repayments of general obligation bonds		547,201	Repayments of direct borrowings		44,937	Bond premium amortization		28,348	Repayments of capital lease		44,278			(663,690)	Change in net pension liability and related deferred outflows and inflows		1,072,067	Change in net OPEB liability and related deferred outflows and inflows		478,912	Change in compensated absences liability		15,532	Change in accrued interest on bonds payable		(35,383)	Change in landfill liability		12,500
Capital outlay		1,957,185																																													
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Change in landfill liability		12,500																																													
<b>Change in Net Position of Governmental Activities</b>	\$	<u>4,907,659</u>																																													

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2022

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Airport Fund	Total
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 758,001	\$ -	\$ 758,001
Investments	387,213	-	387,213
User fees receivable, net of allowance for uncollectible	357,210	-	357,210
Intergovernmental receivables	3,323	-	3,323
Leases receivable	-	74,537	74,537
Total Current Assets	1,505,747	74,537	1,580,284
Noncurrent:			
Leases receivable, net of current portion	-	234,758	234,758
Capital assets:			
Nondepreciable capital assets	281,841	1,288,944	1,570,785
Other capital assets, net of accumulated depreciation	11,777,839	8,227,090	20,004,929
Total Noncurrent Assets	12,059,680	9,516,034	21,575,714
Total Assets	13,565,427	9,590,571	23,155,998
<b>Deferred Outflows of Resources</b>			
Related to pension	146,334	20,201	166,535
Related to OPEB	131,932	7,916	139,848
Total Deferred Outflows of Resources	278,266	28,117	306,383
<b>Liabilities</b>			
Current:			
Warrants payable	62,738	18,807	81,545
Accrued payroll and withholdings	8,025	947	8,972
Accrued interest	62,785	29,546	92,331
Due to other funds	-	91,202	91,202
Current portion of long-term liabilities:			
Bonds and loans payable	379,066	76,789	455,855
Total Current Liabilities	512,614	217,291	729,905
Noncurrent:			
Bonds and loans payable, net of current portion	6,351,880	1,229,089	7,580,969
Net pension liability	101,962	14,076	116,038
Net OPEB liability	1,174,779	70,490	1,245,269
Compensated absences liability	15,651	2,063	17,714
Total Noncurrent Liabilities	7,644,272	1,315,718	8,959,990
Total Liabilities	8,156,886	1,533,009	9,689,895
<b>Deferred Inflows of Resources</b>			
Related to pension	355,275	49,044	404,319
Related to OPEB	720,571	43,236	763,807
Related to leases	-	309,295	309,295
Total Deferred Inflows of Resources	1,075,846	401,575	1,477,421
<b>Net Position</b>			
Net investment in capital assets	5,499,906	8,302,034	13,801,940
Unrestricted	(888,945)	(383,172)	(1,272,117)
Total Net Position	\$ 4,610,961	\$ 7,918,862	\$ 12,529,823

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

**TOWN OF MONTAGUE, MASSACHUSETTS**

Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
<b>Operating Revenues</b>			
Charges for services	\$ 2,492,292	\$ 267,857	2,760,149
Other	<u>(1,277)</u>	<u>-</u>	<u>(1,277)</u>
Total Operating Revenues	2,491,015	267,857	2,758,872
<b>Operating Expenses</b>			
Salaries and benefits	483,053	250,841	733,894
Other operating expenses	1,219,197	358,218	1,577,415
Depreciation	<u>469,553</u>	<u>672,251</u>	<u>1,141,804</u>
Total Operating Expenses	<u>2,171,803</u>	<u>1,281,310</u>	<u>3,453,113</u>
Operating Income (Loss)	319,212	(1,013,453)	(694,241)
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental revenue	16,500	559,311	575,811
Investment income	4,624	10,163	14,787
Interest expense	(210,913)	(31,826)	(242,739)
Bond premiums	<u>-</u>	<u>20,796</u>	<u>20,796</u>
Total Nonoperating Revenues (Expenses), Net	<u>(189,789)</u>	<u>558,444</u>	<u>368,655</u>
Income (Loss) Before Transfers	129,423	(455,009)	(325,586)
Transfers In	311,911	17,400	329,311
Transfers Out	<u>-</u>	<u>(12,000)</u>	<u>(12,000)</u>
Change in Net Position	441,334	(449,609)	(8,275)
Net Position, Beginning of Year	<u>4,169,627</u>	<u>8,368,471</u>	<u>12,538,098</u>
Net Position, End of Year	\$ <u>4,610,961</u>	\$ <u>7,918,862</u>	<u>12,529,823</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, 2022

