

TOWN OF MONTAGUE, MASSACHUSETTS

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2023



TOWN OF MONTAGUE, MASSACHUSETTS

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INDEPENDENT AUDITORS' 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, 2023 (except for the Montague Contributory Retirement System, which is as of and for the year ended December 31, 2022), 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montague, Massachusetts, as of June 30, 2023 (except for the Montague Contributory Retirement System, which is as of and for the year ended December 31, 2022), 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Montague Contributory Retirement System were not audited in accordance with *Government Auditing Standards*. 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.

Responsibilities of Management for the Financial Statements

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.

Auditors' 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 auditors' 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 December 14, 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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Marcum LLP

Greenfield, MA
December 14, 2023

TOWN OF MONTAGUE, MASSACHUSETTS

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, 2023.

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.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT’S DISCUSSION AND ANALYSIS

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$5,278,964, a change of \$3,414,752, and net position in business-type activities was \$14,017,687, a change of \$1,487,864, as discussed further.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,983,004, a change of \$1,037,372 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,565,878, a change of \$(1,993,877) 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	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 17,297,059	\$ 15,841,893	\$ 2,613,655	\$ 1,815,042	\$ 19,910,714	\$ 17,656,935
Capital assets	<u>23,058,582</u>	<u>22,392,240</u>	<u>21,592,160</u>	<u>21,575,714</u>	<u>44,650,742</u>	<u>43,967,954</u>
Total Assets	40,355,641	38,234,133	24,205,815	23,390,756	64,561,456	61,624,889
Deferred Outflows of Resources	3,465,301	2,565,069	434,876	306,383	3,900,177	2,871,452
Liabilities						
Current liabilities	3,278,947	3,100,070	631,497	729,905	3,910,444	3,829,975
Noncurrent liabilities	<u>26,513,659</u>	<u>23,614,693</u>	<u>8,970,436</u>	<u>8,959,990</u>	<u>35,484,095</u>	<u>32,574,683</u>
Total Liabilities	29,792,606	26,714,763	9,601,933	9,689,895	39,394,539	36,404,658
Deferred Inflows of Resources	8,749,372	12,220,227	1,021,071	1,477,421	9,770,443	13,697,648
Net Position						
Net investment in capital assets	10,723,154	9,030,028	14,203,636	13,801,940	24,926,790	22,831,968
Restricted	1,892,234	1,794,144	--	--	1,892,234	1,794,144
Unrestricted	<u>(7,336,424)</u>	<u>(8,959,960)</u>	<u>(185,949)</u>	<u>(1,272,117)</u>	<u>(7,522,373)</u>	<u>(10,232,077)</u>
Total Net Position	<u>\$ 5,278,964</u>	<u>\$ 1,864,212</u>	<u>\$ 14,017,687</u>	<u>\$ 12,529,823</u>	<u>\$ 19,296,651</u>	<u>\$ 14,394,035</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 \$19,296,651, a change of \$4,902,616 in comparison to the prior year.

The largest portion of net position, \$24,926,790, 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.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

An additional portion of net position, \$1,892,234, 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 \$(7,522,373), primarily resulting from unfunded pension and OPEB liabilities.

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 1,192,133	\$ 1,610,234	\$ 3,029,918	\$ 2,760,149	\$ 4,222,051	\$ 4,370,383
Operating grants and contributions	2,602,395	2,555,889	--	--	2,602,395	2,555,889
Capital grants and contributions	1,821,019	602,989	1,902,931	575,811	3,723,950	1,178,800
General revenues:						
Property taxes	20,630,914	20,148,752	--	--	20,630,914	20,148,752
Excises	846,423	849,193	--	--	846,423	849,193
Penalties, interest, and other taxes	402,352	595,163	--	--	402,352	595,163
Grants and contributions not restricted to specific programs	1,990,208	1,828,072	--	--	1,990,208	1,828,072
Investment income	107,662	160,119	1,191	14,787	108,853	174,906
Miscellaneous	158,622	700,123	--	19,519	158,622	719,642
Total Revenues	<u>29,751,728</u>	<u>29,050,534</u>	<u>4,934,040</u>	<u>3,370,266</u>	<u>34,685,768</u>	<u>32,420,800</u>
Expenses						
General government	3,663,564	2,954,638	--	--	3,663,564	2,954,638
Public safety	3,746,176	3,299,491	--	--	3,746,176	3,299,491
Education	12,202,588	12,281,300	--	--	12,202,588	12,281,300
Public works	4,138,813	3,295,519	--	--	4,138,813	3,295,519
Health and human services	331,214	396,349	--	--	331,214	396,349
Culture and recreation	1,281,235	959,055	--	--	1,281,235	959,055
Interest on long-term debt	374,933	434,569	--	--	374,933	434,569
Intergovernmental	204,456	204,643	--	--	204,456	204,643
Sewer services	--	--	2,745,642	2,382,716	2,745,642	2,382,716
Airport services	--	--	1,094,531	1,313,136	1,094,531	1,313,136
Total Expenses	<u>25,942,979</u>	<u>23,825,564</u>	<u>3,840,173</u>	<u>3,695,852</u>	<u>29,783,152</u>	<u>27,521,416</u>
Change in Net Position Before Transfers	<u>3,808,749</u>	<u>5,224,970</u>	<u>1,093,867</u>	<u>(325,586)</u>	<u>4,902,616</u>	<u>4,899,384</u>
Transfers In (Out)	<u>(393,997)</u>	<u>(317,311)</u>	<u>393,997</u>	<u>317,311</u>	<u>--</u>	<u>--</u>
Change in Net Position	3,414,752	4,907,659	1,487,864	(8,275)	4,902,616	4,899,384
Net Position - Beginning of Year	<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>
Net Position - End of Year	<u>\$ 5,278,964</u>	<u>\$ 1,864,212</u>	<u>\$ 14,017,687</u>	<u>\$ 12,529,823</u>	<u>\$ 19,296,651</u>	<u>\$ 14,394,035</u>

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$3,414,752. Key elements of this change are as follows:

General Fund operations	\$ 700,961
Major fund - Town grant fund revenues in excess of expenditures and transfers out	9,570
Nonmajor governmental fund revenues and transfers in in excess of expenditures	326,841
Depreciation expense in excess of principal debt service	(658,920)
Capital assets purchases	1,962,784
Change in net pension liability, net of deferrals	(1,555)
Change in net OPEB liability, net of deferrals	639,090
Other	<u>435,981</u>
	<u>\$ 3,414,752</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$1,487,864. Key elements of this change are as follows:

Sewer Fund revenues and transfers in in excess of expenses	\$ 454,949
Airport Fund revenues and transfers in in excess of expenses	<u>1,032,915</u>
	<u>\$ 1,487,864</u>

Financial Analysis of the Town 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.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$2,565,878, while total fund balance was \$8,848,442. 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.

General Fund	June 30, 2023	June 30, 2022	Change	% of General Fund Expenditures
Unassigned fund balance	\$ 2,565,878	\$ 4,559,755	\$ (1,993,877)	10.7%
Total fund balance	\$ 8,848,442	\$ 8,147,481	\$ 700,961	36.9%

The total fund balance of the General Fund changed by \$700,961 during the current fiscal year. Key elements of this change are as follows:

Shortfall of tax collections vs. net assessment	\$ (54,428)
State and local revenues and transfers over budget	37,955
Budgetary appropriations unspent by departments	695,223
Use of free cash (fund balance) as a funding source for non-recurring items	(489,125)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	158,670
Change in stabilization funds	<u>352,666</u>
	<u>\$ 700,961</u>

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

	June 30, 2023	June 30, 2022	Change
General stabilization	\$ 1,179,668	\$ 1,133,668	\$ 46,000
Capital stabilization	1,580,527	1,404,858	175,669
Cannabis impact fee stabilization	226,898	461,051	(234,153)
Canal District improvement stabilization	251,013	--	251,013
Franklin County Technical School stabilization	271,094	143,025	128,069
Gill-Montague Regional School District stabilization	<u>89,160</u>	<u>103,092</u>	<u>(13,932)</u>
	<u>\$ 3,598,360</u>	<u>\$ 3,245,694</u>	<u>\$ 352,666</u>

