

TOWN OF MONTAGUE, MASSACHUSETTS

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2024



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, 2024 (except for the Montague Contributory Retirement System, which is as of and for the year ended December 31, 2023), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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, 2024 (except for the Montague Contributory Retirement System, which is as of and for the year ended December 31, 2023), 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 (*Government Auditing Standards*). 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.

Emphasis of Matter - Correction of Error

As discussed in Note 25 to the financial statements, the Town restated the beginning net position in the Airport Enterprise fund and Business-Type activities to correct the reporting of assets and revenues for an airport grant. Our report is not modified with respect to this matter.

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 February 4, 2025, 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
February 4, 2025

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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, 2024.

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

JUNE 30, 2024

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.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$5,978,283, a change of \$699,319, and net position in business-type activities was \$12,752,767, a change of \$11,548 from the restated prior year, as discussed further in Note 25.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,216,212, a change of \$233,208 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,684,039, a change of \$1,118,116 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.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023 (Restated)	2024	2023
Assets						
Current and other assets	\$ 22,326,401	\$ 17,297,059	\$ 2,979,673	\$ 2,613,655	\$ 25,306,074	\$ 19,910,714
Capital assets	22,369,383	23,058,582	20,092,415	20,707,082	42,461,798	43,765,664
Total Assets	44,695,784	40,355,641	23,072,088	23,320,737	67,767,872	63,676,378
Deferred Outflows of Resources	2,632,339	3,465,301	364,529	434,876	2,996,868	3,900,177
Liabilities						
Current liabilities	8,180,215	3,278,947	890,861	1,022,887	9,071,076	4,301,834
Noncurrent liabilities	25,590,690	26,513,659	8,647,083	8,970,436	34,237,773	35,484,095
Total Liabilities	33,770,905	29,792,606	9,537,944	9,993,323	43,308,849	39,785,929
Deferred Inflows of Resources	7,578,935	8,749,372	1,145,906	1,021,071	8,724,841	9,770,443
Net Position						
Net investment in capital assets	10,876,191	10,723,154	13,098,919	12,927,168	23,975,110	23,650,322
Restricted	1,890,814	1,892,234	--	--	1,890,814	1,892,234
Unrestricted	(6,788,722)	(7,336,424)	(346,152)	(185,949)	(7,134,874)	(7,522,373)
Total Net Position	<u>\$ 5,978,283</u>	<u>\$ 5,278,964</u>	<u>\$ 12,752,767</u>	<u>\$ 12,741,219</u>	<u>\$ 18,731,050</u>	<u>\$ 18,020,183</u>

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 \$18,731,050, a change of \$710,867 in comparison to the restated prior year.

The largest portion of net position, \$23,975,110, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,890,814, 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 \$(7,134,874), primarily resulting from unfunded pension and OPEB liabilities.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Summary of Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023 (Restated)	2024	2023
Revenues						
Program revenues:						
Charges for services	\$ 1,268,542	\$ 1,192,133	\$ 3,233,263	\$ 3,029,918	\$ 4,501,805	\$ 4,222,051
Operating grants and contributions	1,664,034	2,602,395	--	--	1,664,034	2,602,395
Capital grants and contributions	877,219	1,821,019	804,923	626,463	1,682,142	2,447,482
General revenues:						
Property taxes	21,792,059	20,630,914	--	--	21,792,059	20,630,914
Excises	876,239	846,423	--	--	876,239	846,423
Penalties, interest, and other taxes	326,233	402,352	--	--	326,233	402,352
Grants and contributions not restricted to specific programs	2,169,656	1,990,208	--	--	2,169,656	1,990,208
Nonoperating revenues	--	--	840,453	885,078	840,453	885,078
Investment income	232,297	107,662	21,461	1,191	253,758	108,853
Miscellaneous	335,132	158,622	--	--	335,132	158,622
Total Revenues	<u>29,541,411</u>	<u>29,751,728</u>	<u>4,900,100</u>	<u>4,542,650</u>	<u>34,441,511</u>	<u>34,294,378</u>
Expenses						
General government	4,023,779	3,663,564	--	--	4,023,779	3,663,564
Public safety	4,245,737	3,746,176	--	--	4,245,737	3,746,176
Education	13,111,309	12,202,588	--	--	13,111,309	12,202,588
Public works	4,580,486	4,138,813	--	--	4,580,486	4,138,813
Health and human services	469,040	331,214	--	--	469,040	331,214
Culture and recreation	1,263,627	1,281,235	--	--	1,263,627	1,281,235
Interest on long-term debt	378,086	374,933	--	--	378,086	374,933
Intergovernmental	218,169	204,456	--	--	218,169	204,456
Sewer services	--	--	3,203,001	2,745,642	3,203,001	2,745,642
Airport services	--	--	2,237,410	1,979,609	2,237,410	1,979,609
Total Expenses	<u>28,290,233</u>	<u>25,942,979</u>	<u>5,440,411</u>	<u>4,725,251</u>	<u>33,730,644</u>	<u>30,668,230</u>
Change in Net Position Before Transfers	<u>1,251,178</u>	<u>3,808,749</u>	<u>(540,311)</u>	<u>(182,601)</u>	<u>710,867</u>	<u>3,626,148</u>
Transfers In (Out)	<u>(551,859)</u>	<u>(393,997)</u>	<u>551,859</u>	<u>393,997</u>	<u>--</u>	<u>--</u>
Change in Net Position	699,319	3,414,752	11,548	211,396	710,867	3,626,148
Net Position - Beginning of Year as restated	<u>5,278,964</u>	<u>1,864,212</u>	<u>12,741,219</u>	<u>12,529,823</u>	<u>18,020,183</u>	<u>14,394,035</u>
Net Position - End of Year	<u>\$ 5,978,283</u>	<u>\$ 5,278,964</u>	<u>\$ 12,752,767</u>	<u>\$ 12,741,219</u>	<u>\$ 18,731,050</u>	<u>\$ 18,020,183</u>

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$699,319. Key elements of this change are as follows:

General fund operations	\$ 111,178
Major fund - Town grant fund revenues and transfers in, in excess of expenditures and transfers out	26,439
Major fund - Town building fund revenues and transfers in, in excess of expenditures	126,310
Nonmajor governmental fund expenditures and transfers out, in excess of revenues and transfers in	(30,719)
Depreciation expense in excess of principal debt service	(668,012)
Capital assets purchases	665,933
Change in net pension liability, net of deferrals	(1,115,627)
Change in net OPEB liability, net of deferrals	1,484,503
Other	99,314
	<u>\$ 699,319</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$11,548 from the restated prior year. Key elements of this change are as follows:

Sewer Fund revenues and transfers in, in excess of expenses and transfers out	\$ 219,447
Airport Fund expenses in excess of revenues and transfers in	<u>(207,899)</u>
	<u>\$ 11,548</u>

The net position in the airport fund was restated to remove amounts added to construction in progress related to the joint airplane hangar capital project with the Franklin County Technical School District (the District) and reclass revenue as unearned in the prior year. Although the activity for this project flows through the Town's general ledger, the capital asset will belong to the District at the conclusion of the project and revenue should be recorded to match expenses in the year they occur.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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.

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,684,039, while total fund balance was \$8,959,620. 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, 2024	June 30, 2023	Change	% of General Fund Expenditures
Unassigned fund balance	\$ 3,684,039	\$ 2,565,878	\$ 1,118,161	14.3%
Total fund balance	8,959,620	8,848,442	111,178	34.7%

The total fund balance of the general fund changed by \$111,178 during the current fiscal year. Key elements of this change are as follows:

Excess of tax collections vs. net assessment	\$ 277,422
State and local revenues and transfers over budget	507,147
Budgetary appropriations unspent by departments	816,152
Use of free cash (fund balance) as a funding source for non-recurring items	(2,457,142)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	(92,152)
Change in stabilization funds	1,309,751
Use of overlay surplus	<u>(250,000)</u>
	<u>\$ 111,178</u>

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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

	June 30, 2024	June 30, 2023	Change
General stabilization	\$ 1,288,748	\$ 1,179,668	\$ 109,080
Capital stabilization	2,692,831	1,580,527	1,112,304
Cannabis impact fee stabilization	233,319	226,898	6,421
Canal District improvement stabilization	258,117	251,013	7,104
Franklin County Technical School stabilization	301,181	271,094	30,087
Gill-Montague Regional School District stabilization	133,915	89,160	44,755
	<u>\$ 4,908,111</u>	<u>\$ 3,598,360</u>	<u>\$ 1,309,751</u>

Town Grant Fund

The Town grant fund consists of activity related to Town grants. Fund balance changed by \$26,439, primarily from timing differences between the receipt and disbursement of these grants.

