

OFFICIAL STATEMENT DATED JUNE 3, 2020

Rating: See "Rating" herein.  
S&P Global Ratings: AAA

New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

TOWN OF CHATHAM, MASSACHUSETTS  
\$3,450,000  
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS  
UNLIMITED TAX

**DATED**  
Date of Delivery

**DUE**  
June 1  
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See "THE BONDS- Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable June 1 of the years in which the Bonds mature. Interest on the Bonds will be payable June 1 and December 1, commencing December 1, 2020. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will be subject to redemption prior to their stated maturity dates as described herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Chatham, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town, without limit as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Due June 1	Principal Amount	Interest Rate	Yield	CUSIP 162105	Due June 1	Principal Amount	Interest Rate	Yield	CUSIP 162105
2021	\$175,000	4.00 %	0.30 %	XG0	2028	\$ 175,000	4.00 %	0.78 %	XP0
2022	175,000	4.00	0.35	XH8	2029	175,000	4.00	0.85	XQ8
2023	175,000	4.00	0.40	XJ4	2030	175,000	2.00	1.10	XR6
2024	175,000	4.00	0.40	XK1	2038	170,000	2.00	1.80	XZ8
2025	175,000	4.00	0.50	XL9	2039	170,000	2.00	1.90	YA2
2026	175,000	4.00	0.60	XM7	2040	170,000	2.00	2.00	YB0
2027	175,000	4.00	0.75	XN5					

**\$510,000 Interest Rate 2.00% Term Bond Maturing June 1, 2033 Yield 1.30% CUSIP #162105 XU9**  
**\$340,000 Interest Rate 2.00% Term Bond Maturing June 1, 2035 Yield 1.50% CUSIP #162105 XW5**  
**\$340,000 Interest Rate 2.00% Term Bond Maturing June 1, 2037 Yield 1.70% CUSIP #162105 XY1**

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. Hilltop Securities Inc., Boston, Massachusetts has acted as Financial Advisor to the Town of Chatham, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about June 25, 2020, against payment to the Town in federal funds.

PIPER SANDLER & CO.

**TABLE OF CONTENTS**

	<u>Page</u>		<u>Page</u>
SUMMARY STATEMENT .....	3	Pledged Taxes .....	33
NOTICE OF SALE .....	4	Cape Cod Land Bank .....	33
Bidding Parameters .....	5	Land Bank Fund .....	33
Establishment of Issue Price .....	6	Community Preservation Act .....	33
EXHIBIT 1 – Form of Issue Price Certificates .....	9		
		<b>TOWN FINANCES:</b>	
OFFICIAL STATEMENT .....	15	Budget and Appropriation Process .....	35
THE BONDS .....	15	Operating Budget Trends .....	36
Description of the Bonds .....	15	Revenues .....	36
Redemption Provisions .....	15	Audits .....	38
Record Date .....	16	Financial Statements .....	38
Book-Entry Transfer System .....	16	Governmental Funds Balance Sheet	
Authorization of the Bonds and Use of Proceeds .....	18	As of June 30, 2019 .....	39
Tax Exemption .....	18	Governmental Funds Balance Sheet	
Risk of Future Legislative Changes and/or		As of June 30, 2018 .....	40
Court Decisions .....	19	Governmental Funds Balance Sheet	
Security and Remedies .....	19	As of June 30, 2017 .....	41
Opinion of Bond Counsel .....	21	Statement of Revenues, Expenditures and Changes	
Rating .....	21	in Fund Balances as of June 30, 2015 – 2019 .....	42
Financial Advisory Services of Hilltop Securities .....	21	Unassigned General Fund and Free Cash .....	47
Continuing Disclosure .....	21	Stabilization Fund .....	47
		Tax Increment Financing for Development Districts .....	47
<b>TOWN OF CHATHAM, MASSACHUSETTS:</b>		State School Building Assistance Program .....	48
General .....	22		
Governing Bodies and Officers .....	22	<b>INDEBTEDNESS:</b>	
Municipal Services .....	22	Authorization Procedure and Limitations .....	49
Corona Virus (COVID-19) Disclosure .....	23	Types of Obligations .....	49
Economy .....	23	Direct Debt Summary .....	50
Employment and Payrolls .....	24	Debt Ratios .....	51
Largest Employers .....	24	Principal Payments by Purpose .....	51
Unemployment .....	25	Debt Service Requirements .....	52
Building Permits .....	25	Authorized Unissued Debt .....	53
Education .....	26	Overlapping Debt .....	53
Public School Enrollments .....	26	Contractual Obligations .....	54
Transportation and Utilities .....	26	<b>RETIREMENT SYSTEM</b> .....	54
Population, Income and Wealth Levels .....	27	Barnstable County Funding Schedule .....	56
Population Trends .....	27	Other Post-Employment Benefits .....	56
		<b>EMPLOYEE RELATIONS</b> .....	57
<b>PROPERTY TAXATION:</b>		<b>LITIGATION</b> .....	57
Tax Levy Computation .....	28		
Assessed and Tax Levies .....	28	APPENDIX A – Fiscal 2019 Audit	
Classification of Property .....	29		
Largest Taxpayers .....	29	APPENDIX B – Proposed Form of Legal Opinion	
State Equalized Valuation .....	30		
Overlay .....	30	APPENDIX C – Proposed Form of Continuing	
Tax Collections .....	30	Disclosure Certificate	
Tax Titles and Possessions .....	31		
Taxation to Meet Deficits .....	31		
Property Tax Limitations .....	32		

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Wednesday, June 3, 2020, 11:00 a.m. (Eastern Time).
Location of Sale:	Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Chatham, Massachusetts.
Issue:	\$3,450,000 General Obligation Municipal Purpose Loan of 2020 Bonds, see "THE BONDS Book-Entry Transfer System" herein.
Official Statement Dated:	June 3, 2020.
Dated Date of the Bonds:	As of their date of delivery.
Principal Due:	Serially June 1, 2021 through June 1, 2030 and June 1, 2038 through June 1, 2040, inclusive, and three Term Bonds maturing June 1, 2033, June 1, 2035 and June 1, 2037, as detailed herein.
Interest Payable:	Semi-annually June 1 and December 1, commencing December 1, 2020.
Purpose and Authority:	The Bonds are authorized by the Town for various municipal improvements under provisions of the Massachusetts General Laws as detailed herein.
Redemption:	The Bonds will be subject to redemption prior to their stated maturity dates as detailed herein.
Security:	The Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town, without limit as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.
Credit Rating:	S&P Global Ratings has assigned a rating of AAA to the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. <b><u>BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$75,000.</u></b>
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
Bank Qualification:	The Bonds will be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	U.S. Bank National Association, Boston, Massachusetts.
Legal Opinion:	Locke Lord LLP, Boston, Massachusetts.
Financial Advisor:	Hilltop Securities Inc., Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about June 25, 2020, against payment in federal funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Ms. Alix Heilala, Finance Director, Town of Chatham, Massachusetts Telephone (508) 945-5108 or Cinder McNerney, Managing Director, Hilltop Securities Inc., Boston, Massachusetts Telephone (617) 619-4408.

**NOTICE OF SALE**

**TOWN OF CHATHAM, MASSACHUSETTS  
\$3,700,000\* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS**

The Town of Chatham, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, June 3, 2020, for the purchase of the following described General Obligation Municipal Purpose Loan of 2020 Bonds of the Town (the "Bonds"):

\$3,700,000\* General Obligation Municipal Purpose Loan of 2020 Bonds payable June 1 of the years and in the amounts as follows:

Due June 1	Principal Amount*	Due June 1	Principal Amount*
2021	\$ 185,000	2031	\$ 185,000
2022	185,000	2032	185,000
2023	185,000	2033	185,000
2024	185,000	2034	185,000
2025	185,000	2035	185,000
2026	185,000	2036	185,000
2027	185,000	2037	185,000
2028	185,000	2038	185,000
2029	185,000	2039	185,000
2030	** 185,000	2040	185,000

\*Preliminary, subject to change.

\*\*Callable maturities. May be combined into not more than three Term Bonds as described herein.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on June 1 of the years in which the Bonds mature. Interest will be payable on June 1 and December 1, commencing December 1, 2020.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to beneficial owners will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of Hilltop Securities Inc., Boston, Massachusetts and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

The Bonds maturing on and before June 1, 2029 are not subject to redemption prior to their stated maturity dates. Bonds maturing on and after June 1, 2030 are subject to redemption prior to their stated maturity dates, at the option of the Town, on and after June 1, 2029 either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

For Bonds maturing on and after June 1, 2030, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise a maturity of term bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than three term bonds.

Term bonds, if any, shall be subject to mandatory redemption on June 1 of the year or years immediately prior to the stated maturity of such term bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

### **Bidding Parameters**

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent or (c) **any coupon in excess of 4.0%. NO BID OF LESS THAN PAR PLUS A PREMIUM OF AT LEAST \$75,000 WILL BE CONSIDERED.**

**The current Bond structure does not reflect any premium. Any premium above the \$75,000 amount required, will be used to reduce the par amount of the Bonds. The Town reserves the right to decrease the aggregate principal amount of the Bonds by the amount of net premium to be received, and to restructure the remaining amount to mature through the same term on an equal principal amortization basis. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder for the Bonds by local time 4 p.m. on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Alix Heilala, Finance Director, Town of Chatham, Massachusetts c/o Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114. Actual bids may be telephoned to Hilltop Securities Inc. telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale. Hilltop Securities Inc. will act as agent for the bidder, but neither the Town nor Hilltop Securities Inc. shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of June 25, 2020, discounts semi-annually all future payments on account of principal and interest to the price bid, not including interest accrued to June 25, 2020, if any, which accrued interest shall be paid by the successful bidder. The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Board of Selectmen and the Treasurer. In the event that two or more bidders submit the same lowest true interest cost for the Bonds, the Treasurer shall determine the winning bidder by lot from among all such proposals.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Chatham has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to S&P Global Ratings for a rating on the Bonds. Any such fee paid to S&P Global Ratings would be borne by the Town.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the “Code”).

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord, LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated May 27, 2020, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, as of its date and the date of sale the Preliminary Official Statement did not, and as of its date and the date of the delivery of the Bonds, the Final Official Statement did not and does not, contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form appearing as Appendix C of the Preliminary Official Statement.

### **Establishment of Issue Price**

The successful bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town on the Closing Date an “issue price” or similar certificate, substantially in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sales price of the Bonds together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by Hilltop Securities Inc. (the “Financial Advisor”) and any notice or report to be provided to the Town may be provided to the Financial Advisor.

Competitive Sale Requirements. If the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) have been satisfied, the Town will furnish to the successful bidder on the Closing Date a certificate of the Financial Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

**Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by contacting the Financial Advisor, telephone (617) 619-4400, and affirming in writing via email or facsimile, or in its bid submitted via Parity, that it will NOT be an “underwriter” (as defined below) of the Bonds, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Bonds, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Bonds to the public.**

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Bonds to the Public and the 10% Test to Apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Bonds to the public, the Successful Bidder may, at its option, will use the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the Financial Advisor until notified in writing by the Town or the Financial Advisor that it no longer needs to do so. If the successful bidder uses Option A the Successful Bidder shall provide to the Town on or before the closing date, the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public), and
3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Intends to Reoffer the Bonds to the Public and Agrees to Hold the Price of Maturities of Bonds for Which the 10% Test in Option A is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. on the Sale Date, that it has not sold 10% of the maturities of the Bonds listed in the Hold the Price Notice (the “Unsold Maturities”) and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Financial Advisor, the successful bidder must provide to the Issuer on or before the Closing Date, in addition to the certification described in Option A above, evidence that each underwriter of the Bonds, including underwriters in an underwriting syndicate or selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

The Successful Bidder Does Not Intend to Reoffer the Bonds to the Public – Option C. If the successful bidder has purchased the Bonds for its own account and will not distribute or resell the Bonds to the public, then, whether or not the competitive sale requirements were met, the issue price certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

Additional information concerning the Town of Chatham and the Bonds is contained in the Preliminary Official Statement dated May 27, 2020, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 10 copies of the Final Official Statement will be available from the Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about June 25, 2020 for settlement in federal funds.

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TOWN OF CHATHAM, MASSACHUSETTS  
/s/ Ms. Alix Heilala, Finance Director

May 27, 2020

**Issue Price Certificate for Use If the Competitive  
Sale Requirements Are Met  
\$3,700,000\*  
Town of Chatham, Massachusetts  
General Obligation Municipal Purpose Loan of 2020 Bonds Dated June 25, 2020**

**ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds") of the Town of Chatham, Massachusetts (the "Issuer").

**1. Reasonably Expected Initial Offering Prices.**

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Bonds.
- (b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

**2. Defined Terms.**

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 3, 2020.
- (d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The Successful Bidder hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_, 2020

Successful Bidder

By: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
\*Preliminary, subject to change.

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
**(To be Attached)**

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**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**  
**(To Be Attached)**

**Issue Price Certificate for Use If the Competitive Sale Requirements Are  
Not Met and the 10% Test to Apply  
\$3,700,000\*  
Town of Chatham, Massachusetts  
General Obligation Municipal Purpose Loan of 2020 Bonds Dated June 25, 2020  
ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the (“Successful Bidder”), on behalf of itself and [NAMES OF OTHER SUCCESSFUL BIDDER]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) by the Town of Chatham, Massachusetts (The “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Bonds have not been sold for one or more Maturities of Bonds as of the Closing Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until the 10% test has been satisfied as to each Maturity of the Bonds or all of the Bonds are sold to the Public, the Successful Bidder agrees to promptly report to the Town of Chatham’s financial advisor, Hilltop Securities Inc. (the “Financial Advisor”) the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The Successful Bidder shall continue to report each sale of Bonds to the Financial Advisor until notified by email or in writing by the State or the Financial Advisor that it no longer needs to do so.

2. Defined Terms.

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Underwriter* means (i) any person, including the Successful Bidder that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. The Successful Bidder hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinion and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_ 2020

SUCCESSFUL BIDDER

By: \_\_\_\_\_

Name:

Title:

\*Preliminary, subject to change.

SALE PRICES  
[(Attached)]

SCHEDULE A

**Issue Price Certificate for Use If the Competitive Sale Requirements Are  
Not Met and the Hold the Price Rule Is Imposed  
\$3,700,000\*  
TOWN OF CHATHAM, MASSACHUSETTS  
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS**

**DATED JUNE 25, 2020**

**ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the (“[Successful Bidder][Representative]”), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Town of Chatham, Massachusetts (the “Issuer).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met as of the Sale Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Bonds, the [Successful Bidder][Representative] and any other Underwriter did not reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public until the earlier of (i) \_\_\_\_\_, 2020 or (ii) the date on which the “Successful Bidder][Representative] sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

2. Defined Terms.

(a) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Underwriter means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. The [Successful Bidder][Representative] hereby acknowledges receipt from the Issuer of the bonds if the Issue and further acknowledges receipt of all certificates, opinion and other documents required to be delivered to the [Successful Bidder][Representative], before or simultaneously with the delivery of such bonds of the Issue, which certificates, opinions and other documents are satisfactory to the [Successful Bidder][Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder’s][Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the

Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

\*Preliminary, subject to change.

Dated: \_\_\_\_\_, 2020

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: \_\_\_\_\_  
Name:  
Title:

**[SCHEDULE A  
SALE PRICES  
(To be Attached)]**

**OFFICIAL STATEMENT**

**TOWN OF CHATHAM, MASSACHUSETTS**

**\$3,450,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Chatham, Massachusetts (the "Town") in connection with the sale of \$3,450,000 stated principal amount of its General Obligation Municipal Purpose Loan of 2020 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another source.

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated their date of delivery and will bear interest payable semiannually on June 1 and December 1, commencing December 1, 2020. The Bonds shall mature on June 1 of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only in fully registered form registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

**Redemption Provisions**

**Optional Redemption**

Bonds maturing on or prior to June 1, 2029 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after June 1, 2030 shall be subject to redemption prior to maturity, at the option of the Town, on or after June 1, 2029, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

**Mandatory Redemption**

The Bonds maturing June 1, 2033, June 1, 2035 and June 1, 2037, (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts set forth below (the particular portion of such Term Bonds to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.

**\$510,000 Term Bond Maturing June 1, 2033**

<u>June 1</u>	<u>Principal Amount</u>
2031	\$170,000
2032	170,000
2033*	170,000

\*Final Maturity.

**\$340,000 Term Bond Maturing June 1, 2035**

<u>June 1</u>	<u>Principal Amount</u>
2034	\$170,000
2035*	170,000

\*Final Maturity.

**\$340,000 Term Bond Maturing June 1, 2037**

<u>June 1</u>	<u>Principal Amount</u>
2036	\$170,000
2037*	170,000

\*Final Maturity.

**Notice of Redemption**

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

**Record Date**

The record date for each payment of interest on the Bonds (the "Record Date") is the fifteenth day of the month preceding the interest payment date, provided that, if such date is not a business day, the Record Date shall be the next succeeding business. Under certain circumstances, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

**Book-Entry Transfer System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written

confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Town or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## Authorization of the Bonds and Use of Proceeds

The following sets forth the purpose, principal amount, amount originally authorized, statutory authority and date of Town approval for the current offering of Bonds:

<u>Purpose</u>	<u>This Issue</u>	<u>Original Bond Authorization</u>	<u>Statutory Reference</u>	<u>Date of Approval</u>
Fish Pier & Waterfront Facilities	\$ 3,450,000	\$ 11,355,000 (1)	Ch. 44, s.7(1)	5/7/2017
Total:	<u>\$ 3,450,000</u>			

(1) On May 11, 2017, the Town voted to exempt this authorization from the limitations of Proposition 2 ½.

## Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's

basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction, or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

### **Risk of Future Legislative Changes and/or Court Decisions**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

### **Security and Remedies**

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "*Serial Bonds and Notes*" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "*State Distributions*" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "*Tax Limitations*" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

No Lien. Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay

judgments, subject to the General Debt Limit. (See “INDEBTEDNESS-Authorization Procedures and Limitations” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

*Court Proceedings.* Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

*Restricted Funds.* Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

*State Distributions.* State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (“MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority (“MWRA”) if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority (“MSBA”), or for charges necessary to meet obligations under the Commonwealth’s Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by The Commonwealth of Massachusetts (the “Commonwealth”) to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

**Bankruptcy.** Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

### **Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Locke Lord, LLP, Boston, Massachusetts ("Bond Counsel"). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

### **Rating**

S&P Global Ratings has assigned a rating of AAA to the Bonds. Said rating only reflects the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

### **Financial Advisory Services of Hilltop Securities Inc.**

Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town.

### **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

**In the past five years, the Town believes that it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**

# TOWN OF CHATHAM, MASSACHUSETTS

## General

The Town of Chatham, Massachusetts (“Chatham”), one of the oldest townships on Cape Cod (Barnstable County), was settled in 1656 and incorporated June 11, 1712. It is governed by an open town meeting form of government. The Town has a year-round population of approximately 5,988 and a summer population of approximately 30,000.

Chatham is located at the elbow of Cape Cod, bordered by Pleasant Bay and Orleans on the north, the Atlantic Ocean on the east, Nantucket Sound on the south, and the Town of Harwich on the west. The Town is about 19 miles from Hyannis, 90 miles from Boston, and 250 miles from New York City. The land area of the Town of Chatham is 16.13 square miles with a tidal shoreline of 66.8 miles.

## Governing Bodies and Officers

Subject to the legislative decisions made by the open town meeting, the affairs of the Town are generally administered by a board of five selectmen elected for overlapping three year terms, and by a Town Manager appointed by the Board of Selectmen. A three member Board of Assessors appointed for overlapping three year terms determines the value of real and personal property upon which local taxes are assessed.

### Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Selection/Term</u>	<u>Term Expiration</u>
Selectman Chairman	Shareen Davis	Elected/3 yrs.	2020
Selectman, Vice Chairman	Peter Cocolis	Elected/3 yrs.	2022
Selectman, Clerk	Dean Nicastro	Elected/3 yrs.	2021
Selectman	Cory Metters	Elected/3 yrs.	2021
Selectman	Jeffrey Dykens	Elected/3 yrs.	2022
Town Manager	Jill R. Goldsmith	Appointed	2023
Finance Director/Accountant	Alexandra Heilala	Appointed	Indefinite
Town Clerk	Julie S. Smith	Appointed	Indefinite
Treasurer	Sharon Drown	Appointed	Indefinite
Town Counsel	Louison, Costello, Condon & PFAFF, LLP	Appointed	March 2021

## Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, water, sewer, emergency ambulance service, a municipal airport, public education in grades kindergarten through twelve, which became Monomoy Regional School District effective July 1, 2012, a library, a sanitary landfill, streets, parks, beaches, and recreation. The Cape Cod Regional Technical High School District provides technical education in grades 9-12. The Cape Cod Regional Transit Authority provides bus service to the Town.

The principal services provided by Barnstable County are space for courts, a jail and house of correction and registry of deeds. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999, and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth’s expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

## **Corona Virus (COVID-19) Disclosure**

COVID-19 is a new respiratory disease caused by a novel coronavirus that has not previously been seen in humans. On March 10, 2020, the Governor of The Commonwealth of Massachusetts declared a state of emergency to support the Commonwealth's response to the outbreak of the virus. On March 11, 2020 the World Health Organization declared COVID-19 a pandemic. On March 13, 2020, the President declared a national emergency due to the outbreak, which has enabled disaster funds to be made available to states to fight the pandemic. On March 15, 2020, the Governor announced emergency actions to help address the spread of the virus, and as a result the Town closed all municipal buildings to the public until at least May 25, 2020. The Town is adhering to these actions by strictly following the public health recommendations of social distancing guidelines and limiting public gatherings to 10 people or less. Town employees are currently reporting to work as directed and under the discretion of management. The Town continues to and expects to continue to maintain all essential functions and services.

Pursuant to M.G.L. Chapter 44, Section 31, the Town can set up a fund specifically related to COVID-19 expenses. This fund should capture all costs related to the COVID-19 pandemic and deficit spend for these costs, including but not limited to, overtime, cleaning and medical supplies, and IT equipment. The Town plans to establish such a fund.