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Airport Fund	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 2,529,302	\$ 267,857	\$ 2,797,159
Payments to employees	(627,216)	(99,815)	(727,031)
Payments to vendors	<u>(1,301,870)</u>	<u>(276,882)</u>	<u>(1,578,752)</u>
Net Cash Provided By (Used For) Operating Activities	600,216	(108,840)	491,376
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers in	311,911	17,400	329,311
Transfers out	<u>-</u>	<u>(12,000)</u>	<u>(12,000)</u>
Net Cash Provided By Noncapital Financing Activities	311,911	5,400	317,311
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(414,038)	(334,803)	(748,841)
Issuance of short-term debt	-	1,214,000	1,214,000
Principal payments on bonds and notes	(336,284)	(1,518,000)	(1,854,284)
Proceeds of bond premiums	-	20,796	20,796
Leases	171,172	91,878	263,050
Intergovernmental revenue	16,500	559,311	575,811
Interest payments	<u>(213,442)</u>	<u>(3,230)</u>	<u>(216,672)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(776,092)	29,952	(746,140)
<b>Cash Flows From Investing Activities</b>			
Investment income	4,624	10,163	14,787
Investment purchases	<u>(384,621)</u>	<u>-</u>	<u>(384,621)</u>
Net Cash Provided By (Used For) Investing Activities	<u>(379,997)</u>	<u>10,163</u>	<u>(369,834)</u>
Net Change in Cash and Short-Term Investments	(243,962)	(63,325)	(307,287)
Cash and Short-Term Investments, Beginning of Year	<u>1,001,963</u>	<u>63,325</u>	<u>1,065,288</u>
Cash and Short-Term Investments, End of Year	<u>\$ 758,001</u>	<u>\$ -</u>	<u>\$ 758,001</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>			
Operating income (loss)	\$ 319,212	\$ (1,013,453)	\$ (694,241)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	469,553	672,251	1,141,804
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	35,948	-	35,948
Other assets	-	-	-
Deferred outflows - related to pension	(73,860)	(20,201)	(94,061)
Deferred outflows - related to OPEB	61,007	(7,916)	53,091
Warrants payable	(8,813)	(10,816)	(19,629)
Accrued and other liabilities	(3,734)	3,246	(488)
Due to other funds	4,310	91,202	95,512
Intergovernmental payables	(1,971)	-	(1,971)
Net pension liability	(226,379)	14,076	(212,303)
Net OPEB liability	(531,117)	70,491	(460,626)
Deferred inflows - related to pension	199,673	49,044	248,717
Deferred inflows - related to OPEB	<u>356,387</u>	<u>43,236</u>	<u>399,623</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 600,216</u>	<u>\$ (108,840)</u>	<u>\$ 491,376</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, 2022

	Pension and OPEB <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>
<b>Assets</b>		
Cash and short-term investments	\$ 405,652	\$ 124,570
Investments in external investment pools	62,746,212	-
Accounts receivable	<u>16,109</u>	<u>-</u>
Total Assets	63,167,973	124,570
 <b>Liabilities</b>		
Accounts payable	<u>932</u>	<u>-</u>
 <b>Net Position</b>		
Restricted for pension	62,072,742	-
Restricted for OPEB	1,094,299	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>124,570</u>
Total Net Position	<u>\$ 63,167,041</u>	<u>\$ 124,570</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, 2022

	<u>Pension and OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 2,471,331	\$ -
Plan members	1,058,274	-
Other systems and Commonwealth of Massachusetts	160,114	-
Other revenue	<u>9,427</u>	<u>-</u>
Total Contributions	3,699,146	-
Investment Income (Loss):		
Interest and dividends	-	2,423
Increase (decrease) in fair value of investments	10,449,551	-
Less: Management fees	<u>(280,920)</u>	<u>-</u>
Net Investment Income	<u>10,168,631</u>	<u>2,423</u>
Total Additions	13,867,777	2,423
<b>Deductions</b>		
Benefit payments to plan members, beneficiaries and other systems	3,684,306	-
Refunds to plan members	28,927	-
Transfers to other systems	97,029	-
Administrative expenses	124,419	-
Scholarships awarded	<u>-</u>	<u>2,200</u>
Total Deductions	<u>3,934,681</u>	<u>2,200</u>
Change in Net Position	9,933,096	223
<b>Restricted Net Position</b>		
Beginning of Year	<u>53,233,945</u>	<u>124,347</u>
End of Year	<u>\$ 63,167,041</u>	<u>\$ 124,570</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, Massachusetts (the Town) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies of the Town.

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

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2022, it was determined that no entities met the component unit requirements of Governmental Accounting Standards Boards Statement No. 14 *The Financial Reporting Entity* (as amended), 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 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. 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 Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Town Grant Fund* consists of various grant funds of the Town.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Sewer Fund* accounts for operations of the Town's wastewater treatment facility and supporting infrastructure.
- The *Airport Enterprise Fund* accounts for operations of 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 Fund* is used to accumulate resources for retiree post-employment benefits.
- The *Private Purpose Trust Funds* are 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 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 short-term investments.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

The Town invests 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*, where 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. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

#### ***Leases***

##### *Town as a Lessor*

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis over its useful life. The following key assumptions are made:

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its leases receivable and will remeasure a lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Capital Assets***

Capital assets, which include land, buildings and improvements, machinery, equipment, vehicles, furnishings, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund 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 four 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 current assets/deferred outflows and current liabilities/deferred inflows. The Town has implemented GASB Statement No. 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 types and definitions as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) 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 surplus bond funds, 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 by 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.

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 use either through 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 GAAP 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 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, 2022. 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)**

Massachusetts General Laws (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, and 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.

**Deposits**

*Custodial Credit Risk*

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

As of June 30, 2022, none of the Town’s bank balance of \$9,012,067 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$1,467,000 was invested in MMDT, which is not subject to this disclosure.

**Investments**

The following is a summary of the Town’s investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 57,565
Corporate bonds	1,104,898
Corporate equities	481,163
Federal agency securities	160,625
U.S. Treasury notes	<u>784,497</u>
Total Investments	\$ <u><u>2,588,748</u></u>

*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, 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, 2022, 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 in 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, 2022, the credit quality ratings, as rated by S&P Global Ratings, of the Town's debt securities were as follows: (U.S. Treasury notes have an implied rating of AAA):

<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	\$ 1,104,898	\$ 105,979	\$ 127,000	\$ 413,885	\$ 207,234	\$ 250,800
Federal agency securities	<u>160,625</u>	<u>160,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>1,265,523</u>	\$ <u>266,604</u>	\$ <u>127,000</u>	\$ <u>413,885</u>	\$ <u>207,234</u>	\$ <u>250,800</u>

#### *Concentration of Credit Risk*

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.

As of June 30, 2022, the Town did not have investments in any one issuer that exceeded 5% of total investments.

#### *Interest Rate Risk – Investments in 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 was as follows at June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Corporate bonds	\$ 1,104,898	\$ -	\$ 1,104,898
Federal agency securities	160,625	50,039	110,586
U.S. Treasury notes	<u>784,497</u>	<u>250,438</u>	<u>534,059</u>
Total	\$ <u>2,050,020</u>	\$ <u>300,477</u>	\$ <u>1,749,543</u>

#### *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 Town does not have formal investment policies related to foreign currency risk.