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town Grant Fund

The Town grant fund consists of activity related to Town grants. Fund balance changed by \$9,570, primarily from timing differences between the receipt and disbursement of these grants.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$326,841, primarily from timing differences between the receipt and disbursement funds in other Town special revenue funds and activity related to 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 \$(185,949), a change of \$1,086,168 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 \$289,125. Reasons for these amendments include:

Increase in operating budget	\$ 56,625
Increase in capital budget	<u>232,500</u>
	<u>\$ 289,125</u>

All of this increase 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 \$44,650,742 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, vehicles and furnishings, construction in progress, and infrastructure.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Depreciation expense - governmental activities	\$ (1,296,442)
Depreciation expense - airport fund	(681,863)
Depreciation expense - sewer fund	(472,456)
Books	47,484
Purchase of police vehicle	54,000
Purchase of sewer vactor	473,420
Purchase of paver	53,000
Purchase of plant generator - sewer fund	128,446
Purchase of transit van - sewer fund	65,755
Construction in progress - canal district improvements	807,168
Construction in progress - various projects	527,712
Construction in progress - sewer projects	77,342
Construction in progress - airport projects	899,222

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 \$19,993,048, all of which was backed by the full faith and credit of the Town.

The Town maintained its 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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 10,827,439	\$ 1,560,094	\$ 12,387,533
Investments	2,448,182	260,954	2,709,136
Receivables:			
Property taxes	796,487	--	796,487
Excises	208,086	--	208,086
User fees	--	510,749	510,749
Departmental and other	29,500	--	29,500
Leases, current	67,113	43,864	110,977
Other assets	<u>107,788</u>	<u>47,100</u>	<u>154,888</u>
Total Current Assets	<u>14,484,595</u>	<u>2,422,761</u>	<u>16,907,356</u>
Noncurrent Assets			
Receivables:			
Tax liens	253,048	--	253,048
Leases, net of current portion	2,559,416	190,894	2,750,310
Capital assets:			
Nondepreciable capital assets	3,376,483	2,479,349	5,855,832
Other capital assets, net of accumulated depreciation	<u>19,682,099</u>	<u>19,112,811</u>	<u>38,794,910</u>
Total Noncurrent Assets	<u>25,871,046</u>	<u>21,783,054</u>	<u>47,654,100</u>
Total Assets	<u>40,355,641</u>	<u>24,205,815</u>	<u>64,561,456</u>
Deferred Outflows of Resources			
Related to pension	2,579,904	321,147	2,901,051
Related to OPEB	<u>885,397</u>	<u>113,729</u>	<u>999,126</u>
Total Deferred Outflows of Resources	<u>3,465,301</u>	<u>434,876</u>	<u>3,900,177</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 276,259	\$ 149,254	\$ 425,513
Accrued payroll and withholdings	126,668	13,519	140,187
Accrued interest	165,677	1,000	166,677
Unearned revenue	1,764,501	--	1,764,501
Intergovernmental payable	105,275	--	105,275
Other current liabilities	118,738	--	118,738
Current portion of long-term liabilities:			
Bonds and loans payable	709,329	467,724	1,177,053
Landfill liability	12,500	--	12,500
Total Current Liabilities	<u>3,278,947</u>	<u>631,497</u>	<u>3,910,444</u>
Noncurrent Liabilities			
Other noncurrent liabilities	9,584	--	9,584
Bonds and loans payable, net of current portion	11,702,750	7,113,245	18,815,995
Landfill liability, net of current portion	75,000	--	75,000
Net pension liability	5,675,467	706,482	6,381,949
Net OPEB liability	8,723,977	1,120,593	9,844,570
Compensated absences liability	326,881	30,116	356,997
Total Noncurrent Liabilities	<u>26,513,659</u>	<u>8,970,436</u>	<u>35,484,095</u>
Total Liabilities	<u>29,792,606</u>	<u>9,601,933</u>	<u>39,394,539</u>
Deferred Inflows of Resources			
Related to pension	41,547	5,172	46,719
Related to OPEB	6,081,296	781,141	6,862,437
Related to leases	2,626,529	234,758	2,861,287
Total Deferred Inflows of Resources	<u>8,749,372</u>	<u>1,021,071</u>	<u>9,770,443</u>
Net Position			
Net investment in capital assets	10,723,154	14,203,636	24,926,790
Restricted for:			
Grants and other statutory restrictions	1,805,834	--	1,805,834
Endowment funds:			
Nonexpendable	66,431	--	66,431
Expendable	19,969	--	19,969
Unrestricted	(7,336,424)	(185,949)	(7,522,373)
Total Net Position	<u>\$ 5,278,964</u>	<u>\$ 14,017,687</u>	<u>\$ 19,296,651</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Revenues			Net (Expenses) Revenues		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
Governmental Activities							
General government	\$ 3,663,564	\$ 316,694	\$ 1,724,373	\$ 327,766	\$ (1,294,731)	\$ --	\$ (1,294,731)
Public safety	3,746,176	372,274	110,742	--	(3,263,160)	--	(3,263,160)
Education	12,202,588	--	186,987	--	(12,015,601)	--	(12,015,601)
Public works	4,138,813	307,284	414,636	1,493,253	(1,923,640)	--	(1,923,640)
Health and human services	331,214	24,020	98,286	--	(208,908)	--	(208,908)
Culture and recreation	1,281,235	171,861	67,371	--	(1,042,003)	--	(1,042,003)
Interest on long-term debt	374,933	--	--	--	(374,933)	--	(374,933)
Intergovernmental	204,456	--	--	--	(204,456)	--	(204,456)
Total Governmental Activities	<u>25,942,979</u>	<u>1,192,133</u>	<u>2,602,395</u>	<u>1,821,019</u>	<u>(20,327,432)</u>	<u>--</u>	<u>(20,327,432)</u>
Business-Type Activities							
Sewer services	2,745,642	2,699,508	--	170,342	--	124,208	124,208
Airport services	1,094,531	330,410	--	1,732,589	--	968,468	968,468
Total Business-Type Activities	<u>3,840,173</u>	<u>3,029,918</u>	<u>--</u>	<u>1,902,931</u>	<u>--</u>	<u>1,092,676</u>	<u>1,092,676</u>
	<u>\$ 29,783,152</u>	<u>\$ 4,222,051</u>	<u>\$ 2,602,395</u>	<u>\$ 3,723,950</u>	<u>(20,327,432)</u>	<u>1,092,676</u>	<u>(19,234,756)</u>
General Revenues and Transfers							
Property taxes					20,630,914	--	20,630,914
Excises					846,423	--	846,423
Penalties, interest, and other taxes					402,352	--	402,352
Grants and contributions not restricted to specific programs					1,990,208	--	1,990,208
Investment income					107,662	1,191	108,853
Miscellaneous					158,622	--	158,622
Transfers					(393,997)	393,997	--
Total General Revenues and Transfers					<u>23,742,184</u>	<u>395,188</u>	<u>24,137,372</u>
Change in Net Position					3,414,752	1,487,864	4,902,616
Net Position, Beginning of year					<u>1,864,212</u>	<u>12,529,823</u>	<u>14,394,035</u>
Net Position, End of year					<u>\$ 5,278,964</u>	<u>\$ 14,017,687</u>	<u>\$ 19,296,651</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	Town Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 6,890,642	\$ 2,478,605	\$ 1,458,192	\$ 10,827,439
Investments	2,381,751	--	66,431	2,448,182
Receivables:				
Property taxes	1,049,535	--	--	1,049,535
Excises	208,086	--	--	208,086
Departmental and other	29,500	--	--	29,500
Leases	2,626,529	--	--	2,626,529
Other assets	<u>107,788</u>	<u>--</u>	<u>1,330</u>	<u>109,118</u>
Total Assets	<u>\$ 13,293,831</u>	<u>\$ 2,478,605</u>	<u>\$ 1,525,953</u>	<u>\$ 17,298,389</u>
Liabilities				
Accounts payable	\$ 186,271	\$ 80,832	\$ 9,156	\$ 276,259
Accrued payroll and withholdings	120,745	--	5,923	126,668
Unearned revenue	--	1,764,501	--	1,764,501
Intergovernmental payable	105,275	--	--	105,275
Other liabilities	<u>120,068</u>	<u>--</u>	<u>9,584</u>	<u>129,652</u>
Total Liabilities	<u>532,359</u>	<u>1,845,333</u>	<u>24,663</u>	<u>2,402,355</u>
Deferred Inflow of Resources				
Unavailable revenues	1,286,501	--	--	1,286,501
Related to leases	<u>2,626,529</u>	<u>--</u>	<u>--</u>	<u>2,626,529</u>
Total Deferred Inflow of Resources	<u>3,913,030</u>	<u>--</u>	<u>--</u>	<u>3,913,030</u>
Fund Balances				
Nonspendable	--	--	66,431	66,431
Restricted	--	723,696	1,228,109	1,951,805
Committed	3,850,328	--	206,750	4,057,078
Assigned	2,432,236	--	--	2,432,236
Unassigned	<u>2,565,878</u>	<u>(90,424)</u>	<u>--</u>	<u>2,475,454</u>
Total Fund Balances	<u>8,848,442</u>	<u>633,272</u>	<u>1,501,290</u>	<u>10,983,004</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,293,831</u>	<u>\$ 2,478,605</u>	<u>\$ 1,525,953</u>	<u>\$ 17,298,389</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, 2023