The virus and the resulting actions by national, state and local governments is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies. There can be no assurances regarding the extent to which COVID-19 will impact the national and state economies and, accordingly, how it will adversely impact municipalities, including the Town. These negative impacts are likely to include reduced collections of property taxes and other revenues, including local meals and rooms tax revenue, motor vehicle excise taxes and other fees and charges collected by the Town. Effective March 23, 2020, the Town implemented a spending freeze for non-essential items. The Town has reduced the estimated fiscal 2021 local revenues to 59% of prior year revenues where they would typically budget 80% of prior year revenues based on the reduction from hotel/motel, meals, beach receipts and motor vehicle excise collections. The Town plans to carry Free Cash forward and reduce the capital budget. Additionally, the negative economic impacts of the COVID-19 pandemic on revenues collected at the state level, including, but not limited to, income, sales and capital gains taxes, are likely to result in revenue shortfalls at the state level, which will likely result in reduced state financial assistance to cities and town throughout the Commonwealth. Furthermore, the rapid economic changes associated with the COVID-19 pandemic are likely to have negatively impacted the most recent employment, income, building permit activity and related statistics presented herein.

## **Economy**

Chatham is a residential resort community at the elbow of Cape Cod, characterized by a large retired community and a highly stable summer population. A substantial portion of its summer residents either own property in Chatham or are repeat visitors. The following table lists the major categories of income and employment for the Town.

**EMPLOYMENT AND PAYROLLS**

Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Average Calendar Year				
	2018	2017	2016	2015	2014
Construction	244	240	253	237	279
Manufacturing	73	78	78	73	68
Trade, Transportation and Utilities	592	571	555	578	528
Financial Activities	115	123	135	178	130
Professional and Business Services	349	282	286	278	262
Education and Health Services	498	841	798	856	872
Leisure and Hospitality	1,217	1,200	1,141	1,056	1,024
Other Services	123	99	139	94	137
<b>Total Employment</b>	<b>3,211</b>	<b>3,434</b>	<b>3,385</b>	<b>3,350</b>	<b>3,300</b>
Number of Establishments	412	415	406	394	403
Average Weekly Wages	\$ 866	\$ 895	\$ 815	\$ 762	\$ 790
<b>Total Wages</b>	<b>\$ 166,980,623</b>	<b>\$ 158,122,694</b>	<b>\$ 150,484,330</b>	<b>\$ 142,032,221</b>	<b>\$ 144,738,885</b>

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence.

**Largest Employers**

The following table sets forth the largest employers in the Town exclusive of the Town.

Name	Product/Function	Approximate No. of Employees	
		Year-Round	Seasonal
Liberty Commons Rehabilitation & Skilled Care Center	Nursing Home/Rehab	198	198
Chatham Bars Inn	Resort Inn	170	560
Chatham Squire Restaurant & Tavern	Restaurant/Tavern	75	140
Ocean State Job Lot	Retail Outlet	40	60
Chatham Wayside Inn	Inn & Restaurant	35	75
The Impudent Oyster	Restaurant/Lounge	28	46

## Unemployment

According to the Massachusetts Division of Employment Security preliminary data, in March 2020, the Town had a labor force of 2,803, of which 2,636 were employed and 167 or 6.0% were unemployed as compared with 6.0% for Barnstable County and 3.4% for the Commonwealth (unadjusted). The following table sets forth the Town's average labor force and unemployment rates for each of the last five calendar years and the unemployment rates for the County and Commonwealth as a whole for the same period. Since March, 2020, unemployment rates in the Town, the Commonwealth and the Nation are likely to have increased significantly as a result of the COVID-19 pandemic.

### Unemployment Rates

Calendar Year	Town of Chatham			Barnstable County	Massachusetts
	Labor Force	Employment	Unemployment Rate	Unemployment Rate	Employment Rate
2019	3,053	2,945	3.5%	3.9%	2.9%
2018	3,077	2,956	3.9	4.3	3.3
2017	2,961	2,831	4.4	3.7	4.4
2016	2,868	2,743	4.4	4.7	3.7
2015	2,880	2,711	5.5	6.2	4.9

SOURCE: Massachusetts Department of Employment and Training. Data based upon place of residence, not place of employment. Monthly data is not seasonally adjusted for the Town and County.

## Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and additions/alterations for the current calendar year to date and each of the prior five calendar years. The estimated dollar values are builders' estimates and are generally considered to be conservative. Permits are filed and estimated valuations are shown for both private constructions as well as for Town projects.

The number and value of building permits issued in the current calendar year are likely to decline in 2020 as a result of the COVID-19 pandemic.

### Building Permits Issued

Calendar Year	New Construction				Additions/ Alterations		Totals	
	Residential		Non-Residential		No.	Value	No.	Value
	No.	Value	No.	Value				
2019	31	\$26,093,128	1	\$1,486,400	864	\$52,515,342	898	\$80,094,870
2018	42	32,752,646	5	3,271,922	988	42,239,997	1,035	78,264,565
2017	36	29,048,069	11	4,501,457	862	37,441,137	909	70,990,963
2016	37	23,968,482	14	3,137,794	831	34,593,424	882	61,699,700
2015	110	25,558,699	1	150,000	714	57,212,839	825	82,921,539
2014	48	44,643,241	48	4,950,739	676	33,148,956	772	82,742,936

SOURCE: Building Inspector

## Education

The Schools in the Towns of Chatham and Harwich became Monomoy Regional School District effective July 1, 2012 for all grades pre-k through grades 12. A new regional high school was built in Harwich to house grades 8 – 12 and the former Chatham Middle/High School became the Middle School for the District for grades 5 – 7. Each town has its own K– 4 Elementary Schools. The new Monomoy Regional School District building opened in September 2014. Presently, Chatham is responsible for 26.55% of the enrollment/budget and Harwich is responsible for approximately 73.45%. Technical education at the high school level is provided by the Cape Cod Regional Technical High School District.

The following table sets forth the trend in enrollments for the various schools attended by Chatham students.

### Public School Enrollments - October 1 (Chatham Students Only)

	Actual				
	2015(1)	2016	2017	2018	2019
Elementary	173	201	177	173	157
Middle/High School	228	222	239	234	224
Cape Cod Lighthouse Charter School	13	11	7	9	9
School Choice	61	58	62	40	15
Cape Cod Regional Tech. High School District	11	10	7	8	10
Totals	<u>486</u>	<u>502</u>	<u>492</u>	<u>464</u>	<u>415</u>

SOURCE: Chatham Elementary School, Middle/High School, Cape Cod Regional Technical High School District and Cape Cod Lighthouse Charter School.

(1) Monomoy Regional High School opened in September 2014 for grades 8 – 12.

In addition to the Town, the Cape Cod Regional Technical High School District members include the towns of Barnstable, Brewster, Dennis, Eastham, Harwich, Mashpee, Orleans, Provincetown, Truro, Wellfleet and Yarmouth. Total capacity of the District's facilities is estimated at 650 students. October 1, 2019 enrollment was 622 students, 10 of which are from Chatham.

Cape Cod Lighthouse Charter School opened in Orleans in September 1995. Students are attending from the towns of Barnstable, Brewster, Chatham, Dennis, Eastham, Harwich, Mashpee, Orleans, Provincetown, Sandwich, Truro, Wellfleet and Yarmouth. The October 1, 2019 enrollment was 242 students, 9 of which are from Chatham.

## Transportation and Utilities

Principal highways serving the Town include U.S. Route 6 and State Routes 28, 6A and 137. The Cape Cod Regional Transit Authority provides van service to all fifteen towns on the Cape, including Chatham, and is primarily used by the elderly and handicapped. Established trucking firms provide competitive service locally and to long-distance points. Bus service to Boston, New York, and the Springfield-Worcester area is provided by a private bus line in the nearby town of Barnstable. The Chatham Municipal Airport provides access for private and corporate planes with a 3,000 foot runway. There is a seaplane base located adjacent to the airport.

Gas and electric services are provided by established private utilities.

## Population, Income and Wealth Levels

	<u>Chatham</u>	<u>Barnstable County</u>	<u>Massachusetts</u>
<b>Median Age</b>			
2009 – 2013 (5 year est.)	57.5	50.4	39.2
2000 .....	53.9	44.6	36.5
1990 .....	51.4	39.5	33.6
<b>Median Family Income 2009 – 2013 (5 year est.)</b>			
2009 – 2013 (5 year est.)	\$83,972	\$76,311	\$84,900
1999 .....	56,750	54,728	61,664
1989 .....	36,961	38,117	44,367
<b>Median Household Income 2009 – 2013 (5 year est.)</b>			
2009 – 2013 (5 year est.)	\$64,936	\$60,526	\$66,866
1999 .....	45,519	45,933	50,502
1989 .....	31,315	31,766	36,952
<b>Per Capita Income</b>			
2009 – 2013 (5 year est.)	\$45,078	\$36,142	\$35,763
1999 .....	28,594	25,318	25,952
1989 .....	18,471	16,402	17,224

SOURCE: Federal Bureau of the Census.

On the basis of the 2010 Federal Census, the Town has a population density of 374 persons per square mile. The following table sets forth the trend in the year-round population of the Town. (The Town's summer population is estimated to average approximately 30,000.) The Town estimates its population to be 5,988.

### Population Trends

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
6,125	6,625	6,579	6,071	4,550

SOURCE: Federal Census.

## PROPERTY TAXATION

The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Property Tax Limitation" below. As to the inclusion of debt service and final judgments, see "SOURCE OF PAYMENT AND REMEDIES" above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

### Tax Levy Computation

The following table sets forth the Town's tax levy calculation for the following years.

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Total appropriations (1)	\$ 41,810,637	\$ 46,807,415	\$ 47,498,774	\$ 49,456,771	\$ 52,497,941
State and county assessments	694,400	716,710	751,526	773,300	783,213
Overlay for current year	374,107	295,629	240,710	261,613	264,609
Other local expenditures	565,511	110,767	267,129	14,883	553,030
Gross amount to be raised	<u>43,444,655</u>	<u>47,930,522</u>	<u>48,758,139</u>	<u>50,506,567</u>	<u>54,098,793</u>
Offsets:					
Estimated receipts from State (2)	1,143,639	1,144,315	1,154,677	726,051	214,418
Local Estimated receipts	8,971,629	9,835,018	9,892,796	10,252,509	11,070,983
Other available funds	1,401,738	1,661,500	1,956,068	3,267,193	4,295,410
Free Cash	787,000	2,903,600	2,798,680	1,937,414	2,818,866
Total offsets	<u>12,304,006</u>	<u>15,544,433</u>	<u>15,802,221</u>	<u>16,183,167</u>	<u>18,399,677</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 31,140,649</u>	<u>\$ 32,386,089</u>	<u>\$ 32,955,918</u>	<u>\$ 34,323,400</u>	<u>\$ 35,699,116</u>

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold (generally quarterly) payments pending receipt of State and County assessments. See "TOWN FINANCES--Revenues-State Aid

### Assessed Valuations and Tax Levies

The following table sets forth the trend in the Town's assessed valuations, tax rates and tax levies.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation	Tax Levy
2020	\$7,350,451,960	\$56,003,560	\$7,406,455,520	\$4.82	\$35,699,116
2019	7,024,383,570	52,606,140	7,076,989,710	4.85	34,323,400
2018	6,720,690,070	46,438,980	6,767,129,050	4.87	32,995,918
2017	6,394,904,400	43,681,800	6,438,586,200	5.03	32,386,089
2016	6,163,159,580	40,156,880	6,203,316,460	5.02	31,140,649

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every five years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" below).

### Classification of Property

The following is a breakdown of the Town's assessed valuation of real estate and personal property for fiscal years 2018, 2019 and 2020.

Property Type	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 6,316,190,918	93.3 %	\$ 6,620,256,970	93.5 %	\$ 6,945,088,530	93.8 %
Commercial	379,128,807	5.6	378,774,385	5.4	376,043,380	5.1
Industrial	25,370,345	0.4	25,352,215	0.4	29,320,050	0.4
Personal	46,438,980	0.7	52,606,140	0.7	56,003,560	0.8
<b>Total</b>	<b>\$ 6,767,129,050</b>	<b>100.0 %</b>	<b>\$ 7,076,989,710</b>	<b>100.0 %</b>	<b>\$ 7,406,455,520</b>	<b>100.0 %</b>

### Largest Taxpayers

The following is a list of the largest taxpayers in the Town based upon assessed valuations for fiscal 2020.

Name	Business	Total Assessed Valuation for Fiscal 2020	2020 Total Tax	% of Total Value
CBI Owner, LLC	Resort Inn	\$ 91,998,100	\$ 443,431	1.24 %
Eastward Ho! Country Club	Country Club	25,442,910	122,635	0.34
Jones, Robert W. & Debra N.	Residential	12,582,600	60,648	0.17
TR 97 Nominee Trust	Residential	12,457,600	60,046	0.17
Paul & Pamela Julian 2002 Trust	Residential	12,284,200	59,210	0.17
Wilkey Way 67 Nominee Trust	Residential	12,015,400	57,914	0.16
The 560 Fox Hill Nominee Trust	Residential	11,260,500	54,276	0.15
Liberty Commons LTD Liability Corp.	Nursing Home	10,976,400	52,906	0.15
Eastward Companies Business Trust	Construction	10,721,600	51,678	0.14
Thirty-Eight Briggs Way Nominee Trust	Residential	10,380,900	50,036	0.14
<b>Total</b>		<b>\$ 210,120,210</b>	<b>\$ 1,012,779</b>	<b>2.84 %</b>

## State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value." The following table sets forth the trend in equalized valuations of the Town.

<u>January 1</u>	<u>State Equalized Valuations</u>
2018	\$7,374,670,100
2016	6,588,014,300
2014	6,196,588,000
2012	6,302,927,200
2010	6,915,743,700

## Overlay

The Town is authorized by law to increase each tax levy by an amount approved as reasonable by the Commissioner of Revenue for an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay reserve, the resultant "overlay deficit" is required to be added to the next tax levy. Any balance in the overlay account, in excess of the amount of the warrant remaining to be collected or abated, is transferred to a reserve fund to be used for extraordinary or unforeseen expenses. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

The following table sets forth the amount of the overlay reserve for the last five fiscal years, actual abatements granted during the fiscal year against each levy, and cumulative abatements granted through June 30, 2019.

<u>Fiscal Year</u>	<u>Net Tax Levy<sup>(1)</sup></u>	<u>Dollar Amount</u>	<u>Overlay Reserve As a % of Net Levy</u>	<u>Abatements Granted During Fiscal Year of Levy</u>	<u>Abatements Granted Through June 30, 2019</u>
2019	\$34,061,787	\$261,613	0.76%	\$147,450	\$147,450
2018	32,715,208	240,710	0.74	141,528	141,719
2017	32,090,459	295,629	0.92	133,853	160,831
2016	30,766,541	374,107	1.20	134,703	135,449
2015	29,310,563	376,928	1.29	156,666	159,248

(1) Tax levy prior to addition of overlay reserve.

## Tax Collections

The taxes for each fiscal year are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless the city or town accepts a statute providing for quarterly tax payments. The Town extended the payment of the second fiscal 2020 tax payment from May 1 to June 1, 2020. Under that statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws.) In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for each of the last six fiscal years.

### Tax Levies and Collections

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of June 30, 2019 (2)	
				Dollar Amount	% of Levy	Net Dollar Amount	% of Levy
2019	\$ 34,323,400	\$ 261,613	\$ 34,061,787	\$ 33,898,462	99.5 %	\$ 33,898,462	99.5 %
2018	32,955,918	240,710	32,715,208	32,332,749	98.8	32,739,328	100.1
2017	32,386,089	295,629	32,090,460	31,499,553	98.2	31,510,091	98.2
2016	31,140,648	374,107	30,766,541	30,352,554	98.7	30,778,149	100.0
2015	29,687,491	376,929	29,310,562	29,012,846	99.0	29,363,820	100.2

(1) Actual dollar collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

(2) Collections for the current fiscal year are comparable to previous fiscal years.

### Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes thereon. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the land court.

Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus.

<u>Fiscal Year</u>	<u>Total Tax Titles &amp; Possessions</u>
2019	\$341,166
2018	419,165
2017	566,317
2016	525,141
2015	568,198

### Taxation to Meet Deficits

Overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., generally those resulting from non-property tax revenues being less than anticipated, are also required to be added to the next tax levy (at least to the extent not covered by surplus revenue). Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. (The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g., civil service, must legally be paid for work actually performed, whether or not covered by appropriations.)

The Town has not experienced any revenue deficits or overlay deficits in any of the last five fiscal years. To the extent there have been any unprovided for overdrawn accounts, such deficiencies have been provided for, in accordance with Massachusetts law, in the following tax levy. Cities and towns are authorized to appropriate sums, and thus to levy taxes, subject to any overall limits on tax levies, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to

cover free cash deficits. Except to the extent that free cash deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence. See "TOWN FINANCES - Free Cash."

## **Property Tax Limitation**

Chapter 59, Section 21C of the General Laws, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2<sup>1</sup>/<sub>2</sub> percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7<sup>1</sup>/<sub>2</sub> percent by majority vote of the voters, or to less than 7<sup>1</sup>/<sub>2</sub> percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2<sup>1</sup>/<sub>2</sub> percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2<sup>1</sup>/<sub>2</sub> limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2<sup>1</sup>/<sub>2</sub> limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, the statute limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2<sup>1</sup>/<sub>2</sub> percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2<sup>1</sup>/<sub>2</sub> any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

As presented hereafter, the Town has been in full compliance with Proposition 2 1/2 since its inception. The following table sets forth the Town's tax levies and levy limits under Proposition 2 1/2 for the current and past five fiscal years.

Fiscal Year	Gross Tax Levy	Maximum Levy Limit	Primary Levy Limit <sup>(1)</sup>	Under(Over) Maximum Levy Limit	Under(Over) Primary Levy Limit
2020	\$35,699,116	\$37,547,725	\$185,161,388	\$1,848,609	\$149,462,272
2019	34,323,400	36,201,431	176,924,743	1,878,301	142,601,343
2018	32,955,918	35,105,995	169,178,226	2,150,077	136,222,308
2017	32,386,089	34,340,533	160,964,655	1,954,444	128,578,566
2016	31,140,649	33,126,545	155,082,912	1,985,986	123,942,263

(1) 2 1/2% of total assessed valuation.

### Pledged Taxes

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes (see "TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS" below).

### Cape Cod Land Bank

An excise tax of 3% of the real estate tax levy against real property in the Town is levied by the Town under the Cape Cod Open Space Land Acquisition Program authorized by Chapter 293 of the Acts of 1998, as amended (the "Land Bank Act"). This levy is not counted in the total taxes assessed for the purposes of determining the permitted levy amount under Proposition 2 1/2 (See "Property Tax Limitation" above). The proceeds of the excise tax, together with any state matching funds are deposited in the Land Bank Fund held by the Town and may be appropriated, upon the recommendation of the designated open space committee, for the purposes of acquiring land and interest in land for the protection of public drinking water supplies, open space and conservation land and the creation of walking trails, bicycling trails and recreational areas. The Land Bank Act also authorizes the issuance of bonds and notes for these purposes and the payment of debt service on such bonds and notes from amounts on deposit in the Land Bank Fund. Under the terms of the Land Bank Act, the excise tax expires on January 1, 2020. The following table lists the recent trend in fund balance in the Land Bank Fund.

#### Land Bank Fund

June 30	Fund Balance
2019	\$ 1,997,502
2018	1,719,543
2017	1,522,431
2016	1,510,444
2015	1,130,665
2014	1,145,154

### Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value

of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2<sup>1/2</sup> (see "Tax Limitations" under "PROPERTY TAX" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

### Community Preservation Fund

June 30	Fund Balance
2019	\$ 2,768,146
2018	3,053,555
2017	2,668,118
2016	2,368,108
2015	2,247,997

## TOWN FINANCES

### Budget and Appropriation Process

**Town Meeting:** The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in May. Appropriations may also be voted at special meetings. The Town has a finance committee which submits reports and recommendations on proposed expenditures at town meetings.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. (See "STATE AID" below.)

**Water Budget:** The budget for the Town Water Department is voted on as a separate item at each Annual Town Meeting. Any operating surplus generated by the Water Department accrues to a reserve fund for the next year's operations. The Water Department rates are set by an elected Board of Water commissioners.

**Mandatory Items:** Mandatory items, such as state and county assessments, the overlay for abatements, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments, are included in the tax levy whether or not included in the appropriations voted at town meeting.

**Revenues:** Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "THE BONDS-Source of Payment and Remedies" and "PROPERTY TAXATION--Tax Levy Computation.")

## Operating Budget Trends

The following table sets forth the Town's budgets for the following fiscal years. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items. See "Budget and Appropriation Process" above. Similarly, the budgets summarized below exclude expenditures for "non-operating" or extraordinary items authorized under "special" warrant articles but includes transfers from available funds.

	Annual Operating Budgets (1)				
	2017 (3)	2018 (4)	2019 (3)	2020 (4)	2021 (5)
General Government	\$ 2,105,715	\$ 2,118,440	\$ 2,350,076	\$ 2,409,050	\$ 2,549,519
Public Safety	6,061,226	6,214,664	6,251,604	6,621,804	6,819,945
Community Development	722,169	722,211	793,557	882,155	917,845
Health & Environment	1,369,640	1,389,587	1,513,058	1,764,576	1,796,418
Public Works & Facilities	4,997,325	5,413,211	5,400,975	5,593,858	6,009,628
Community & Social Services	1,143,010	1,194,615	1,261,647	1,366,498	1,382,401
Education	8,842,798	9,135,207	9,355,019	9,415,498	9,358,080
Employee Benefits	4,401,772	4,702,417	4,871,533	5,272,500	5,338,604
Undistributed Ins. & Reserve Fund	564,104	662,409	533,820	659,000	727,833
Debt Service (2)	7,801,268	7,264,740	6,697,531	6,327,256	6,498,015
<b>TOTAL:</b>	<b>\$ 38,009,027</b>	<b>\$ 38,817,501</b>	<b>\$ 39,028,820</b>	<b>\$ 40,312,195</b>	<b>\$ 41,398,288</b>

(1) See "Water Rates and Service" below.

(2) Does not include water debt.

(3) Actual.

(4) Actual. Reflects allocation of the CBA agreement article amount to various departments.

(5) Proposed.

## Revenues

**Property Taxes:** Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "PROPERTY TAXATION-Property Tax Limitation." Property tax receipts totaled \$33,898,462 in fiscal 2019.

**State Aid:** Cities and towns in Massachusetts receive money from the Commonwealth of Massachusetts for various purposes. The Town's state aid entitlement is based upon a number of different formulae, and while said formulae might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the State Legislature. The state annually estimates state aid, but actual payments may vary from the estimate.

The following is the net state aid for the last five fiscal years.