At June 30, 2022, none of the Town's investments were exposed 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*.

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability 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 are accessible 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, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quotes prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 1,104,898	\$ -	\$ 1,104,898	\$ -
Corporate equities	481,163	481,163	-	-
Federal agency securities	160,625	-	160,625	-
U.S. Treasury notes	<u>784,497</u>	<u>-</u>	<u>784,497</u>	<u>-</u>
Total	\$ <u>2,531,183</u>	\$ <u>481,163</u>	\$ <u>2,050,020</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 is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

#### **4. Investments – Pension Trust Fund**

All of the Montague Contributory Retirement System’s (the System) investments totaling \$61,651,913 were in the external (State) investment pool (PRIT)\*.

\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Laws (MGL), Chapter 32, Section 22, in December 1983. PRIT is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board (PRIM) 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, investments or collateral securities that are in the possession of another party will not be recovered. 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 because investments in external investment pools are not exposed to custodial credit risk since their existence is not evidenced by securities that exist in physical or book entry form.

##### ***Credit Risk – Investments in 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. MGL, Chapter 32, Section 23, limits the investment of pension funds, to the extent not required for current disbursements, in PRIT 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 of Massachusetts, 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**

MGL Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of investments in PRIT.

As of December 31, 2021, all of the System’s investments were exempt from concentration of credit risk disclosure because investments issued or explicitly guaranteed by external investment pools are excluded from concentration of credit 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 value 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.

At December 31, 2021, none of the System’s investments were exposed 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>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool (PRIT)	\$ <u>61,651,913</u>	\$ <u>-</u>	Monthly	30 days

**5. Investments – OPEB Trust Fund**

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

As of June 30, 2022, all of the OPEB Trust Fund investments were invested in the external (State) investment pool – State Retirees Benefits Trust Fund (SRBT).

**Custodial Credit Risk**

As of June 30, 2022, all of the OPEB Trust Fund investments were exempt from custodial credit risk disclosures as they were invested in SRBT.

**Credit Risk – Investment in Debt Securities**

As of June 30, 2022, all of the OPEB Trust Fund investments were exempt from credit risk disclosure as they were invested in SRBT.

**Concentration of Credit Risk**

As of June 30, 2022, all of the OPEB Trust Fund investments were exempt from concentration of credit risk disclosures as they were invested in SRBT.

**Interest Rate Risk**

As of June 30, 2022, all of the OPEB Trust Fund investments were exempt from interest rate risk disclosure as they were invested in SRBT.

**Foreign Currency Risk**

As of June 30, 2022 all of the OPEB Trust Fund investments were exempt from foreign currency risk disclosure as they were invested in SRBT, which does not invest in foreign investments.

**Fair Value**

At June 30, 2022, all of the investments for the OPEB Trust Fund were invested in SRBT, which is not measured at fair value, but instead is measured at net asset value (NAV):

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool (SRBT)	\$ <u>1,094,299</u>	\$ <u>-</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, respectively.



The Town bills and collects its property taxes on a semi-annually basis following the January 1 assessment. The due dates for those semi-annually tax billings are October 1, and April 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. The actual fiscal year 2022 tax levy reflected an excess capacity of \$632,589.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. 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, 2022, consisted of the following:

<u>Receivable Type</u>	<u>Gross Amount (fund basis)</u>	<u>Allowance for Doubtful Accounts</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Real estate taxes	\$ 497,053	\$ (25,177)	\$ 471,876	\$ -
Personal property taxes	188,059	(79,461)	108,598	-
Tax liens	<u>297,146</u>	<u>(59,429)</u>	<u>-</u>	<u>237,717</u>
Total property taxes	\$ <u>982,258</u>	\$ <u>(164,067)</u>	\$ <u>580,474</u>	\$ <u>237,717</u>
Motor vehicle excise	\$ 144,965	\$ (13,241)	\$ 131,724	\$ -
Boat excise	<u>1,248</u>	<u>-</u>	<u>1,248</u>	<u>-</u>
Total excises	\$ <u>146,213</u>	\$ <u>(13,241)</u>	\$ <u>132,972</u>	\$ <u>-</u>

## 7. User Fees Receivable

Receivables for user charges at June 30, 2022, consisted of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Sewer	\$ <u>474,850</u>	\$ <u>(117,640)</u>	\$ <u>357,210</u>

## 8. Intergovernmental Receivables

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2022.

## 9. Leases Receivable

In fiscal year 2022, the Town implemented GASB Statement No. 78, *Leases*, which changed the definition of a lease and requires a lease receivable, offset with a deferred inflow, to be shown on the financial statements. A lease is defined as a contract that conveys control of the right-to-use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

Leases receivable consisted of the following at June 30, 2022:

<u>Description</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate %</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>				
Kaesarge - Solar	\$ 2,920,890	06/30/42	4.09%	\$ 2,673,332
Kaesarge - Solar and energy storage	15,496	03/31/45	4.09%	<u>14,725</u>
Total Governmental Activities				\$ <u>2,688,057</u>
<b>Business-Type Activities</b>				
32 Millers Falls Rd Rental Property - Airport	\$ 25,377	06/30/23	4.09%	\$ 14,673
New England Naturals Warehouse - Airport	106,193	02/01/24	4.09%	88,788
RB Gray Maintenance Town Hangar - Airport	166,178	06/30/41	4.09%	158,334
Fly Pioneer Valley Town Hangar - Airport	49,553	06/30/41	4.09%	<u>47,500</u>
Total Business-Type Activities				\$ <u>309,295</u>

Future minimum lease payments under these leases consisted of the following at June 30, 2022:

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 61,528	\$ 109,942	\$ 74,537	\$ 11,263	\$ 136,065	\$ 121,205
2024	67,113	107,425	43,864	8,536	110,977	115,961
2025	72,981	104,680	7,940	7,660	80,921	112,340
2026	79,146	101,695	8,271	7,329	87,417	109,024
2027	85,620	98,458	8,616	6,984	94,236	105,442
2028 - 2032	537,035	433,992	48,774	29,226	585,809	463,218
2033 - 2037	753,887	307,629	59,820	18,180	813,707	325,809
Thereafter	<u>1,030,747</u>	<u>131,947</u>	<u>57,473</u>	<u>4,927</u>	<u>1,088,220</u>	<u>136,874</u>
Total	\$ <u>2,688,057</u>	\$ <u>1,395,768</u>	\$ <u>309,295</u>	\$ <u>94,105</u>	\$ <u>2,997,352</u>	\$ <u>1,489,873</u>

## 10. Other Assets

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

## 11. Capital Assets

Capital assets activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
<b>Governmental Activities</b>					
Capital Assets, Being Depreciated:					
Buildings and improvements	\$ 16,448,036	\$ 565,941	\$ -	\$ 10,576,161	\$ 27,590,138
Machinery, equipment, vehicles and furnishings	4,240,063	482,308	(32,865)	-	4,689,506
Infrastructure	751,443	-	-	-	751,443
Total Capital Assets, Being Depreciated	21,439,542	1,048,249	(32,865)	10,576,161	33,031,087
Less: Accumulated Depreciation for:					
Buildings and improvements	(8,538,400)	(761,075)	-	-	(9,299,475)
Machinery, equipment, vehicles and furnishings	(3,112,337)	(284,284)	32,178	-	(3,364,443)
Infrastructure	(397,772)	(28,823)	-	-	(426,595)
Total Accumulated Depreciation	(12,048,509)	(1,074,182)	32,178	-	(13,090,513)
Capital Assets, Being Depreciated, Net	9,391,033	(25,933)	(687)	10,576,161	19,940,574
Capital assets, Not Being Depreciated:					
Land	1,035,466	86,136	(208,200)	-	913,402
Construction in progress (CIP)	11,291,625	822,800	-	(10,576,161)	1,538,264
Total Capital Assets, Not Being Depreciated	12,327,091	908,936	(208,200)	(10,576,161)	2,451,666
Governmental Activities Capital Assets, Net	\$ 21,718,124	\$ 883,003	\$ (208,887)	\$ -	\$ 22,392,240
<b>Business-Type Activities</b>					
Capital Assets, Being Depreciated:					
Buildings and improvements	\$ 19,446,585	\$ 266,217	\$ -	\$ 70,000	\$ 19,782,802
Machinery, equipment, vehicles and furnishings	521,701	287,726	-	-	809,427
Infrastructure	15,030,075	-	-	-	15,030,075
Total Capital Assets, Being Depreciated	34,998,361	553,943	-	70,000	35,622,304
Less: Accumulated Depreciation For:					
Buildings and improvements	(9,958,075)	(766,445)	-	-	(10,724,520)
Machinery, equipment, vehicles and furnishings	(229,675)	(74,758)	-	-	(304,433)
Infrastructure	(4,287,821)	(300,601)	-	-	(4,588,422)
Total Accumulated Depreciation	(14,475,571)	(1,141,804)	-	-	(15,617,375)
Capital Assets, Being Depreciated, Net	20,522,790	(587,861)	-	70,000	20,004,929
Capital assets, Not Being Depreciated:					
Land	1,380,923	-	-	-	1,380,923
Construction in progress (CIP)	64,964	194,898	-	(70,000)	189,862
Total Capital Assets, Not Being Depreciated	1,445,887	194,898	-	(70,000)	1,570,785
Business-Type Activities Capital Assets, Net	\$ 21,968,677	\$ (392,963)	\$ -	\$ -	\$ 21,575,714

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

<b>Governmental Activities</b>	
General government	\$ 343,840
Public safety	185,605
Education	76,147
Public works	346,297
Culture and recreation	<u>122,293</u>
Total Governmental Activities	\$ <u>1,074,182</u>
 <b>Business-Type Activities</b>	
Sewer	\$ 469,553
Airport	<u>672,251</u>
Total Business-Type Activities	\$ <u>1,141,804</u>

## 12. Deferred Outflows of Resources

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

## 13. Notes Payable

The Town had no notes outstanding at June 30, 2022.

The following summarizes activity in short-term notes payable during fiscal year 2022:

<u>Purpose</u>	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ 3,580,000	\$ 1,812,000	\$ (5,392,000)	\$ -
Revenue anticipation	<u>-</u>	<u>5,000,000</u>	<u>(5,000,000)</u>	<u>-</u>
Total	\$ <u>3,580,000</u>	\$ <u>6,812,000</u>	\$ <u>(10,392,000)</u>	\$ <u>-</u>

## 14. 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 several years.

## 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 bonds and loans from direct borrowings outstanding are as follows:

	Original	Serial	Interest	Amount
	Issue	Maturities	Rate(s) %	Outstanding
		Through		as of
				June 30, 2022
<b>Governmental Activities</b>				
<i>General Obligation Bonds</i>				
Municipal purpose	\$ 988,000	11/01/26	4.11%	\$ 85,000
Police Station - refunded	2,320,853	02/01/28	5.00%	1,823,176
Montague Center School Roof - refunded	34,148	02/01/28	5.00%	26,826
Soil stabilization	72,000	06/30/31	2.75 - 5.0%	58,000
Skatepark	84,000	06/30/31	2.75 - 5.0%	68,000
FRCOG Brownfields	130,000	06/30/33	2.50%	79,340
Municipal purpose	103,000	05/15/34	3.00%	60,000
Building remodeling	276,000	11/15/34	2.05% - 4.0%	276,000
Public Works building construction	1,295,000	11/15/39	2% - 5%	1,382,073
DPW facility	2,503,000	06/30/44	2.75 - 5.0%	2,332,000
DPW facility	5,785,000	02/01/45	2% - 5%	6,062,413
Sewer - refunded	332,000	02/01/45	2% - 5%	<u>316,000</u>
Total general obligation bonds				12,568,828
<i>Loans - Direct Borrowings</i>				
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	110,736
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	<u>476,151</u>
Total loans - direct borrowings				<u>586,887</u>
Total Governmental Activities				<u>\$ 13,155,715</u>
<b>Business-Type Activities</b>				
<i>General Obligation Bonds</i>				
Sewer - multiple purpose	\$ 589,000	06/15/23	4.42%	\$ 25,000
Sewer - multiple purpose	306,000	11/01/26	4.11%	49,726
Sewer - multiple purpose	1,550,000	05/15/34	3.00%	1,055,000
Airport - land acquisition	1,147,000	11/15/36	2.05 - 4%	1,147,000
Airport - improvements	67,000	11/15/36	2.05 - 4%	67,000
Storm drains	644,000	06/30/44	2.75 - 5.0%	583,000
Pump station	393,000	06/30/44	2.75 - 5.0%	367,000
Sewer lines	994,000	06/30/44	2.75 - 5.0%	927,000
Sewer - refunded	498,000	02/01/45	2% - 5%	<u>474,000</u>
Total general obligation bonds				4,694,726
<i>Loans - Direct Borrowings</i>				
331G compact track loader - airport	124,226	11/20/24	2.75%	91,878
Sludge dewatering screw press - sewer	226,217	06/25/26	unavailable	171,173
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	166,105
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	714,226
MCWT CW-14-28	1,583,047	06/30/44	2.75 - 5.0%	1,386,733
USDA - sewer	958,000	09/21/47	4.13%	<u>811,983</u>
Total loans - direct borrowings				<u>3,342,098</u>
Total Business-Type Activities				<u>\$ 8,036,824</u>

**Future Debt Service**

The annual payments to retire all bonds and loans outstanding as of June 30, 2022, 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>
2023	\$ 624,704	\$ 435,478	\$ 45,948	\$ 13,198
2024	668,862	381,758	46,981	12,166
2025	704,026	351,149	48,037	11,110
2026	736,193	319,919	49,117	10,028
2027	765,363	286,097	50,222	8,925
2028 - 2032	2,709,538	1,003,986	146,191	33,180
2033 - 2037	2,514,876	654,945	164,945	14,425
Thereafter	<u>3,845,266</u>	<u>418,954</u>	<u>35,446</u>	<u>428</u>
Total	\$ <u>12,568,828</u>	\$ <u>3,852,286</u>	\$ <u>586,887</u>	\$ <u>103,460</u>

<b>Business-Type</b>	<u>General Obligation Bonds</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 230,000	\$ 118,900	\$ 225,855	\$ 94,184
2024	236,000	111,175	231,724	88,401
2025	240,999	105,088	238,766	81,560
2026	249,000	99,159	210,766	73,839
2027	254,727	92,130	170,959	69,061
2028 - 2032	1,390,000	358,680	735,542	289,386
2033 - 2037	1,281,000	190,986	836,298	194,764
Thereafter	<u>813,000</u>	<u>94,343</u>	<u>692,188</u>	<u>149,296</u>
Total	\$ <u>4,694,726</u>	\$ <u>1,170,461</u>	\$ <u>3,342,098</u>	\$ <u>1,040,491</u>

### Changes in Long-Term Liabilities

During the year ended June 30, 2022, 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>						
Bonds and Loans Payable:						
General obligation bonds	\$ 10,900,541	\$ 1,571,000	(547,201)	\$ 11,924,340	\$ (596,356)	\$ 11,327,984
Loans - direct borrowings	631,826	-	(44,937)	586,889	(45,948)	540,941
Unamortized premium	580,639	92,195	(28,348)	644,486	(28,348)	616,138
Subtotal	12,113,006	1,663,195	(620,486)	13,155,715	(670,652)	12,485,063
Net pension liability	3,357,566	-	(2,329,247)	1,028,319	-	1,028,319
Net OPEB liability	13,914,113	-	(4,215,012)	9,699,101	-	9,699,101
Compensated absences	320,658	-	(15,532)	305,126	-	305,126
Capital lease	44,278	-	(44,278)	-	-	-
Landfill liability	112,500	-	(12,500)	100,000	(12,500)	87,500
Total	\$ 29,862,121	\$ 1,663,195	\$ (7,237,055)	\$ 24,288,261	\$ (683,152)	\$ 23,605,109
<b>Business-Type Activities</b>						
Bonds and Loans Payable:						
General obligation bonds	\$ 3,664,729	\$ 1,214,000	\$ (184,000)	\$ 4,694,729	\$ (230,000)	\$ 4,464,729
Loans - direct borrowings	3,231,329	390,443	(279,677)	3,342,095	(225,855)	3,116,240
Subtotal	6,896,058	1,604,443	(463,677)	8,036,824	(455,855)	7,580,969
Net pension liability	328,341	-	(212,303)	116,038	-	116,038
Net OPEB liability	1,705,896	-	(460,627)	1,245,269	-	1,245,269
Compensated absences	11,036	6,678	-	17,714	-	17,714
Total	\$ 8,941,331	\$ 1,611,121	\$ (1,136,607)	\$ 9,415,845	\$ (455,855)	\$ 8,959,990

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

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the General Fund and user fees recorded in enterprise 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 and a local technical school, which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets and are funded through assessments to the Town. The following summarizes the debt of these entities and the Town's related participation percentages:

Related Entity	Total Principal	Town's Percent	Town's Share
<b>Gill-Montague Regional School District</b>			
Gill-Montague Regional High School	\$ 420,000	88.02%	\$ 369,684
<b>Franklin County Technical School</b>			
School Building Remodel	1,795,000	12.50%	224,375
Total	\$ 2,215,000		\$ 594,059