<i>Total Governmental Fund Balances</i>	\$ 10,983,004
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	23,058,582
Deferred outflows of resources related to pension to be recognized in pension expense in future periods.	2,579,904
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	885,397
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,286,501
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(165,677)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds and loans payable	(12,412,079)
Net pension liability	(5,675,467)
Net OPEB liability	(8,723,977)
Compensated absences liability	(326,881)
Landfill liability	(87,500)
Deferred inflows of resources related to pension to be recognized in pension expense in future periods.	(41,547)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>(6,081,296)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 5,278,964</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Town Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 20,399,570	\$ --	\$ --	\$ 20,399,570
Excises	771,309	--	--	771,309
Penalties, interest, and other taxes	402,352	--	--	402,352
Charges for services	625,476	10,546	368,946	1,004,968
Intergovernmental	2,501,473	2,339,210	1,507,728	6,348,411
Licenses and permits	175,219	--	--	175,219
Fines and forfeitures	11,554	--	--	11,554
Investment income	107,139	(1,002)	1,525	107,662
Miscellaneous	84,175	--	74,447	158,622
Total Revenues	<u>25,078,267</u>	<u>2,348,754</u>	<u>1,952,646</u>	<u>29,379,667</u>
Expenditures				
Current:				
General government	1,628,397	1,843,685	12,987	3,485,069
Public safety	2,487,531	27,221	236,914	2,751,666
Education	12,453,133	--	--	12,453,133
Public works	2,597,261	362,378	1,279,605	4,239,244
Health and human services	240,152	39,182	--	279,334
Culture and recreation	901,487	45,404	96,099	1,042,990
Employee benefits	2,406,776	--	--	2,406,776
Debt service:				
Principal	627,522	--	10,000	637,522
Interest	447,908	--	200	448,108
Intergovernmental	204,456	--	--	204,456
Total Expenditures	<u>23,994,623</u>	<u>2,317,870</u>	<u>1,635,805</u>	<u>27,948,298</u>
Excess of Revenues over Expenditures	<u>1,083,644</u>	<u>30,884</u>	<u>316,841</u>	<u>1,431,369</u>
Other Financing Sources (Uses)				
Transfers in	21,314	--	10,000	31,314
Transfers out	(403,997)	(21,314)	--	(425,311)
Total Other Financing Sources (Uses)	<u>(382,683)</u>	<u>(21,314)</u>	<u>10,000</u>	<u>(393,997)</u>
Change in Fund Balance	700,961	9,570	326,841	1,037,372
Fund Balances, Beginning of Year	<u>8,147,481</u>	<u>623,702</u>	<u>1,174,449</u>	<u>9,945,632</u>
Fund Balances, End of Year	<u>\$ 8,848,442</u>	<u>\$ 633,272</u>	<u>\$ 1,501,290</u>	<u>\$ 10,983,004</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, 2023

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 1,037,372
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:	
Capital outlay	1,962,784
Depreciation	(1,296,442)
The issuance of long-term debt (e.g. bonds and loans) 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:	
Repayments of general obligation bonds	591,574
Repayments of direct borrowings	45,950
Bond premium amortization	28,348
Loan forgiveness	77,764
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.	294,295
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:	
Change in net pension liability and related deferred outflows and inflows	(1,555)
Change in net OPEB liability and related deferred outflows and inflows	639,090
Change in accrued interest on bonds payable	44,827
Change in landfill liability	12,500
Change in compensated absences liability	<u>(21,755)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 3,414,752</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 881,087	\$ 679,007	\$ 1,560,094
Investments	260,954	--	260,954
User fees receivable	510,749	--	510,749
Leases receivable	--	43,864	43,864
Other current assets	100	47,000	47,100
Total Current Assets	<u>1,652,890</u>	<u>769,871</u>	<u>2,422,761</u>
Noncurrent Assets			
Leases receivable, net of current portion	--	190,894	190,894
Capital assets:			
Nondepreciable capital assets	359,183	2,120,166	2,479,349
Other capital assets, net of accumulated depreciation	11,499,584	7,613,227	19,112,811
Total Noncurrent Assets	<u>11,858,767</u>	<u>9,924,287</u>	<u>21,783,054</u>
Total Assets	<u>13,511,657</u>	<u>10,694,158</u>	<u>24,205,815</u>
Deferred Outflows of Resources			
Related to pension	277,631	43,516	321,147
Related to OPEB	107,392	6,337	113,729
Total Deferred Outflows of Resources	<u>385,023</u>	<u>49,853</u>	<u>434,876</u>
Liabilities			
Current Liabilities			
Accounts payable	27,987	121,267	149,254
Accrued payroll and withholdings	12,515	1,004	13,519
Accrued interest	50	950	1,000
Current portion of long-term liabilities:			
Bonds and loans payable	370,106	97,618	467,724
Total Current Liabilities	<u>410,658</u>	<u>220,839</u>	<u>631,497</u>
Noncurrent Liabilities			
Bonds and loans payable, net of current portion	5,981,774	1,131,471	7,113,245
Net pension liability	610,753	95,729	706,482
Net OPEB liability	1,058,157	62,436	1,120,593
Compensated absences liability	27,339	2,777	30,116
Total Noncurrent Liabilities	<u>7,678,023</u>	<u>1,292,413</u>	<u>8,970,436</u>
Total Liabilities	<u>8,088,681</u>	<u>1,513,252</u>	<u>9,601,933</u>
Deferred Inflows of Resources			
Related to pension	4,471	701	5,172
Related to OPEB	737,618	43,523	781,141
Related to leases	--	234,758	234,758
Total Deferred Inflows of Resources	<u>742,089</u>	<u>278,982</u>	<u>1,021,071</u>
Net Position			
Net investment in capital assets	5,637,243	8,566,393	14,203,636
Unrestricted	(571,333)	385,384	(185,949)
Total Net Position	<u>\$ 5,065,910</u>	<u>\$ 8,951,777</u>	<u>\$ 14,017,687</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Airport Fund	Total
Operating Revenues			
Charges for services	\$ 2,699,508	\$ 330,410	\$ 3,029,918
Total Operating Revenues	<u>2,699,508</u>	<u>330,410</u>	<u>3,029,918</u>
Operating Expenses			
Salaries and benefits	752,471	132,042	884,513
Other operating expenses	1,380,877	255,103	1,635,980
Depreciation	<u>472,456</u>	<u>681,863</u>	<u>1,154,319</u>
Total Operating Expenses	<u>2,605,804</u>	<u>1,069,008</u>	<u>3,674,812</u>
Operating Income (Loss)	<u>93,704</u>	<u>(738,598)</u>	<u>(644,894)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	170,342	1,732,589	1,902,931
Investment income (loss)	3,744	(2,553)	1,191
Interest expense	<u>(139,838)</u>	<u>(25,523)</u>	<u>(165,361)</u>
Total Nonoperating Revenues (Expenses), Net	<u>34,248</u>	<u>1,704,513</u>	<u>1,738,761</u>
Income Before Transfers	127,952	965,915	1,093,867
Transfers In	<u>326,997</u>	<u>67,000</u>	<u>393,997</u>
Change in Net Position	454,949	1,032,915	1,487,864
Net Position, Beginning of Year	<u>4,610,961</u>	<u>7,918,862</u>	<u>12,529,823</u>
Net Position, End of Year	<u>\$ 5,065,910</u>	<u>\$ 8,951,777</u>	<u>\$ 14,017,687</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Airport Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 2,549,292	\$ 300,976	\$ 2,850,268
Payments to employees	(653,341)	(127,464)	(780,805)
Payments to vendors	<u>(1,547,025)</u>	<u>(243,845)</u>	<u>(1,790,870)</u>
Net Cash Provided by (Used in) Operating Activities	<u>348,926</u>	<u>(70,333)</u>	<u>278,593</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	<u>326,997</u>	<u>67,000</u>	<u>393,997</u>
Net Cash Provided by Noncapital Financing Activities	<u>326,997</u>	<u>67,000</u>	<u>393,997</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(271,543)	(899,222)	(1,170,765)
Principal payments on bonds and notes	(379,066)	(79,821)	(458,887)
Intergovernmental revenue	170,342	1,732,589	1,902,931
Interest payments	<u>(202,573)</u>	<u>(54,119)</u>	<u>(256,692)</u>
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(682,840)</u>	<u>699,427</u>	<u>16,587</u>
Cash Flows From Investing Activities			
Investment income	3,744	479	4,223
Investment sales	<u>126,259</u>	<u>--</u>	<u>126,259</u>
Net Cash Provided by Investing Activities	<u>130,003</u>	<u>479</u>	<u>130,482</u>
Net Change in Cash and Short-Term Investments	123,086	696,573	819,659
Cash and Short-Term Investments, Beginning of Year	<u>758,001</u>	<u>(17,566)</u>	<u>740,435</u>
Cash and Short-Term Investments, End of Year	<u>\$ 881,087</u>	<u>\$ 679,007</u>	<u>\$ 1,560,094</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)			
Operating Activities			
Operating income (loss)	\$ 93,704	\$ (738,598)	\$ (644,894)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	472,456	681,863	1,154,319
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	(153,539)	--	(153,539)
Other assets	(100)	(29,434)	(29,534)
Deferred outflows - related to pension	(131,297)	(23,315)	(154,612)
Deferred outflows - related to OPEB	24,540	1,579	26,119
Accounts payable	(34,751)	102,460	67,709
Accrued and other liabilities	16,178	771	16,949
Due to other funds	3,323	(91,202)	(87,879)
Net pension liability	508,791	81,653	590,444
Net OPEB liability	(116,622)	(8,054)	(124,676)
Deferred inflows - related to pension	(350,804)	(48,343)	(399,147)
Deferred inflows - related to OPEB	17,047	287	17,334
Net Cash Provided by (Used in) Operating Activities	<u>\$ 348,926</u>	<u>\$ (70,333)</u>	<u>\$ 278,593</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