<u>Fiscal Year</u>	<u>Receipts</u>	<u>Assessments</u>	<u>Net Receipts</u>
2019	\$723,020 (1)	\$772,652	\$(49,632)
2018	1,143,686	751,526	392,160
2017	1,151,881	714,974	436,907
2016	1,110,373	694,402	415,971
2015	1,138,862	669,675	469,170

(1) Decrease in state aid attributable to final MSBA reimbursement for Elementary and High School projects.

**Motor Vehicle and Boat Excises:** An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for suspension of registration by the registrar of motor vehicles, who may also, after a hearing, suspend the owner's operating license. Boat excise tax rates are \$10 per \$1,000 valuation on boats of more than 16 feet in length. In fiscal 2019, the Town collected \$1,327,090 in motor vehicle receipts. Boat excise receipts in fiscal 2019 were \$83,798.

**Water Rates and Services:** The Town's Water Department charges are based on two metered summer and two metered winter consumption periods, encompassing three (3) months each period. The rates are as follows:

	<b>Winter Rate</b>	<b>Summer Rate</b>
<b>Service Charge - Quarterly</b>		
5/8" includes 0 units	\$ 26.25	\$ 41.25
3/4" includes 0 units	\$ 45.00	\$ 71.25
1" includes 0 units	\$ 60.00	\$ 103.75
1 1/2" includes 0 units	\$ 101.25	\$ 165.00
2" includes 0 units	\$ 155.00	\$ 251.25
3" includes 0 units	\$ 272.50	\$ 437.50
4" includes 0 units	\$ 405.00	\$ 645.00
<b>Plus Consumption to All Users</b>		
10-30 units	\$ 2.75	\$ 4.40
30-50 Units	\$ 2.95	\$ 4.65
Over 50 Units	\$ 3.15	\$ 4.90

In addition, the Department charges for meter installation, new connections, and seasonal turning on and off of services. The Water Department presently operates eight (8) wells, one of which is only used as an emergency supply. The system has the capability of pumping 4,600 gallons per minute when all wells are in operation. The Department serves approximately 80% of the Town with 105 miles of water mains. Financing for the Water Department operations is through Chapter 44, Section 53E, of the Massachusetts General Laws (operating cost appropriations offset by estimated receipts and fees). The Fiscal 2018 water budget, which includes payment of the principal and interest on the bonded debt, was approved for the amount of \$2,769,192. For fiscal 2020, the Town's total water budget is \$3,171,499.

**Sewer Rates and Services:** The Town's Sewer Department charges are based on the metered water consumption. The rates are as follows:

	<b>Winter Rate</b>	<b>Summer Rate</b>
<b>Service Charge - Quarterly</b>		
5/8" includes 0 units	\$ 33.75	\$ 67.50
3/4" includes 0 units	\$ 33.75	\$ 67.50
1" includes 0 units	\$ 33.75	\$ 67.50
1 1/2" includes 0 units	\$ 33.75	\$ 67.50
2" includes 0 units	\$ 33.75	\$ 67.50
3" includes 0 units	\$ 33.75	\$ 67.50
4" includes 0 units	\$ 33.75	\$ 67.50
<b>Plus Consumption to All Users</b>		
10-30 units	\$ 4.15	\$ 6.70
30-50 Units	\$ 4.50	\$ 7.15
Over 50 Units	\$ 4.75	\$ 7.35

Revenues are credited to and expenditures made from the Town's General Fund. The Sewer Department's Fiscal 2019 budget of \$3,469,568, which includes the principal and interest on the sewer debt was approved in the Public Works and Facilities. For fiscal 2020, the Town's total sewer budget is \$3,683,778.

**Room Occupancy Tax:** In 1985 the State legislature made available a room occupancy excise tax as an additional source of revenue for municipalities (G.L. Chapter 64G, s. 3A), effective July 1, 1986. Under this tax, as amended local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed four percent of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town voted to levy the full 4% allowed commencing July 1, 1988. In fiscal 2019, the Town collected \$1,470,224.

**Meals Tax:** The Town voted to impose an excise of 0.75% on the sales of restaurant meals originating within the town. This tax became official on July 1, 2011. The Town collected \$473,860 in fiscal 2019.

**Collections of room occupancy and meals taxes are likely to decline in fiscal years 2020 and 2021 as a result of the COVID-19 pandemic.**

### **Audits**

The Town's accounts were most recently audited for the fiscal year ended June 30, 2019, by Scappini & Pina, P.C., of Norwell, Massachusetts, copies of which are available upon request from Hilltop Securities Inc.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. In addition, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

### **Financial Statements**

Set forth on the following pages are extracts from audited financial statements of the Town for the applicable years; Balance Sheet - Government Funds for fiscal years 2019, 2018 and 2017 and Statement of Revenues, Expenditures, and Changes in Fund Balance – Government Funds for fiscal years 2019, 2018, 2017, 2016 and 2015. Said financial statements were extracted from annual audits.

TOWN OF CHATHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019

	General	Wastewater Facility	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 6,984,050	\$ -	\$ 7,093,382	\$ 14,077,432
Investments	4,156,122	-	3,305,884	7,462,006
Receivables, net	2,028,497	-	3,540,555	5,569,052
Other receivables	-	9,569,049	-	9,569,049
Interfund receivables	7,328,719	-	-	7,328,719
<b>Total Assets</b>	<b>20,497,388</b>	<b>9,569,049</b>	<b>13,939,821</b>	<b>44,006,258</b>
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 20,497,388</b>	<b>\$ 9,569,049</b>	<b>\$ 13,939,821</b>	<b>\$ 44,006,258</b>
<b>Liabilities</b>				
Warrants and salaries payable	\$ 1,017,130	\$ 220,150	\$ 661,679	\$ 1,898,959
Provision for refund of paid taxes	594,766	-	-	594,766
Agency and other payables	153,099	-	-	153,099
Notes payable	-	12,608,416	-	12,608,416
Interfund payables	-	6,529,250	799,469	7,328,719
<b>Total Liabilities</b>	<b>1,764,995</b>	<b>19,357,816</b>	<b>1,461,148</b>	<b>22,583,959</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	22,121	-	26,491	48,612
Unavailable revenue - excise taxes	428,248	-	-	428,248
Unavailable revenue - other	744,105	-	3,514,064	4,258,169
<b>Total Deferred Inflows of Resources</b>	<b>1,194,474</b>	<b>-</b>	<b>3,540,555</b>	<b>4,735,029</b>
<b>Fund Balances</b>				
Nonspendable	-	-	907,819	907,819
Restricted	933,077	-	6,371,589	7,304,666
Assigned	2,974,880	-	-	2,974,880
Committed	4,219,048	-	3,295,705	7,514,753
Unassigned	9,410,914	(9,788,767)	(1,636,995)	(2,014,848)
<b>Total Fund Balances</b>	<b>17,537,919</b>	<b>(9,788,767)</b>	<b>8,938,118</b>	<b>16,687,270</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 20,497,388</b>	<b>\$ 9,569,049</b>	<b>\$ 13,939,821</b>	<b>\$ 44,006,258</b>

SOURCE: Extracted from audited financial statements of the Town.

**TOWN OF CHATHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018 (1)**

	General Fund	Wastewater Facility	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,071,873	\$ -	\$ 6,063,641	\$ 16,135,514
Investments	3,934,697	-	3,234,428	7,169,125
Receivables, net	2,423,180	-	3,230,098	5,653,278
Other receivables	-	19,952,684	-	19,952,684
Interfund receivables	4,534,753	-	-	4,534,753
<b>TOTAL ASSETS</b>	<b>\$ 20,964,503</b>	<b>\$ 19,952,684</b>	<b>\$ 12,528,167</b>	<b>\$ 53,445,354</b>
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 20,964,503</u>	<u>\$ 19,952,684</u>	<u>\$ 12,528,167</u>	<u>\$ 53,445,354</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants and salaries payable	\$ 1,893,032	\$ 83,961	\$ 96,360	\$ 2,073,353
Provision for refund of paid taxes	656,219	-	-	656,219
Agency and other payables	160,332	-	-	160,332
Notes payable	-	21,667,081	3,100,000	24,767,081
Interfund payables	-	4,437,900	96,853	4,534,753
<b>TOTAL LIABILITIES</b>	<b>2,709,583</b>	<b>26,188,942</b>	<b>3,293,213</b>	<b>32,191,738</b>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	92,576	-	23,408	115,984
Unavailable revenue - excise taxes	314,191	-	-	314,191
Unavailable revenue -other	1,122,609	-	3,206,690	4,329,299
Total Deferred Inflows of Resources	<u>1,529,376</u>	<u>-</u>	<u>3,230,098</u>	<u>4,759,474</u>
Fund Balances:				
Nonspendable	-	-	815,302	815,302
Restricted	1,046,972	-	5,985,113	7,032,085
Assigned	2,227,527	-	-	2,227,527
Committed	4,470,609	-	2,576,985	7,047,594
Unassigned	8,980,436	(6,236,258)	(3,372,544)	(628,366)
<b>TOTAL FUND BALANCES</b>	<b>16,725,544</b>	<b>(6,236,258)</b>	<b>6,004,856</b>	<b>16,494,142</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 20,964,503</b>	<b>\$ 19,952,684</b>	<b>\$ 12,528,167</b>	<b>\$ 53,445,354</b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017 (1)**

	General Fund	Wastewater Facility	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,865,794	\$ -	\$ 5,113,361	\$ 11,979,155
Investments	3,904,268	-	3,191,828	7,096,096
Receivables, net	3,503,387	-	2,905,632	6,409,019
Other receivables	-	21,467,451	-	21,467,451
Interfund receivables	3,469,963	-	-	3,469,963
TOTAL ASSETS	\$ 17,743,412	\$ 21,467,451	\$ 11,210,821	\$ 50,421,684
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 17,743,412	\$ 21,467,451	\$ 11,210,821	\$ 50,421,684
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants and salaries payable	\$ 547,601	\$ 13,044	\$ 83,120	\$ 643,765
Provision for refund of paid taxes	676,971	-	-	676,971
Agency and other payables	165,432	-	-	165,432
Notes payable	-	22,687,028	600,000	23,287,028
Interfund payables	-	3,469,963	-	3,469,963
TOTAL LIABILITIES	1,390,004	26,170,035	683,120	28,243,159
Deferred Inflows of Resources				
Unavailable revenue - property taxes	342,337	-	42,334	384,671
Unavailable revenue - excise taxes	311,519	-	-	311,519
Unavailable revenue -other	1,792,236	-	2,863,298	4,655,534
Total Deferred Inflows of Resources	2,446,092	-	2,905,632	5,351,724
Fund Balances:				
Nonspendable	-	-	839,742	839,742
Restricted	1,165,169	-	5,068,238	6,233,407
Assigned	2,409,442	-	-	2,409,442
Committed	4,522,260	-	2,256,069	6,778,329
Unassigned	5,810,445	(4,702,584)	(541,980)	565,881
TOTAL FUND BALANCES	13,907,316	(4,702,584)	7,622,069	16,826,801
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,743,412	\$ 21,467,451	\$ 11,210,821	\$ 50,421,684

(1) Extracted from the Town's audited financial statements.

TOWN OF CHATHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019

	General	Wastewater Facility	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 34,327,840	\$ -	\$ 1,932,910	\$ 36,260,750
Excise taxes	3,271,174	-	-	3,271,174
License and permits	768,003	-	412,170	1,180,173
Penalties and interest	223,939	-	495	224,434
Investment income	402,954	-	157,204	560,158
Charges for services	2,352,671	-	247,533	2,600,204
Special assessments	39,358	-	-	39,358
Fees and fines	58,507	-	-	58,507
Contributions and donations	-	-	525,311	525,311
Departmental and other	1,185,030	-	1,025,796	2,210,826
Intergovernmental	723,020	-	665,851	1,388,871
<b>Total Revenues</b>	<u>43,352,496</u>	<u>-</u>	<u>4,967,270</u>	<u>48,319,766</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,279,984	-	1,560,249	4,840,233
Public safety	6,560,889	-	1,133,772	7,694,661
Education	9,355,020	-	560	9,355,580
Public works	7,451,289	3,844,259	751,538	12,047,086
Community planning and development	793,578	-	72,255	865,833
Health and human services	859,535	-	35,292	894,827
Culture and recreation	1,369,649	-	163,465	1,533,114
Coastal resources	1,363,306	-	440,937	1,804,243
Employee benefits	4,612,629	-	-	4,612,629
State and county tax assessments	772,652	-	-	772,652
Debt service	6,537,425	453,050	-	6,990,475
<b>Total Expenditures</b>	<u>42,955,956</u>	<u>4,297,309</u>	<u>4,158,068</u>	<u>51,411,333</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>396,540</u>	<u>(4,297,309)</u>	<u>809,202</u>	<u>(3,091,567)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of bonds	-	722,500	3,250,000	3,972,500
Premiums from issuance of bonds	-	22,300	-	22,300
Discounts on issuance of bonds	-	-	-	-
Payments to refunding escrow agent	-	-	-	-
Transfers in	1,169,140	-	43,200	1,212,340
Transfers out	(753,305)	-	(1,169,140)	(1,922,445)
<b>Total Other Financing Sources (Uses)</b>	<u>415,835</u>	<u>744,800</u>	<u>2,124,060</u>	<u>3,284,695</u>
<b>Net Change in Fund Balances</b>	812,375	(3,552,509)	2,933,262	193,128
Fund Balances - Beginning	<u>16,725,544</u>	<u>(6,236,258)</u>	<u>6,004,856</u>	<u>16,494,142</u>
<b>Fund Balances - Ending</b>	<u>\$ 17,537,919</u>	<u>\$ (9,788,767)</u>	<u>\$ 8,938,118</u>	<u>\$ 16,687,270</u>

SOURCE: Extracted from audited financial statements of the Town.

**TOWN OF CHATHAM, MA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018 (1)**

	General Fund	Wastewater Facility	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property Taxes	\$ 33,171,888	\$ -	\$ 1,862,975	\$ 35,034,863
Excise Taxes	3,263,240	-	-	3,263,240
Licenses and Permits	829,113	-	250,893	1,080,006
Penalties and interest	237,369	-	-	237,369
Investment income	164,757	-	(39,740)	125,017
Charges for services	2,225,306	-	157,481	2,382,787
Special assessments	59,171	-	-	59,171
Fees and fines	47,404	-	-	47,404
Contributions and donations	-	-	293,077	293,077
Departmental and other	3,242,191	-	275,989	3,518,180
Intergovernmental	1,143,686	1,435,011	1,104,364	3,683,061
Total Revenues	<u>\$ 44,384,125</u>	<u>\$ 1,435,011</u>	<u>\$ 3,905,039</u>	<u>\$ 49,724,175</u>
<b>Expenditures:</b>				
Current:				
General government	2,889,211	-	3,073,181	5,962,392
Public safety	6,739,823	-	429,740	7,169,563
Education	9,135,207	-	7,255	9,142,462
Public works	7,179,388	2,932,411	414,715	10,526,514
Community planning and development	722,211	-	69,345	791,556
Health and human services	670,380	-	32,761	703,141
Culture and recreation	1,239,633	-	104,996	1,344,629
Coastal resources	1,053,573	-	277,486	1,331,059
Employee benefits	4,451,352	-	-	4,451,352
State and county assessments	751,526	-	-	751,526
Debt Service	7,098,291	67,900	-	7,166,191
Total Expenditures	<u>41,930,595</u>	<u>3,000,311</u>	<u>4,409,479</u>	<u>49,340,385</u>
Excess (deficiency) of Revenues Over Under) Expenditures	\$ 2,453,530	\$ (1,565,300)	\$ (504,440)	\$ 383,790
Other Financing Sources (Uses):				
Transfers in	1,218,870	31,626	137,723	1,388,219
Transfers out	(854,172)	-	(1,250,496)	(2,104,668)
Total other financing sources and (uses)	<u>364,698</u>	<u>31,626</u>	<u>(1,112,773)</u>	<u>(716,449)</u>
Net Change in Fund Balance	2,818,228	(1,533,674)	(1,617,213)	(332,659)
Fund Balances - Beginning	13,907,316	(4,702,584)	7,622,069	16,826,801
Fund Balances - Ending	<u>\$ 16,725,544</u>	<u>\$ (6,236,258)</u>	<u>\$ 6,004,856</u>	<u>\$ 16,494,142</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2017 (1)**

	General Fund	Wastewater Facility	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property Taxes	\$ 32,155,683	\$ -	\$ 1,813,581	\$ 33,969,264
Excise Taxes	3,216,724	-	-	3,216,724
Licenses and Permits	799,813	-	252,797	1,052,610
Penalties and interest	212,137	-	-	212,137
Investment income	36,670	-	72,083	108,753
Charges for services	2,094,872	-	122,001	2,216,873
Special assessments	82,212	-	-	82,212
Fees and fines	42,579	-	-	42,579
Contributions and donations	-	-	358,684	358,684
Departmental and other	1,408,030	-	417,644	1,825,674
Intergovernmental	1,151,881	-	1,617,725	2,769,606
Total Revenues	<u>\$ 41,200,601</u>	<u>\$ -</u>	<u>\$ 4,654,515</u>	<u>\$ 45,855,116</u>
<b>Expenditures:</b>				
Current:				
General government	4,093,779	-	1,115,068	5,208,847
Public safety	6,584,987	-	802,515	7,387,502
Education	8,842,798	-	10,502	8,853,300
Public works	5,942,304	139,460	157,594	6,239,358
Community planning and development	745,841	-	69,815	815,656
Health and human services	574,430	-	33,465	607,895
Culture and recreation	1,146,263	-	88,938	1,235,201
Coastal resources	1,592,057	-	1,525,563	3,117,620
Employee benefits	4,120,568	-	-	4,120,568
State and county assessments	714,974	-	-	714,974
Debt Service	7,635,035	-	-	7,635,035
Total Expenditures	<u>41,993,036</u>	<u>139,460</u>	<u>3,803,460</u>	<u>45,935,956</u>
Excess (deficiency) of Revenues Over Under) Expenditures	\$ (792,435)	\$ (139,460)	\$ 851,055	\$ (80,840)
Other Financing Sources (Uses):				
Issuance of refunding bonds	5,706,400	-	-	5,706,400
Premiums from issuance of bonds	745,659	-	-	745,659
Discounts on issuance of Bonds	(17,247)	-	-	(17,247)
Payments to refunding escrow agent	(6,365,668)	-	-	(6,365,668)
Transfers in	1,161,500	-	46,080	1,207,580
Transfers out	(609,979)	(5,580)	(1,161,500)	(1,777,059)
Total other financing sources and (uses)	<u>620,665</u>	<u>(5,580)</u>	<u>(1,115,420)</u>	<u>(500,335)</u>
Net Change in Fund Balance	(171,770)	(145,040)	(264,365)	(581,175)
Fund Balances - Beginning	14,079,086	(4,557,544)	7,886,434	17,407,976
Fund Balances - Ending	<u>\$ 13,907,316</u>	<u>\$ (4,702,584)</u>	<u>\$ 7,622,069</u>	<u>\$ 16,826,801</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016 (1)**

	General Fund	Wastewater Facility	Fire Station Project	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 31,807,280	\$ -	\$ -	\$ 1,728,669	\$ 33,535,949
Excise Taxes	3,023,617	-	-	-	3,023,617
Licenses and Permits	830,259	-	-	88,929	919,188
Penalties and interest	300,547	-	-	-	300,547
Investment income	107,453	-	-	113,547	221,000
Charges for services	2,104,684	-	-	146,050	2,250,734
Special assessments	49,139	-	-	-	49,139
Fees and fines	61,663	-	-	-	61,663
Contributions and donations	-	-	-	131,059	131,059
Departmental and other	1,152,717	-	-	299,657	1,452,374
Intergovernmental	1,110,373	-	-	1,071,610	2,181,983
Total Revenues	<u>\$ 40,547,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,579,521</u>	<u>\$ 44,127,253</u>
<b>Expenditures:</b>					
Current:					
General government	2,940,098	-	-	502,243	3,442,341
Public safety	5,867,056	-	7,503,084	279,054	13,649,194
Education	8,358,703	-	-	25,961	8,384,664
Public works	4,909,367	2,979,784	-	401,609	8,290,760
Community planning and development	813,345	-	-	62,478	875,823
Health and human services	579,356	-	-	104,316	683,672
Culture and recreation	983,926	-	-	87,714	1,071,640
Coastal resources	1,036,256	-	-	232,344	1,268,600
Employee benefits	3,929,263	-	-	-	3,929,263
State and county assessments	694,402	-	-	-	694,402
Debt Service	7,771,967	-	-	-	7,771,967
Total Expenditures	<u>37,883,739</u>	<u>2,979,784</u>	<u>7,503,084</u>	<u>1,695,719</u>	<u>50,062,326</u>
Excess (deficiency) of Revenues Over Under) Expenditures	\$ 2,663,993	\$ (2,979,784)	\$ (7,503,084)	\$ 1,883,802	\$ (5,935,073)
<b>Other Financing Sources (Uses):</b>					
Issuance of long-term debt	-	3,336,119	-	-	3,336,119
Transfers in	1,029,100	5,580	-	36,900	1,071,580
Transfers out	(911,263)	-	-	(1,034,680)	(1,945,943)
Total other financing sources and (uses)	<u>117,837</u>	<u>3,341,699</u>	<u>-</u>	<u>(997,780)</u>	<u>2,461,756</u>
Net Change in Fund Balance	2,781,830	361,915	(7,503,084)	886,022	(3,473,317)
Fund Balances - Beginning	11,297,256	(4,919,459)	7,714,536	6,788,960	20,881,293
Fund Balances - Ending	<u>\$ 14,079,086</u>	<u>\$ (4,557,544)</u>	<u>\$ 211,452</u>	<u>\$ 7,674,982</u>	<u>\$ 17,407,976</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 29,399,813	\$ -	\$ -	\$ 1,648,762	\$ 31,048,575
Interfund receivables	2,855,815	-	-	-	2,855,815
Licenses and Permits	1,104,524	-	-	332,919	1,437,443
Penalties and interest	178,476	-	-	3,128	181,604
Investment income	44,349	-	-	27,814	72,163
Charges for services	2,443,067	-	-	141,081	2,584,148
Special assessments	106,538	-	-	-	106,538
Fees and fines	59,324	-	-	44,700	104,024
Contributions	-	-	-	243,383	243,383
Departmental and other	1,172,571	-	-	153,420	1,325,991
Intergovernmental	1,144,004	-	-	1,423,971	2,567,975
Total Revenues	<u>\$ 38,508,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,019,178</u>	<u>\$ 42,527,659</u>
<b>Expenditures:</b>					
Current:					
General government	2,805,314	-	-	907,201	3,712,515
Public safety	6,478,676	-	-	1,971,662	8,450,338
Education	8,107,093	-	-	56,250	8,163,343
Public works	5,288,280	3,523,818	-	1,498,825	10,310,923
Community development	654,996	-	-	-	654,996
Human services	611,939	-	-	47,341	659,280
Culture and recreation	967,510	-	-	72,617	1,040,127
Coastal resources	964,504	-	-	265,172	1,229,676
Employee benefits	3,905,144	-	-	-	3,905,144
State and county assessments	669,675	-	-	-	669,675
Debt Service					
Principal, interest, and other charges	6,965,374	-	-	-	6,965,374
Total Expenditures	<u>37,418,505</u>	<u>3,523,818</u>	<u>-</u>	<u>4,819,068</u>	<u>45,761,391</u>
Revenues over (under) expenditures	\$ 1,089,976	\$ (3,523,818)	\$ -	\$ (799,890)	\$ (3,233,732)
Other Financing Sources (Uses):					
Issuance of long term debt	-	4,072,853	-	10,095,000	14,167,853
Transfer in from other funds	1,443,670	-	-	1,035,268	2,478,938
Transfer out to other funds	(1,475,568)	-	-	(1,743,670)	(3,219,238)
Total other financing sources and (uses)	<u>(31,898)</u>	<u>4,072,853</u>	<u>-</u>	<u>9,386,598</u>	<u>13,427,553</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,058,078	\$ 549,035	\$ -	\$ 8,586,708	\$ 10,193,821
Fund balances, beginning of year, restated	10,239,178	(5,468,494)	-	5,916,788	10,687,472
Fund balances, end of year	<u>\$ 11,297,256</u>	<u>\$ (4,919,459)</u>	<u>\$ -</u>	<u>\$ 14,503,496</u>	<u>\$ 20,881,293</u>

(1) Extracted from the Town's audited financial statements.