Town Buildings Fund

The Town buildings fund consists of activity related to capital projects related to town buildings. Fund balance changed by \$126,310 primarily from timing differences between the receipt and disbursement of capital activity.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$(30,719), primarily from timing differences between the receipt and disbursement of other special revenue funds.

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 \$(346,152), a change of \$(160,203) 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.

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$474,635. Reasons for these amendments include:

Increase in operating budget	\$ 33,755
Transfer to airport enterprise fund operations	128,000
Purchase of skid steer	90,000
Replace culvert on South Ferry Road	<u>222,880</u>
	<u>\$ 474,635</u>

Of this increase, \$161,755 was funded from free cash and \$312,880 was a transfer from the Town's capital stabilization fund.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$42,461,798 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, vehicles and furnishings, construction in progress, and infrastructure.

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

Depreciation expense - governmental activities	\$ (1,348,995)
Depreciation expense - airport fund	(722,429)
Depreciation expense - sewer fund	(480,384)
Equipment disposal, net	(6,138)
Books	50,532
Purchase of police vehicles	93,091
Public works vehicles	203,729
Public works equipment	183,389
Purchase of skid steer - airport fund	141,719
Equipment purchase - sewer fund	26,097
Construction in progress - various projects	135,193
Construction in progress - sewer projects	348,552
Construction in progress - airport project	71,778

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

TOWN OF MONTAGUE, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$18,815,994, 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:

Town of Montague
One Avenue A
Turners Falls, MA 01376

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 14,348,198	\$ 1,568,007	\$ 15,916,205
Investments	3,711,424	268,339	3,979,763
Receivables:			
Property taxes	825,210	--	825,210
Excises	224,917	--	224,917
User fees	--	423,321	423,321
Departmental and other	2,403	--	2,403
Intergovernmental	324,974	259,006	583,980
Leases, current	72,981	78,897	151,878
Other assets	<u>97,042</u>	<u>12,094</u>	<u>109,136</u>
Total Current Assets	<u>19,607,149</u>	<u>2,609,664</u>	<u>22,216,813</u>
Noncurrent Assets			
Receivables:			
Tax liens	232,817	--	232,817
Leases, net of current portion	2,486,435	370,009	2,856,444
Capital assets:			
Nondepreciable capital assets	1,715,058	1,846,376	3,561,434
Other capital assets, net of accumulated depreciation	<u>20,654,325</u>	<u>18,246,039</u>	<u>38,900,364</u>
Total Noncurrent Assets	<u>25,088,635</u>	<u>20,462,424</u>	<u>45,551,059</u>
Total Assets	<u>44,695,784</u>	<u>23,072,088</u>	<u>67,767,872</u>
Deferred Outflows of Resources			
Related to pension	1,796,621	248,481	2,045,102
Related to OPEB	<u>835,718</u>	<u>116,048</u>	<u>951,766</u>
Total Deferred Outflows of Resources	<u>2,632,339</u>	<u>364,529</u>	<u>2,996,868</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	497,703	276,163	773,866
Accrued payroll and withholdings	109,677	15,879	125,556
Accrued interest	156,221	1,000	157,221
Unearned revenue	6,450,075	118,053	6,568,128
Intergovernmental payable	98,885	--	98,885
Other current liabilities	109,769	--	109,769
Current portion of long-term liabilities:			
Bonds and loans payable	745,385	479,766	1,225,151
Landfill liability	12,500	--	12,500
Total Current Liabilities	8,180,215	890,861	9,071,076
Noncurrent Liabilities			
Bonds and loans payable, net of current portion	10,957,364	6,633,479	17,590,843
Landfill liability, net of current portion	62,500	--	62,500
Net pension liability	6,032,095	834,262	6,866,357
Net OPEB liability	8,268,835	1,148,209	9,417,044
Compensated absences liability	269,896	31,133	301,029
Total Noncurrent Liabilities	25,590,690	8,647,083	34,237,773
Total Liabilities	33,770,905	9,537,944	43,308,849
Deferred Inflows of Resources			
Related to pension	17,263	2,387	19,650
Related to OPEB	5,002,256	694,613	5,696,869
Related to leases	2,559,416	448,906	3,008,322
Total Deferred Inflows of Resources	7,578,935	1,145,906	8,724,841
Net Position			
Net investment in capital assets	10,876,191	13,098,919	23,975,110
Restricted for:			
Grants and other statutory restrictions	1,803,697	--	1,803,697
Endowment funds:			
Nonexpendable	66,680	--	66,680
Expendable	20,437	--	20,437
Unrestricted	(6,788,722)	(346,152)	(7,134,874)
Total Net Position	\$ 5,978,283	\$ 12,752,767	\$ 18,731,050

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

	Program Revenues			Net (Expenses) Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 4,023,779	\$ 355,685	\$ 1,088,426	\$ --	\$ (2,579,668)	\$ --	\$ (2,579,668)
Public safety	4,245,737	385,692	118,601	--	(3,741,444)	--	(3,741,444)
Education	13,111,309	--	144,840	--	(12,966,469)	--	(12,966,469)
Public works	4,580,486	297,590	85,396	877,219	(3,320,281)	--	(3,320,281)
Health and human services	469,040	31,275	91,666	--	(346,099)	--	(346,099)
Culture and recreation	1,263,627	198,300	135,105	--	(930,222)	--	(930,222)
Interest on long-term debt	378,086	--	--	--	(378,086)	--	(378,086)
Intergovernmental	218,169	--	--	--	(218,169)	--	(218,169)
Total Governmental Activities	<u>28,290,233</u>	<u>1,268,542</u>	<u>1,664,034</u>	<u>877,219</u>	<u>(24,480,438)</u>	<u>--</u>	<u>(24,480,438)</u>
Business-Type Activities							
Sewer services	3,203,001	2,875,685	--	290,205	--	(37,111)	(37,111)
Airport services	2,237,410	357,578	--	514,718	--	(1,365,114)	(1,365,114)
Total Business-Type Activities	<u>5,440,411</u>	<u>3,233,263</u>	<u>--</u>	<u>804,923</u>	<u>--</u>	<u>(1,402,225)</u>	<u>(1,402,225)</u>
	<u>\$ 33,730,644</u>	<u>\$ 4,501,805</u>	<u>\$ 1,664,034</u>	<u>\$ 1,682,142</u>	<u>(24,480,438)</u>	<u>(1,402,225)</u>	<u>(25,882,663)</u>
General Revenues and Transfers							
Property taxes					21,792,059	--	21,792,059
Excises					876,239	--	876,239
Penalties, interest, and other taxes					326,233	--	326,233
Grants and contributions not restricted to specific programs					2,169,656	--	2,169,656
Nonoperating revenues					--	840,453	840,453
Investment income					232,297	21,461	253,758
Miscellaneous					335,132	--	335,132
Transfers					(551,859)	551,859	--
Total General Revenues and Transfers					<u>25,179,757</u>	<u>1,413,773</u>	<u>26,593,530</u>
Change in Net Position					699,319	11,548	710,867
Net Position, Beginning of year, as restated					<u>5,278,964</u>	<u>12,741,219</u>	<u>18,020,183</u>
Net Position, End of year					<u>\$ 5,978,283</u>	<u>\$ 12,752,767</u>	<u>\$ 18,731,050</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2024

	General Fund	Town Grant Fund	Town Buildings Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,818,924	\$ 2,116,349	\$ 5,313,418	\$ 1,099,507	\$ 14,348,198
Investments	3,640,316	--	--	71,108	3,711,424
Receivables:					
Property taxes	1,058,027	--	--	--	1,058,027
Excises	224,917	--	--	--	224,917
Departmental and other	2,403	--	--	--	2,403
Intergovernmental	--	144,957	--	180,017	324,974
Leases	2,559,416	--	--	--	2,559,416
Due to other funds	--	--	--	43,483	43,483
Other assets	97,042	--	--	--	97,042
Total Assets	<u>\$ 13,401,045</u>	<u>\$ 2,261,306</u>	<u>\$ 5,313,418</u>	<u>\$ 1,394,115</u>	<u>\$ 22,369,884</u>
Liabilities					
Accounts payable	\$ 257,507	\$ 151,520	\$ --	\$ 88,676	\$ 497,703
Accrued payroll and withholdings	100,145	--	--	9,532	109,677
Unearned revenue	--	1,450,075	5,000,000	--	6,450,075
Intergovernmental payable	98,885	--	--	--	98,885
Due from other funds	40,623	--	--	2,860	43,483
Other liabilities	100,185	--	--	9,584	109,769
Total Liabilities	<u>597,345</u>	<u>1,601,595</u>	<u>5,000,000</u>	<u>110,652</u>	<u>7,309,592</u>
Deferred Inflow of Resources					
Unavailable revenues	1,284,664	--	--	--	1,284,664
Related to leases	2,559,416	--	--	--	2,559,416
Total Deferred Inflow of Resources	<u>3,844,080</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,844,080</u>
Fund Balances					
Nonspendable	--	--	--	66,680	66,680
Restricted	--	750,922	313,418	1,189,309	2,253,649
Committed	4,961,581	--	--	27,474	4,989,055
Assigned	314,000	--	--	--	314,000
Unassigned	3,684,039	(91,211)	--	--	3,592,828
Total Fund Balances	<u>8,959,620</u>	<u>659,711</u>	<u>313,418</u>	<u>1,283,463</u>	<u>11,216,212</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,401,045</u>	<u>\$ 2,261,306</u>	<u>\$ 5,313,418</u>	<u>\$ 1,394,115</u>	<u>\$ 22,369,884</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, 2024