JUNE 30, 2023

	Pension and OPEB Trust Funds	Private Purpose Trust Funds
Assets		
Cash and short-term investments	\$ 149,343	\$ 125,767
Investments in external investment pools	55,035,620	--
Accounts receivable	17,385	--
	<hr/>	<hr/>
Total Assets	<u>55,202,348</u>	<u>125,767</u>
Liabilities		
Accounts payable	19,120	--
	<hr/>	<hr/>
Net Position		
Restricted for pension	53,974,811	--
Restricted for OPEB	1,208,417	--
Restricted for individuals	--	125,767
	<hr/>	<hr/>
Total Net Position	<u>\$ 55,183,228</u>	<u>\$ 125,767</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Pension and OPEB Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 2,797,380	\$ --
Plan members	917,777	--
Other systems and Commonwealth of Massachusetts	179,145	--
Other revenue	34,520	--
Total Contributions	3,928,822	--
Investment Income (Loss):		
Interest and dividends	--	2,847
(Decrease) in fair value of investments	(6,670,036)	--
Less: Management fees	(282,788)	--
Net Investment Income (Loss)	(6,952,824)	2,847
Total Additions	(3,024,002)	2,847
Deductions		
Benefit payments to plan members, beneficiaries and other systems	4,559,827	--
Refunds to plan members	51,638	--
Transfers to other systems	204,848	--
Administrative expenses	143,498	--
Scholarships awarded	--	1,650
Total Deductions	4,959,811	1,650
Change in Net Position	(7,983,813)	1,197
Restricted Net Position, Beginning of Year	63,167,041	124,570
Restricted Net Position, End of Year	\$ 55,183,228	\$ 125,767

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

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 Select Board. 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 2023, it was determined that no entities met the component unit requirements of GASB 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 One 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Fund Financial Statements (Continued)

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 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:

- *Pension and OPEB Trust Funds* are 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.

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

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 on the Statement of Net Position and the Balance Sheet. 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

Town as a Lessor (Continued)

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>
Buildings and improvements	20 – 40
Infrastructure	5 – 50
Vehicles	5 – 10
Machinery, equipment and furnishings	10

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and proprietary 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY (CONTINUED)

Fund Balance (Continued)

- *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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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, 2023. It is anticipated that the deficits in these funds will be eliminated through future intergovernmental revenues and bond proceeds.

NOTE 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 deposit having a maturity date of up to 3 years from the date of purchase,

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS – TOWN (EXCLUDING THE PENSION AND OPEB TRUST FUNDS) (CONTINUED)

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, 2023, none of the Town's bank balance of \$11,320,281 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$1,526,525 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, 2023:

Investment Type	Amount
Certificates of deposit	\$ 52,405
Corporate bonds	1,262,534
Corporate equities	307,198
Federal agency securities	108,472
U.S. Treasury notes	978,527
	<u>\$ 2,709,136</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS – TOWN (EXCLUDING THE PENSION AND OPEB TRUST FUNDS) (CONTINUED)

INVESTMENTS (CONTINUED)

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, 2023, 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, 2023, 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):

Investment Type	Amount	Rating as of Year End					
		AAA	A+	A	A-	BBB+	BBB
Corporate bonds	\$ 1,262,534	\$ 104,903	\$ 264,080	\$ 314,346	\$ 116,284	\$ 210,466	\$ 252,455
Federal agency securities	<u>108,472</u>	<u>108,472</u>	--	--	--	--	--
	<u>\$ 1,371,006</u>	<u>\$ 213,375</u>	<u>\$ 264,080</u>	<u>\$ 314,346</u>	<u>\$ 116,284</u>	<u>\$ 210,466</u>	<u>\$ 252,455</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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS – TOWN (EXCLUDING THE PENSION AND OPEB TRUST FUNDS) (CONTINUED)

INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

Individual investments exceeding 5% of the Town’s total investments were as follows at June 30, 2023:

Investment Issuer	Amount	% of Total Investments
Verizon Communications	\$ 141,145	5.21%
Bank of America Corp.	\$ 137,575	5.08%

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, 2023:

Investment Type	Amount	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
Corporate bonds	\$ 1,262,534	\$ 433,700	\$ 691,259	\$ 137,575
Federal agency securities	108,472	--	108,472	--
U.S. Treasury notes	978,527	155,044	823,483	--
	\$ 2,349,533	\$ 588,744	\$ 1,623,214	\$ 137,575

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS – TOWN (EXCLUDING THE PENSION AND OPEB TRUST FUNDS) (CONTINUED)

INVESTMENTS (CONTINUED)

Foreign Currency Risk (Continued)

At June 30, 2023, 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 GASB 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS – TOWN (EXCLUDING THE PENSION AND OPEB TRUST FUNDS) (CONTINUED)

INVESTMENTS (CONTINUED)

Fair Value (Continued)

The Town had the following fair value measurements as of June 30, 2023:

Investment Type	Amount	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Corporate bonds	\$ 1,262,534	\$ --	\$ 1,262,534	\$ --
Corporate equities	307,198	307,198	--	--
Federal agency securities	108,472	--	108,472	--
U.S. Treasury notes	978,527	--	978,527	--
	<u>\$ 2,656,731</u>	<u>\$ 307,198</u>	<u>\$ 2,349,533</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.