## Unassigned General Fund Balance and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following shows the Unassigned General Fund Balance and free cash for the following fiscal years:

<u>June 30</u>	<u>Unassigned General Fund Balance</u>	<u>Free Cash (July 1)</u>
2019	\$ 9,410,914	\$ 5,277,749
2018	8,980,436	5,719,133
2017	5,810,445	1,937,511 (1)
2016	6,162,937	3,014,245
2015	5,702,643	3,398,198
2014	5,197,333	2,696,692

(1) The amount of certified free cash at July 1, 2017 reflects \$900,000 in charges for capital expenditures in fiscal 2017 in advance of issuing BAN's in fiscal 2018 (\$340,000) and a DOR proof adjustment of (\$586,000).

## Stabilization Fund

The Town established a stabilization fund in fiscal 1983. The stabilization fund is accounted for in the Trust Funds. Funded by an annual appropriation, the Stabilization Fund, plus interest income, may be appropriated at an annual or special town meeting for any municipal purpose.

The following table lists the Stabilization Fund Balances as of the end of the current and last five fiscal years.

<u>June 30</u>	<u>Stabilization Fund Balance</u>
2020	\$ 2,068,353 (As of April 30, 2020)
2019	2,019,246
2018	1,991,406
2017	1,854,122
2016	1,826,370
2015	1,797,110

## Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2<sup>1/2</sup> (see "Property Tax Limitation" under "PROPERTY TAXATION" above). The Town does not have any development districts.

## **State School Building Assistance Program**

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

## INDEBTEDNESS

### Authorization Procedure and Limitations

Serial bonds and notes are authorized by vote of two-thirds of all the members of the city council (subject to the mayor's veto where the mayor has a veto power) or a two-thirds vote of the town meeting. Provision is made in some cities and towns for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the city council or the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen, mayor or city manager as the case may be.

The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, bonds for water, electric, gas and telecommunications systems, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds housing, urban renewal and economic development (subject to various debt limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

### Types of Obligations

General Obligations: Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes: These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes: Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes: These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes: These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

**TOWN OF CHATHAM  
DIRECT DEBT SUMMARY  
As of June 30, 2019, Including Subsequent Issues**

**General Obligation Bonds:**

Outstanding:		
Sewer (1)	\$ 2,793,350	
Water (2)	4,400,100	
MCWT (3)	36,651,219	
Land Acquisition (4)	4,138,000	
General (5)	44,285,165	
Total:		\$ 92,267,834
This Issue of Bonds		3,450,000

**Temporary Loans Outstanding:**

Bond Anticipation Notes	-	
Total Short Term Debt Outstanding :		-

**Total Direct Debt:** \$ 95,717,834

- (1) Not subject to the debt limit. Exempt from the limits of Proposition 2 ½.
- (2) \$35,000 is exempt from the limits of Proposition 2 ½ and \$3,678,600 is not subject to the debt limit.
- (3) \$20,368,803 is exempt from the limits of Proposition 2 ½ and \$9,314,193 is not subject to the debt limit.
- (4) \$540,000 is exempt from the limits of Proposition 2 ½.
- (5) \$44,240,165 is exempt from the limits of Proposition 2 ½.

## Debt Ratios

The following table sets forth the percentage of debt to equalized valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the Town of Chatham only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues. (See "Direct Debt Summary".)

Fiscal Year	General Obligation Bonds Outstanding	Population (1)	Equalized Valuation (2)	Per Capita Debt	Debt as a % of Equalized Valuation
2019	\$ 79,659,418	6,124	\$ 7,374,670,100	\$ 13,008	1.08 %
2018	71,239,895	6,124	6,588,014,299	11,633	1.08
2017	77,194,224	6,125	6,588,014,300	12,603	1.17
2016	84,052,851	6,125	6,196,588,000	13,723	1.36
2015	87,010,677	6,125	6,196,588,000	14,206	1.40

(1) Based on 2010 Federal Census.

(2) 2014 equalized valuation used for fiscal years 2015 and 2016; 2016 equalized valuation is used for fiscal years 2017 and 2018; 2018 equalized valuation used for fiscal year 2019.

## Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the Town's outstanding long-term debt.

**GENERAL OBLIGATION BONDS  
PRINCIPAL PAYMENTS BY PURPOSE  
As of June 30, 2019, Including Subsequent Issue**

Fiscal Year	Sewer	Water	MCWT	Land Acquisition	General	Total Outstanding Principal
2020	\$ 177,500	\$ 637,500	\$ 1,331,545	\$ 843,000	\$ 2,420,555	\$ 5,410,100
2021	175,000	489,500	1,972,714	490,000	2,414,055	5,541,269
2022	170,000	484,500	1,982,473	230,000	2,409,055	5,276,028
2023	170,000	453,300	2,003,692	155,000	2,390,255	5,172,247
2024	170,000	453,300	2,025,338	155,000	2,390,255	5,193,893
2025	169,650	452,600	2,047,416	155,000	2,276,305	5,100,971
2026	169,200	358,900	2,069,938	155,000	2,160,455	4,913,493
2027	169,000	212,500	2,090,408	155,000	2,047,055	4,673,963
2028	164,000	209,500	2,113,841	155,000	1,740,055	4,382,396
2029	164,000	203,500	2,137,745	155,000	1,736,055	4,396,300
2030	140,000	77,500	2,162,131	155,000	1,691,055	4,225,686
2031	130,000	77,500	2,187,005	155,000	1,691,055	4,240,560
2032	130,000	77,500	2,010,815	155,000	1,691,055	4,064,370
2033	130,000	12,500	2,032,635	155,000	1,691,055	4,021,190
2034	130,000	12,500	1,477,194	155,000	1,686,055	3,460,749
2035	125,000	12,500	1,489,669	155,000	1,686,055	3,468,224
2036	125,000	12,500	1,306,945	155,000	1,686,055	3,285,500
2037	125,000	12,500	1,177,298	155,000	1,686,055	3,155,853
2038	30,000	12,500	1,190,004	125,000	1,046,055	2,403,559
2039	30,000	12,500	1,202,969	125,000	1,046,055	2,416,524
2040	-	12,500	639,445	-	1,021,055	1,673,000
2041	-	12,500	-	-	631,055	643,555
2042	-	12,500	-	-	631,055	643,555
2043	-	12,500	-	-	631,055	643,555
2044	-	12,500	-	-	631,055	643,555
2045	-	12,500	-	-	631,055	643,555
2046	-	12,500	-	-	631,055	643,555
2047	-	12,500	-	-	631,055	643,555
2048	-	12,500	-	-	631,055	643,555
2049	-	12,500	-	-	631,020	643,520
Total	\$ 2,793,350	\$ 4,400,100	\$ 36,651,219	\$ 4,138,000	\$ 44,285,165	\$ 92,267,834

## Debt Service Requirements

The following table sets forth the principal and interest payments on outstanding general obligation bonds of the Town of Chatham, Massachusetts.

### GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2019, INCLUDING SUBSEQUENT ISSUE

Fiscal Year	Total Principal	Total Interest	Total Outstanding Net Debt Service
2020	\$ 5,410,100	\$ 2,164,604	\$ 7,574,704
2021	5,541,269	2,014,928	7,556,196
2022	5,276,028	1,853,087	7,129,115
2023	5,172,247	1,697,802	6,870,049
2024	5,193,893	1,551,613	6,745,506
2025	5,100,971	1,428,343	6,529,314
2026	4,913,493	1,303,482	6,216,974
2027	4,673,963	1,196,821	5,870,784
2028	4,382,396	1,098,552	5,480,949
2029	4,396,300	1,005,041	5,401,340
2030	4,225,686	911,477	5,137,163
2031	4,240,560	827,457	5,068,017
2032	4,064,370	743,762	4,808,132
2033	4,021,190	661,641	4,682,831
2034	3,460,749	584,449	4,045,198
2035	3,468,224	511,783	3,980,007
2036	3,285,500	437,601	3,723,101
2037	3,155,853	363,191	3,519,044
2038	2,403,559	288,062	2,691,621
2039	2,416,524	238,982	2,655,506
2040	1,673,000	194,452	1,867,452
2041	643,555	160,966	804,521
2042	643,555	143,081	786,636
2043	643,555	125,196	768,751
2044	643,555	107,311	750,866
2045	643,555	89,425	732,980
2046	643,555	71,540	715,095
2047	643,555	53,655	697,210
2048	643,555	35,770	679,325
2049	643,520	17,884	661,404
Total	<u>\$ 92,267,834</u>	<u>\$ 21,881,957</u>	<u>\$ 114,149,791</u>

## Authorized Unissued Debt

Following the delivery of the Bonds, the Town will have the following authorized unissued debt:

Purpose	Amount Authorized Unissued
Well & Pump Station	\$ 560,000
Wastewater Facilities - EXEMPT	99,893
Road Betterments	25,000
Fire Station - EXEMPT	16,635
Water Wells (Mill Pond)	650,000
Water Main	478,185
Sewer - EXEMPT	12,707,612
Main Street Parcels	2,500,000
Wastewater Collection Facilities & Systems (Various Projects) - EXEMPT	22,525,142
Fish Pier & Waterfront Facilities Design/Construction (Various Projects) - EXEMPT	7,655,000
<b>TOTAL:</b>	<b>\$ 47,217,467</b>

## Overlapping Debt

The Town of Chatham is in Barnstable County, is a member of the Cape Cod Regional Transit Authority and one of twelve members of the Cape Cod Regional Technical High School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue of Barnstable County, the Cape Cod Regional Transit Authority and the Cape Cod Regional Technical High School District as of June 30, 2019, and the Town's gross share of such debt and the 2020 fiscal dollar assessment for each.

Overlapping Entity	Outstanding Debt	Chatham's Estimated Share (1)	Dollar Assessment(2)
Barnstable County (3)	\$ 23,061,312	7.97 %	\$ 585,293
Cape Cod Regional Transit Authority (4)	-	1.02	17,832
Cape Cod Regional Technical High School District (5)	68,985,000	2.60	108,279
Monomoy Regional School District (6)	23,200,000	26.60	599,325
Cape Cod Commission (7)	-	7.97	284,622

(1) Estimated share based on debt service only.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(3) SOURCE: Barnstable County Treasurer. County expenses including debt service on county bonds are assessed upon the cities and town within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Includes Environmental Protection Fund Tax. (See Municipal Services above for information on abolishment of counties.)

(4) SOURCE: Cape Cod Regional Transit Authority. The municipal share is based on a percentage furnished by the Cape Cod Regional Transit Authority as that used in the most recent assessment of aggregate net cost of service of the Transit Authority, including debt service and net operating expenses, although assessments for various categories of service are separately calculated by different formulae. Shares vary from year to year. It has been state practice in recent years to absorb up to approximately 50 per cent of the net cost of service of the Authority, including debt service on the Authority's bonds. The remainder of the net cost of service is assessed on the member municipalities within the territory of the Cape Cod Regional Transit Authority.

(5) SOURCE: Cape Cod Regional Technical High School District. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws, a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts. The municipal share is based on the ratio of that member's pupil enrollment to the total pupil enrollment from all the member municipalities in the regional school district as of October 1 of the year preceding the year for which the apportionment is being determined.

(6) SOURCE: Monomoy Regional School District.

(7) SOURCE: Barnstable County Treasurer. Environmental Protection Fund.

## **Contractual Obligations**

Obligations to make payments on account of municipal contracts are generally limited to currently available appropriations. A Massachusetts city or town has general statutory authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but in most cases only when funds are available for the first fiscal year; obligations for succeeding fiscal years are in those cases expressly subject to availability and appropriation of funds. Specific authority exists in relatively few cases for long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal (20 year maximum term) and certain contracts by municipal electric departments. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has entered into a twenty-seven year contract, dated August 17, 1985 for solid waste disposal services with SEMASS, a resource recovery facility constructed in the Town of Rochester, Massachusetts. The Town will be allocated a cost of service based on the actual number of tons of Chatham solid waste disposed of at the facility. The Town estimates the total annual cost for solid waste disposal will be \$439,815 for fiscal 2019 and budgeted \$440,000 for fiscal 2020. This estimated amount includes estimated payments to SEMASS and estimated operational cost. It is anticipated that the quantity of waste to be disposed of will increase each year. The present contract ends December 31, 2024.

## **RETIREMENT SYSTEM**

The Massachusetts General Laws (Chapter 32, Sections 1-28) provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to the separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937, and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the “PRIT Fund”), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. The Town has not established an early retirement program. The Town participates in the contributory pension system of Barnstable County. The actual and budgeted annual contributions to the retirement system for the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Town Contribution</u>
2021	\$ 2,232,604
2020	2,176,410
2019	2,035,784
2018	1,933,255
2017	1,833,890
2016	1,729,864

As of January 1, 2018, the total pension liability of the Barnstable County Retirement System (the “System”) was calculated to be \$1,783,937,286 and the actuarial value of the assets was \$1,061,514,465, leaving an estimated net pension liability of \$722,422,821. <sup>(1)</sup> Based on the current data, the System is 61.86% funded with an assumed rate of return of 7.375%.

The Town’s share of the net pension liability is \$21,967,203.

<sup>(1)</sup> A copy of the Barnstable County Retirement Actuarial Valuation and Review as of January 1, 2018 is available at the Treasurer’s office in the Town of Chatham.

The Retirement System's current funding schedule amortizes its unfunded pension liability through fiscal 2035 as shown below.

**Barnstable County Funding Schedule (as of January 1, 2018)**

(1) Fiscal Year Ending	(2) Employer Normal Cost	(3) Amortization of ERI (2002) Liability	(4) Amortization of ERI (2003) Liability	(5) Amortization of ERI (2010) Liability	(6) Amortization of Remaining Liability	(7) Plan cost without Retired County Sheriff Liability (2)+(3)+(4)+(5)+(6)	(8) Amortization of Retired County Sheriff Liability	(9) Total Appropriation: (7)+(8)	(10) Total UAL at Beginning of Fiscal Year	(11) Increase Over Prior Appropriation
2019	\$ 16,337,763	\$ 471,957	\$ 222,050	\$ 261,648	\$ 44,712,255	\$ 62,005,673	\$ 1,506,576	\$ 63,512,249	\$ 748,588,317	
2020	16,936,108	490,835	230,932	261,648	47,344,752	65,264,275	1,601,421	66,865,696	745,013,294	5.28 %
2021	17,556,192	510,468	240,170	261,648	50,125,417	68,693,895	1,702,310	70,396,205	739,794,723	5.28
2022	18,198,801	530,887	249,776	261,647	53,062,458	72,303,569	1,809,556	74,113,125	732,441,270	5.28
2023	18,864,748	552,122	259,767	-	56,426,103	76,102,740	1,923,558	78,026,298	722,445,271	5.28
2024	19,554,873	574,207	270,158	-	59,702,107	80,101,345	2,044,742	82,146,087	709,277,871	5.28
2025	20,270,050	597,176	280,965	-	63,161,648	84,309,839	2,173,561	86,483,400	692,382,504	5.28
2026	21,011,183	621,063	292,203	-	66,814,780	88,739,229	2,310,495	91,049,724	671,169,820	5.28
2027	21,779,206	645,905	303,891	-	70,672,090	93,401,092	2,456,057	95,857,149	645,012,047	5.28
2028	22,575,089	671,741	316,047	-	74,744,741	98,307,618	2,610,788	100,918,406	613,236,977	5.28
2029	23,399,837	698,611	328,689	-	79,044,493	103,471,630	2,775,268	106,246,898	575,122,338	5.28
2030	24,254,490	726,555	341,836	-	83,583,743	108,906,624	2,950,110	111,856,734	476,698,444	5.28
2031	25,140,125	755,618	355,510	-	88,375,550	114,626,803	3,135,967	117,762,770	419,450,562	5.28
2032	26,057,858	785,842	369,730	-	93,433,682	120,647,112	3,333,532	123,980,644	352,685,042	5.28
2033	27,008,845	817,276	384,519	-	98,772,637	126,983,277	3,543,545	130,526,822	275,404,881	5.28
2034	27,994,284	849,867	399,900	-	104,407,699	133,651,750	3,766,788	137,418,538	186,523,403	5.28
2035	29,015,415	883,954	415,895	-	81,075,868	111,391,132	4,004,096	115,395,228	84,856,765	(16.03)
2036	30,073,524	-	-	-	-	30,073,524	-	30,073,524	-	(73.94)
2037	31,169,940	-	-	-	-	31,169,940	-	31,169,940	-	3.65
2038	32,306,042	-	-	-	-	32,306,042	-	32,306,042	-	3.64

Source: January 1, 2018 Barnstable County Retirement System Actuarial Valuation. The Segal Group, Inc.

**OTHER POST-EMPLOYMENT BENEFITS**

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The benefits are generally provided on a pay-as-you-go basis. The following table lists the benefits paid at the end of each of the current and prior fiscal years:

Fiscal Year	Total Other Post- Employment Benefits
2019	\$ 676,507
2018	697,871
2017	660,272
2016	647,193
2015	626,984

The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which will require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town participated in GASB 45 Actuarial Services Project to be performed by the Segal Company for the Barnstable County Retirement Association. The actuarial accrued liability of this obligation by the Town of Chatham as of June 30, 2018 was \$20,005,757 and the actuarial value of assets was \$822,123, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,183,634 (assuming a discount rate of 7.00%). This would require an annual contribution by the Town of \$1,575,757 for fiscal 2020.

At the May 14, 2012 Annual Town Meeting, it was voted to adopt MGL Chapter 32B, Section 20 authorizing the Town to create an Other Post-Employment Health Insurance Liability Trust Fund for the purpose of funding future financial obligations of the Town for health insurance benefits of retirees. The balance in the Fund as of June 30, 2017 was \$591,738. At the Annual Town Meeting in May 2017, it was voted to add \$150,000 from the fiscal 2018 budget. The balance in the Fund as of June 30, 2019 was \$1,242,949.

**EMPLOYEE RELATIONS**

The Town employs approximately 131 full time and permanent part-time workers, of whom 27 are employed by the Police Department, 28 by the Fire Department, and the balance by other departments of the Town. Town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Provisions for compulsory arbitration of labor disputes involving fire fighters and police officers were repealed by the initiative law adopted at the November 1980 election. Of the full and part-time employees of the Town, 123 are represented by unions. Union contracts expire as follows:

<u>Department</u>	<u>No. of Employees</u>	<u>Expiration of Contract</u>
Fire	26	6/30/21
Police	19	6/30/21
Dispatch	5	6/30/21
CMEA	68	6/30/21
CMA	5	6/30/21

**LITIGATION**

At present there are several cases pending in various courts throughout the Commonwealth where the Town is a defendant. In the opinion of the Town, there is no litigation either pending or threatened, which is likely to result, either individually or in the aggregate, in final judgment against the Town that would materially affect its financial position.

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TOWN OF CHATHAM, MASSACHUSETTS  
/s/ Alix Heilala, Finance Director

June 3, 2020

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**TOWN OF CHATHAM, MASSACHUSETTS**  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

# TOWN OF CHATHAM, MASSACHUSETTS

## TABLE OF CONTENTS YEAR ENDED JUNE 30, 2019

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	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	A1-2
<u>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING</u>	A3-4
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	A5-12
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	A-13
Statement of Activities	A-14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	A-15
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	A-16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A-17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-18
Statement of Fiduciary Net Position – Proprietary Funds	A-19
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds	A-20
Statement of Cash Flows – Proprietary Funds	A-21
Statement of Fiduciary Net Position – Fiduciary Funds	A-22
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	A-23
Notes to Basic Financial Statements	A24-54
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	A-55
Notes to Required Supplementary Information – Budget and Actual	A-56
Schedule of Town's Proportionate Share of Net Pension Liability and Contributions	A-57
Notes to Required Supplementary Information – Pension Plans	A-58
Schedule of Town's Proportionate Share of Net OPEB Liability and Contributions	A-59
Notes to Required Supplementary Information – OPEB Plan	A-60



## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen  
Town of Chatham, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We did not audit the financial statement of the Eldredge Public Library (the "Library") the discretely presented component unit of the Town, as of and for the year ended June 30, 2019. The accompanying financial statements do not include all disclosures for the Library, as required by generally accepted accounting principles. Such information can be found in the separate financial statements for the year ended June 30, 2019, which was audited by other auditors.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Library. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Library, is based solely on the report of the other auditors. We assume no responsibility for the work or opinion of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Library were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The other auditor's report on the financial statements of the Library, the discretely presented component unit of the Town of Chatham, Massachusetts indicated those financial statements present fairly, in all material respects the respective financial position of the Library, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and the Town's contributions to pension plan, the schedules of the Town's proportionate share of other postemployment benefit liability and the Town's contributions to other postemployment liability, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 March 30, 2020, 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, contract, grant agreements and other matters. The purpose of that report is 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 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.