<i>Total Governmental Fund Balances</i>	\$ 11,216,212
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	22,369,383
Deferred outflows of resources related to pension to be recognized in pension expense in future periods.	1,796,621
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	835,718
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,284,664
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(156,221)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds and loans payable	(11,702,749)
Net pension liability	(6,032,095)
Net OPEB liability	(8,268,835)
Compensated absences liability	(269,896)
Landfill liability	(75,000)
Deferred inflows of resources related to pension to be recognized in pension expense in future periods.	(17,263)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>(5,002,256)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 5,978,283</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, 2024

	General Fund	Town Grant Fund	Town Buildings Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 21,784,167	\$ --	\$ --	\$ --	\$ 21,784,167
Excises	859,408	--	--	--	859,408
Penalties, interest, and other taxes	326,233	--	--	--	326,233
Charges for services	623,574	29,720	--	416,076	1,069,370
Intergovernmental	2,351,289	1,464,507	11,950	897,994	4,725,740
Licenses and permits	180,607	--	--	--	180,607
Fines and forfeitures	17,623	--	--	--	17,623
Investment income	228,296	13	--	3,988	232,297
Miscellaneous	340,494	12,671	--	(5,362)	347,803
Total Revenues	<u>26,711,691</u>	<u>1,506,911</u>	<u>11,950</u>	<u>1,312,696</u>	<u>29,543,248</u>
Expenditures					
Current:					
General government	1,697,901	1,322,412	--	186,917	3,207,230
Public safety	2,537,007	53,136	--	218,472	2,808,615
Education	13,036,490	--	--	--	13,036,490
Public works	2,951,781	60,764	--	810,231	3,822,776
Health and human services	263,383	73,372	45,640	--	382,395
Culture and recreation	747,851	88,255	--	106,674	942,780
Employee benefits	3,242,854	--	--	--	3,242,854
Debt service:					
Principal	680,982	--	--	--	680,982
Interest	415,890	--	--	--	415,890
Intergovernmental	218,169	--	--	--	218,169
Total Expenditures	<u>25,792,308</u>	<u>1,597,939</u>	<u>45,640</u>	<u>1,322,294</u>	<u>28,758,181</u>
Excess of Revenues Over Expenditures	<u>919,383</u>	<u>(91,028)</u>	<u>(33,690)</u>	<u>(9,598)</u>	<u>785,067</u>
Other Financing Sources (Uses)					
Transfers in	79,628	140,235	160,000	10,000	389,863
Transfers out	(887,833)	(22,768)	--	(31,121)	(941,722)
Total Other Financing Sources (Uses)	<u>(808,205)</u>	<u>117,467</u>	<u>160,000</u>	<u>(21,121)</u>	<u>(551,859)</u>
Change in Fund Balance	111,178	26,439	126,310	(30,719)	233,208
Fund Balances, beginning of year, as adjusted	<u>8,848,442</u>	<u>633,272</u>	<u>187,108</u>	<u>1,314,182</u>	<u>10,983,004</u>
Fund Balances, end of year	<u>\$ 8,959,620</u>	<u>\$ 659,711</u>	<u>\$ 313,418</u>	<u>\$ 1,283,463</u>	<u>\$ 11,216,212</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, 2024

Net Change in Fund Balances - Total Governmental Funds \$ 233,208

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	665,933
Depreciation	(1,348,994)
Disposals, net	(6,138)

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	634,000
Repayments of direct borrowings	46,982
Bond premium amortization	28,348

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. (1,837)

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	(1,115,627)
Change in net OPEB liability and related deferred outflows and inflows	1,484,503
Change in accrued interest on bonds payable	9,456
Change in landfill liability	12,500
Change in compensated absences liability	56,985

Change in Net Position of Governmental Activities \$ 699,319

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2024

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,066,222	\$ 501,785	\$ 1,568,007
Investments	268,339	--	268,339
User fees receivable	423,321	--	423,321
Intergovernmental receivable	--	259,006	259,006
Leases receivable	--	78,897	78,897
Other current assets	12,094	--	12,094
Total Current Assets	<u>1,769,976</u>	<u>839,688</u>	<u>2,609,664</u>
Noncurrent Assets			
Leases receivable, net of current portion	--	370,009	370,009
Capital assets:			
Nondepreciable capital assets	539,510	1,306,866	1,846,376
Other capital assets, net of accumulated depreciation	11,213,522	7,032,517	18,246,039
Total Noncurrent Assets	<u>11,753,032</u>	<u>8,709,392</u>	<u>20,462,424</u>
Total Assets	<u>13,523,008</u>	<u>9,549,080</u>	<u>23,072,088</u>
Deferred Outflows of Resources			
Related to pension	206,760	41,721	248,481
Related to OPEB	105,603	10,445	116,048
Total Deferred Outflows of Resources	<u>312,363</u>	<u>52,166</u>	<u>364,529</u>
Liabilities			
Current Liabilities			
Accounts payable	155,972	120,191	276,163
Accrued payroll and withholdings	12,136	3,743	15,879
Accrued interest	50	950	1,000
Unearned revenue	--	118,053	118,053
Current portion of long-term liabilities:			
Bonds and loans payable	377,295	102,471	479,766
Total Current Liabilities	<u>545,453</u>	<u>345,408</u>	<u>890,861</u>
Noncurrent Liabilities			
Bonds and loans payable, net of current portion	5,604,479	1,029,000	6,633,479
Net pension liability	694,189	140,073	834,262
Net OPEB liability	1,044,861	103,348	1,148,209
Compensated absences liability	26,953	4,180	31,133
Total Noncurrent Liabilities	<u>7,370,482</u>	<u>1,276,601</u>	<u>8,647,083</u>
Total Liabilities	<u>7,915,935</u>	<u>1,622,009</u>	<u>9,537,944</u>
Deferred Inflows of Resources			
Related to pension	1,987	400	2,387
Related to OPEB	632,092	62,521	694,613
Related to leases	--	448,906	448,906
Total Deferred Inflows of Resources	<u>634,079</u>	<u>511,827</u>	<u>1,145,906</u>
Net Position			
Net investment in capital assets	5,859,536	7,239,383	13,098,919
Unrestricted	(574,179)	228,027	(346,152)
Total Net Position	<u>\$ 5,285,357</u>	<u>\$ 7,467,410</u>	<u>\$ 12,752,767</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, 2024

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
Operating Revenues			
Charges for services	\$ 2,875,685	\$ 357,578	\$ 3,233,263
Total Operating Revenues	<u>2,875,685</u>	<u>357,578</u>	<u>3,233,263</u>
Operating Expenses			
Salaries and benefits	894,725	281,588	1,176,313
Other operating expenses	1,636,927	358,405	1,995,332
Depreciation	480,384	722,429	1,202,813
Total Operating Expenses	<u>3,012,036</u>	<u>1,362,422</u>	<u>4,374,458</u>
Operating (Loss)	<u>(136,351)</u>	<u>(1,004,844)</u>	<u>(1,141,195)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	--	840,453	840,453
Pass-through grant airport hangar	--	(840,453)	(840,453)
Investment income	9,275	12,186	21,461
Interest expense	(190,965)	(34,535)	(225,500)
Total Nonoperating Revenues, Net	<u>(181,690)</u>	<u>(22,349)</u>	<u>(204,039)</u>
Capital Contributions	290,205	514,718	804,923
Income Before Transfers	(27,836)	(512,475)	(540,311)
Transfers In	347,283	304,576	651,859
Transfers Out	(100,000)	--	(100,000)
Change in Net Position	219,447	(207,899)	11,548
Net Position, beginning of year, as restated	<u>5,065,910</u>	<u>7,675,309</u>	<u>12,741,219</u>
Net Position, end of year	<u>\$ 5,285,357</u>	<u>\$ 7,467,410</u>	<u>\$ 12,752,767</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, 2024