## 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 \$100,000 reported as landfill post-closure care liability at June 30, 2022, represents the remaining estimated post-closure maintenance costs. These amounts are based on what it would cost to perform all post-closure care in 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

## 17. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Town that apply 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, in accordance with GASB Statements No. 69 and 75, will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Deferred inflows related to leases, in accordance with GASB Statement No. 87, have been recognized in fiscal year 2022, and are offset with leases receivable. *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 a summary of major interfund transfers at June 30, 2022:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General Fund	\$ 49,185	\$ (738,511)
Town Grant Fund	201,481	(27,185)
Nonmajor Governmental Funds:		
Capital project funds	200,000	-
Special revenue funds	7,719	(10,000)
<b>Business-Type Funds</b>		
Sewer Fund	311,911	-
Airport Fund	<u>17,400</u>	<u>(12,000)</u>
Total	<u>\$ 787,696</u>	<u>\$ (787,696)</u>

## 19. Governmental Funds – Fund Balances

The Town's fund balances at June 30, 2022, were comprised of the following:

	General Fund	Town Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 66,004	\$ 66,004
Total Nonspendable	-	-	66,004	66,004
Restricted				
Bonded projects	-	-	52,361	52,361
Special revenue funds	-	673,010	1,061,094	1,734,104
Permanent funds	-	-	36,790	36,790
Total Restricted	-	673,010	1,150,245	1,823,255
Committed				
Special articles:				
General government	237,379	-	-	237,379
Public safety	61,681	-	-	61,681
Education	291,508	-	-	291,508
Public works	195,877	-	-	195,877
Health and human services	33,914	-	-	33,914
Culture and recreation	426,813	-	-	426,813
Stabilization funds for specific purposes*	2,112,026	-	-	2,112,026
Capital project funds funded by				
General Fund appropriation	-	-	15,360	15,360
Town set-asides	-	-	6,554	6,554
Total Committed	3,359,198	-	21,914	3,381,112
Assigned				
Reserved for expenditures:				
Operating budget	38,528	-	-	38,528
Capital budget	190,000	-	-	190,000
Total Assigned	228,528	-	-	228,528
Unassigned				
General Fund	3,426,087	-	-	3,426,087
General stabilization fund*	1,133,668	-	-	1,133,668
Deficit funds	-	(49,308)	(63,714)	(113,022)
Total Unassigned	4,559,755	(49,308)	(63,714)	4,446,733
Total Fund Balance	\$ 8,147,481	\$ 623,702	\$ 1,174,449	\$ 9,945,632

\* Massachusetts General Laws Chapter 40, Section 5B allow 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 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 System provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of MGL 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 MGL. 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 the 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 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, 2022, was \$1,158,405, 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 pension, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with 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, 2022, the Town reported a liability of approximately \$1.14 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022, the Town’s proportion was 53.35%, which was an increase of 2.05% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of approximately \$6,400. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 928,823	\$ (106,700)
Net difference between projected and actual earnings on pension plan investments	-	(3,880,679)
Changes in assumptions	549,505	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>164,031</u>	<u>-</u>
Total	\$ <u>1,642,359</u>	\$ <u>(3,987,379)</u>

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

<u>Year ended June 30:</u>	
2023	\$ (431,883)
2024	(879,916)
2025	(574,932)
2026	<u>(458,289)</u>
Total	\$ <u>(2,345,020)</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	1/1/2022
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	8 years
Actuarial assumptions:	
Investment rate of return	6.85%
Projected salary increases	
Group 1	4.25%
Group 2	4.75%
Group 4	4.75%
Inflation rate	2.50%
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-2020 (gender distinct).
- Mortality for retired members: Rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct).
- Mortality for disabled members: Rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct).

### **Target Allocations**

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building-block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense, and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for 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	24.00%	1.51%
International equity	12.70%	0.81%
Emerging markets equity	5.00%	0.44%
Hedged equity	7.80%	0.43%
Core fixed income	15.10%	1.49%
Value-added fixed income	6.50%	0.42%
Private equity	16.60%	1.68%
Real estate	8.70%	0.52%
Timberland	2.90%	0.19%
Overlay	<u>0.60%</u>	0.00%
Total	<u>99.90% *</u>	

\* Total may not add due to rounding

### ***Discount Rate***

The discount rate used to measure the total pension liability was 6.85%. 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 6.85%, as well as what the Town's proportionate share of the net pension liability (asset) 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>(5.85%)</u>	<u>(6.85%)</u>	<u>(7.85%)</u>
\$4,725,743	\$1,144,357	(\$1,892,858)

### ***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 Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB 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 standalone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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, 2022.

### ***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 MGL

#### ***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, 2022, 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>135</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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (5.60%). 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, 2021, 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	4.09%
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, 2022, 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 the actuarially determined contribution, or 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 4.09% (based on index provided by S&P Municipal Bond 20-Year High Grade Bond index as of June 30, 2022) was used.

**Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2022, were as follows:

Total OPEB liability	\$ 12,038,669
Plan fiduciary net position	<u>(1,094,299)</u>
Net OPEB Liability	\$ <u>10,944,370</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.09%

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

### **Changes in the Net OPEB Liability**

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 16,470,595	\$ 850,586	\$ 15,620,009
Changes for the year:			
Service cost	769,673	-	769,673
Interest	336,077	-	336,077
Contributions - employer	-	707,160	(707,160)
Net investment income (loss)	-	(56,287)	56,287
Difference between expected and actual experience	(775,584)	-	(775,584)
Changes in assumptions	(4,354,932)	-	(4,354,932)
Benefit payments	<u>(407,160)</u>	<u>(407,160)</u>	<u>-</u>
Net Changes	<u>(4,431,926)</u>	<u>243,713</u>	<u>(4,675,639)</u>
Balances, end of year	<u>\$ 12,038,669</u>	<u>\$ 1,094,299</u>	<u>\$ 10,944,370</u>

Change in assumptions and other inputs reflect a change in the discount rate from 2.18% in 2021 to 4.09% in 2022.