*Scappini & Pina, P.C.*

Norwell, Massachusetts

March 30, 2020



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Board of Selectmen  
Town of Chatham, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely component unit, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Chatham, Massachusetts' basic financial statements and have issued our report thereon dated March 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the Eldredge Public Library, as described in our report on the Town of Chatham, Massachusetts' financial statements. This report does not include the result of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Eldredge Public Library were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Chatham, Massachusetts's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chatham, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chatham, Massachusetts' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Chatham, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Scappini & Pina, P.C.*

Norwell, Massachusetts

March 30, 2020

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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## Management's Discussion and Analysis

As the management of the Town of Chatham, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider the information presented here in the Management Discussion and Analysis and the following accompanying pages.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of the following components: 1) government-wide financial statements 2) fund financial statements and 3) notes to financial statements. The notes to the financial statements provide information related to these changes which are essential in understanding the current financial statements and comparisons with previous years. Required supplementary information as required by the Government Accounting Standards Board ("GASB") is presented to provide additional analysis.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

*Statement of Net Position:* The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The reader should consider other non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

*Statement of Activities:* The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e., uncollected taxes, or earned but unused sick and vacation time).

Both of the government wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges. The governmental activities of the Town include the broad functions of general government, public safety, education, public works, health and human services, culture and recreation, and the major services provided within each functional category. The business-type activities include the water and wood waste reclamation activities.

The governmental-wide financial statements include not only the Town of Chatham itself (known as the primary government), but also Eldredge Public Library, Inc. for which the Town of Chatham contributes a majority of their funding for their annual operations. Although Eldredge Public Library, Inc. is a legal separate entity, the library receives a significant portion of their annual operating budget from the Town of Chatham and therefore, is a discretely presented component unit of the Town. The financial information of Eldredge Public Library, Inc. is reported separately from the financial information presented for the primary government itself and has not been presented with in this Management's Discussion and Analysis.

## **Fund Financial Statements**

Traditional users of government financial statements will find the fund financial statement presentation to be familiar. A fund is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities, the Town uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements. All of the Town funds can be divided into three categories as follows:

**Government Funds:** Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating the Town's near term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of 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. This comparison will assist the reader in understanding the long-term impact of the government's near term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate the comparison. The reconciliation is presented on the page immediately following the governmental funds financial statements.

The Town maintains several governmental funds. Of the funds two are considered major funds (the general fund and the wastewater facility capital project) and are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds. The basic governmental fund financial statements can be found on the accompanying pages of this report.

**Proprietary Funds:** The Town of Chatham maintains two proprietary funds. The Town uses the proprietary funds to account for its water and waste wood reclamation activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail for the water and waste wood reclamation operations. The Basic proprietary fund financial statements can be found in the accompanying pages of this report.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's functions and activities. The full accrual basis of accounting is used for fiduciary funds. The fiduciary fund financial statements provide separate information for private purpose trust funds, other post-employment benefits trust fund (OPEB), and agency funds. The fiduciary fund financial statements can be found on the accompanying pages of this report.

**Notes to the 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. The notes to the financial statements can be found in the accompanying pages of this report.

**Required supplementary information:** The Town adopts an annual budget for its general fund. A Budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Additionally, the Town reports the schedule of funding progress for its Other Post Employment Benefit Plan (OPEB) and schedules of employer pension contributions.

**Government-Wide Financial Analysis:**

*Statement of Net Position:* The following table reflects the condensed schedule of net position based on the statement of net position of the primary government found on the accompanying pages of this report.

<b>Net Position</b>		
	<b>Primary Government</b>	
	June 30, 2019	June 30, 2018
<b><u>Assets</u></b>		
Current and other assets	\$ 43,612,127	\$ 56,270,523
Capital assets, net	195,348,112	190,009,427
<b>Total assets</b>	<b>238,960,239</b>	<b>246,279,950</b>
<b>Deferred outflows of resources</b>	<b>5,941,083</b>	<b>2,902,954</b>
<b><u>Liabilities</u></b>		
Long-term liabilities	125,577,886	111,871,290
Other liabilities	16,191,741	37,222,263
<b>Total liabilities</b>	<b>141,769,627</b>	<b>149,093,553</b>
<b>Deferred inflows of resources</b>	<b>7,169,602</b>	<b>7,779,933</b>
<b><u>Net Position</u></b>		
Net investment in capital assets	115,775,976	118,914,639
Restricted	10,567,197	9,400,809
Unrestricted	(30,381,080)	(36,006,030)
<b>Net Position</b>	<b>\$ 95,962,093</b>	<b>\$ 92,309,418</b>

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2019 and 2018 by \$95,962,093 and \$92,309,418 (presented as net position), respectively. Included in these amounts are deficit balances in unrestricted net position of \$(30,381,080) and \$(36,006,030), respectively.

The components of net position include investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, water and sewer pipes, and other immovable assets), less any related debt used to acquire that asset that is still outstanding—the amount is \$115,775,976 and \$118,914,639 at June 30, 2019 and 2018, indicating the amount of capital debt does not exceed the net book value of the Town's capital assets. The Town uses these capital assets to service the community; therefore they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

*Statement of Activities:* The Town's total net position (primary government) increased by \$3,652,675 and increased by \$5,560,947 during fiscal year 2019 and 2018, respectively.

This summary schedule—governmental activities, is based upon the statement found in the accompanying pages of this report:

<b>Change in Net Position</b>		
	<b>Governmental activities</b>	
	June 30, 2019	June 30, 2018
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services	\$ 5,149,960	\$ 4,643,144
Operating grants and contributions	1,685,912	1,517,512
Capital grants and contributions	329,134	1,691,119
General revenues:		
Property taxes	35,984,305	34,764,176
Excise taxes	3,378,831	3,257,812
Penalties and interest taxes	1,180,173	237,369
Loss on disposal of assets	(131,377)	(69,095)
Investment income	224,433	125,018
Miscellaneous	53,900	2,529,785
<b>Total revenues</b>	<b>47,855,271</b>	<b>48,696,840</b>
<b><u>Expenses</u></b>		
General government	4,540,947	3,717,349
Public safety	8,096,441	7,393,164
Education	9,864,629	9,651,510
Public works	8,610,618	8,345,971
Community planning and development	870,110	796,035
Health and human services	882,563	706,976
Culture and recreation	1,533,678	1,500,211
Coastal resources	1,821,741	1,569,584
Employee benefits	6,139,271	4,592,467
Interest on long-term debt	1,130,131	1,772,322
State and county charges	772,652	819,425
<b>Total expenses</b>	<b>44,262,781</b>	<b>40,865,014</b>
Change in net position before transfers	3,592,490	7,831,826
<b>Transfers</b>	<b>(710,105)</b>	<b>(716,449)</b>
Change in net position	2,882,385	7,115,377
Net position, beginning of year	76,551,578	69,436,201
Net position, end of year	<b>\$ 79,433,963</b>	<b>\$ 76,551,578</b>

***Total Revenues***

Total governmental activities revenues decreased \$841,569 from 2018 for the Town. The majority of this decrease relates to the payment received from Harwich related the Wastewater Collection and Treatment Intermunicipal Agreement received in the prior year.

### General Revenues

Real Estate revenues were the Town's largest revenue source at \$35,984,305 and 34,764,176, representing 88.43% and 85.1% of general revenues for 2019 and 2018, respectively. The assessed tax valuation base increased to \$7,076,989,710 in 2019 from \$6,767,129,050 in 2018. The increase of 4.6% is due to increasing property values.

### Program Revenues

Governmental charges for services were \$5,149,960 and \$4,643,144 representing a variety of departmental revenues for 2019 and 2018, respectively. The largest of portion relates to Public Works revenues of \$1,792,846 and \$1,636,771, for charges for services for the landfill and sewer for 2019 and 2018, respectively.

Governmental operating grants contributions of \$1,685,912 and \$1,517,512 represent several federal state grants restricted to specific grant conditions. This accounts for approximately 3.52% and 3.12% of the total Town governmental activities and revenues.

### Expenses

For fiscal year ended June 30, 2019 and 2018, expenses for governmental activities totaled \$44,262,781 and \$40,865,014. The total expenses increased 8.31% over the prior year. There were increases in employee benefit costs related to the OPEB and pension liabilities for 2019.

This summary schedule of activities—Business Type Activities is based upon the statement found in the accompanying pages of this report:

<b>Change in Net Position</b>		
	<b>Business-type activities</b>	
	June 30, 2019	June 30, 2018
<b>Revenues</b>		
<b>Program revenues:</b>		
Charges for services	\$ 2,896,019	\$ 2,735,080
Fines and forfeitures	<u>28,192</u>	<u>23,027</u>
<b>Total operating revenues</b>	2,924,211	2,758,107
<b>Expenses:</b>		
Salaries, wages, and employee benefits	597,056	484,016
Expenses	1,310,178	2,011,718
Depreciation	<u>770,804</u>	<u>772,529</u>
<b>Total expenses</b>	2,678,038	3,268,263
<b>Total operating income</b>	246,173	(510,156)
<b>Non operating revenues (expenses):</b>		
Debt service	(343,957)	(205,603)
Water tower lease	307,969	297,683
Transfers in	<u>560,105</u>	<u>566,449</u>
<b>Total non operating revenue (expenses), net</b>	<u>524,117</u>	<u>658,529</u>
<b>Change in net position</b>	770,290	148,373
Net position, beginning of year	<u>15,757,840</u>	<u>15,609,467</u>
Net position, end of year	<u>\$ 16,528,130</u>	<u>\$ 15,757,840</u>

### ***Operating Revenues***

Total business-type activities operating revenues showed an increase of approximately \$166,000 from the prior year related to an increase in water rates charged during the year.

### ***Expenses***

Total business-type activities operating expenses decreased from the prior year related to one-time costs paid in the prior year.

### **Financial Analysis of the Government's Fund Financial Statements**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Fund balance for governmental funds is reported in a classification hierarchy, which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance. Any negative unassigned fund balance represents expenditures incurred for specific purpose which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance surplus of approximately \$16.7 million, an increase of approximately \$193,000 from the prior year. The governmental funds' combined ending fund balances were reported in the following classification: non-spendable fund balance of \$0.9 million, restricted fund balance of \$7.3 million, committed fund balance of \$7.5 million, assigned fund balance of \$3.0 million and an unassigned fund balance deficit of \$2.0 million.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$17.5 million, an increase of \$0.8 million from the previous year. Of this amount \$0.9 million or 5% represents restricted fund balance. Committed fund balance of \$4.2 million and assigned fund balance of \$3.0 million represents 41% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Total unassigned fund balance represents approximately 21.7% and 21.9%, respectively, of total general fund expenditures and revenues. Total General Fund balance represents 40.5% and 40.8%, respectively, of the same amounts.

### **General Fund Budgetary Highlights**

The difference between the original expenditure budget of \$48.8 million and the final expenditure budget of \$44.5 million is due to \$4.2 million in encumbrances and articles being carried over to the subsequent fiscal year.

## **Capital Asset and Debt Administration**

*Capital Assets:* The Town's investment in capital assets for governmental activities as of June 30, 2019 and 2018, amounted to \$168.2 million and \$165.3 million, which is net of accumulated depreciation of \$71.0 million and \$66.7 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

The Town's investment in capital assets for business-type activities as of June 30, 2019 and 2018, amounts to \$27.2 million and \$24.7 million, which is net of accumulated depreciation of \$24.1 million and \$23.3 million. The investment in capital assets includes land; buildings; machinery and equipment and infrastructure.

The table below represents a summary of the Town's capital assets by category (in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 35,752	\$ 35,522	\$ 3,163	\$ 3,163
Construction in progress	9,579	3,995	11,057	8,461
Buildings and related improvements	98,817	101,759	946	1,003
Improvements other than buildings	11,134	11,645	380	414
Equipment, machinery, and vehicles	3,884	3,768	744	95
Infrastructure	9,001	8,620	10,890	11,564
	<u>\$ 168,167</u>	<u>\$ 165,309</u>	<u>\$ 27,180</u>	<u>\$ 24,700</u>

Major capital asset events for governmental and business-type activities during 2019 include the following:

- Land acquisitions and improvements
- Cemetery expansion
- Construction costs on wastewater treatment facility
- Vehicle and equipment additions

*Long-term debt:* At June 30, 2019, the Town had total bonded debt outstanding of \$65,842,506 and \$13,816,915 for the governmental and business-type activities, respectively, which is a decrease of 2% for the governmental and an increase of 228% for the business-type activities from prior year. All debt is a general obligation of the Town.

The Town of Chatham maintains a bond rating of AAA with Standard and Poor's Corporation.

## **Economic Factors and Next Year's Budgets and Rates**

The Town has increased its property tax levy by 4.0% from \$34.3 million in 2019 to \$35.7 million in 2020. The increase was from new growth, debt exclusions and increased debt service.

The operating budget increased 1.2% compared to the FY 19 budget. The increase is mostly attributable to increases in employee benefits and public safety costs.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Chatham, Attn: Accounting Office, 549 Main Street, Chatham, MA 02633

## **BASIC FINANCIAL STATEMENTS**

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TOWN OF CHATHAM, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Eldredge Public Library
<b>Assets</b>				
Cash and cash equivalents	\$ 14,077,432	\$ 5,280,230	\$ 19,357,662	\$ 267,329
Investments	7,462,006	-	7,462,006	6,330,638
Receivables, net of allowance for uncollectibles	5,162,352	691,911	5,854,263	-
Other receivables	9,569,049	1,369,147	10,938,196	-
Capital assets, net of depreciation	168,167,727	27,180,385	195,348,112	19,855
<b>Total Assets</b>	<b>204,438,566</b>	<b>34,521,673</b>	<b>238,960,239</b>	<b>6,617,822</b>
<b>Deferred Outflows of Resources</b>				
Net difference between projected and actual OPEB experience	2,122,622	209,000	2,331,622	-
Net difference between projected and actual pension earnings	1,285,890	-	1,285,890	-
Changes in proportion and differences between contributions	155,585	25,000	180,585	-
Changes in pension assumptions	1,842,986	300,000	2,142,986	-
<b>Total Deferred Outflows of Resources</b>	<b>5,407,083</b>	<b>534,000</b>	<b>5,941,083</b>	<b>-</b>
<b>Liabilities</b>				
Current liabilities:				
Warrants and salaries payable	1,898,958	634,945	2,533,903	338
Accrued interest	180,705	120,851	301,556	-
Provision for refund of paid taxes	594,766	-	594,766	-
Agency and other payables	153,100	-	153,100	-
Bond anticipation notes payable	12,608,416	-	12,608,416	-
Noncurrent liabilities:				
Due in one year or less	4,475,553	1,154,675	5,630,228	-
Due in more than one year	103,695,618	16,252,040	119,947,658	14,066
<b>Total Liabilities</b>	<b>123,607,116</b>	<b>18,162,511</b>	<b>141,769,627</b>	<b>14,404</b>
<b>Deferred Inflows of Resources</b>				
Deferred revenue	3,514,064	-	3,514,064	-
Net difference between projected and actual pension experience	206,902	34,000	240,902	-
Changes in proportion and differences in employer pension contributions	193,586	31,000	224,586	-
Net difference between projected and actual OPEB investment earnings	17,273	-	17,273	-
Changes in OPEB assumptions	1,258,928	-	1,258,928	-
Unamortized bond premiums	1,613,817	300,032	1,913,849	-
<b>Total Deferred Inflows of Resources</b>	<b>6,804,570</b>	<b>365,032</b>	<b>7,169,602</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	102,422,506	13,353,470	115,775,976	-
Restricted	10,567,197	-	10,567,197	1,077,793
Unrestricted	(33,555,740)	3,174,660	(30,381,080)	5,525,625
<b>Total Net Position</b>	<b>\$ 79,433,963</b>	<b>\$ 16,528,130</b>	<b>\$ 95,962,093</b>	<b>\$ 6,603,418</b>

See accompanying notes to basic financial statements.

TOWN OF CHATHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit Eldredge Public Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
<u>Governmental Activities:</u>								
General government	\$ 4,540,947	\$ 777,960	\$ 569,730	\$ 329,134	\$ (2,864,123)	\$ -	\$ (2,864,123)	\$ -
Public safety	8,096,441	765,092	7,967	-	(7,323,382)	-	(7,323,382)	-
Education	9,864,629	-	590,390	-	(9,274,239)	-	(9,274,239)	-
Public works	8,610,618	1,792,846	260,001	-	(6,557,771)	-	(6,557,771)	-
Community planning and development	870,110	62,498	21,281	-	(786,331)	-	(786,331)	-
Health and human services	882,563	59,166	38,890	-	(784,507)	-	(784,507)	-
Culture and recreation	1,533,678	202,024	79,457	-	(1,252,197)	-	(1,252,197)	-
Coastal Resources	1,821,741	1,490,374	118,196	-	(213,171)	-	(213,171)	-
Employee benefits	6,139,271	-	-	-	(6,139,271)	-	(6,139,271)	-
State and county charges	772,652	-	-	-	(772,652)	-	(772,652)	-
Interest expense and other charges	1,130,131	-	-	-	(1,130,131)	-	(1,130,131)	-
<b>Total Governmental Activities</b>	<b>44,262,781</b>	<b>5,149,960</b>	<b>1,685,912</b>	<b>329,134</b>	<b>(37,097,775)</b>	<b>-</b>	<b>(37,097,775)</b>	<b>-</b>
<u>Business-Type Activities:</u>								
Water fund	3,000,736	3,189,365	-	-	-	188,629	188,629	-
Wood Waste Reclamation Center	21,259	42,815	-	-	-	21,556	21,556	-
<b>Total Business-Type Activities</b>	<b>3,021,995</b>	<b>3,232,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210,185</b>	<b>210,185</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 47,284,776</b>	<b>\$ 8,382,140</b>	<b>\$ 1,685,912</b>	<b>\$ 329,134</b>	<b>(37,097,775)</b>	<b>210,185</b>	<b>(36,887,590)</b>	<b>-</b>
<b>Component Unit</b>								
Eldredge Public Library	\$ 971,668	\$ -	\$ 917,882	\$ -	-	-	-	(53,786)
<u>General Revenues:</u>								
Property taxes, net of allowances for uncollectibles					35,984,305	-	35,984,305	-
Excise taxes					3,378,831	-	3,378,831	-
Penalties and interest on taxes					1,180,173	-	1,180,173	-
Investment income					224,433	-	224,433	351,557
Miscellaneous					53,900	-	53,900	7,325
Loss on sale of assets					(131,377)	-	(131,377)	-
Transfers (net)					(710,105)	560,105	(150,000)	-
<b>Total general revenues and transfers</b>					<b>39,980,160</b>	<b>560,105</b>	<b>40,540,265</b>	<b>358,882</b>
<b>Change in Net Position</b>					<b>2,882,385</b>	<b>770,290</b>	<b>3,652,675</b>	<b>305,096</b>
<b>Net Position - Beginning</b>					<b>76,551,578</b>	<b>15,757,840</b>	<b>92,309,418</b>	<b>6,298,322</b>
<b>Net Position - Ending</b>					<b>\$ 79,433,963</b>	<b>\$ 16,528,130</b>	<b>\$ 95,962,093</b>	<b>\$ 6,603,418</b>

See accompanying notes to basic financial statements.

TOWN OF CHATHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019

	General	Wastewater Facility	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 6,984,050	\$ -	\$ 7,093,382	\$ 14,077,432
Investments	4,156,122	-	3,305,884	7,462,006
Receivables, net	2,028,497	-	3,540,555	5,569,052
Other receivables	-	9,569,049	-	9,569,049
Interfund receivables	7,328,719	-	-	7,328,719
<b>Total Assets</b>	<u>20,497,388</u>	<u>9,569,049</u>	<u>13,939,821</u>	<u>44,006,258</u>
<b>Total Deferred Outflows of Resources</b>	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 20,497,388</u>	<u>\$ 9,569,049</u>	<u>\$ 13,939,821</u>	<u>\$ 44,006,258</u>
<b>Liabilities</b>				
Warrants and salaries payable	\$ 1,017,130	\$ 220,150	\$ 661,679	\$ 1,898,959
Provision for refund of paid taxes	594,766	-	-	594,766
Agency and other payables	153,099	-	-	153,099
Notes payable	-	12,608,416	-	12,608,416
Interfund payables	-	6,529,250	799,469	7,328,719
<b>Total Liabilities</b>	<u>1,764,995</u>	<u>19,357,816</u>	<u>1,461,148</u>	<u>22,583,959</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	22,121	-	26,491	48,612
Unavailable revenue - excise taxes	428,248	-	-	428,248
Unavailable revenue - other	744,105	-	3,514,064	4,258,169
<b>Total Deferred Inflows of Resources</b>	<u>1,194,474</u>	<u>-</u>	<u>3,540,555</u>	<u>4,735,029</u>
<b>Fund Balances</b>				
Nonspendable	-	-	907,819	907,819
Restricted	933,077	-	6,371,589	7,304,666
Assigned	2,974,880	-	-	2,974,880
Committed	4,219,048	-	3,295,705	7,514,753
Unassigned	9,410,914	(9,788,767)	(1,636,995)	(2,014,848)
<b>Total Fund Balances</b>	<u>17,537,919</u>	<u>(9,788,767)</u>	<u>8,938,118</u>	<u>16,687,270</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 20,497,388</u>	<u>\$ 9,569,049</u>	<u>\$ 13,939,821</u>	<u>\$ 44,006,258</u>

See accompanying notes to basic financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2019

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<b>Total Governmental Fund Balances</b>	<b>\$ 16,687,270</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	168,167,727
Certain deferred inflows of resources are accrued as revenue on a full accrual basis and are not reported in the governmental funds	(2,069,541)
Reporting on full accrual basis requires an estimate for uncollectible accounts	(406,700)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds	(108,171,171)
Certain deferred outflows of resources are reported on a full accrual basis and are not reported in the governmental funds	5,407,083
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued	<u>(180,705)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 79,433,963</u></u></b>

See accompanying notes to basic financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2019**

	General	Wastewater Facility	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 34,327,840	\$ -	\$ 1,932,910	\$ 36,260,750
Excise taxes	3,271,174	-	-	3,271,174
License and permits	768,003	-	412,170	1,180,173
Penalties and interest	223,939	-	495	224,434
Investment income	402,954	-	157,204	560,158
Charges for services	2,352,671	-	247,533	2,600,204
Special assessments	39,358	-	-	39,358
Fees and fines	58,507	-	-	58,507
Contributions and donations	-	-	525,311	525,311
Departmental and other	1,185,030	-	1,025,796	2,210,826
Intergovernmental	723,020	-	665,851	1,388,871
<b>Total Revenues</b>	<u>43,352,496</u>	<u>-</u>	<u>4,967,270</u>	<u>48,319,766</u>
<b>Expenditures:</b>				
Current:				
General government	3,279,984	-	1,560,249	4,840,233
Public safety	6,560,889	-	1,133,772	7,694,661
Education	9,355,020	-	560	9,355,580
Public works	7,451,289	3,844,259	751,538	12,047,086
Community planning and development	793,578	-	72,255	865,833
Health and human services	859,535	-	35,292	894,827
Culture and recreation	1,369,649	-	163,465	1,533,114
Coastal resources	1,363,306	-	440,937	1,804,243
Employee benefits	4,612,629	-	-	4,612,629
State and county tax assessments	772,652	-	-	772,652
Debt service	6,537,425	453,050	-	6,990,475
<b>Total Expenditures</b>	<u>42,955,956</u>	<u>4,297,309</u>	<u>4,158,068</u>	<u>51,411,333</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>396,540</u>	<u>(4,297,309)</u>	<u>809,202</u>	<u>(3,091,567)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of bonds	-	722,500	3,250,000	3,972,500
Premiums from issuance of bonds	-	22,300	-	22,300
Discounts on issuance of bonds	-	-	-	-
Payments to refunding escrow agent	-	-	-	-
Transfers in	1,169,140	-	43,200	1,212,340
Transfers out	(753,305)	-	(1,169,140)	(1,922,445)
<b>Total Other Financing Sources (Uses)</b>	<u>415,835</u>	<u>744,800</u>	<u>2,124,060</u>	<u>3,284,695</u>
<b>Net Change in Fund Balances</b>	812,375	(3,552,509)	2,933,262	193,128
Fund Balances - Beginning	16,725,544	(6,236,258)	6,004,856	16,494,142
<b>Fund Balances - Ending</b>	<u>\$ 17,537,919</u>	<u>\$ (9,788,767)</u>	<u>\$ 8,938,118</u>	<u>\$ 16,687,270</u>

See accompanying notes to basic financial statements.