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 2,963,113	\$ 145,572	\$ 3,108,685
Payments to employees	(931,571)	(175,806)	(1,107,377)
Payments to vendors	<u>(1,450,065)</u>	<u>(359,481)</u>	<u>(1,809,546)</u>
Net Cash Provided by (Used in)			
Operating Activities	<u>581,477</u>	<u>(389,715)</u>	<u>191,762</u>
Cash Flows from Noncapital			
Financing Activities			
Transfers in	347,283	304,576	651,859
Transfers out	(100,000)	--	(100,000)
Intergovernmental revenue	--	567,116	567,116
Pass-through grant airport hangar	<u>--</u>	<u>(840,453)</u>	<u>(840,453)</u>
Net Cash Provided by Noncapital			
Financing Activities	<u>247,283</u>	<u>31,239</u>	<u>278,522</u>
Cash Flows from Capital and			
Related Financing Activities			
Acquisition and construction of capital assets	(374,649)	(213,497)	(588,146)
Principal payments on bonds and notes	(370,106)	(97,618)	(467,724)
Intergovernmental revenue	290,205	514,718	804,923
Interest payments	<u>(190,965)</u>	<u>(34,535)</u>	<u>(225,500)</u>
Net Cash Provided by (Used in) Capital			
and Related Financing Activities	<u>(645,515)</u>	<u>169,068</u>	<u>(476,447)</u>
Cash Flows From Investing Activities			
Investment income	9,275	12,186	21,461
Purchase of investments	<u>(7,385)</u>	<u>--</u>	<u>(7,385)</u>
Net Cash Provided by Investing Activities	<u>1,890</u>	<u>12,186</u>	<u>14,076</u>
Net Change in Cash and			
Cash Equivalents	185,135	(177,222)	7,913
Cash and Cash Equivalents,			
Beginning of Year	<u>881,087</u>	<u>679,007</u>	<u>1,560,094</u>
Cash and Cash Equivalents,			
End of Year	<u>\$ 1,066,222</u>	<u>\$ 501,785</u>	<u>\$ 1,568,007</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, 2024

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Airport Fund	Total
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating (loss)	\$ (136,351)	\$ (1,004,844)	\$ (1,141,195)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	480,384	722,429	1,202,813
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	87,428	--	87,428
Intergovernmental receivable	--	(259,006)	(259,006)
Other assets	(11,994)	47,000	35,006
Deferred outflows - related to pension	70,871	1,795	72,666
Deferred outflows - related to OPEB	1,789	(4,108)	(2,319)
Accounts payable	127,985	(1,076)	126,909
Accrued and other liabilities	(765)	4,142	3,377
Net pension liability	83,436	44,344	127,780
Net OPEB liability	(13,296)	40,912	27,616
Deferred inflows - related to pension	(2,484)	(301)	(2,785)
Deferred inflows - related to OPEB	(105,526)	18,998	(86,528)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 581,477</u>	<u>\$ (389,715)</u>	<u>\$ 191,762</u>

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

TOWN OF MONTAGUE, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

DECEMBER 31, 2023 AND JUNE 30, 2024

	Pension and OPEB Trust Funds	Private Purpose Trust Funds
Assets		
Cash and cash equivalents	\$ 410,988	\$ 661
Investments	60,550,722	127,517
Contributions receivable	18,261	--
	<hr/>	<hr/>
Total Assets	<u>60,979,971</u>	<u>128,178</u>
Liabilities		
Accounts payable	2,897	--
	<hr/>	<hr/>
Net Position		
Restricted for pension	58,823,082	--
Restricted for OPEB	2,153,992	--
Restricted for individuals	--	128,178
	<hr/>	<hr/>
Total Net Position	<u>\$ 60,977,074</u>	<u>\$ 128,178</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 YEARS ENDED DECEMBER 31, 2023 AND JUNE 30, 2024

	Pension and OPEB Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 3,708,903	\$ --
Plan members	1,006,724	--
Other systems and Commonwealth of Massachusetts	181,298	--
Other revenue	17,657	--
Total Contributions	4,914,582	--
Investment Income:		
Interest and dividends	--	3,511
Increase in fair value of investments	6,254,265	--
Less: management fees	(283,813)	--
Net Investment Income	5,970,452	3,511
Total Additions	10,885,034	3,511
Deductions		
Benefit payments to plan members, beneficiaries and other systems	4,765,685	--
Refunds to plan members	109,664	--
Transfers to other systems	70,949	--
Administrative expenses	144,890	--
Scholarships awarded	--	1,100
Total Deductions	5,091,188	1,100
Change in Net Position	5,793,846	2,411
Restricted Net Position, Beginning of Year	55,183,228	125,767
Restricted Net Position, End of Year	\$ 60,977,074	\$ 128,178

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, 2024

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 2024, 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 as of and for the year ended December 31, 2023 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, 2024

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, 2024

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 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.
- *Town Buildings Fund* consists of various capital projects involving Town Buildings.

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, 2024

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 cash equivalents.

Investments are reported at fair value, except certificate of deposits, which are reported at cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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.

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.

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund types and definitions as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes surplus bond funds, various special revenue funds, and the income portion of permanent trust funds.
- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. This fund balance classification includes General Fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting by resolution, capital project accounts funded by appropriation, special purpose stabilization funds, and funds set-aside by the Town.
- *Assigned* represents amounts that are constrained by the Town’s intent to use these resources for a specific purpose. This fund balance classification includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- *Unassigned* represents amounts that are available to be spent in future periods, general stabilization funds set aside by Town Meeting vote, and deficit funds.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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.

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

DEFICIT FUND EQUITY

Certain individual funds reflected deficit balances as of June 30, 2024. It is anticipated that the deficits in these funds will be eliminated through future intergovernmental revenues and/or 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, 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, 2024, none of the Town's bank balance of \$14,698,843 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$1,652,538 was invested in MMDT, which is not subject to this disclosure.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

INVESTMENTS

The following is a summary of the Town's investments as of June 30, 2024:

Investment Type	Amount
Certificate of deposit	\$ 54,889
Corporate bonds	2,173,952
Corporate equities	436,311
Federal agency securities	113,350
U.S. Treasury notes	1,328,778
	\$ 4,107,280

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, 2024, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

Credit Risk

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, 2024, 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	\$ 2,173,952	\$ 240,571	\$ 483,663	\$ 731,518	\$ 237,143	\$ 239,552	\$ 241,505
Federal agency securities	113,350	113,350	--	--	--	--	--
	\$ 2,287,302	\$ 353,921	\$ 483,663	\$ 731,518	\$ 237,143	\$ 239,552	\$ 241,505

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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.

Individual investments exceeding 5% of the Town's total investments were as follows at June 30, 2024:

Investment Issuer	Amount	% of Total Investments
Merck & Co.	\$ 242,785	5.91%
Duke Energy Corp.	241,505	5.88%
Bank America Corp.	240,848	5.86%
Johnson & Johnson	240,570	5.86%
Bristol-Myers Squibb	238,221	5.80%
Union PAC Corp.	237,143	5.77%
Emerson Electric Co.	237,136	5.77%
Pfizer Inc.	236,490	5.76%

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 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, 2024:

Investment Type	Amount	Investment Maturities (in Years)	
		Less than 1	1-5
Certificate of deposit	\$ 54,889	\$ 54,889	\$ --
Corporate bonds	2,173,952	259,224	1,914,728
Federal agency securities	113,350	39,190	74,160
U.S. Treasury notes	1,328,778	272,523	1,056,255
	<u>\$ 3,616,080</u>	<u>\$ 570,937</u>	<u>\$ 3,045,143</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Foreign Currency Risk

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

At June 30, 2024, 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, 2024

The Town had the following fair value measurements as of June 30, 2024:

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	\$ 2,173,952	\$ --	\$ 2,173,952	\$ --
Corporate equities	436,311	436,311	--	--
Federal agency securities	113,350	--	113,350	--
U.S. Treasury notes	1,328,778	--	1,328,778	--
	<u>\$ 4,052,391</u>	<u>\$ 436,311</u>	<u>\$ 3,616,080</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 \$58,396,730 were in the external (State) investment pool (PRIT). PRIT was created under MGL Chapter 32, Section 22, in December 1983. The PRIT pooled fund is an external investment pool that is not registered with the Securities Exchange Commission but is subject to oversight provided by the Pension Reserves Investment Management Board (PRIM). PRIM was created by legislation to provide general supervision of the investments and management of PRIT. 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, 2024

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

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.