NOTE 4 - INVESTMENTS – PENSION TRUST FUND

All of the Montague Contributory Retirement System’s (the System) investments totaling \$53,827,203 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - INVESTMENTS – PENSION TRUST FUND (CONTINUED)

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, 2022, 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - INVESTMENTS – PENSION TRUST FUND (CONTINUED)

INTEREST RATE RISK (CONTINUED)

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, 2022, 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 (NAV) and are not subject to fair value measurement. 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.

Investment Type	Amount	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool (PRIT)	<u>\$ 53,827,203</u>	<u>\$ --</u>	Monthly	30 days

NOTE 5 - INVESTMENTS – OPEB TRUST FUND

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

As of June 30, 2023, all of the OPEB Trust Fund investments totaling \$1,208,417 were invested in the external (State) investment pool – State Retirees Benefits Trust Fund (SRBT).

CUSTODIAL CREDIT RISK

As of June 30, 2023, all of the OPEB Trust Fund investments were exempt from custodial credit risk disclosures as they were invested in SRBT.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - INVESTMENTS – OPEB TRUST FUND (CONTINUED)

CREDIT RISK – INVESTMENT IN DEBT SECURITIES

As of June 30, 2023, 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, 2023, 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, 2023, 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, 2023, 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

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

Investment Type	Amount	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool (SRBT)	<u>\$ 1,208,417</u>	<u>\$ --</u>	Monthly	30 days

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 2023 tax levy reflected an excess capacity of \$1,677,412.

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 - PROPERTY TAXES AND EXCISES RECEIVABLE (CONTINUED)

Property taxes and excise receivables at June 30, 2023, consisted of the following:

Receivable Type	Gross Amount (fund basis)	Current Portion	Long- Term Portion
Real estate taxes	\$ 598,088	\$ 598,088	\$ --
Personal property taxes	198,399	198,399	--
Tax liens	<u>253,048</u>	<u>--</u>	<u>253,048</u>
 Total property taxes	 <u>\$ 1,049,535</u>	 <u>\$ 796,487</u>	 <u>\$ 253,048</u>
 Motor vehicle excise	 \$ 206,838	 \$ 206,838	 \$ --
Boat excise	<u>1,248</u>	<u>1,248</u>	<u>--</u>
 Total excises	 <u>\$ 208,086</u>	 <u>\$ 208,086</u>	 <u>\$ --</u>

NOTE 7 - USER FEES RECEIVABLE

Receivables for user charges at June 30, 2023, consisted of the following:

	Total Amount
Sewer	<u>\$ 510,749</u>

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2023.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - LEASES RECEIVABLE

In fiscal year 2022, the Town implemented GASB Statement No. 87, *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, 2023:

Description	Original Issue	Serial Maturities Through	Interest Rate %	Amount Outstanding
Governmental Activities				
Kaesarge - Solar	\$ 2,920,890	06/30/42	4.09%	\$ 2,612,201
Kaesarge - Solar and energy storage	15,496	03/31/45	4.09%	<u>14,328</u>
Total Governmental Activities				<u><u>\$ 2,626,529</u></u>
Business-Type Activities				
New England Naturals Warehouse - Airport	106,193	02/01/24	4.09%	36,242
RB Gray Maintenance Town Hangar - Airport	166,178	06/30/41	4.09%	152,704
Fly Pioneer Valley Town Hangar - Airport	49,553	06/30/41	4.09%	<u>45,812</u>
Total Business-Type Activities				<u><u>\$ 234,758</u></u>

Future minimum lease payments under these leases consisted of the following at June 30, 2023:

	Governmental Activities		Business- Type Activities		Total Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
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	79,147	101,695	8,271	7,329	87,418	109,024
2027	85,621	98,458	8,616	6,984	94,237	105,442
2028	92,418	94,956	8,975	6,625	101,393	101,581
2029-2033	576,388	412,027	50,807	27,193	627,195	439,220
2034-2038	803,731	276,434	62,313	15,687	866,044	292,121
Thereafter	<u>849,130</u>	<u>89,790</u>	<u>43,972</u>	<u>2,828</u>	<u>893,102</u>	<u>92,618</u>
	<u><u>\$ 2,626,529</u></u>	<u><u>\$ 1,285,465</u></u>	<u><u>\$ 234,758</u></u>	<u><u>\$ 82,842</u></u>	<u><u>\$ 2,861,287</u></u>	<u><u>\$ 1,368,307</u></u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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.

NOTE 11 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities					
Capital Assets, Being Depreciated:					
Buildings and improvements	\$ 27,590,138	\$ --	\$ --	\$ 410,063	\$ 28,000,201
Machinery, equipment, vehicles and furnishings	4,689,506	627,904	(236,127)	--	5,081,283
Infrastructure	751,443	--	--	--	751,443
Total Capital Assets, Being Depreciated	<u>33,031,087</u>	<u>627,904</u>	<u>(236,127)</u>	<u>410,063</u>	<u>33,832,927</u>
Less: Accumulated Depreciation for:					
Buildings and improvements	(9,299,475)	(935,707)	--	--	(10,235,182)
Machinery, equipment, vehicles and furnishings	(3,364,443)	(334,417)	236,127	--	(3,462,733)
Infrastructure	(426,595)	(26,318)	--	--	(452,913)
Total Accumulated Depreciation	<u>(13,090,513)</u>	<u>(1,296,442)</u>	<u>236,127</u>	<u>--</u>	<u>(14,150,828)</u>
Capital Assets, Being Depreciated, Net	<u>19,940,574</u>	<u>(668,538)</u>	<u>--</u>	<u>410,063</u>	<u>19,682,099</u>
Capital assets, Not Being Depreciated:					
Land	913,402	--	--	--	913,402
Construction in progress (CIP)	1,538,264	1,334,880	--	(410,063)	2,463,081
Total Capital Assets, Not Being Depreciated	<u>2,451,666</u>	<u>1,334,880</u>	<u>--</u>	<u>(410,063)</u>	<u>3,376,483</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,392,240</u>	<u>\$ 666,342</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 23,058,582</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Business-Type Activities					
Capital Assets, Being Depreciated:					
Buildings and improvements	\$ 19,782,802	\$ --	\$ --	\$ 68,000	\$ 19,850,802
Machinery, equipment, vehicles and furnishings	809,427	194,201	--	--	1,003,628
Infrastructure	<u>15,030,075</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,030,075</u>
Total Capital Assets, Being Depreciated	<u>35,622,304</u>	<u>194,201</u>	<u>--</u>	<u>68,000</u>	<u>35,884,505</u>
Less: Accumulated Depreciation For:					
Buildings and improvements	(10,724,520)	(768,110)	--	--	(11,492,630)
Machinery, equipment, vehicles and furnishings	(304,433)	(85,608)	--	--	(390,041)
Infrastructure	<u>(4,588,422)</u>	<u>(300,601)</u>	<u>--</u>	<u>--</u>	<u>(4,889,023)</u>
Total Accumulated Depreciation	<u>(15,617,375)</u>	<u>(1,154,319)</u>	<u>--</u>	<u>--</u>	<u>(16,771,694)</u>
Capital Assets, Being Depreciated, Net	<u>20,004,929</u>	<u>(960,118)</u>	<u>--</u>	<u>68,000</u>	<u>19,112,811</u>
Capital assets, Not Being Depreciated:					
Land	1,380,923	--	--	--	1,380,923
Construction in progress (CIP)	<u>189,862</u>	<u>976,564</u>	<u>--</u>	<u>(68,000)</u>	<u>1,098,426</u>
Total Capital Assets, Not Being Depreciated	<u>1,570,785</u>	<u>976,564</u>	<u>--</u>	<u>(68,000)</u>	<u>2,479,349</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,575,714</u>	<u>\$ 16,446</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 21,592,160</u>

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

Governmental Activities	
General government	\$ 391,279
Public safety	184,718
Education	80,178
Public works	516,027
Culture and recreation	<u>124,240</u>
Total Governmental Activities	<u>\$ 1,296,442</u>
Business-Type Activities	
Sewer	\$ 472,456
Airport	<u>681,863</u>
Total Business-Type Activities	<u>\$ 1,154,319</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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.