**TOWN OF CHATHAM MASSACHUSETTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**JUNE 30, 2019**

**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ 193,128**

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. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital outlays	8,011,841
Loss on disposal of capital assets	(131,377)
Depreciation expense	<u>(5,022,048)</u>

Net effect of reporting capital assets 2,858,416

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Issuance of bonds	(3,972,500)
Premiums received on bonds issued	(22,300)
Amortization of bond premiums	222,907
Repayments of capital lease obligations	190,508
Repayments of bonds and notes	<u>5,155,792</u>

Net effect of reporting long-term debt 1,574,407

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements.

Net change in deferred revenue	(331,819)
Net change in allowance for uncollectible accounts	<u>(1,300)</u>

Net effect of recognition of revenue (333,119)

Certain deferred inflows/outflows of resources are recognized on the government-wide basis to be amortized over future periods

Net difference between projected and actual pension earnings	2,518,557
Changes in proportion and differences between employer pension contributions	112,733
Net difference between expectations and actual pension experience	63,800
Changes in pension assumptions	(511,513)
Net difference between projected and actual OPEB earnings	(27,914)
Net difference between expectations and actual OPEB experience	2,122,622
Changes in OPEB assumptions	<u>(748,946)</u>

Net effect of pension deferred inflows and outflows 3,529,339

The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred

Net change in accrued interest expense	<u>28,595</u>
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Net effect of interest accrual 28,595

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Estimated landfill post closure monitoring	25,000
Compensated absences	62,600
Net other postemployment benefits	(1,934,681)
Net pension liability	<u>(3,121,300)</u>

Net effect of reporting long-term liabilities (4,968,381)

**Change in Net Position of Governmental Activities** **\$ 2,882,385**

See accompanying notes to basic financial statements.

TOWN OF CHATHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019

	Business-Type Activities		
	Water Activities	Wood Waste Reclamation Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,974,550	\$ 305,680	\$ 5,280,230
Receivables, net of allowance for uncollectibles	691,911	-	691,911
Other receivables	1,369,147	-	1,369,147
Capital assets, net of depreciation	24,955,385	2,225,000	27,180,385
<b>Total Assets</b>	<b>31,990,993</b>	<b>2,530,680</b>	<b>34,521,673</b>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual pension earnings	209,000	-	209,000
Changes in proportion and differences between pension contributions	25,000	-	25,000
Changes in pension assumptions	300,000	-	300,000
<b>Total Deferred Outflows of Resources</b>	<b>534,000</b>	<b>-</b>	<b>534,000</b>
<b>Liabilities</b>			
Current liabilities:			
Warrants and salaries payable	634,945	-	634,945
Accrued interest	119,668	1,183	120,851
Noncurrent liabilities:			
Due in one year or less	1,012,675	142,000	1,154,675
Due in more than one year	16,252,040	-	16,252,040
<b>Total Liabilities</b>	<b>18,019,328</b>	<b>143,183</b>	<b>18,162,511</b>
<b>Deferred Inflows of Resources</b>			
Difference between expected and actual pension experience	34,000	-	34,000
Changes in proportion and differences in employer contributions	31,000	-	31,000
Unamortized bond premiums	296,547	3,485	300,032
<b>Total Deferred Inflows of Resources</b>	<b>361,547</b>	<b>3,485</b>	<b>365,032</b>
<b>Net Position</b>			
Net investment in capital assets	11,270,470	2,083,000	13,353,470
Unrestricted	2,873,648	301,012	3,174,660
<b>Total Net Position</b>	<b>\$ 14,144,118</b>	<b>\$ 2,384,012</b>	<b>\$ 16,528,130</b>

See accompanying notes to basic financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**JUNE 30, 2019**

	Business-Type Activities		
	Water Activities	Wood Waste Reclamation Activities	Total
<b>Operating revenues</b>			
Charges for services, departmental and other	\$ 2,853,204	\$ 42,815	\$ 2,896,019
Fines and forfeitures	28,192	-	28,192
Total operating revenues	<u>2,881,396</u>	<u>42,815</u>	<u>2,924,211</u>
<b>Operating expenses</b>			
Salaries and wages	597,056	-	597,056
Operating expenses	1,298,178	12,000	1,310,178
Depreciation	770,804	-	770,804
Total operating expenses	<u>2,666,038</u>	<u>12,000</u>	<u>2,678,038</u>
<b>Operating income (loss)</b>	215,358	30,815	246,173
<b>Non operating revenues</b>			
Water tower lease	307,969	-	307,969
Interest expense	(334,698)	(9,259)	(343,957)
Total non operating revenue (expenses), net	<u>(26,729)</u>	<u>(9,259)</u>	<u>(35,988)</u>
<b>Transfers</b>			
Transfers in from other funds	400,000	160,105	560,105
Total transfers, net	<u>400,000</u>	<u>160,105</u>	<u>560,105</u>
<b>Change in net position</b>	588,629	181,661	770,290
Net position at beginning of year	13,555,489	2,202,351	15,757,840
<b>Net position at end of year</b>	<u><u>\$ 14,144,118</u></u>	<u><u>\$ 2,384,012</u></u>	<u><u>\$ 16,528,130</u></u>

See accompanying notes to basic financial statements.

TOWN OF CHATHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 JUNE 30, 2019

	Business-Type Activities		
	Water Activities	Wood Waste Reclamation Activities	Total
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 2,988,849	\$ 42,815	\$ 3,031,664
Payments to vendors	(707,005)	(12,000)	(719,005)
Payments to employees, including fringe benefits	(442,856)	-	(442,856)
Net cash provided by (used for) operating activities	<u>1,838,988</u>	<u>30,815</u>	<u>1,869,803</u>
<b>Cash flows from noncapital financing activities</b>			
Transfer in from General Fund	400,000	160,105	560,105
Water tower lease	307,969	-	307,969
Net cash provided by (used for) noncapital financing activities	<u>707,969</u>	<u>160,105</u>	<u>868,074</u>
<b>Cash flows from capital and related financing activities</b>			
Payments of long-term debt principal	(579,500)	(145,000)	(724,500)
Proceeds from bond issuance	1,200,000	-	1,200,000
Proceeds from interim note	3,241,552	-	3,241,552
Payments of interest costs	(264,201)	(15,105)	(279,306)
Net cash provided by (used for) capital and related financing activities	<u>3,597,851</u>	<u>(160,105)</u>	<u>3,437,746</u>
<b>Cash flows from investing activities</b>			
Purchase of capital assets	(3,251,073)	-	(3,251,073)
Net cash provided by (used for) investing activities	<u>(3,251,073)</u>	<u>-</u>	<u>(3,251,073)</u>
Net change in cash and cash equivalents	2,893,735	30,815	2,924,550
Cash and cash equivalents at beginning of year	2,080,815	274,865	2,355,680
Cash and cash equivalents at end of year	<u>\$ 4,974,550</u>	<u>\$ 305,680</u>	<u>\$ 5,280,230</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 215,358	\$ 30,815	\$ 246,173
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	770,804	-	770,804
Changes in assets and liabilities:			
User fees receivable, net of allowance for uncollectibles	\$ 107,033	\$ -	107,033
Warrants payable	591,593	-	591,593
Accrued compensated absences	200	-	200
Pension deferred inflows/outflows	(355,000)	-	-
Net pension liability	509,000	-	509,000
Total adjustments	<u>852,826</u>	<u>-</u>	<u>1,207,826</u>
Net cash provide by (used for) operating activities	<u>\$ 1,838,988</u>	<u>\$ 30,815</u>	<u>\$ 1,869,803</u>

See accompanying notes to basic financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2019

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund	Agency Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 3,329	\$ 273,770	\$ 253,185
Investments		1,023,009	438,572
<b>Total Assets</b>	<u>3,329</u>	<u>1,296,779</u>	<u>691,757</u>
<b>Liabilities</b>			
Warrants and other payables	-	-	17,744
Agency payables	-	-	674,013
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>691,757</u>
<b>Net Position</b>			
Held in trust	3,329	1,296,779	-
<b>Total Net Position</b>	<u>\$ 3,329</u>	<u>\$ 1,296,779</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2019**

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund
<b>Additions</b>		
Interest and dividends	\$ 47	\$ 51,398
RDS Distributions	-	273,580
Total Additions	<u>47</u>	<u>324,978</u>
<b>Transfers in</b>	<u>-</u>	<u>150,000</u>
Change in net position	47	474,978
Net position at beginning of year	3,282	821,801
Net position at end of year	<u>\$ 3,329</u>	<u>\$ 1,296,779</u>

See accompanying notes to basic financial statements.

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**NOTES TO FINANCIAL STATEMENTS**

**TOWN OF CHATHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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**Note 1: Organization and Reporting Entity**

**A. Organization**

The Town of Chatham, Massachusetts (the “Town”), was incorporated June 11, 1712. The Town operates under a Town Meeting form of government. The Town’s major operations include police and fire protection, parks and recreation, public works and general administrative services. In addition, the Town owns and operates a water system, septage facility and transfer station.

**B. Reporting Entity**

General

The accompanying financial statements present the Town of Chatham, Massachusetts (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. One entity has been included as a component unit in the reporting entity, because of the significance of their financial relationship with the Town.

*Discretely Presented Component Units*—Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationship with the Town are such that exclusion would cause the Town’s financial statements to be misleading or incomplete. The Town has included The Eldredge Public Library, Inc. (the Library), a not-for-profit organization, as a Discretely Presented Component Unit because it is fiscally dependent on the Town and because the nature and significance of this relationship with the Town is such that exclusion would cause the Town’s financial statements to be misleading or incomplete. Accordingly, the Component Unit column of the government-wide financial statements of the component unit can be obtained directly from the administrative office of Eldredge Public Library, Inc., located at 564 Main Street, Chatham, MA.

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town’s significant joint ventures, their purpose, and the annual assessment paid by the Town. Financial statements may be obtained from each of the joint ventures by contacting them directly. The Town does not have an equity interest in joint ventures.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY2019 Payments</u>
Cape Cod Municipal Health Group c/o Group Benefit Strategies 27 Midstate Office Park Auburn, MA 01501	To provide employee insurance benefits	\$ 2,514,360
Cape Cod Regional Technical High School Route 124 Harwich, MA 02645	To provide vocational education to students 9-12 grade	\$ 144,334

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY2019 Payments</u>
Monomoy Regional School District 81 Oak Street Harwich, MA 02645	To provide education to students K-12	\$ 9,210,686
Cape Cod Regional Transit Authority 585 Main Street Dennis, MA 02638	To provide regional transportation	\$ 17,397
District Dept. of Veteran Services PO Box 429 Hyannis, MA 02601	To provide service to veterans	\$ 45,962
Pleasant Bay Resource Management Alliance 220 Sandwich Road Bourne, MA 02532	To protect the vast natural resources of Pleasant Bay	\$ 39,200

Related Organizations

Chatham Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four who are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

**Note 2. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies in GAAP and used by the Town are discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, parks and recreation, public works, schools, and general administrative services are classified as governmental activities. The Town's water and wood waste reclamation operations are classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Position the non-fiduciary activities of the primary government and its component unit are reported. Both the governmental and business-type activities columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long term debt and obligations. The component unit of the Town is reported in a separate column. The Town's net position is reported in three parts--net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions, business-type activities and component units. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function, a business-type activity or component unit. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function, business-type activity or component unit) are normally covered by general revenue. Certain costs, such as property and liability insurance, employee fringe benefit costs and others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities. Employee fringe benefit costs are reported in a separate "Employee Benefits" function.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

### Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Town:

#### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

#### Major Funds

- General fund is the primary operating fund of the Town. It is used to account for all the financial resources, except those required to be reported for in another fund.
- Wastewater Facility is a capital projects fund used to account for and report construction of the Town's wastewater facility and related infrastructure

Other governmental funds consist of other special revenue, capital projects, and permanent funds that are aggregated and presented in the other governmental funds column of the governmental funds financial statements. The following described the general use of these funds types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service and capital projects.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.

- Capital projects funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. Currently, the Town has determined the capital project funds are to account for and report capital assets to be financed through the issuance of long term debt.
- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs- that is for the benefit of the government or its citizens.

#### Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on pricing policy designed to recover similar costs.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

#### Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to propriety funds. The following is a description of the fiduciary finds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government – wide financial statements.
- Other Post-Employment Benefit trust fund accounts for resources legally held in trust for providing health insurance benefits to retired employees of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to a Town Meeting vote in accordance with provisions of MGL Chapter 32B, section 20 which allows for the establishment of a trust fund for other post-employment benefits. Currently the Town contributes the amount appropriated on an annual basis directly from the general fund.

- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. Government Accounting Standards set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The major funds for the current fiscal year are the General Fund, the Wastewater Facility Project, and the Fire Station Project. The nonmajor funds are combined in a column in the fund financial statements.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

## **B. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 are met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgements which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and property tax revenues are considered available if they are collected within 60 days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements are shared revenues are recorded at the time of receipt, or earlier, if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grand requirements are met.

## **C. Cash, Cash Equivalents and Investments**

For the purpose of the Statement of Net Position, "cash and cash equivalents" include all demand savings accounts of the Town.

Investments are carried at fair value except for short- term U.S Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in the Notes.

#### **D. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may results in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short- term interfund loans are reported as “interfund receivables and payables.” Long- term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

#### **E. Receivables**

Receivables consist of all revenues earned at year end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes, motor vehicle and boat excise three years or more old as uncollectible for financial reporting purposes. The Town estimates 3% of outstanding water, septage, and transfer station charges and 25% of ambulance charges to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable.

#### **F. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental funds operations or proprietary fund operations and whether they are reported in the government- wide or fund financial statements.

##### Government- wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Prior to July 1, 2002, governmental funds’ infrastructure assets were not capitalized. These assets (back to July1, 1980) have been valued at estimated historical cost. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings 25-50 years
- Improvements 10-50 years
- Machinery and Equipment 3-20 years
- Utility System 25-50 years
- Infrastructure 20-50 years

##### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

## **G. Deferred Outflows and Deferred Inflows**

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets, when applicable. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities, when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

## **H. Long-Term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, post closure monitoring costs for municipal landfills, net OPEB obligations, and net pension obligations.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the governmental-wide statements.

## **I. Compensated Absences**

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

## **J. Equity Classifications**

### Government- wide Statements

Equity is classified as net position and displayed in three components:

- Net investment in capital assets- Consists of Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

- Restricted net position- Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation
- Unrestricted net position- Represents the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance- consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance- consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balances- consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting.
- Assigned fund balance- consists of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations
- Unassigned fund balance- represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

### **K. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

### **L. Total Columns**

The total column presented on the government- wide financial statements represents consolidated financial information. The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

### **Note 3: Stewardship, Compliance and Accountability**

#### **A. Property Tax Calendar and Limitations**

Real and personal property taxes for the fiscal year are based on values assessed as of each January 1 and are due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest, and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy. A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ % plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

#### **B. Budgetary basis of accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds. The budgets for all departments and operations of the Town, except that of public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies. Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America ("GAAP"). A comparison of the budget to actual amounts on a "budgetary basis" is provided as required supplementary information to provide a meaningful comparison with the budget.

#### **C. Fund Equities**

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either non-spendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance.

Pursuant to MGL, the Town maintains a stabilization fund, which maintains funds set aside by Town Meeting vote for further appropriation, or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. Since this fund is not supported by specific revenue sources, it is included with the general fund unassigned fund balance. As of June 30, 2019, the Town maintained a balance of \$2,104,124 in its stabilization fund.

The wastewater facility and other governmental funds reported deficits related to bond anticipation note borrowings for the capital projects and reimbursement grant funding not yet received.

As of June 30, 2019, the classification of the Town's fund balances can be detailed as follows:

	General Fund	Wastewater Facility	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>				
Nonexpendable trust funds	\$ -	\$ -	\$ 907,819	\$ 907,819
<b>Restricted:</b>				
General government	-	-	4,615,691	4,615,691
Public safety	-	-	278,572	278,572
Education	-	-	546,863	546,863
Public works	-	-	93,931	93,931
Health and human services	-	-	47,794	47,794
Culture and recreation	-	-	175,164	175,164
Coastal resources	-	-	266,618	266,618
Debt service	933,077	-	346,957	1,280,034
<b>Assigned:</b>				
General government	13,940	-	-	13,940
Public safety	451	-	-	451
Community planning and development	1,544	-	-	1,544
Health and human services	300	-	-	300
Culture and recreation	2,900	-	-	2,900
Subsequent year budget	2,955,745	-	-	2,955,745
<b>Committed:</b>				
General government	1,045,443	-	2,256,389	3,301,832
Public safety	348,762	-	-	348,762
Public works	1,356,753	-	-	1,356,753
Community planning and development	111,559	-	-	111,559
Health and human services	218,708	-	-	218,708
Culture and recreation	451,398	-	17,069	468,467
Coastal resources	686,425	-	1,022,247	1,708,672
Unassigned	9,410,914	(9,788,767)	(1,636,995)	(2,014,848)
	<u>\$ 17,537,919</u>	<u>\$ (9,788,767)</u>	<u>\$ 8,938,118</u>	<u>\$ 16,687,270</u>

#### D. Restricted Net Position

Certain net position reported as special revenue funds in the Town's fund basis Balance Sheet are classified as unrestricted net position because they are available for appropriation to fund the general operations of the Town.

Restricted net position on the government-wide statement of net position consists of the following:

Capital project funds	\$ 228,620
Special revenue funds:	
Community preservation fund	2,786,146
Land bank fund	1,997,502
Affordable housing trust	986,375
Waterway user fund	675,291
Education access programing	423,605
Waterway improvement fund	346,956
Other special revenue funds	2,070,285
Permanent funds:	
Expendable	144,599
Non-expendable	907,819
	<u>\$ 10,567,197</u>

**Note 4: Cash, Cash Equivalents, and Investments**

Massachusetts General Laws, Chapter 44, Section 54, and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certain certifications of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having maturity from date of purchase or one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from the date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (“MMDT”), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. OPEB funds are invested in accordance with MGL Chapter 203c. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. At June 30, 2019, deposits totaled \$19,852,694 and had a carrying amount of \$19,887,946. Of the deposit amount, none of the balances were exposed to custodial credit risk at June 30, 2019. The difference between deposit amounts and carrying amounts primarily represents outstanding checks and deposits in transit.

At June 30, 2019, the carrying amount of deposits for the Component Unit totaled \$267,329. The total bank balance was covered by Federal Depository Insurance.

The Town’s investments are as follows:

Investment Type	(Level 1) Fair Market Value	Rating	Maturity		
			N/A	12 months or less	1 to 5 Years
<b>Governmental Activities:</b>					
U.S. Treasury Notes	\$ 1,681,989	Aaa	\$ -	\$ 490,502	\$ 1,191,487
Common Stock	891,966	N/A	891,966		
MMDT	3,010,715	N/A	3,010,715		
Money Market Securities	167,433	N/A	167,433		
Certificates of Deposit	660,170	N/A		388,605	271,565
Mutual Funds	-	N/A	-		
Corporate Bonds	<u>1,049,732</u>	A1 to Baa1	<u>-</u>	<u>108,225</u>	<u>941,508</u>
Total Governmental Activities	<u>\$ 7,462,006</u>		<u>\$ 4,070,114</u>	<u>\$ 987,332</u>	<u>\$ 2,404,560</u>

Investment Type	(Level 1) Fair Market Value	Rating	Maturity		
			N/A	12 months or less	1 to 5 Years
<b>Fiduciary Activities:</b>					
U.S. Treasury Notes	\$ 175,738	Aaa		\$ 51,248	\$ 124,490
Common Stock	853,931	N/A	853,931		
Money Market Securities	19,513	N/A	19,513		
Certificates of Deposit	68,976	N/A		40,602	28,374
Mutual Funds	233,745	N/A	233,745		
Corporate Bonds	<u>109,678</u>	A1 to Baa1	<u>-</u>	<u>11,307</u>	<u>98,370</u>
Total Fiduciary Activities	<u>\$ 1,461,581</u>		<u>\$ 1,107,189</u>	<u>\$ 103,158</u>	<u>\$ 251,233</u>

The Component Unit’s investments are as follows:

<u>Investment Type</u>	<b>(Level 1)</b>		
	<b>Fair Market Value</b>	<b>Rating</b>	<b>Maturity</b>
Cash held for investment	685,440	N/A	N/A
Bonds	539,587	Not provided	Not provided
U. S. Bonds	768,112	Not provided	Not provided
Mutual Funds	<u>4,337,499</u>	N/A	N/A
Total component unit	<u>\$ 6,330,638</u>		

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town’s investment Policy addresses custodial credit risk by tracking the credit worthiness and diversification for all unsecured bank deposits. The Town’s certificated of deposit are covered by FDIC insurance limits.