As of December 31, 2023, all of the System's investments were unrated by nationally recognized statistical rating organizations.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investment in a single issuer. MGL Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

Investments issued or explicitly guaranteed by external investment pools are excluded from concentration of credit disclosure.

As of December 31, 2023, the System did not have any investments subject to concentration of concentration of credit risk as investment classifications exceeding 5% are exempt from 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, 2024

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, 2023, none of the System's investments were exposed to foreign currency risk.

RISKS AND UNCERTAINTIES

The System invests in investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the Statement of Fiduciary Net Position. The System, through its investment advisor, monitors the System's investments and the risks associated therewith on a regular basis, which the System believes minimizes these risks.

FAIR VALUE

The System's investments are in PRIT, which are determined using the net asset value (NAV). Investments measured at the NAV for fair value are not subject to level classification. The fair value of these investments has been determined using the NAV as a practical expedient and has not been categorized within the fair value hierarchy (Level 1, Level 2, or Level 3).

At December 31, 2023, there are no unfunded commitments. Redemption frequency is monthly with a 30-day redemption notice period. PRIT maintains a diversified portfolio of active and passive investment strategies. A significant portion of the fund is allocated to global equity investments, which typically generate higher returns, but can also experience more volatility. To offset potential volatility and diversify the fund, investments are made in alternative asset classes that demonstrate little correlation to equities, serving to generate more consistent returns while reducing portfolio volatility.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 5 - INVESTMENTS - OPEB TRUST FUND

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

As of June 30, 2024, all of the OPEB Trust Fund investments totaling \$2,153,992 were invested in the external (State) investment pool – State Retirees Benefits Trust Fund (SRBT). SRBT primarily serves the Commonwealth, municipalities and other governmental entities that elect to invest funds earmarked for retiree health insurance costs with PRIM.

CUSTODIAL CREDIT RISK

As of June 30, 2024, the OPEB Trust Fund did not have any investments exposed to custodial credit risk disclosure as investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

CREDIT RISK

As of June 30, 2024, all of the OPEB Trust Fund investments were unrated by nationally recognized statistical rating organizations.

CONCENTRATION OF CREDIT RISK

As of June 30, 2024, the OPEB Trust Fund did not have any investments subject to concentration of concentration of credit risk as investment classifications exceeding 5% are exempt from disclosure.

INTEREST RATE RISK

Information about the sensitivity of the fair values of the OPEB Trust Fund's investments to market interest rate fluctuations is not applicable as all of the OPEB Trust Fund's investments are immediately liquid.

FOREIGN CURRENCY RISK

As of June 30, 2024, 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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FAIR VALUE

The OPEB Trust Fund investments are in SRBT, which are determined using the net asset value (NAV). Investments measured at the NAV for fair value are not subject to level classification. The fair value of these investments has been determined using the NAV as a practical expedient and has not been categorized within the fair value hierarchy (Level 1, Level 2, or Level 3).

Investment Type	Amount	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool (SRBT)	\$ <u>2,153,992</u>	\$ <u>--</u>	Monthly	30 days

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 2024 tax levy reflected an excess capacity of \$1,241,751.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2024, consisted of the following:

Receivable Type	Gross Amount (Fund Basis)	Current Portion	Long-Term Portion
Real estate taxes	\$ 634,079	\$ 634,079	\$ --
Personal property taxes	191,131	191,131	--
Tax liens	<u>232,817</u>	<u>--</u>	<u>232,817</u>
Total property taxes	<u>\$ 1,058,027</u>	<u>\$ 825,210</u>	<u>\$ 232,817</u>
Motor vehicle excise	\$ 223,669	\$ 223,669	\$ --
Boat excise	<u>1,248</u>	<u>1,248</u>	<u>--</u>
Total excises	<u>\$ 224,917</u>	<u>\$ 224,917</u>	<u>\$ --</u>

NOTE 7 - USER FEES RECEIVABLE

Receivables for user charges at June 30, 2024, consisted sewer user charges totaling \$423,321. The Town has elected not to establish an allowance for uncollectible receivables for the fiscal year ended June 30, 2024. This decision is based on historical collection rates and management's assessment that the current receivables are fully collectible.

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2024.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 - LEASES RECEIVABLE

The Town has 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, 2024:

Description	Original Issue	Serial Maturities Through	Interest Rate %	Amount Outstanding
Governmental Activities				
Kaesarge - Solar	\$ 2,920,890	06/30/42	4.09%	\$ 2,545,502
Kaesarge - Solar and energy storage	15,496	03/31/45	4.09%	<u>13,914</u>
				<u>\$ 2,559,416</u>
Business-Type Activities				
321 Millers Falls Rd. Rental Property - Airport	28,857	06/30/25	4.09%	\$ 14,673
New England Naturals Warehouse - Airport	110,441	02/28/26	4.09%	92,340
RB Gray Maintenance Town Hangar - Airport	166,178	06/30/41	4.09%	146,841
Fly Pioneer Valley Town Hangar - Airport	49,553	06/30/41	4.09%	44,052
Franklin County Technical School - Airport	158,812	06/30/63	4.09%	<u>151,000</u>
				<u>\$ 448,906</u>

Future minimum lease payments under these leases consisted of the following at June 30, 2024:

	Governmental Activities		Business- Type Activities		Total Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 72,981	\$ 104,680	\$ 78,897	\$ 16,923	\$ 151,878	\$ 121,603
2026	79,146	101,695	47,666	14,018	126,812	115,713
2027	85,620	98,458	10,388	13,024	96,008	111,482
2029	92,418	94,956	10,820	12,592	103,238	107,548
2029	99,552	91,176	11,270	12,142	110,822	103,318
2030-2034	617,664	388,453	63,772	53,288	681,436	441,741
2035-2039	855,957	243,562	78,166	38,894	934,123	282,456
Thereafter	<u>656,078</u>	<u>55,060</u>	<u>147,927</u>	<u>70,760</u>	<u>804,005</u>	<u>125,820</u>
	<u>\$ 2,559,416</u>	<u>\$ 1,178,040</u>	<u>\$ 448,906</u>	<u>\$ 231,641</u>	<u>\$ 3,008,322</u>	<u>\$ 1,409,681</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities					
Capital Assets, Being Depreciated:					
Buildings and improvements	\$ 28,000,201	\$ --	\$ --	\$ 1,796,618	\$ 29,796,819
Machinery, equipment, vehicles and furnishings	5,081,283	530,741	(328,348)	--	5,283,676
Infrastructure	751,443	--	--	--	751,443
Total Capital Assets, Being Depreciated	33,832,927	530,741	(328,348)	1,796,618	35,831,938
Less: Accumulated Depreciation for:					
Buildings and improvements	(10,235,182)	(975,263)	--	--	(11,210,445)
Machinery, equipment, vehicles and furnishings	(3,462,733)	(349,849)	322,210	--	(3,490,372)
Infrastructure	(452,913)	(23,883)	--	--	(476,796)
Total Accumulated Depreciation	(14,150,828)	(1,348,995)	322,210	--	(15,177,613)
Capital Assets, Being Depreciated, Net	19,682,099	(818,254)	(6,138)	1,796,618	20,654,325
Capital assets, Not Being Depreciated:					
Land	913,402	--	--	--	913,402
Construction in progress (CIP)	2,463,081	135,193	--	(1,796,618)	801,656
Total Capital Assets, Not Being Depreciated	3,376,483	135,193	--	(1,796,618)	1,715,058
Governmental Activities Capital Assets, Net	\$ 23,058,582	\$ (683,061)	\$ (6,138)	\$ --	\$ 22,369,383

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Beginning Balance (Restated)	Increases	Decreases	Convert CIP	Ending Balance
Business-Type Activities					
Capital Assets, Being Depreciated:					
Buildings and improvements	\$ 19,850,802	\$ --	\$ --	\$ --	\$ 19,850,802
Machinery, equipment, vehicles and furnishings	1,003,628	167,816	(33,019)	--	1,138,425
Infrastructure	<u>15,030,075</u>	<u>--</u>	<u>--</u>	<u>168,225</u>	<u>15,198,300</u>
Total Capital Assets, Being Depreciated	<u>35,884,505</u>	<u>167,816</u>	<u>(33,019)</u>	<u>168,225</u>	<u>36,187,527</u>
Less: Accumulated Depreciation For:					
Buildings and improvements	(11,492,630)	(768,110)	--	--	(12,260,740)
Machinery, equipment, vehicles and furnishings	(390,041)	(132,420)	33,019	--	(489,442)
Infrastructure	<u>(4,889,023)</u>	<u>(302,283)</u>	<u>--</u>	<u>--</u>	<u>(5,191,306)</u>
Total Accumulated Depreciation	<u>(16,771,694)</u>	<u>(1,202,813)</u>	<u>33,019</u>	<u>--</u>	<u>(17,941,488)</u>
Capital Assets, Being Depreciated, Net	<u>19,112,811</u>	<u>(1,034,997)</u>	<u>--</u>	<u>168,225</u>	<u>18,246,039</u>
Capital assets, Not Being Depreciated:					
Land	1,380,923	--	--	--	1,380,923
Construction in progress (CIP)	<u>213,348</u>	<u>420,330</u>	<u>--</u>	<u>(168,225)</u>	<u>465,453</u>
Total Capital Assets, Not Being Depreciated	<u>1,594,271</u>	<u>420,330</u>	<u>--</u>	<u>(168,225)</u>	<u>1,846,376</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,707,082</u>	<u>\$ (614,667)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 20,092,415</u>