### **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 (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
\$13,224,167	\$10,944,370	\$8,664,575

**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 <u>(7.00%)</u>	Current Healthcare Cost Trend Rates <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
\$8,862,989	\$10,944,370	\$13,432,315

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$238,879. At June 30, 2022, 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	\$ -	\$ (2,860,763)
Change in assumptions	1,229,093	(3,810,565)
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(41,589)</u>
Total	\$ <u>1,229,093</u>	\$ <u>(6,712,917)</u>

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

<u>Year ended June 30:</u>	
2023	\$ (866,873)
2024	(863,480)
2025	(864,355)
2026	(831,090)
2027	(752,950)
Thereafter	<u>(1,305,076)</u>
Total	\$ <u>(5,483,824)</u>

## 22. Consolidation of Pension and OPEB Trust Funds

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

	Pension Trust Fund (December 31, 2021)	Other Post-Employment Benefit Trust Fund	Pension and OPEB Trust Fund
<b>Assets</b>			
Cash and short-term investments	\$ 405,652	\$ -	\$ 405,652
Investments in external investment pools	61,651,913	1,094,299	62,746,212
Accounts receivable	<u>16,109</u>	<u>-</u>	<u>16,109</u>
Total Assets	62,073,674	1,094,299	63,167,973
<b>Liabilities</b>			
Accounts payable	<u>932</u>	<u>-</u>	<u>932</u>
<b>Net Position</b>			
Restricted for pension	62,072,742	-	62,072,742
Restricted for OPEB	<u>-</u>	<u>1,094,299</u>	<u>1,094,299</u>
Total Net Position	<u>\$ 62,072,742</u>	<u>\$ 1,094,299</u>	<u>\$ 63,167,041</u>
	Pension Trust Fund (year ended December 31, 2021)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Fund
<b>Additions</b>			
Contributions:			
Employer	\$ 2,171,331	\$ 300,000	\$ 2,471,331
Plan members	1,058,274	-	1,058,274
Other systems and Commonwealth of Massachusetts	160,114	-	160,114
Other revenue	<u>9,427</u>	<u>-</u>	<u>9,427</u>
Total Contributions	3,399,146	300,000	3,699,146
Investment Income (Loss):			
Appreciation (depreciation) in fair value of investments	10,505,838	(56,287)	10,449,551
Less: Management fees	<u>(280,920)</u>	<u>-</u>	<u>(280,920)</u>
Net Investment Income(Loss)	<u>10,224,918</u>	<u>(56,287)</u>	<u>10,168,631</u>
Total Additions	13,624,064	243,713	13,867,777
<b>Deductions</b>			
Benefit payments to plan members, beneficiaries and other systems	3,684,306	-	3,684,306
Refunds to plan members	28,927	-	28,927
Transfers to other systems	97,029	-	97,029
Administrative expenses	<u>124,419</u>	<u>-</u>	<u>124,419</u>
Total Deductions	<u>3,934,681</u>	<u>-</u>	<u>3,934,681</u>
Change in Net Position	9,689,383	243,713	9,933,096
<b>Restricted Net Position</b>			
Beginning of Year	<u>52,383,359</u>	<u>850,586</u>	<u>53,233,945</u>
End of Year	<u>\$ 62,072,742</u>	<u>\$ 1,094,299</u>	<u>\$ 63,167,041</u>

## **23. Commitments and Contingencies**

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

The COVID-19 outbreak in the United States of America (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 result of operations remains 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 (the 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, 2022, the Trust had 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, 2022, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred, but unreported claims of approximately \$5.3 million, the Trust was in a surplus position of approximately \$28.5 million.

## **24. Change in Accounting Principle**

During fiscal year 2022, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement enhances the relevance and consistency of information of the Town's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use

an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

## **25. Subsequent Events**

Management has evaluated subsequent events through January 26, 2023, which is the date the financial statements were available to be issued. No subsequent events occurred which would require disclosure in the Town's financial statements.



**TOWN OF MONTAGUE, MASSACHUSETTS**

Required Supplementary Information  
 Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual - General Fund  
 For the Year Ended June 30, 2022

(Unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Property taxes	\$ 20,138,114	\$ 20,138,114	\$ 20,675,868	\$ 537,754
Excises	648,500	648,500	922,900	274,400
Penalties, interest, and other taxes	124,000	124,000	295,142	171,142
Charges for services	497,254	497,254	613,592	116,338
Intergovernmental	2,047,670	2,047,670	2,096,482	48,812
Licenses and permits	125,000	125,000	236,345	111,345
Fines and forfeitures	19,000	19,000	17,591	(1,409)
Investment income	5,000	5,000	1,713	(3,287)
Miscellaneous	<u>64,587</u>	<u>64,587</u>	<u>199,480</u>	<u>134,893</u>
Total Revenues	23,669,125	23,669,125	25,059,113	1,389,988
<b>Expenditures</b>				
General government	1,655,652	1,676,002	1,527,931	148,071
Public safety	2,556,506	2,556,506	2,468,284	88,222
Education	12,123,370	12,438,470	12,437,797	673
Public works	2,809,662	2,954,662	2,727,163	227,499
Health and human services	305,178	305,178	268,377	36,801
Culture and recreation	881,118	899,504	895,565	3,939
Employee benefits	2,812,861	2,812,861	2,566,073	246,788
Debt service	1,006,126	1,006,126	993,473	12,653
Intergovernmental	<u>203,528</u>	<u>203,528</u>	<u>204,643</u>	<u>(1,115)</u>
Total Expenditures	<u>24,354,001</u>	<u>24,852,837</u>	<u>24,089,306</u>	<u>763,531</u>
Excess (Deficiency) of Revenues Over Expenditures	(684,876)	(1,183,712)	969,807	2,153,519
<b>Other Financing Sources (Uses)</b>				
Transfers in	515,883	945,883	973,008	27,125
Transfers out	(1,089,610)	(1,089,610)	(1,089,610)	-
Use of free cash:				
Operating budget	40,300	103,866	-	(103,866)
Capital budget	1,222,582	1,227,852	-	(1,227,852)
Transfer to airport fund	(12,000)	(12,000)	-	12,000
Other sources	<u>7,721</u>	<u>7,721</u>	<u>-</u>	<u>(7,721)</u>
Total Other Financing Sources (Uses)	<u>684,876</u>	<u>1,183,712</u>	<u>(116,602)</u>	<u>(1,300,314)</u>
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>853,205</u>	\$ <u>853,205</u>