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town’s investment policy minimizes interest rate risk by structuring the investments so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term banking instruments, securities, money market mutual funds, or similar investment pools. The approximate maturities of the Town’s debt investments are disclosed in the above table.

*Concentration of credit risk*—The Town does not have an investment policy, which limits the amount that can be invested in any one issuer or security Excluding U.S. Treasury securities, mutual funds and external investment pools, there are no securities or issuers, which represent more than 5% of the total investments of the general fund/governmental activities and fiduciary funds respectively.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the above table. Equity securities and equity mutual funds are not rated as to credit risk. The average ratings of the Town’s corporate bonds are disclosed in the above table. The Town’s investment policy minimizes credit risk by diversification, prudent selection of investment instruments and limiting investments to highly safe types of securities.

The following table presents the financial assets at June 30, 2019, that the Town measures at fair value on recurring basis, by level, within the fair value hierarchy:

Investment Type	Fair Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
Debt Securities:				
U.S. Treasury Notes	\$ 1,857,727	\$ 1,857,727	\$ -	\$ -
Corporate Notes	1,159,410	-	1,159,410	-
Certificates of Deposit	729,146	729,146	-	-
Total Debt Securities	3,746,283	2,586,873	1,159,410	-
Equity securities:				
Domestic equities	1,745,897	1,745,897	-	-
Mutual Funds	233,745	233,745	-	-
Total Equity Securities	1,979,642	1,979,642	-	-
Total investments by fair value level	5,725,925			
<b>Investments measured at amortized cost:</b>				
Money Market Funds	186,946			
MMDT	3,010,714			
Total investments measured at amortized cost	3,197,660			
Total investments	\$ 8,923,585			

### **Note 5: Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of current the period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net Position.

The Town includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 561,101	\$ (114,900)	\$ 446,201
Tax liens, deferrals and foreclosures	333,958	-	333,958
Motor vehicle and other excise	428,248	(226,800)	201,448
Departmental and other	332,428	(65,000)	267,428
Betterments and special assessments	399,253	-	399,253
Intergovernmental:			
State highway awards - Chapter 90	3,514,064	-	3,514,064
Total	\$ 5,569,052	\$ (406,700)	\$ 5,162,352

Receivables for the Town's business-type activities (Water) consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water rates and charges	\$ 149,011	\$	\$ 149,011
Unbilled water rates	564,000		564,000
Allowance for uncollectible		( 21,100)	( 21,100)
Totals	<u>\$ 713,011</u>	<u>\$ ( 21,100)</u>	<u>\$ 691,911</u>

#### **Note 6. Other Receivables**

The Massachusetts Clean Water Trust ("MCWT") interim note dated June 5, 2014 for \$24,240,000 (Note 11) was issued for the wastewater treatment facility project. The funds for borrowing will be disbursed to the Town as reimbursements for the project. The governmental activities note receivable is \$9,569,049 as of June 30, 2019.

The Massachusetts Clean Water Trust ("MCWT") interim note dated September 1, 2017 for \$9,274,815 (Note 11) was issued for the iron removal treatment facility project. The funds for borrowing will be disbursed to the Town as reimbursements for the project. The business-type note receivable is \$1,369,147 as of June 30, 2019.

#### **Note 7: Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 35,522,301	\$ 230,235	\$ -	\$ 35,752,536
Construction in Process	3,994,898	5,583,863	-	9,578,761
Total capital assets not being depreciated	<u>39,517,199</u>	<u>5,814,098</u>	<u>-</u>	<u>45,331,297</u>
Capital assets being depreciated:				
Buildings and improvements	138,825,030	335,725	-	139,160,755
Improvements other than buildings	21,625,993	175,342	-	21,801,335
Machinery, equipment & vehicles	10,250,635	869,139	(814,734)	10,305,040
Infrastructure	21,783,666	817,537	-	22,601,203
Total capital assets being depreciated	<u>192,485,324</u>	<u>2,197,743</u>	<u>(814,734)</u>	<u>193,868,333</u>
Less accumulated depreciation for:				
Buildings and improvements	(37,066,115)	(3,277,766)	-	(40,343,881)
Improvements other than buildings	(9,981,090)	(685,463)	-	(10,666,553)
Machinery, equipment & vehicles	(6,483,040)	(621,722)	683,357	(6,421,405)
Infrastructure	(13,162,966)	(437,098)	-	(13,600,064)
Total accumulated depreciation	<u>(66,693,211)</u>	<u>(5,022,049)</u>	<u>683,357</u>	<u>(71,031,903)</u>
Governmental activities capital assets, net	<u>\$ 165,309,312</u>	<u>\$ 2,989,792</u>	<u>\$ (131,377)</u>	<u>\$ 168,167,727</u>

Business-type Activities:

Water Activities

Capital assets not being depreciated:

Land	\$ 938,433	\$ -	\$ -	\$ 938,433
Construction in Process	8,461,368	2,595,312	-	11,056,680
Total capital assets not being depreciated	<u>9,399,801</u>	<u>2,595,312.00</u>	<u>-</u>	<u>11,995,113</u>

Capital assets being depreciated:

Buildings and improvements	1,557,637	-	-	1,557,637
Improvements other than buildings	687,423	-	-	687,423
Machinery, equipment & vehicles	244,657	655,761	-	900,418
Infrastructure	33,919,302	-	-	33,919,302
Total capital assets being depreciated	<u>36,409,019</u>	<u>655,761</u>	<u>-</u>	<u>37,064,780</u>

Less accumulated depreciation for:

Buildings and improvements	(555,455)	(56,829)	-	(612,284)
Improvements other than buildings	(272,569)	(34,669)	-	(307,238)
Machinery, equipment & vehicles	(150,281)	(5,688)	-	(155,969)
Infrastructure	(22,355,399)	(673,618)	-	(23,029,017)
Total accumulated depreciation	<u>(23,333,704)</u>	<u>(770,804)</u>	<u>-</u>	<u>(24,104,508)</u>

Water activities capital assets, net	<u>\$ 22,475,116</u>	<u>\$ 2,480,269</u>	<u>\$ -</u>	<u>\$ 24,955,385</u>
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Waste Water Activities

Capital assets not being depreciated:

Land	\$ 2,225,000	\$ -	\$ -	\$ 2,225,000
Waste Wood activities capital assets, net	<u>2,225,000</u>	<u>-</u>	<u>-</u>	<u>2,225,000</u>

Business-type activities capital assets, net	<u>\$ 24,700,116</u>	<u>\$ 2,480,269</u>	<u>\$ -</u>	<u>\$ 27,180,385</u>
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Component unit activities:

Capital assets being depreciated:

Equipment and furniture	\$ 401,320	\$ 2,893	\$ -	\$ 404,213
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Less accumulated depreciation for:

Equipment and furniture	(375,178)	(9,180)	-	(384,358)
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Component unit activities capital assets, net	<u>\$ 26,142</u>	<u>\$ (6,287)</u>	<u>\$ -</u>	<u>\$ 19,855</u>
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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 179,275
Public safety	883,356
Education	509,048
Public works	2,754,405
Health and human services	15,983
Culture and recreation	407,761
Coastal resources	272,221
Total Governmental Activities	<u>\$ 5,022,049</u>

Business-type Activities:

Water/Total	<u>\$ 770,804</u>
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Component unit Activities:

Eldredge Public Library/Total	<u>\$ 9,599</u>
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**Note 8: Interfund Balances and Activity**

The general fund was due, \$6,529,250 from the Wastewater Facility capital project fund and \$799,469 from the Fish Pier capital project fund at June 30, 2019.

Interfund transfers for the fiscal year ended June 30, 2019, consisted of the following:

Transfers In	Transfers Out			
	General Fund	Nonmajor Governmental Funds	Total	
General Fund	\$ -	\$ 1,169,140	\$ 1,169,140	(1)
Nonmajor Governmental Funds	43,200	-	43,200	(2)
Water Enterprise Fund	400,000		400,000	(2)
Wood Waste Enterprise Fund	160,105		160,105	(2)
OPEB Trust Fund	150,000	-	150,000	(2)
<b>Total</b>	<b>\$ 753,305</b>	<b>\$ 1,169,140</b>	<b>\$ 1,922,445</b>	

(1) Transfers to general fund to supplement operating budgets

(2) Transfer to provide funding for: Pleasant Bay Alliance, Cultural Council, Water operations, Wood Waste debt service and OPEB Trust Funding

**Note 9: Long-Term Obligations**

Long-term debt

The Following is a summary of changes in long-term obligations for the year ended June 30, 2019:

Purpose	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>Governmental Activities:</b>					
MCWT Septic Btrm subsidized bond, 3.98%, due 2023	\$ 32,709	\$ -	(10,829)	\$ 21,880	\$ 10,829
Municipal purposes-refunding, 3.98%, due 2019	55,000		(55,000)	-	
Municipal purposes, subsidized, due 2026	20,000		(2,500)	17,500	2,500
Municipal purposes-refunding, 3.0 - 5.0%, due 2019	565,000		(565,000)	-	
Municipal purposes 3.0% - 5.0%, due 2028	800,000		(800,000)	-	
Municipal purposes 3.0% - 5.0%, due 2038	9,000,000		(440,000)	8,560,000	430,000
MCWT Wastewater Trmt Facility, 2.0%, due 2028	2,284,445		(155,419)	2,129,026	158,559
Municipal Purposes, 2.0% - 5.0%, due 2037	15,445,000		(935,000)	14,510,000	935,000
Municipal Purposes-refund 2.0% - 4.0%, due 8/1/28	5,403,400		(303,000)	5,100,400	1,080,500
Municipal Purposes, 3.0% - 5.0%, due 2039		3,972,500		3,972,500	222,500
USDA Sewer Bond, 2.75%, due 2049	18,085,182		(583,393)	17,501,789	583,393
USDA Sewer Bond, 2.75%, due 2049	1,477,488		(47,662)	1,429,826	47,662
MCWT Wastewater Trmt Facility, 2.0%, due 2032	5,930,652		(338,669)	5,591,983	346,029
MCWT Wastewater Trmt Facility, 0.0%, due 2033	1,641,921		(108,817)	1,533,104	108,915
MCWT Wastewater Trmt Facility, 0.0%, due 2035	3,278,008		(190,519)	3,087,489	190,805
MCWT Wastewater Trmt Facility, 0.0%, due 2036	3,006,993		(619,984)	2,387,009	138,733
<b>Total long-term bonds payable</b>	<b>67,025,798</b>	<b>3,972,500</b>	<b>(5,155,792)</b>	<b>65,842,506</b>	<b>4,255,425</b>
Capital lease obligations	385,636		(190,508)	195,128	195,128
Landfill closure and monitoring liability	150,000		(25,000)	125,000	25,000
Compensated absences	874,000		(62,600)	811,400	-
Other postemployment benefits	17,248,953	4,154,778	(2,220,097)	19,183,634	-
Net pension liability	18,892,203	4,872,074	(1,750,774)	22,013,503	-
<b>Total Governmental Activities</b>	<b>\$ 104,576,590</b>	<b>\$ 12,999,352</b>	<b>\$ (9,404,771)</b>	<b>\$ 108,171,171</b>	<b>\$ 4,475,553</b>

**Business-type Activities:**Water Activities

Municipal purposes-refunding, 3.98%, due 2021	\$ 110,000	\$ -	(30,000)	\$ 80,000	\$ 30,000
Municipal purposes, 4.25%, due 2049	387,500		(12,500)	375,000	12,500
Municipal purposes, 3.0% - 5.0%, due 2028	30,000		(30,000)	-	
Municipal purposes - refunding, 3.0% - 5.0%, due 2019	50,000		(50,000)	-	
Municipal Purposes-refunding 2.0% - 4.0%, due 2028	1,399,600		(142,000)	1,257,600	172,500
Municipal purposes, 2.0% - 5.0%, due 2032	1,025,000		(80,000)	945,000	80,000
Municipal purposes, 3.0% - 5.0%, due 2038	925,000		(235,000)	690,000	235,000
Municipal Purposes, 3.0% - 5.0%, due 2029		1,052,500	-	1,052,500	107,500
MCWT Drinkwater 14-06, 02.0%, due 2038	-	9,274,815	-	9,274,815	375,175
<b>Total long-term bonds payable</b>	<b>3,927,100</b>	<b>10,327,315</b>	<b>(579,500)</b>	<b>13,674,915</b>	<b>1,012,675</b>
Compensated absences	5,600	200		5,800	-
Net pension liability	3,075,000	794,010	(285,010)	3,584,000	-
<b>Total Water Activities</b>	<b>\$ 7,007,700</b>	<b>\$ 11,121,525</b>	<b>\$ (864,510)</b>	<b>\$ 17,264,715</b>	<b>\$ 1,012,675</b>

Wood Waste Activities

Municipal Purposes-refunding 2.0% - 4.0%, due 2028	\$ 142,000	\$ -	\$ -	\$ 142,000	\$ 142,000
Land Acquisition, 3.0% - 3.5%, due 2020	145,000	-	(145,000)	-	-
<b>Total long-term bonds payable</b>	<b>287,000</b>	<b>-</b>	<b>(145,000)</b>	<b>142,000</b>	<b>142,000</b>
<b>Total Waste Wood Activities</b>	<b>\$ 287,000</b>	<b>\$ -</b>	<b>\$ (145,000)</b>	<b>\$ 142,000</b>	<b>\$ 142,000</b>

<b>Total Business-Type Activities</b>	<b>\$ 7,294,700</b>	<b>\$ 11,121,525</b>	<b>\$ (1,009,510)</b>	<b>\$ 17,406,715</b>	<b>\$ 1,154,675</b>
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**Component Unit:**

Compensated absences	\$ 5,936	\$ 8,130	\$ -	\$ 14,066	\$ -
<b>Total Component Unit</b>	<b>\$ 5,936</b>	<b>\$ 8,130</b>	<b>\$ -</b>	<b>\$ 14,066</b>	<b>\$ -</b>

Outstanding Massachusetts Clean Water Trust ("MCWT") bonds are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that the Commonwealth of Massachusetts will subsidize the interest portion of the debt service via contract payments to MCWT (and MCWT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide information because it is not part of the local budget.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2019, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 4,255,425	\$ 1,631,899	\$ 5,887,324
2021	4,046,964	1,535,558	5,582,522
2022	3,777,456	1,417,484	5,194,940
2023	3,695,429	1,304,786	5,000,215
2024	3,707,441	1,201,663	4,909,104
2025-2029	16,713,064	4,820,518	21,533,582
2030-2034	14,166,794	3,360,413	17,527,207
2035-2039	9,169,417	1,583,586	10,753,003
2040-2044	3,155,275	694,156	3,849,431
2045-2049	3,155,241	260,305	3,415,546
<b>Total</b>	<b>\$ 65,842,506</b>	<b>\$ 17,810,368</b>	<b>\$ 83,652,874</b>

<b>Business-type Activities</b>			
Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,154,675	\$ 353,586	\$ 1,508,261
2021	872,829	322,242	1,195,071
2022	876,161	292,844	1,169,005
2023	853,473	264,095	1,117,568
2024	862,170	235,891	1,098,061
2025-2029	3,618,570	846,829	4,465,399
2030-2034	2,686,669	454,441	3,141,110
2035-2039	2,767,368	172,102	2,939,470
2040-2044	62,500	30,219	92,719
2045-2049	62,500	-	62,500
Total	<u>\$ 13,816,915</u>	<u>\$ 2,972,249</u>	<u>\$ 16,789,164</u>

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth’s Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Department of Revenue. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Unissued debt authorizations consist of the following at June 30, 2019:

Project	Year Authorized	Amount
Water and well pumping station	2006	\$ 560,000
Ell Street and Sky Way improvements	2009	25,000
Mill pond wells	2012	650,000
Water main replacement	2012	478,185
Wastewater treatment facility	2013	455,050
Fire station design and construction	2014	16,635
Wastewater treatment facility	2014	3,040,000
Wastewater collections facility	2017	30,700,000
Waterfront facilities	2017	11,355,000
Wastewater expansion	2018	<u>7,150,000</u>
Total Authorized and Unissued Debt		<u>\$ 54,429,870</u>

Lease Obligations

*A. Operating Leases*

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases are immaterial as of June 30, 2019.

*B. Capital Leases*

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not exceed five years and subject to annual appropriation. The Town’s capital lease obligations outstanding as of June 30, 2019 are summarized below:

Lease	Balance 6/30/2019
Pumper	\$ 195,128
Total	\$ 195,128

The future minimum lease payments and present value of the minimum lease payments at June 30, 2019 are as follows:

Fiscal Year Ended June 30,	Amount
2020	\$ 195,128
Total minimum lease payments	\$ 195,128

**Note 10. Deferred outflows and deferred inflows of resources**

The following is a summary of the Town's deferred outflows of resources and deferred inflows of resources as of June 30, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Governmental Activities:</i>				
<b>Deferred outflows of resources:</b>				
Changes in proportion and difference between employer contributions and proportionate share of pension contributions	\$ 132,814	\$ 22,771	\$ -	\$ 155,585
Changes in pension assumptions	2,354,499		(511,513)	1,842,986
Net difference between projected and actual pension earnings	-	1,285,890	-	1,285,890
Net difference between expected and actual OPEB experience	-	2,122,622		2,122,622
Net difference between projected and actual OPEB earnings	10,641	-	(10,641)	-
Total deferred outflows of resources	<u>\$ 2,497,954</u>	<u>\$ 3,431,283</u>	<u>\$ (522,154)</u>	<u>\$5,407,083</u>
<b>Deferred inflows of resources:</b>				
Deferred revenue	\$ 3,206,690	\$ 307,374	\$ -	\$3,514,064
Changes in proportion and difference between employer contributions and proportionate share of contributions	283,548		(89,962)	193,586
Net difference between expected and actual pension experience	270,702		(63,800)	206,902
Net difference between projected and actual pension earnings	1,232,667		(1,232,667)	-
Net difference between projected and actual OPEB earnings	-	17,273	-	17,273
Changes in OPEB assumptions	509,982	748,946		1,258,928
Unamortized bond premiums	1,814,424	22,300	(222,907)	1,613,817
Total deferred inflows of resources	<u>\$ 7,318,013</u>	<u>\$ 1,095,893</u>	<u>\$ (1,609,336)</u>	<u>\$6,804,570</u>

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Business-type Activities:</i>				
<b>Deferred outflows of resources:</b>				
Net difference between projected and actual pension earnings	\$ -	\$ 209,000	\$ -	\$ 209,000
Changes in proportion and difference between employer contributions and proportionate share of contributions	22,000	3,000		25,000
Changes in pension assumptions	383,000		(83,000)	300,000
Total deferred outflows of resources	<u>\$ 405,000</u>	<u>\$ 212,000</u>	<u>\$ (83,000)</u>	<u>\$ 534,000</u>
<b>Deferred inflows of resources:</b>				
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 46,000	\$ -	\$ (15,000)	\$ 31,000
Net difference between expected and actual pension experience	44,000		(10,000)	34,000
Net difference between projected and actual pension earnings	201,000		(201,000)	-
Unamortized bond premiums	170,920	147,500	(18,388)	300,032
Total deferred inflows of resources	<u>\$ 461,920</u>	<u>\$ 147,500</u>	<u>\$ (244,388)</u>	<u>\$ 365,032</u>

### **Note 11: Temporary Borrowings**

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs and RANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs)
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the appropriate funds.

Changes in the Town's outstanding short-term debt at June 30, 2019 is as follows:

		Interest	Maturity	Beginning			Ending
Type	Dated	Rate	Date	Balance	Additions	Retirements	Balance
BAN	06/22/18	3.00%	06/21/19	\$ 3,863,200	\$ -	\$ (3,863,200)	\$ -
MCWT Interim Loan	06/05/14	2.00%	N/A	20,903,881	-	(8,295,465)	12,608,416
Total Governmental Notes				<u>\$ 24,767,081</u>	<u>\$ -</u>	<u>\$ (12,158,665)</u>	<u>\$ 12,608,416</u>
MCWT Interim Loan	09/01/17	0.00%	N/A	\$ 9,274,815	\$ -	\$ (9,274,815)	\$ -
Total Business-Type Notes				<u>\$ 9,274,815</u>	<u>\$ -</u>	<u>\$ (9,274,815)</u>	<u>\$ -</u>

## **Note 12: Employee Benefits**

### **A. Retirement Benefits**

#### **Plan Description**

The Barnstable County Retirement Association (the “Association” or “Plan”) is a multiple employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Barnstable County Retirement Board (“the Board”), with the exception of school department employees who serve in a teaching capacity. The Town is a member of the Monomoy Regional School District. The pensions for these school employees are administered by the Commonwealth of Massachusetts’ Teachers Retirement System (“MTRS”). Accordingly, the District is responsible for the associated benefits. Membership in the Association is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. As of January 1, 2017, the Association had 54 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (“M.G.L.”) and other applicable statutes. The Public Employee Retirement Administration Commission (“PERAC”) is the State Agency responsible for oversight of the Commonwealth’s public retirement systems. The Association is governed by a five member Board who establish the policies under which the Association operates. The Association has issued a publicly available financial report that includes audited financial statements and required supplementary information for the year ended December 31, 2016, which may be obtained by writing to the Association directly at the following address: Barnstable County Retirement Association, 750 Attucks Lane, Hyannis, MA 02601.

#### ***Benefits Provided:***

The Association provides retirement, disability, survivor, and death benefits to plan members and their beneficiaries. Massachusetts General Laws (“M.G.L.”) establish uniform benefit and contribution requirements for all contributory public employee retirement systems (“PERS”). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. Benefit payments are based upon a member’s age, length of credible service, and group credible service and group classification. The authority for amending these provisions rests with the Legislature.

There are three classifications of membership in the retirement system: Group 1, Group 2, and Group 4. Group 1 consists of general public employees, which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Group 4 consists of mainly police officers and firefighters.

Any individual in Group 1 or Group 2, whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or older, regardless of the number of years of credible service.

Members in Group 1 and Group 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

Members in Group 1 and Group 2, hired after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$2,035,784.