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

Governmental Activities

General government	\$ 402,933
Public safety	190,421
Education	74,819
Public works	555,092
Culture and recreation	<u>125,730</u>
	<u>\$ 1,348,995</u>

Business-Type Activities

Sewer	\$ 480,384
Airport	<u>722,429</u>
	<u>\$ 1,202,813</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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 - NOTE PAYABLE

The following summarizes activity in note payable in the general fund during fiscal year 2024:

Purpose	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Revenue anticipation	\$ --	\$ 2,000,000	\$ (2,000,000)	\$ --

NOTE 14 - UNEARNED REVENUE

Unearned revenue represents grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years. In addition, the Town received \$5 million in fiscal year 2024 from the Massachusetts Department of Conservation and Recreation. These funds will be used for the abatement, demolition, and restoration of the Strathmore property on the Connecticut River over the next several years. Unearned revenues in the airport enterprise fund relate to receipts in advance of expenses for the airport hangar project with the Franklin County Technical School.

NOTE 15 - LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND LOANS

The Town issues general obligation bonds (including direct placements) and loans from direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and loans from direct borrowings have been issued for both governmental and business-type activities. 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).

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

General obligation bonds and loans from direct borrowings outstanding were as follows at June 30, 2024:

Purpose	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2024
Governmental Activities				
General Obligation Bonds				
Municipal purpose	\$ 988,000	11/01/26	4.11%	\$ 45,000
Police Station - refunded	2,320,853	02/01/28	5.00%	1,276,223
Montague Center School Roof - refunded	34,148	02/01/28	5.00%	18,779
Soil stabilization	72,000	06/30/31	2.75% - 5.00%	46,000
Skatepark	84,000	06/30/31	2.75% - 5.00%	55,000
Municipal purpose	103,000	05/15/34	3.00%	50,000
Building remodeling	276,000	11/15/34	2.05% - 4.00%	245,000
Public Works building construction	1,295,000	11/15/39	2.00% - 5.00%	1,215,000
DPW facility	2,503,000	06/30/44	2.75% - 5.00%	2,182,000
DPW facility	5,785,000	02/01/45	2.00% - 5.00%	5,190,000
Sewer - refunded	332,000	02/01/45	2.00% - 5.00%	<u>298,000</u>
Total general obligation bonds				<u>10,621,002</u>
Loans - Direct Borrowings				
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	67,765
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	<u>426,192</u>
Total loans - direct borrowings				<u>493,957</u>
				<u>\$ 11,114,959</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Purpose	Original Issue	Serial Maturities Through	Interest Rate(s) %	Outstanding as of June 30, 2024
Business-Type Activities				
General Obligation Bonds				
Sewer - multiple purpose	\$ 306,000	11/01/26	4.11%	\$ 29,726
Sewer - multiple purpose	1,550,000	05/15/34	3.00%	910,000
Airport - land acquisition	1,147,000	11/15/36	2.05% - 4.00%	1,040,000
Airport - improvements	67,000	11/15/36	2.05% - 4.00%	60,000
Storm drains	644,000	06/30/44	2.75% - 5.00%	532,000
Pump station	393,000	06/30/44	2.75% - 5.00%	344,000
Sewer lines	994,000	06/30/44	2.75% - 5.00%	866,000
Sewer - refunded	498,000	02/01/45	2.00% - 5.00%	<u>447,000</u>
Total general obligation bonds				<u>4,228,726</u>
Loans - Direct Borrowings				
331G compact track loader - airport	124,226	11/20/24	2.75%	31,471
Sludge dewatering screw press - sewer	226,217	06/25/26	unavailable	88,279
Combined sewer overflow (MCWT)	957,448	07/15/27	2.00%	101,649
Combined sewer overflow (MCWT)	1,911,052	01/15/39	2.41%	639,289
MCWT CW-14-28	1,583,047	06/30/44	2.75% - 5.00%	1,248,644
USDA - sewer	958,000	09/21/47	4.13%	<u>775,187</u>
Total loans - direct borrowings				<u>2,884,519</u>
				<u>\$ 7,113,245</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FUTURE DEBT SERVICE

The annual payments to retire all bonds and loans outstanding as of June 30, 2024, was as follows:

Governmental Activities	General Obligation Bonds		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
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	27,844	8,030
2029	417,000	214,370	28,524	7,350
2030 - 2034	2,300,000	831,410	153,423	25,949
2035 - 2039	2,412,000	540,062	136,790	6,704
Thereafter	<u>2,638,000</u>	<u>238,499</u>	--	--
	<u>\$ 10,621,000</u>	<u>\$ 3,027,159</u>	<u>\$ 493,957</u>	<u>\$ 78,096</u>

Business-Type Activities	General Obligation Bonds		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 241,000	\$ 136,863	\$ 238,766	\$ 77,791
2026	249,000	128,094	210,055	69,970
2027	254,726	118,145	170,959	65,093
2028	256,000	108,135	139,883	61,372
2029	273,000	101,653	143,467	57,904
2029 - 2033	1,486,000	309,733	774,642	234,032
2034 - 2038	922,000	404,378	825,846	132,305
Thereafter	<u>547,000</u>	<u>60,809</u>	<u>380,901</u>	<u>82,739</u>
	<u>\$ 4,228,726</u>	<u>\$ 1,367,810</u>	<u>\$ 2,884,519</u>	<u>\$ 781,206</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2024, 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	\$ 11,255,002	\$ --	\$ (634,000)	\$ 10,621,002	\$ (669,000)	\$ 9,952,002
Loans - direct borrowings	540,939	--	(46,982)	493,957	(48,037)	445,920
Unamortized premium	616,138	--	(28,348)	587,790	(28,348)	559,442
	12,412,079	--	(709,330)	11,702,749	(745,385)	10,957,364
Landfill liability	87,500	--	(12,500)	75,000	(12,500)	62,500
Net pension liability	5,675,467	356,628	--	6,032,095	--	6,032,095
Net OPEB liability	8,723,977	--	(455,142)	8,268,835	--	8,268,835
Compensated absences liability	326,881	--	(56,985)	269,896	--	269,896
Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Bonds and loans payable:						
General obligation bonds	\$ 4,464,729	\$ --	\$ (236,000)	\$ 4,228,729	\$ (241,000)	\$ 3,987,729
Loans - direct borrowings	3,116,240	--	(231,724)	2,884,516	(238,766)	2,645,750
	7,580,969	--	(467,724)	7,113,245	(479,766)	6,633,479
Net pension liability	706,482	127,780	--	834,262	--	834,262
Net OPEB liability	1,120,593	27,616	--	1,148,209	--	1,148,209
Compensated absences liability	30,116	1,017	--	31,133	--	31,133

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, 2024

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	\$ 210,000	89.80%	\$ 188,580
Franklin County Technical School			
School Building Remodel	<u>1,505,000</u>	12.58%	<u>189,329</u>
	<u>\$ 1,715,000</u>		<u>\$ 377,909</u>

NOTE 16 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

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

The \$75,000 reported as landfill post-closure care liability at June 30, 2024, represents the remaining estimated post-closure maintenance costs. These amounts are based on what it would cost to perform all post-closure care in 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 17 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent the acquisition of net assets by the Town that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 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 2024, 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, 2024

NOTE 18 - TRANSFERS

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is a summary of major interfund transfers for the year ended June 30, 2024:

	Transfers In	Transfers Out
Governmental Funds		
General fund	\$ 79,628	\$ (887,833)
Town grant fund	140,235	(22,768)
Town capital projects fund	160,000	--
Nonmajor Governmental Funds:		
Capital project funds	--	(2,860)
Special revenue funds	--	(28,261)
Expendable trust fund	10,000	--
Business-Type Funds		
Sewer fund	347,283	(100,000)
Airport fund	304,576	--
	<u>\$ 1,041,722</u>	<u>\$ (1,041,722)</u>

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 19 - GOVERNMENTAL FUNDS - FUND BALANCES