NOTE 13 - 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.

NOTE 14 - 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. A majority of the loans from direct borrowings have been issued through the Massachusetts Clean Water Trust (MCWT) and the United States Department of Agriculture (USDA). General obligation bonds and loans from direct borrowings outstanding were as follows at June 30, 2023:

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT (CONTINUED)

GENERAL OBLIGATION BONDS AND LOANS (CONTINUED)

Governmental Activities	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2023
General Obligation Bonds				
Municipal purpose	\$ 988,000	11/01/26	4.11%	\$ 60,000
Police Station - refunded	2,320,853	02/01/28	5.00%	1,557,091
Montague Center School Roof - refunded	34,148	02/01/28	5.00%	22,911
Soil stabilization	72,000	06/30/31	2.75% - 5.00%	52,000
Skatepark	84,000	06/30/31	2.75% - 5.00%	62,000
Municipal purpose	103,000	05/15/34	3.00%	55,000
Building remodeling	276,000	11/15/34	2.05% - 4.00%	263,000
Public Works building construction	1,295,000	11/15/39	2.00% - 5.00%	1,346,951
DPW facility	2,503,000	06/30/44	2.75% - 5.00%	2,260,000
DPW facility	5,785,000	02/01/45	2.00% - 5.00%	5,884,187
Sewer - refunded	332,000	02/01/45	2.00% - 5.00%	<u>308,000</u>
 Total general obligation bonds				 <u>11,871,140</u>
Loans - Direct Borrowings				
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	89,466
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	<u>451,473</u>
 Total loans - direct borrowings				 <u>540,939</u>
 Total Governmental Activities				 <u>\$ 12,412,079</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT (CONTINUED)

GENERAL OBLIGATION BONDS AND LOANS (CONTINUED)

Business-Type Activities	Original Issue	Serial Maturities Through	Interest Rate(s) %	Outstanding as of June 30, 2023
General Obligation Bonds				
Sewer - multiple purpose	\$ 306,000	11/01/26	4.11%	\$ 39,726
Sewer - multiple purpose	1,550,000	05/15/34	3.00%	985,000
Airport - land acquisition	1,147,000	11/15/36	2.05% - 4.00%	1,103,000
Airport - improvements	67,000	11/15/36	2.05% - 4.00%	64,000
Storm drains	644,000	06/30/44	2.75% - 5.00%	558,000
Pump station	393,000	06/30/44	2.75% - 5.00%	356,000
Sewer lines	994,000	06/30/44	2.75% - 5.00%	897,000
Sewer - refunded	498,000	02/01/45	2.00% - 5.00%	<u>462,000</u>
Total general obligation bonds				<u><u>4,464,726</u></u>
Loans - Direct Borrowings				
331G compact track loader - airport	124,226	11/20/24	2.75%	62,089
Sludge dewatering screw press - sewer	226,217	06/25/26	unavailable	130,357
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	134,199
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	677,210
MCWT CW-14-28	1,583,047	06/30/44	2.75% - 5.00%	1,318,431
USDA - sewer	958,000	09/21/47	4.13%	<u>793,957</u>
Total loans - direct borrowings				<u><u>3,116,243</u></u>
Total Business-Type Activities				<u><u>\$ 7,580,969</u></u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT (CONTINUED)

FUTURE DEBT SERVICE

The annual payments to retire all bonds and loans outstanding as of June 30, 2023, was as follows:

Governmental Activities	General Obligation Bonds		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 634,000	\$ 380,010	\$ 46,981	\$ 12,166
2025	669,000	349,564	48,037	11,110
2026	701,000	318,501	49,117	10,028
2027	730,000	284,850	50,222	8,925
2028	754,000	249,903	27,843	8,030
2029 - 2033	2,243,000	903,460	149,763	29,608
2034 - 2038	2,387,000	598,388	168,976	10,394
Thereafter	3,137,002	322,493	--	--
	<u>\$ 11,255,002</u>	<u>\$ 3,407,169</u>	<u>\$ 540,939</u>	<u>\$ 90,261</u>

Business-Type Activities	General Obligation Bonds		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 236,000	\$ 145,710	\$ 231,724	\$ 84,728
2025	241,000	136,863	238,766	77,791
2026	249,000	128,094	210,053	69,970
2027	254,726	118,145	170,959	65,093
2028	256,000	108,155	139,884	61,372
2029 - 2033	1,443,000	397,662	755,187	252,871
2034 - 2038	1,103,000	183,787	858,004	153,271
Thereafter	682,000	69,904	511,666	100,837
	<u>\$ 4,464,726</u>	<u>\$ 1,288,320</u>	<u>\$ 3,116,243</u>	<u>\$ 865,933</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT (CONTINUED)

CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Bonds and loans payable:						
General obligation bonds	\$ 11,924,340	\$ --	\$ (669,338)	\$ 11,255,002	\$ (634,000)	\$ 10,621,002
Loans - direct borrowings	586,889	--	(45,950)	540,939	(46,981)	493,958
Unamortized premium	<u>644,486</u>	<u>--</u>	<u>(28,348)</u>	<u>616,138</u>	<u>(28,348)</u>	<u>587,790</u>
	13,155,715	--	(743,636)	12,412,079	(709,329)	11,702,750
Landfill liability	100,000	--	(12,500)	87,500	(12,500)	75,000
Net pension liability	1,028,319	4,647,148	--	5,675,467	--	5,675,467
Net OPEB liability	9,699,101	--	(975,124)	8,723,977	--	8,723,977
Compensated absences liability	305,126	21,755	--	326,881	--	326,881

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Bonds and loans payable:						
General obligation bonds	\$ 4,694,729	\$ --	\$ (230,000)	\$ 4,464,729	\$ (236,000)	\$ 4,228,729
Loans - direct borrowings	<u>3,342,095</u>	<u>--</u>	<u>(225,855)</u>	<u>3,116,240</u>	<u>(231,724)</u>	<u>2,884,516</u>
	8,036,824	--	(455,855)	7,580,969	(467,724)	7,113,245
Net pension liability	116,038	590,444	--	706,482	--	706,482
Net OPEB liability	1,245,269	--	(124,676)	1,120,593	--	1,120,593
Compensated absences liability	17,714	12,402	--	30,116	--	30,116

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT (CONTINUED)

OVERLAPPING DEBT (CONTINUED)

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
Gill-Montague Regional School District Gill-Montague Regional High School	\$ 315,000	88.24%	\$ 277,956
Franklin County Technical School School Building Remodel	<u>1,650,000</u>	12.42%	<u>204,930</u>
	<u>\$ 1,965,000</u>		<u>\$ 482,886</u>

NOTE 15 - 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 \$87,500 reported as landfill post-closure care liability at June 30, 2023, represents the remaining estimated post-closure maintenance costs. These amounts are based on what it would cost to perform all post-closure care in 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 16 - 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. 68 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 2023, 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - 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 for the year ended June 30, 2023:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 21,314	\$ (403,997)
Town grant fund	--	(21,314)
Nonmajor Governmental Funds:		
Expendable trust fund	10,000	--
Business-Type Funds		
Sewer fund	326,997	--
Airport fund	<u>67,000</u>	<u>--</u>
	<u>\$ 425,311</u>	<u>\$ (425,311)</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - GOVERNMENTAL FUNDS – FUND BALANCES

The Town’s fund balances at June 30, 2023, were comprised of the following:

	General Fund	Town Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ --	\$ --	\$ 66,431	\$ 66,431
Total Nonspendable	<u>--</u>	<u>--</u>	<u>66,431</u>	<u>66,431</u>
Restricted				
Bonded projects	--	--	52,361	52,361
Special revenue funds	--	723,696	1,155,779	1,879,475
Permanent funds	--	--	19,969	19,969
Total Restricted	<u>--</u>	<u>723,696</u>	<u>1,228,109</u>	<u>1,951,805</u>
Committed				
Special articles:				
General government	304,716	--	--	304,716
Public safety	212,454	--	--	212,454
Education	340,211	--	--	340,211
Public works	249,721	--	--	249,721
Health and human services	32,344	--	--	32,344
Culture and recreation	292,190	--	--	292,190
Stabilization funds for specific purposes*	2,418,692	--	--	2,418,692
Capital project funds funded by				
General Fund appropriation	--	--	189,967	189,967
Town set-asides	--	--	16,783	16,783
Total Committed	<u>3,850,328</u>	<u>--</u>	<u>206,750</u>	<u>4,057,078</u>
Assigned				
Reserved for expenditures:				
Operating budget	2,735	--	--	2,735
Capital budget	179,501	--	--	179,501
Stabilization contribution	750,000	--	--	750,000
OPEB contribution	1,500,000	--	--	1,500,000
Total Assigned	<u>2,432,236</u>	<u>--</u>	<u>--</u>	<u>2,432,236</u>
Unassigned				
General Fund	1,386,210	--	--	1,386,210
General stabilization fund*	1,179,668	--	--	1,179,668
Deficit funds	--	(90,424)	--	(90,424)
Total Unassigned	<u>2,565,878</u>	<u>(90,424)</u>	<u>--</u>	<u>2,475,454</u>
Total Fund Balance	<u>\$ 8,848,442</u>	<u>\$ 633,272</u>	<u>\$ 1,501,290</u>	<u>\$ 10,983,004</u>

* 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 – RESTRICTED NET POSITION

The Town’s restricted net position at June 30, 2023, was comprised of the following:

Purpose	Amount
Town grants	
General government	\$ 1,052,731
Public safety	68,916
Public works	15,661
Health and human services	36,630
Culture and recreation	156,309
Colle	475,587
Nonexpendable	66,431
Expendable	19,969
	<u>\$ 1,892,234</u>

NOTE 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 Massachusetts General Laws (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 One Avenue A, Turners Falls, MA 01376.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - MONTAGUE CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - MONTAGUE CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Participant Retirement Benefits (Continued)

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - MONTAGUE CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Methods of Payment (Continued)

- 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, 2023, was \$1,212,703, which was equal to its annual required contribution.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - MONTAGUE CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

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, 2023, the Town reported a liability of approximately \$6.38 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022, rolled forward to December 31, 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, 2023, the Town's proportion was 53.09%, which was an decrease of (0.26%) from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of approximately \$1,227,000. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 674,774	\$ (46,719)
Net difference between projected and actual earnings on pension plan investments	1,802,405	--
Changes in assumptions	302,613	--
Changes in proportion and differences between contributions and proportionate share of contributions	<u>121,259</u>	<u>--</u>
	<u>\$ 2,901,051</u>	<u>\$ (46,719)</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - MONTAGUE CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

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

Year ended June 30:

2024	\$ 313,843
2025	617,456
2026	733,103
2027	<u>1,189,930</u>
	<u>\$ 2,854,332</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	7 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).

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - MONTAGUE CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

- 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.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	21.20%	1.51%
International equity	12.20%	0.84%
Emerging markets equity	4.70%	0.45%
Hedged funds/ PCS	8.60%	0.56%
Core fixed income	13.80%	2.33%
Value-added fixed income	7.00%	0.55%
Private equity	17.70%	1.81%
Real estate	11.20%	0.64%
Timberland	3.20%	0.22%
Overlay	0.40%	0.00%
	<u>100.00%</u>	

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - MONTAGUE CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

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 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 (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
\$ 10,034,010	\$ 6,381,949	\$ 3,291,580

PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2023.

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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	68
Active employees	73
	<hr/>
	141
	<hr/> <hr/>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 5.70%. 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, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.00%
Municipal bond rate/discount rate	4.13%
Healthcare cost trend rates	8.00% decreasing to an ultimate rate of 5.00% as of 2025 and later years
Retirees' share of benefit-related costs	20%
Participation rate	100% of eligible retirees

Mortality rates were based on PUB-2010 with MP-2021 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TARGET ALLOCATIONS (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
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	17.00%	0.0%
	<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, the discount rate was equal to the municipal bond rate of 4.13% (based on index provided by S&P Municipal Bond 20-Year High Grade Bond index as of June 30, 2023).

NET OPEB LIABILITY

The components of the net OPEB liability, measured as of June 30, 2023, were as follows:

Total OPEB liability	\$ 11,052,987
Plan fiduciary net position	<u>(1,208,417)</u>
Net OPEB Liability	<u>\$ 9,844,570</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.93%

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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	\$ 12,038,669	\$ 1,094,299	\$ 10,944,370
Changes for the year:			
Service cost	471,590	--	471,590
Interest	482,911	--	482,911
Contributions - employer	--	513,140	(513,140)
Net investment income	--	64,118	(64,118)
Difference between expected and actual experience	(415,411)	--	(415,411)
Changes in assumptions	(1,061,632)	--	(1,061,632)
Benefit payments	(463,140)	(463,140)	--
Net Changes	<u>(985,682)</u>	<u>114,118</u>	<u>(1,099,800)</u>
Balances, end of year	<u>\$ 11,052,987</u>	<u>\$ 1,208,417</u>	<u>\$ 9,844,570</u>

Change in assumptions and other inputs reflect a change in the discount rate from 4.09% in 2022 to 4.13% in 2023.

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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
\$ 11,601,339	\$ 9,844,570	\$ 8,435,058

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 (6.00% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
\$ 8,353,461	\$ 9,844,570	\$ 11,737,874

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2023, the Town recognized OPEB income of \$207,174. At June 30, 2023, the Town reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ (2,675,290)
Change in assumptions	999,126	(4,150,891)
Net difference between projected and actual OPEB investment earnings	--	(36,256)
	\$ 999,126	\$ (6,862,437)

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

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

<u>Year ended June 30:</u>	
2024	\$ (1,113,525)
2025	(1,114,400)
2026	(1,081,135)
2027	(1,003,001)
2028	(909,939)
Thereafter	<u>(641,311)</u>
	<u><u>\$ (5,863,311)</u></u>

NOTE 22 - CONSOLIDATION OF PENSION AND OPEB TRUST FUNDS

The Montague Contributory Retirement System Trust Fund (Pension Trust Fund) and the Other Post-Employment Benefit 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:

	<u>Pension Trust Fund (December 31, 2022)</u>	<u>Other Post-Employment Benefit Trust Fund</u>	<u>Pension and OPEB Trust Fund</u>
Assets			
Cash and short-term investments	\$ 149,343	\$ --	\$ 149,343
Investments in external investment pools	53,827,203	1,208,417	55,035,620
Accounts receivable	<u>17,385</u>	<u>--</u>	<u>17,385</u>
Total Assets	<u>53,993,931</u>	<u>1,208,417</u>	<u>55,202,348</u>
Liabilities			
Accounts payable	<u>19,120</u>	<u>--</u>	<u>19,120</u>
Net Position			
Restricted for pension	53,974,811	--	53,974,811
Restricted for OPEB	<u>--</u>	<u>1,208,417</u>	<u>1,208,417</u>
Total Net Position	<u><u>\$ 53,974,811</u></u>	<u><u>\$ 1,208,417</u></u>	<u><u>\$ 55,183,228</u></u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 22 - CONSOLIDATION OF PENSION AND OPEB TRUST FUNDS (CONTINUED)