*Pension liabilities, expenses, and deferred outflows of resources related to pensions:*

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2014 (measurement date). The components of this valuation, as it pertains to the Town are summarized below at December 31, 2018 based upon the valuation date of January 1, 2018:

	<b>2018</b>
Total pension liability	1,865,385,410
Less: Plan fiduciary net position	<u>(1,075,010,769)</u>
Net pension liability	<u>\$ 790,374,641</u>

Plan fiduciary net position as a percentage of the total pension liability	57.63%
Total employer pension expense	\$ 98,226,410
Town's proportionate share of the collective net pension liability	\$ 25,597,503
Town's percentage share of the collective net pension liability	3.24%
Town's covered payroll	\$ 9,145,611
Town's proportionate share of pension expense recognized	\$ 3,127,504

The Town's proportionate share of collective net deferred outflows of resources of \$104,888,478, was \$3,352,973. This amount is to be recognized in future pension expense as follows:

Year ended June 30,	
2019	\$ 1,013,629
2020	614,938
2021	690,132
2022	1,021,441
2023	<u>12,833</u>
	<u>\$ 3,352,973</u>

*Actuarial Assumptions:*

Valuation Date:	January 1, 2018
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Appropriation increasing 5.28% per year through fiscal 2035 and 3.34% in fiscal 2036.

Inflation Rate:	3.25%
Net Investment Return	7.375%
Asset Valuation Method:	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Projected Salary Increases:	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2, and 4.50% for Group 4.
Cost of Living Adjustments:	3.0% of the first \$18,000 of retirement income.
Mortality Rates:	
Pre-retirement:	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree:	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disabled Retiree:	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally using Scale MP-2017.

The pension plan's policy in regards to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighing the expected future real rates of return by the target asset allocation percentage and by addition expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic equity	21.00%	6.16%
International developed markets equity	13.00%	6.69%
International emerging markets equity	5.00%	9.47%
Core fixed income	15.00%	1.89%
High-yield fixed income	8.00%	4.00%
Real estate	10.00%	4.58%
Commodities	4.00%	4.77%
Hedge funds	11.00%	3.68%
Private equity	13.00%	10.00%
Total	<u>100.00%</u>	

*Discount Rate:*

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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 Analysis:*

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the Plan's and the Town's proportionate share of the collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one-percentage-point higher than the current discount rate at December 31, 2018:

	<b>1.0% Decrease to 6.375%</b>	<b>Current Discount Rate 7.375%</b>	<b>1% Increase to 8.375%</b>
BCRA - Total Plan	\$ 1,008,933,895	\$ 790,374,641	\$ 606,529,204
Town's proportionate share	\$ 32,675,878	\$ 25,597,503	\$ 19,643,382

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued Barnstable County Retirement Association financial report.

*Changes in assumptions and plan provisions* - The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.
- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was reduced from 7.625% to 7.375%.

There were no changes to plan provisions in the January 1, 2018 actuarial valuation.

**B. Compensated Absences**

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel bylaws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities.

**C. Other Post-Employment Benefits**

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays 50% of the health, dental, life and vision insurance premiums for approximately 166 retirees and their dependents. The cost of retiree’s healthcare benefits is recognized as an expenditure as premiums are paid.

**Annual OPEB Cost and Net OPEB Obligation**

*Plan Description:*

In addition to the pension benefits previously described, the Town provides health and dental insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

*Funding Policy:*

The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for healthcare and dental insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs for healthcare, dental and life insurance. For the year ended June 30, 2019.

The State of Massachusetts has passed legislation allowing municipal entities to establish a Trust for Other Postemployment Benefits (“OPEB”) under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 75. This legislation was amended effective November 9, 2016 to clarify who may adopt such a Trust and provide guidance on the ongoing operation of such a Trust. The Town of Chatham has established an irrevocable trust for the purposes of prefunding liabilities under GASB 74/75.

During 2019, the Town pre-funded future OPEB liabilities totaling approximately \$150,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2019, the net position of this fund totaled \$1,296,779.

*Measurement Date:*

GASB #74 and GASB #75 require the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

*Employees Covered by Benefit Terms:*

The following table represents the Plan’s membership at June 30, 2018:

Active members.....	118
Inactive employees or beneficiaries currently receiving benefits.....	<u>211</u>
Total.....	<u>329</u>

*Components of OPEB Liability:*

The following table represents the components of the Plan's OPEB liability as of June 30, 2018:

	<b>2018</b>
Total OPEB liability	\$ 20,005,757
Less: OPEB plan's fiduciary net position	(822,123)
Net OPEB liability	<u>\$ 19,183,634</u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	4.11%
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*Significant Actuarial Methods and Assumptions:*

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, to be in accordance with GASB Statement #74 and #75:

Valuation Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal – Level Percentage Payroll
Investment Rate of Return:	7.0%
Inflation Rate:	3.25%
Asset Valuation Method:	Market value
Salary Increases:	Varies by length of service with ultimate rates of 6.00% decreasing over 11 years to an ultimate level of 4.00% for Group 1, 7.0% decreasing over 8 years to an ultimate level of 4.50% for Group 4 and 7.5% decreasing over 20 years to an ultimate level of 4.0% for teachers.
Discount Rate:	7.00% as of June 30, 2018 and 5.81% as of June 30, 2017
Health care Trend Rates:	
CCMHG:	Under 65: 0% for 1 year, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Over 65: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
GIC:	8.0% decreasing by 0.5% for 5 years then by 0.25% for 2 years to an ultimate level of 5.0% per year.
Dental:	0% for year 1, then 3.0% per year.
Part B:	N/A
Contributions:	Retiree contributions are expected to increase with respective trend shown above.
Mortality Rates:	
Pre-retirement:	Healthy non-teachers: RP-2014 Employee Mortality Table projected generationally with Scale MP-2017. Healthy teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016.

Postretirement: Healthy non-teachers: RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.  
 Healthy teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.  
 Disabled non-teachers: RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.  
 Disabled teachers: RP-2014 Healthy Annuitant Mortality Table set forward 4 years and projected generationally with Scale BB2D from 2014.

*Rate of return:*

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target asset allocation as of June 30, 2018 and the projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in derivation of the long-term expected investment rate of return assumption are summarized below:

<b>Asset Class</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic equity	6.15%
International developed markets equity	7.11%
International emerging markets equity	9.41%
Core fixed income	1.68%
High-yield fixed income	4.13%
Real estate	4.90%
Commodities	4.71%
Hedge fund, GTAA, Risk Parity	3.94%
Private equity	10.28%

*Discount rate:*

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2018 and 5.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected future benefits payments as of June 30, 2018.

*Sensitivity of the net OPEB liability to changes in the discount rate:*

The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<b>1.0% Decrease to 6.00%</b>	<b>Current Discount Rate 7.00%</b>	<b>1% Increase to 8.00%</b>
Net OPEB Liability	\$ 21,613,129	\$ 19,183,634	\$ 17,153,652

*Sensitivity of the net OPEB liability to changes in the healthcare trend:*

The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1-percentage-point lower or 1- percentage-point higher than the current rate.

	<b>1.0% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
Net OPEB Liability	\$ 17,062,674	\$ 19,183,634	\$ 21,757,759

*Changes of Assumptions:*

- The per capita health costs for the CCMHG and the Town retirees were updated.
- The medical/prescription drug and dental trend assumptions for CCMHG and the Town retirees were updated.
- The per capita health cost and trends were updated based on the Commonwealth of Massachusetts Postemployment Benefits Other Than Pension Actual Valuation as of June 30, 2018, dated January 2, 2019, completed by Aon Hewitt.
- The discount rates were updated for the measurement date.
- The mortality assumptions were updated.
- The salary scale assumptions were updated.

*Changes in Plan Provisions:*

There were not any changes in plan provisions in the current year.

*Summary of Significant Accounting Policies:*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

*Changes in the Net OPEB Liability:*

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of June 30, 2017	\$ 17,842,696	\$ 593,743	\$ 17,248,953
Changes for the year:			
Service cost	463,573	-	463,573
Interest	1,037,928	-	1,037,928
Differences between expected and actual experience	2,653,277	-	2,653,277
Changes in assumptions	(1,095,551)	-	(1,095,551)
Contributions - employer	-	1,046,166	(1,046,166)
Net investment income	-	78,380	(78,380)
Benefit payments	(896,166)	(896,166)	-
Administrative expenses	-	-	-
Net changes	2,163,061	228,380	1,934,681
Balance as of June 30, 2018	\$ 20,005,757	\$ 822,123	\$ 19,183,634

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

For the year ended June 30, 2018, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$124,835. The Town reported deferred inflows of resources as related to OPEB in the amount of \$846,421 (see Note 10). Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2020	\$ 180,396
2021	180,396
2022	180,395
2023	305,234
	<u>\$ 846,421</u>

**Note 13: Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2019, \$125,000 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. The current portion of the landfill closure is \$25,000. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

#### **Note 14: Risk Management**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Town carries commercial insurance for all risk except health insurance. As discussed in Note 1, the Town participates in the Cape Cod Municipal Health Group (the Group), a municipal joint-purchase group consisting of 52 governmental units, formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Town both contribute to the Group based upon a 70% (Town) and 30% (Employee) primary care premium formula (65% Town and 35% Employee after the ratification date of each contract). The Town budgets, annually, in the general fund for its estimated share of contributions.

#### **Note 15: Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

#### **Note 16: Monomoy Regional School District**

July 1, 2012 was the official start date for the Monomoy Regional School District (the District), comprised of the Town of Harwich and the Town of Chatham. The District was formed by votes of the member towns in December 2010, in accordance with Massachusetts General Law. The District is to provide education to the member towns' students grade K-12. The District's operating, capital, transportation and debt service budgets are assessed to the members based upon the Regional Agreement, dated January 19, 2011. Pursuant to the regional agreement and MGL all district assessments must be accepted by each Town's Town Meeting on an annual basis.

The Regional District School Committee operates under the provisions of Chapter 71, Section 16A and other applicable MGL. Due to the disparity in the population of the member towns, the Committee operates under a "weighted voting" methodology, whereas the four (4) committee members from Town of Harwich have one full voice on all matters for a total of (6) six votes.

Pursuant to the regionalization agreement, the Town maintains ownership of its current school buildings and grounds and shall lease these to the District for the sum of one dollar a year for a term up to twenty (20) years with additional extensions possible at the discretion of the Regional District School Committee. At the point these buildings and grounds are no longer needed by the District, per vote of the Regional District School Committee, custody and control will revert back to the town.

#### **Note 17: Subsequent Events**

Management has evaluated subsequent events through March 30, 2020, which is the date the financials statements were available to be issued.

#### **Note 18: Implementation of GASB Pronouncements**

The following are pronouncements issued by the Governmental Accounting Standards Board ("GASB"), which are applicable to the Town's financial statements.

## **Current pronouncements**

The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is generally required to be implemented in fiscal year 2019. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. This pronouncement did not impact the basic financial statements.

The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is generally required to be implemented in fiscal year 2019. This Statement redefines the term debt and may require additional disclosures. This pronouncement did not impact the basic financial statements.

## **Future pronouncements**

The GASB issued Statement #84, *Fiduciary Activities*, which is generally required to be implemented in fiscal year 2020. The objective for this Statement is to improvement guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #87, *Leases*, which is generally required to be implemented in fiscal year 2021. This Statement redefines the manner in which long-term leases are accounted and reported. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is generally required to be implemented in fiscal year 2021. This Statement redefines the manner in which interest costs are accounted and reported. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #90, *Majority Equity Interests*, which is generally required to be implemented in fiscal year 2020. This Statement amends GASB Statements #14 and #61 regarding the accounting and financial reporting of majority equity interests. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #91, *Conduit Debt Obligations*, which is generally required to be implemented in fiscal year 2022. This Statement provides a single method of reporting conduit debt obligations by issuers. The Town will evaluate the implementation of the pronouncement as applicable.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF CHATHAM, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS - GENERAL FUND - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Property taxes and payments in lieu	\$ 34,086,787	\$ 34,086,787	\$ 34,335,900	\$ 249,113
Excise taxes	2,650,000	2,650,000	3,271,174	621,174
Licenses and permits	790,000	790,000	768,003	(21,997)
Penalties and interest	150,000	150,000	223,939	73,939
Investment earnings	32,500	32,500	311,544	279,044
Charges for services	1,925,000	1,925,000	2,352,671	427,671
Special assessments	45,000	45,000	39,358	(5,642)
Fees and fines	30,000	30,000	58,507	28,507
Departmental and other	861,742	861,742	1,185,030	323,288
Intergovernmental	<u>719,168</u>	<u>719,168</u>	<u>723,020</u>	<u>3,852</u>
Total revenues	41,290,197	41,290,197	43,269,146	1,978,949
<b>Expenditures:</b>				
General government	4,388,391	3,377,902	3,279,984	97,918
Public safety	6,975,857	6,636,394	6,560,889	75,505
Education	9,355,019	9,355,030	9,355,020	10
Public works	9,012,891	7,939,785	7,451,289	488,496
Community planning and development	965,755	852,651	793,578	59,073
Health & human services	1,140,105	921,097	859,535	61,562
Culture and recreation	1,844,687	1,390,389	1,369,649	20,740
Coastal resources	2,057,489	1,371,064	1,363,306	7,758
Employee benefits	5,215,048	5,214,073	4,871,633	342,440
State and county assessments	773,300	773,300	772,652	648
Debt service	<u>7,038,856</u>	<u>6,697,530</u>	<u>6,697,530</u>	<u>-</u>
Total expenditures	<u>48,767,398</u>	<u>44,529,215</u>	<u>43,375,065</u>	<u>1,154,150</u>
Revenues over (under) expenditures	(7,477,201)	(3,239,018)	(105,919)	3,133,099
<b>Other financing sources (uses):</b>				
Transfers in	1,428,144	1,428,144	1,428,144	-
Transfers out	<u>(593,200)</u>	<u>(593,200)</u>	<u>(593,200)</u>	<u>-</u>
Total other financing sources (uses)	834,944	834,944	834,944	-
Revenues and other financing sources over (under) expenditures and other financing uses	(6,642,257)	(2,404,074)	<u>\$ 729,025</u>	<u>\$ 3,133,099</u>
<b>Other budget items:</b>				
Free cash appropriations	1,912,263	1,912,263		
Prior year appropriation deficit	-	-		
Carryover encumbrances	4,579,994	341,811		
Release of overlay surplus	<u>150,000</u>	<u>150,000</u>		
Total other budget items	<u>6,642,257</u>	<u>2,404,074</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

See accompanying independent auditor's report.  
See accompanying notes to required supplementary information.

**TOWN OF CHATHAM, MASSACHUSETTS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY BASIS OF ACCOUNTING  
YEAR ENDED JUNE 30, 2019

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year’s deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town are prepared under the direction of the Board of Selectmen. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The “actual” results column of the Budgetary Comparison Schedule—General Fund, are presented on a “budget basis” to provide a meaningful comparison with the budget. The main difference between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for the real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2019 are presented below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues on a budgetary basis			\$ 43,269,146
Stabilization investment income	\$ -	\$ 91,410	91,410
GAAP differences in property taxes	(8,060)	-	(8,060)
Revenues on a GAAP basis	<u>\$ (8,060)</u>	<u>\$ 91,410</u>	<u>\$ 43,352,496</u>
Expenditures on a budgetary basis			\$ 43,375,065
Wood waste reclamation fund debt service pmts	\$ (160,105)		(160,105)
Water fund budgeted allocation of overhead costs	(259,004)	-	(259,004)
Expenditures on a GAAP basis	<u>\$ (419,109)</u>	<u>\$ -</u>	<u>\$ 42,955,956</u>

See accompanying independent auditors' report.

TOWN OF CHATHAM, MASSACHUSETTS  
 REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN  
 YEAR ENDED JUNE 30, 2019

**Barnstable County Retirement Association**

The Barnstable County Retirement Association (the "Association") is a multiple-employer, costsharing, contributory defined benefit pension plan covering all eligible employees of the governmental member units, with the exception of school department employees who serve in a teaching capacity. Based upon the actuarial valuation date of the Association of January 1, 2018, the following is presented:

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total pension liability	\$ 1,865,385,410	\$ 1,783,937,286	\$ 1,644,743,371	\$ 1,502,651,474	\$ 1,426,632,712
Less: Plan fiduciary net position	(1,075,010,769)	(1,103,493,815)	(942,162,721)	(873,002,091)	(862,069,290)
Net pension liability	<u>\$ 790,374,641</u>	<u>\$ 680,443,471</u>	<u>\$ 702,580,650</u>	<u>\$ 629,649,383</u>	<u>\$ 564,563,422</u>
Town's proportion of the net pension liability (asset)	3.24%	3.23%	3.24%	3.20%	3.31%
Town's proportionate share of the net pension liability (asset)	\$ 25,597,503	\$ 21,967,203	\$ 22,730,936	\$ 20,169,345	\$ 18,671,253
Town's proportionate share of pension expense	\$ 3,127,504	\$ 2,488,010	\$ 3,447,424	\$ 2,137,470	\$ 1,829,972
Town's covered-employee payroll	\$ 9,145,611	\$ 8,715,482	\$ 8,656,497	\$ 8,371,238	\$ 8,674,713
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.9%	252.0%	262.6%	240.9%	215.2%
Plan fiduciary net position as a percentage of the total pension liability	57.6%	61.9%	57.3%	58.1%	60.4%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN**

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Actuarially determined contribution	\$ 2,035,784	\$ 1,933,226	\$ 1,833,890	\$ 1,729,864	\$ 1,734,970
Contributions in relation to the actuarially determined contribution	\$ 2,035,784	\$ 1,933,226	\$ 1,833,890	\$ 1,729,864	\$ 1,734,970
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 9,145,611	\$ 8,715,482	\$ 8,656,497	\$ 8,371,238	\$ 8,674,713
Contributions as a percentage of covered-employee payroll	22.26%	22.18%	21.19%	20.66%	20.00%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See accompanying independent auditors' report.

**TOWN OF CHATHAM, MASSACHUSETTS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN  
YEAR ENDED JUNE 30, 2019

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Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on actuarial valuation results. In addition, the Town may contribute more than the amount required.

Changes in Assumptions:

The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.

The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.

The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.

The investment rate of return assumption was reduced from 7.625% to 7.375%.

Changes in Plan Provisions:

None.

**TOWN OF CHATHAM, MASSACHUSETTS**  
REQUIRED SUPPLEMENTARY INFORMATION - OTHER POST-EMPLOYMENT BENEFITS  
YEAR ENDED JUNE 30, 2019  
IN ACCORDANCE WITH GASB 74

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFIT LIABILITY**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 486,382	\$ 463,573	\$ 480,254
Interest	1,079,094	1,037,929	987,774
Changes in benefit terms	-	-	-
Differences between expected and actual experience	2,645,303	-	-
Changes in assumptions	(696,530)	(251,533)	(637,477)
Benefit payments	<u>(985,545)</u>	<u>(896,166)</u>	<u>(857,575)</u>
Net change in total OPEB liability	2,528,704	353,803	(27,024)
Total OPEB Liability - Beginning	<u>18,196,499</u>	<u>17,842,696</u>	<u>17,869,720</u>
Total OPEB Liability - Ending (a)	<u>\$ 20,725,203</u>	<u>\$ 18,196,499</u>	<u>\$ 17,842,696</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 1,409,125	\$ 1,046,166	\$ 1,007,575
Net investment income	(222,694)	78,380	21,506
Benefit payments	(985,545)	(896,166)	(857,575)
Administrative expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fiduciary net position	200,886	228,380	171,506
Plan fiduciary net position - Beginning	822,123	593,743	422,237
Plan fiduciary net position - Ending (b)	<u>\$ 1,023,009</u>	<u>\$ 822,123</u>	<u>\$ 593,743</u>
<b>Town's net OPEB Liability - ending (a)-(b)</b>	<u>\$ 19,702,194</u>	<u>\$ 17,374,376</u>	<u>\$ 17,248,953</u>
Plan fiduciary net position as a percent of total OPEB liability	4.94%	4.52%	3.33%
Covered-employee payroll	N/A	8,715,482	8,656,497
Plan's net OPEB liability as a percentage of covered-employee payroll	N/A	199.4%	199.3%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**

Actuarially determined contribution	\$ 1,526,157	\$ 1,196,492	\$ 1,156,031
Contributions in relation to the actuarially determined contribution	<u>1,409,125</u>	<u>1,046,166</u>	<u>1,007,575</u>
Contribution deficiency (excess)	<u>\$ 117,032</u>	<u>\$ 150,326</u>	<u>\$ 148,456</u>
Covered employee payroll	N/A	8,715,482	8,656,497
Contributions as a percentage of covered employee payroll	-	12.0%	11.6%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See accompanying independent auditors' report.

**TOWN OF CHATHAM, MASSACHUSETTS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POST-EMPLOYMENT BENEFITS PLAN  
YEAR ENDED JUNE 30, 2019

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The Town administers a single-employer defined benefit healthcare plan (“the Other Post Employment Benefit Plan”). The plan provides lifetime healthcare and dental insurance for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

***The Other Postemployment Benefit Plan***

Schedule of the Town’s Proportionate Share of the Net Other Postemployment Benefit Liability

The Schedule of the Town’s Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan’s net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered payroll.

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Changes in Assumptions:

- The per capita health costs for the CCMHG and the Town retirees were updated.
- The medical/prescription drug and dental trend assumptions for CCMHG and the Town retirees were updated.
- The per capita health cost and trends were updated based on the Commonwealth of Massachusetts Postemployment Benefits Other Than Pension Actual Valuation as of June 30, 2018, dated January 2, 2019, completed by Aon Hewitt.
- The discount rates were updated for the measurement date.
- The mortality assumptions were updated.
- The salary scale assumptions were updated.

Changes in Plan Provisions:

None.



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www.lockelord.com

(Date of Delivery)

Sharon Drown, Treasurer  
Town of Chatham  
Chatham, Massachusetts

\$3,450,000  
Town of Chatham, Massachusetts  
General Obligation Municipal Purpose Loan of 2020 Bonds  
Dated June 25, 2020

We have acted as bond counsel to the Town of Chatham, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal

income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Chatham, Massachusetts (the “Issuer”) in connection with the issuance of its \$3,450,000 General Obligation Municipal Purpose Loan of 2020 Bonds dated June 25, 2020 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated June 3, 2020 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principle[, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
  8. Bond calls, if material, and tender offers.
  9. Defeasances.
  10. Release, substitution or sale of property securing repayment of the Bonds, if material.
  11. Rating changes.
  12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.\*
  13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
  15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†
  16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.†
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

† For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: June 25, 2020

TOWN OF CHATHAM,  
MASSACHUSETTS

By: \_\_\_\_\_

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Selectmen

Treasurer

[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]