The Town's fund balances at June 30, 2024, were comprised of the following:

	General Fund	Town Grant Fund	Town Buildings Fund	Nonmajor Governmental Funds
Nonspendable				
Permanent funds	\$ --	\$ --	\$ --	\$ 66,680
Total Nonspendable	<u>--</u>	<u>--</u>	<u>--</u>	<u>66,680</u>
Restricted				
Bonded projects	--	--	313,418	52,360
Special revenue funds	--	750,922	--	1,116,512
Permanent funds	<u>--</u>	<u>--</u>	<u>--</u>	<u>20,437</u>
Total Restricted	<u>--</u>	<u>750,922</u>	<u>313,418</u>	<u>1,189,309</u>
Committed				
Special articles:				
General government	271,290	--	--	--
Public safety	212,020	--	--	--
Education	224,413	--	--	--
Public works	364,482	--	--	--
Health and human services	31,377	--	--	--
Culture and recreation	238,636	--	--	--
Stabilization funds for specific purposes*	3,619,363	--	--	--
Capital project funds funded by general fund appropriation	--	--	--	--
Town set-asides	<u>--</u>	<u>--</u>	<u>--</u>	<u>27,474</u>
Total Committed	<u>4,961,581</u>	<u>--</u>	<u>--</u>	<u>27,474</u>
Assigned				
Reserved for expenditures:				
Operating budget	260,000	--	--	--
Capital budget	<u>54,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Assigned	<u>314,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
Unassigned				
General fund	2,395,291	--	--	--
General stabilization fund*	1,288,748	--	--	--
Deficit funds	<u>--</u>	<u>(91,211)</u>	<u>--</u>	<u>--</u>
Total Unassigned	<u>3,684,039</u>	<u>(91,211)</u>	<u>--</u>	<u>--</u>
	<u>\$ 8,959,620</u>	<u>\$ 659,711</u>	<u>\$ 313,418</u>	<u>\$ 1,283,463</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, 2024

NOTE 20 - RESTRICTED NET POSITION

The Town's restricted net position at June 30, 2024, was comprised of the following:

Purpose	Amount
Town grants and revolving funds:	
General government	\$ 915,667
Public safety	63,157
Public works	212,485
Health and human services	78,727
Culture and recreation	145,418
Colle	388,243
Nonexpendable	66,680
Expendable	<u>20,437</u>
	<u>\$ 1,890,814</u>

NOTE 21 - 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.

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.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

- Group 4 – Police officers, firefighters, and other specified hazardous positions.

Participant 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, 2024

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member’s death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member—provided; however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump-sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, was \$1,234,227, which was equal to its annual required contribution.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At June 30, 2024, the Town reported a liability of approximately \$6.86 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024, rolled back to December 31, 2023. 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, 2024, the Town's proportion was 51.23%, which was an decrease of (1.86%) from its proportion measured as of December 31, 2022.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

For the year ended June 30, 2024, the Town recognized pension expense of approximately \$2.53 million. 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	\$ 906,771	\$ --
Net difference between projected and actual earnings on pension plan investments	983,616	--
Changes in assumptions	154,715	--
Changes in proportion and differences between contributions and proportionate share of contributions	<u>--</u>	<u>(19,650)</u>
	<u>\$ 2,045,102</u>	<u>\$ (19,650)</u>

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

Year ended June 30:	Amount
2025	\$ 506,484
2026	616,738
2027	1,055,954
2028	<u>(153,724)</u>
	<u>\$ 2,025,452</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	January 1, 2024
Actuarial cost method	Entry age normal cost method
Remaining amortization period	11 years from July 1, 2024
Actuarial assumptions:	
Discount rate	6.85%

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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 \$30,000

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-2021 (gender distinct).
- Mortality for retired members: Rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 (gender distinct).
- Mortality for disabled members: Rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 (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	24.10%	1.66%
International equity	10.80%	0.71%
Emerging markets equity	4.40%	0.40%
Hedged funds/ PCS	8.50%	0.54%
Core fixed income	13.60%	0.64%
Value-added fixed income	7.30%	0.57%
Private equity	17.10%	1.74%
Real estate	10.30%	0.68%
Timberland	3.20%	0.23%
Overlay	0.70%	0.00%
	100.00%	

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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%)
\$ 10,732,685	\$ 6,866,357	\$ 3,586,100

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 22 - 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, 2024

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, 2024.

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, 2024, the following employees were covered by the benefit terms:

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

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.10%. 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, 2023, 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	4.21%
Healthcare cost trend rates	7.00% decreasing to an ultimate rate of 4.50% 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, 2024

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	36.00%	8.6%
Core fixed income	15.00%	2.1%
Value added fixed income	9.00%	4.8%
Private equity	16.00%	18.6%
Real estate	10.00%	7.7%
Other	14.00%	4.5%
	<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 the assumptions noted above, 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 4.21% (based on index provided by S&P Municipal Bond 20-Year High Grade Bond index as of June 30, 2024).

NET OPEB LIABILITY

The components of the net OPEB liability, measured as of June 30, 2024, were as follows:

Total OPEB liability	\$ 11,571,036
Plan fiduciary net position	<u>(2,153,992)</u>
Net OPEB liability	<u>\$ 9,417,044</u>
Plan fiduciary net position as a percentage of the total OPEB liability	18.62%

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, 2024

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	\$ 11,052,987	\$ 1,208,417	\$ 9,844,570
Changes for the year:			
Service cost	474,133	--	474,133
Interest	446,170	--	446,170
Contributions - employer	--	1,299,715	(1,299,715)
Net investment income	--	145,575	(145,575)
Difference between expected and actual experience	219,128	--	219,128
Changes in assumptions	(121,667)	--	(121,667)
Benefit payments	(499,715)	(499,715)	--
Net Changes	518,049	945,575	(427,526)
Balances, end of year	\$ 11,571,036	\$ 2,153,992	\$ 9,417,044

Change in assumptions and other inputs reflect a change in the discount rate from 4.13% in 2023 to 4.21% in 2024.

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 (3.21%)	Current Discount Rate (4.21%)	1% Increase (5.21%)
\$ 11,300,751	\$ 9,417,044	\$ 7,909,560

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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%)
\$ 7,809,276	\$ 9,417,044	\$ 11,468,562

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

For the year ended June 30, 2024, the Town recognized OPEB income of \$246,020. At June 30, 2024, 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	\$ 182,607	\$ (2,074,405)
Change in assumptions	769,159	(3,530,974)
Net difference between projected and actual OPEB investment earnings	--	(91,490)
	\$ 951,766	\$ (5,696,869)

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

Year ended June 30:	Amount
2025	\$ (1,117,291)
2026	(1,084,025)
2027	(1,005,891)
2028	(912,831)
2029	(625,065)
	\$ (4,745,103)

NOTE 23 - 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:

	Pension Trust Fund (December 31, 2023)	Other Post-Employment Benefit Trust Fund	Pension and OPEB Trust Fund
Assets			
Cash and cash equivalents	\$ 410,988	\$ --	\$ 410,988
Investments in external investment pools	58,396,730	2,153,992	60,550,722
Contributions receivable	18,261	--	18,261
Total Assets	58,825,979	2,153,992	60,979,971
Liabilities			
Accounts payable	2,897	--	2,897
Net Position			
Restricted for pension	58,823,082	--	58,823,082
Restricted for OPEB	--	2,153,992	2,153,992
Total Net Position	\$ 58,823,082	\$ 2,153,992	\$ 60,977,074

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Pension Trust Fund (year ended December 31, 2023)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Fund
Additions			
Contributions:			
Employer	\$ 2,409,188	\$ 1,299,715	\$ 3,708,903
Plan members	1,006,724	--	1,006,724
Other systems and			
Commonwealth of Massachusetts	181,298	--	181,298
Other revenue	17,657	--	17,657
Total Contributions	3,614,867	1,299,715	4,914,582
Investment Income:			
Increase in fair			
value of investments	6,108,690	145,575	6,254,265
Less: management fees	(283,813)	--	(283,813)
Net Investment Income	5,824,877	145,575	5,970,452
Total Additions	9,439,744	1,445,290	10,885,034
Deductions			
Benefit payments to plan members,			
beneficiaries and other systems	4,265,970	499,715	4,765,685
Refunds to plan members	109,664	--	109,664
Transfers to other systems	70,949	--	70,949
Administrative expenses	144,890	--	144,890
Total Deductions	4,591,473	499,715	5,091,188
Change in Net Position	4,848,271	945,575	5,793,846
Restricted Net Position, Beginning of Year	53,974,811	1,208,417	55,183,228
Restricted Net Position, End of Year	\$ 58,823,082	\$ 2,153,992	\$ 60,977,074

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 24 - COMMITMENTS AND CONTINGENCIES

LITIGATION

On an ongoing basis, there are typically 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, 2024, the Trust had contracted with an insurance carrier for excess liability coverage, which takes effect when an individual claim exceeds \$350,000.