See Independent Auditor's 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 GAAP. Therefore, in addition to the GAAP basis financial statements, the result 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>	<u>Other Financing Sources (Uses)</u>
GAAP basis	\$ 25,791,101	\$ 23,367,149	\$ (689,326)
Remove the effect of combining stabilization funds and the general fund:			
Reverse the adjustment eliminating interfund transfers	-	-	572,724
Remove stabilization funds cannabis revenues	(690,864)	-	-
Remove stabilization funds investment income	(41,124)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(553,543)	-
Add end of year appropriation carryforwards to expenditures	<u>-</u>	<u>1,275,700</u>	<u>-</u>
Budgetary Basis	<u>\$ 25,059,113</u>	<u>\$ 24,089,306</u>	<u>\$ (116,602)</u>

See Independent Auditor's 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>	Proportion of the Net Pension <u>Liability</u>	Proportionate Share of the Net Pension <u>Liability</u>	Covered <u>Payroll</u>	Proportionate Share of the Net Pension Liability as a Percentage of <u>Covered Payroll</u>	Plan Fiduciary Net Position Percentage of the Total <u>Pension Liability</u>
June 30, 2022	December 31, 2021	53.35%	\$1,144	\$4,334	26.40%	96.70%
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%

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

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

See Independent Auditor's 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, 2022	December 31, 2021	\$1,158	\$1,158	\$ -	\$4,310	26.87%
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%

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**TOWN OF MONTAGUE, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Changes in the Net OPEB Liability

(Unaudited)

(Amounts expressed in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 770	\$ 688	\$ 704	\$ 587	\$ 567	\$ 528
Interest	336	419	439	475	476	457
Difference between expected and actual experience	(776)	(1,256)	(1,035)	(1,187)	420	-
Change in assumptions	(4,355)	1,076	321	442	-	-
Benefit payments, including refunds of member contributions	<u>(407)</u>	<u>(390)</u>	<u>(488)</u>	<u>(516)</u>	<u>(469)</u>	<u>(455)</u>
Net Change in Total OPEB Liability	(4,432)	537	(59)	(199)	994	530
Total OPEB Liability - Beginning	<u>16,470</u>	<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>12,038</u>	\$ <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	\$ 707	\$ 508	\$ 538	\$ 566	\$ 519	\$ 510
Net investment income (loss)	(56)	181	9	29	36	22
Benefit payments, including refunds of member contributions	<u>(407)</u>	<u>(390)</u>	<u>(488)</u>	<u>(516)</u>	<u>(469)</u>	<u>(455)</u>
Net Change in Plan Fiduciary Net Position	244	299	59	79	86	77
Plan Fiduciary Net Position - Beginning	<u>850</u>	<u>551</u>	<u>492</u>	<u>413</u>	<u>327</u>	<u>250</u>
Plan Fiduciary Net Position - Ending (b)	\$ <u>1,094</u>	\$ <u>850</u>	\$ <u>551</u>	\$ <u>492</u>	\$ <u>413</u>	\$ <u>327</u>
Net OPEB Liability - Ending (a-b)	\$ <u>10,944</u>	\$ <u>15,620</u>	\$ <u>15,382</u>	\$ <u>15,500</u>	\$ <u>15,778</u>	\$ <u>14,870</u>

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

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**TOWN OF MONTAGUE, MASSACHUSETTS**

Requirement Supplementary Information  
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

(Amounts expressed in thousands)

<b>Schedule of Net OPEB Liability</b>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 12,038	\$ 16,470	\$ 15,933	\$ 15,992	\$ 16,191	\$ 15,197
Plan fiduciary net position	<u>(1,094)</u>	<u>(850)</u>	<u>(551)</u>	<u>(492)</u>	<u>(413)</u>	<u>(327)</u>
Net OPEB Liability	<u>\$ 10,944</u>	<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	 9.09%	 5.16%	 3.46%	 3.08%	 2.55%	 2.15%
 Covered employee payroll	 \$ 4,637	 \$ 3,862	 \$ 4,179	 \$ 3,894	 \$ 3,650	 \$ 3,650
 Net OPEB liability as a percentage of covered employee payroll	 236.01%	 404.45%	 368.08%	 398.05%	 432.27%	 407.40%
 <b>Schedule of Contributions</b>	 <u>2022</u>	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Actuarially determined contribution	\$ 1,794	\$ 1,725	\$ 1,758	\$ 1,646	\$ 1,032	\$ 985
Contributions in relation to the actuarially determined contribution	<u>(707)</u>	<u>(508)</u>	<u>(538)</u>	<u>(566)</u>	<u>(519)</u>	<u>(510)</u>
Contribution deficiency	<u>\$ 1,087</u>	<u>\$ 1,217</u>	<u>\$ 1,220</u>	<u>\$ 1,080</u>	<u>\$ 513</u>	<u>\$ 475</u>
 Covered employee payroll	 \$ 4,637	 \$ 3,862	 \$ 4,179	 \$ 3,894	 \$ 3,650	 \$ 3,650
 Contributions as a percentage of covered employee payroll	 15.25%	 13.15%	 12.87%	 14.54%	 14.22%	 13.97%
 <b>Schedule of Investment Returns</b>	 <u>2022</u>	 <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	-5.60%	29.60%	1.90%	6.60%	10.86%	8.45%

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