	Pension Trust Fund (year ended December 31, 2022)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Fund
Additions			
Contributions:			
Employer	\$ 2,284,240	\$ 513,140	\$ 2,797,380
Plan members	917,777	--	917,777
Other systems and			
Commonwealth of Massachusetts	179,145	--	179,145
Other revenue	34,520	--	34,520
Total Contributions	3,415,682	513,140	3,928,822
Investment Income (Loss):			
Increase (decrease) in fair value of investments	(6,734,154)	64,118	(6,670,036)
Less: Management fees	(282,788)	--	(282,788)
Net Investment Income (Loss)	(7,016,942)	64,118	(6,952,824)
Total Additions	(3,601,260)	577,258	(3,024,002)
Deductions			
Benefit payments to plan members, beneficiaries and other systems	4,096,687	463,140	4,559,827
Refunds to plan members	51,638	--	51,638
Transfers to other systems	204,848	--	204,848
Administrative expenses	143,498	--	143,498
Total Deductions	4,496,671	463,140	4,959,811
Change in Net Position	(8,097,931)	114,118	(7,983,813)
Restricted Net Position, Beginning of Year	62,072,742	1,094,299	63,167,041
Restricted Net Position, End of Year	\$ 53,974,811	\$ 1,208,417	\$ 55,183,228

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 23 - COMMITMENTS AND CONTINGENCIES

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, 2023, the Trust had contracted with an insurance carrier for excess liability coverage, which takes effect when an individual claim exceeds \$300,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2023, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred, but unreported claims of approximately \$5.0 million, the Trust was in a surplus position of approximately \$22.8 million.

NOTE 24 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 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

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 20,453,998	\$ 20,453,998	\$ 20,399,570	\$ (54,428)
Excises	877,582	877,582	771,309	(106,273)
Penalties, interest, and other taxes	154,000	154,000	153,190	(810)
Charges for services	570,000	570,000	625,476	55,476
Intergovernmental	2,236,489	2,236,489	2,251,473	14,984
Licenses and permits	172,000	172,000	175,219	3,219
Fines and forfeitures	15,000	15,000	11,554	(3,446)
Investment income	1,000	1,000	31,329	30,329
Miscellaneous	61,000	61,000	84,175	23,175
Total Revenues	24,541,069	24,541,069	24,503,295	(37,774)
Expenditures				
General government	1,751,311	1,807,312	1,669,940	137,372
Public safety	2,639,469	2,692,594	2,638,304	54,290
Education	12,512,033	12,512,033	12,501,836	10,197
Public works	2,686,383	2,866,383	2,651,105	215,278
Health and human services	298,287	298,287	238,582	59,705
Culture and recreation	853,165	853,164	766,864	86,300
Employee benefits	2,513,880	2,513,880	2,406,776	107,104
Debt service	1,101,630	1,101,630	1,075,430	26,200
Intergovernmental	204,562	204,562	204,456	106
Total Expenditures	24,560,720	24,849,845	24,153,293	696,552
Excess (Deficiency) of Revenues Over Expenditures	(19,651)	(308,776)	350,002	658,778
Other Financing Sources (Uses)				
Transfers in	519,813	519,813	541,114	21,301
Transfers out	(700,162)	(700,162)	(701,491)	(1,329)
Use of free cash:				
Operating budget	10,000	66,625	--	(66,625)
Capital budget	190,000	422,500	--	(422,500)
Total Other Financing Sources (Uses)	19,651	308,776	(160,377)	(469,153)
Overall Budgetary Excess	\$ --	\$ --	\$ 189,625	\$ 189,625

See independent auditors' report.

TOWN OF MONTAGUE, MASSACHUSETTS

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.

	Revenues	Expenditures	Other Financing Sources (Uses)
GAAP Basis	\$ 25,078,267	\$ 23,994,623	\$ (382,683)
Remove the effect of combining stabilization funds and the General Fund:			
Reverse the adjustment eliminating interfund transfers	--	--	222,306
Remove stabilization funds cannabis revenues	(249,162)	--	--
Remove stabilization funds canal district	(250,000)	--	--
Remove stabilization funds investment income	(75,810)	--	--
Reverse beginning of year appropriation carryforwards from expenditures	--	(1,275,700)	--
Add end of year appropriation carryforwards to expenditures	--	1,434,370	--
	--	1,434,370	--
Budgetary Basis	<u>\$ 24,503,295</u>	<u>\$ 24,153,293</u>	<u>\$ (160,377)</u>

TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Unaudited)

(Amounts expressed in thousands)

Montague Contributory Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	December 31, 2022	53.09%	\$ 6,382	\$ 4,313	147.97%	81.80%
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 auditors' report.

TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

(Amounts expressed in thousands)

Montague Contributory Retirement System						
Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	December 31, 2022	\$ 1,213	\$ 1,213	\$ --	\$ 4,598	26.38%
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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

(Unaudited)

(Amounts expressed in thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 472	\$ 770	\$ 688	\$ 704	\$ 587	\$ 567	\$ 528
Interest	483	336	419	439	475	476	457
Difference between expected and actual experience	(415)	(776)	(1,256)	(1,035)	(1,187)	420	--
Change in assumptions	(1,062)	(4,355)	1,076	321	442	--	--
Benefit payments, including refunds of member contributions	<u>(463)</u>	<u>(407)</u>	<u>(390)</u>	<u>(488)</u>	<u>(516)</u>	<u>(469)</u>	<u>(455)</u>
Net Change in Total OPEB Liability	(985)	(4,432)	537	(59)	(199)	994	530
Total OPEB Liability - Beginning	<u>12,038</u>	<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>\$ 11,053</u>	<u>\$ 12,038</u>	<u>\$ 16,470</u>	<u>\$ 15,933</u>	<u>\$ 15,992</u>	<u>\$ 16,191</u>	<u>\$ 15,197</u>
Plan Fiduciary Net Position							
Contributions - employer	513	707	508	538	566	519	510
Net investment income (loss)	64	(56)	181	9	29	36	22
Benefit payments, including refunds of member contributions	<u>(463)</u>	<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	114	244	299	59	79	86	77
Plan Fiduciary Net Position - Beginning	<u>1,094</u>	<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>\$ 1,208</u>	<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>\$ 9,845</u>	<u>\$ 10,944</u>	<u>\$ 15,620</u>	<u>\$ 15,382</u>	<u>\$ 15,500</u>	<u>\$ 15,778</u>	<u>\$ 14,870</u>

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TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS

(Unaudited)

(Amounts expressed in thousands)

Schedule of Net OPEB Liability	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability	\$ 11,053	\$ 12,038	\$ 16,470	\$ 15,933	\$ 15,992	\$ 16,191	\$ 15,197
Plan fiduciary net position	<u>(1,208)</u>	<u>(1,094)</u>	<u>(850)</u>	<u>(551)</u>	<u>(492)</u>	<u>(413)</u>	<u>(327)</u>
Net OPEB Liability	<u>\$ 9,845</u>	<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	10.93%	9.09%	5.16%	3.46%	3.08%	2.55%	2.15%
Covered employee payroll	\$ 4,776	\$ 4,637	\$ 3,862	\$ 4,179	\$ 3,894	\$ 3,650	\$ 3,650
Net OPEB liability as a percentage of covered employee payroll	206.13%	236.01%	404.45%	368.08%	398.05%	432.27%	407.40%
Schedule of Contributions	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 1,364	\$ 1,794	\$ 1,725	\$ 1,758	\$ 1,646	\$ 1,032	\$ 985
Contributions in relation to the actuarially determined contribution	<u>(513)</u>	<u>(707)</u>	<u>(508)</u>	<u>(538)</u>	<u>(566)</u>	<u>(519)</u>	<u>(510)</u>
Contribution deficiency	<u>\$ 851</u>	<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	\$ 4,776	\$ 4,637	\$ 3,862	\$ 4,179	\$ 3,894	\$ 3,650	\$ 3,650
Contributions as a percentage of covered employee payroll	10.74%	15.25%	13.15%	12.87%	14.54%	14.22%	13.97%
Schedule of Investment Returns	2023	2022	2021	2020	2019	2018	2017
Annual money weighted rate of return, net of investment expense	5.70%	-5.60%	29.60%	1.90%	6.60%	10.86%	8.45%

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