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 audited financial statements, after accruing an estimated liability for incurred, but unreported claims of approximately \$5.4 million, the Trust was in a surplus position of approximately \$20.9 million.

NOTE 25 - CORRECTION OF AN ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During fiscal year 2024, the Town determined that a construction in progress asset reported in the prior year in the airport enterprise fund was not a town-owned asset. Therefore, construction in progress was overstated by \$885,078 and capital outlay expense in the airport enterprise fund was understated by the same amount for the fiscal year ended June 30, 2023. In addition, revenues received by the Town related to this project were in excess of expenses by \$391,390 and therefore should have been reported as unearned revenues.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 26 - ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING NET POSITION

During fiscal year 2024, changes to or within the financial reporting entity and an error correction, discussed in Note 25, resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances			
	Funds			Government-Wide
	Town Buildings Fund	Nonmajor Governmental Funds	Airport Enterprise Fund	Business-Type Activities
06/30/23, as previously reported	\$ --	\$ 1,501,290	\$ 8,951,777	\$ 14,017,687
Change from nonmajor to major fund	187,108	(187,108)	--	--
Error corrections	--	--	(1,276,468)	(1,276,468)
06/30/23, as adjusted or restated	<u>\$ 187,108</u>	<u>\$ 1,314,182</u>	<u>\$ 7,675,309</u>	<u>\$ 12,741,219</u>

TOWN OF MONTAGUE, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	Budget	Budget		
Revenues				
Property taxes	\$ 21,506,745	\$ 21,506,745	\$ 21,784,167	\$ 277,422
Excises	778,490	778,490	859,408	80,918
Penalties, interest, and other taxes	152,500	152,500	165,586	13,086
Charges for services	606,500	606,500	623,574	17,074
Intergovernmental	2,320,394	2,320,394	2,349,052	28,658
Licenses and permits	164,000	164,000	180,607	16,607
Fines and forfeitures	15,500	15,500	17,623	2,123
Investment income	10,000	10,000	59,926	49,926
Miscellaneous	62,500	62,500	340,494	277,994
Total Revenues	<u>25,616,629</u>	<u>25,616,629</u>	<u>26,380,437</u>	<u>763,808</u>
Expenditures				
General government	1,942,629	1,967,603	1,661,741	305,862
Public safety	2,650,917	2,659,398	2,536,573	122,825
Education	12,925,209	12,925,209	12,920,692	4,517
Public works	2,949,225	3,262,105	3,066,542	195,563
Health and human services	310,270	310,270	262,416	47,854
Culture and recreation	705,479	705,779	694,297	11,482
Employee benefits	3,410,934	3,410,934	3,242,854	168,080
Debt service	1,096,873	1,096,873	1,096,872	1
Intergovernmental	218,760	218,760	218,169	591
Total Expenditures	<u>26,210,296</u>	<u>26,556,931</u>	<u>25,700,156</u>	<u>856,775</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(593,667)</u>	<u>(940,302)</u>	<u>680,281</u>	<u>1,620,583</u>
Other Financing Sources (Uses)				
Transfers in	154,007	466,887	487,648	20,761
Transfers out	(2,105,727)	(2,233,727)	(2,274,350)	(40,623)
Overlay surplus	250,000	250,000	--	(250,000)
Use of free cash:				
Operating budget	141,100	174,855	--	(174,855)
Capital budget	141,401	141,401	--	(141,401)
Transfer to fund airport operations	--	128,000	--	(128,000)
Transfer to stabilization fund	1,512,886	1,512,886	--	(1,512,886)
OPEB trust fund contribution	500,000	500,000	--	(500,000)
Total Other Financing Sources (Uses)	<u>593,667</u>	<u>940,302</u>	<u>(1,786,702)</u>	<u>(2,727,004)</u>
Overall Budgetary Excess (Deficit)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (1,106,421)</u>	<u>\$ (1,106,421)</u>

See independent auditors' report.

TOWN OF MONTAGUE, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR GENERAL FUND BUDGET

JUNE 30, 2024

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. The Town's budget is prepared on a budgetary basis of accounting. Under the budgetary basis, the Town recognizes revenues when they are measurable and available, and expenditures are recognized when the liability is incurred. Encumbrances are recorded as expenditures for budgetary purposes.

The legal level of budgetary control is at the department level as voted by Town Meeting.

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	\$ 26,711,691	\$ 25,792,308	\$ (808,205)
Remove the effect of combining stabilization funds and the general fund:			
Reverse the adjustment eliminating interfund transfers	--	--	(978,497)
Remove stabilization funds cannabis revenues	(160,647)	--	--
Remove stabilization funds canal district	(2,237)	--	--
Remove stabilization funds investment income	(168,370)	--	--
Reverse beginning of year appropriation carryforwards from expenditures	--	(1,434,370)	--
Add end of year appropriation carryforwards to expenditures	--	1,342,218	--
Budgetary Basis	\$ 26,380,437	\$ 25,700,156	\$ (1,786,702)

TOWN OF MONTAGUE, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Dollars 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, 2024	December 31, 2023	51.23%	\$ 6,866	\$ 4,578	149.98%	81.40%
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%

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

(Dollars 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, 2024	December 31, 2023	\$ 1,234	\$ 1,234	\$ --	\$ 4,869	25.34%
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%

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 CHANGES IN THE NET OPEB LIABILITY (Dollars expressed in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	\$ 474	\$ 472	\$ 770	\$ 688	\$ 704	\$ 587	\$ 567	\$ 528
Interest	446	483	336	419	439	475	476	457
Difference between expected and actual experience	219	(415)	(776)	(1,256)	(1,035)	(1,187)	420	--
Change in assumptions	(122)	(1,062)	(4,355)	1,076	321	442	--	--
Benefit payments, including refunds of member contributions	(500)	(463)	(407)	(390)	(488)	(516)	(469)	(455)
Net Change in Total OPEB Liability	517	(985)	(4,432)	537	(59)	(199)	994	530
Total OPEB Liability - Beginning	11,053	12,038	16,470	15,933	15,992	16,191	15,197	14,667
Total OPEB Liability - Ending (a)	<u>\$ 11,570</u>	<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	1,300	513	707	508	538	566	519	510
Net investment income (loss)	145	64	(56)	181	9	29	36	22
Benefit payments, including refunds of member contributions	(500)	(463)	(407)	(390)	(488)	(516)	(469)	(455)
Net Change in Plan Fiduciary Net Position	945	114	244	299	59	79	86	77
Plan Fiduciary Net Position - Beginning	1,208	1,094	850	551	492	413	327	250
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,153</u>	<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>\$ 9,417</u>	<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>

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

SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS

(Dollars expressed in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Schedule of Net OPEB Liability								
Total OPEB liability	\$ 11,571	\$ 11,053	\$ 12,038	\$ 16,470	\$ 15,933	\$ 15,992	\$ 16,191	\$ 15,197
Plan fiduciary net position	<u>(2,154)</u>	<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>\$ 9,417</u>	<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	18.62%	10.93%	9.09%	5.16%	3.46%	3.08%	2.55%	2.15%
Covered employee payroll	\$ 5,406	\$ 4,776	\$ 4,637	\$ 3,862	\$ 4,179	\$ 3,894	\$ 3,650	\$ 3,650
Net OPEB liability as a percentage of covered employee payroll	174.20%	206.13%	236.01%	404.45%	368.08%	398.05%	432.27%	407.40%
Schedule of Contributions								
Actuarially determined contribution	\$ 1,297	\$ 1,364	\$ 1,794	\$ 1,725	\$ 1,758	\$ 1,646	\$ 1,032	\$ 985
Contributions in relation to the actuarially determined contribution	<u>1,300</u>	<u>(513)</u>	<u>(707)</u>	<u>(508)</u>	<u>(538)</u>	<u>(566)</u>	<u>(519)</u>	<u>(510)</u>
Contribution (excess) deficiency	<u>\$ (3)</u>	<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	\$ 5,406	\$ 4,776	\$ 4,637	\$ 3,862	\$ 4,179	\$ 3,894	\$ 3,650	\$ 3,650
Contributions as a percentage of covered employee payroll	24.05%	10.74%	15.25%	13.15%	12.87%	14.54%	14.22%	13.97%
Schedule of Investment Returns								
Annual money weighted rate of return, net of investment expense	9.70%	5.70%	-5.60%	29.60%	1.90%	6.60%	10.86%	8.45%

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

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