

**TOWN OF CHATHAM, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDING JUNE 30, 2014**

**TOWN OF CHATHAM, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING JUNE 30, 2014**

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**INDEPENDENT AUDITORS' REPORT**

To the Honorable Board of Selectmen  
Town of Chatham, Massachusetts

***Report on the Financial Statements***

We have audited, with the following exception, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts (the Town), as of and for the year ended June 30, 2014, 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 statements of the Eldredge Public Library (the Library), as of and for the year ended June 30, 2014, a component unit, which represents 3%, 6% and 4%, respectively, of the assets, net position and operating revenues of the Town's governmental activities. 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 separate financial statements for the year ended June 30, 2014, 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. Management is also responsible for the preparation and presentation of the financial information related to the Library for inclusion within the financial statements.

***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. The financial statements of the Library were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities (except for the Library), the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts, as of June 30, 2014, 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, a component unit of governmental activities 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, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v-xii, and the Schedule of Funding Progress – Other Post Employment Benefits (OPEB), and the Schedule of Funding Progress – Town's Retirement Plan – Barnstable County Retirement System and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – General Fund – Budget and Actual on pages 33-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 June 1, 2015, on our consideration of the Town of Chatham, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town of Chatham, Massachusetts's internal control over financial reporting and compliance.

*Lynch, Malloy, Marini, LLP*

Norwell, Massachusetts  
June 1, 2015



**INDEPENDENT AUDITORS' 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, with the following exception, 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, each major fund, and the aggregate remaining fund information of the financial statements of Town of Chatham, Massachusetts, as of and for the year ended June 30, 2014, 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 June 1, 2015. We did not audit the financial statements of the Eldredge Public Library (the Library), as of and for the year ended June 30, 2014, a component unit, which represents 3%, 6% and 4%, respectively, of the assets, net position and operating revenues of the Town's governmental activities. 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 separate financial statements for the year ended June 30, 2014, which was audited by other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Chatham'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chatham's 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 Town of Chatham, Massachusetts' financial statements are free of 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 Standards*.

## 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 audit performed 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.



Norwell, Massachusetts  
June 1, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# TOWN OF CHATHAM, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2014

As 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, 2014 and 2013. 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**

The Town's financial statements present two types of statements – government wide statements and fund financial statements, each with a different view of the Town's finances. The government wide financial statements provide both long and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government wide statements. Both presentations (government wide and fund) allow the reader to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

### **Government-Wide 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 the 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). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

Both of the government wide financial statements distinguish functions and activities of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities 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 government-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 is 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.

See Independent Auditors' report

# TOWN OF CHATHAM, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2014

### **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:

*Governmental 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 the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. 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 three are considered major funds (the general fund, the wastewater facility capital project, and the state highway chapter 90 fund) 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 other 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. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. 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. The proprietary fund financial statements provide separate information for the water 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 included in the government-wide financial statements because the resources of these 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 and agency funds. The fiduciary fund financial statements can be found on the accompanying pages of this report.

See Independent Auditors' report

## TOWN OF CHATHAM, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2014

*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 the accompanying pages of this report.

#### **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 found on the accompanying pages of this report.

	<b>FY 2014</b>	<b>FY 2013</b>	
	<b>Governmental/ Business-type Activities</b>	<b>Governmental/ Business-type Activities</b>	<b>Percent Change</b>
Current assets	\$ 55,782,186	\$ 27,397,686	103.6%
Capital assets	<u>167,266,058</u>	<u>165,430,696</u>	1.1%
Total assets	223,048,244	192,828,382	15.7%
Deferred charges	<u>61,100</u>	<u>76,374</u>	-20.0%
Total deferred outflows of resources	61,100	76,374	-20.0%
Current liabilities	41,788,792	10,691,030	290.9%
Long-term liabilities	<u>82,474,762</u>	<u>87,620,478</u>	-5.9%
Total liabilities	124,263,554	98,311,508	26.4%
Unamortized bond premiums	1,862,178	2,031,852	-8.4%
Deferred revenue	<u>1,600,927</u>	<u>1,516,392</u>	5.6%
Total deferred inflows of resources	3,463,105	3,548,244	-2.4%
Invested in capital assets, net of related debt	88,472,661	80,384,752	10.1%
Restricted	4,361,478	4,264,097	2.3%
Unrestricted	<u>2,548,546</u>	<u>6,396,155</u>	-60.2%
Total net position	<u>\$ 95,382,685</u>	<u>\$ 91,045,004</u>	4.8%

The Town's assets exceeded its liabilities at June 30, 2014 and 2013 by \$95,382,685 and \$91,045,004 (presented as net position), respectively. Included in these amounts are unrestricted net position of \$2,548,546 and \$6,396,155, 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 \$88,472,661 and \$80,384,752 at June 30, 2014 and 2013, 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 \$4,337,682 and increased by \$6,410,535 during fiscal year 2014 and 2013, respectively.

See Independent Auditors' report

**TOWN OF CHATHAM, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2014

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

	Governmental Activities		
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>% Change</u>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 4,608,877	\$ 4,166,999	10.6%
Operating grants and contributions	3,330,030	3,266,154	2.0%
Capital grants and contributions	-	3,992,171	-100.0%
<b>Total program revenues</b>	<b>7,938,907</b>	<b>11,425,324</b>	<b>-30.5%</b>
General Revenues:			
Property taxes levied	30,762,728	30,333,385	1.4%
Excise taxes	2,697,494	2,552,707	5.7%
Penalties and interest on taxes	264,396	231,678	14.1%
Grants and contributions not restricted	130,303	95,471	36.5%
Loss on disposal of capital assets	(31,148)	(18,898)	64.8%
Investment income	190,284	83,534	127.8%
Miscellaneous	297,669	279,277	6.6%
Transfers	(590,300)	(595,175)	-0.8%
Transfer to Monomoy Regional School District	-	(131,671)	-100.00%
<b>Total general revenues</b>	<b>33,721,426</b>	<b>32,830,308</b>	<b>2.7%</b>
<b>Total Revenues</b>	<b>41,660,333</b>	<b>44,255,632</b>	<b>-5.9%</b>
<b>Expenses:</b>			
General government	3,156,150	3,280,584	-3.8%
Public safety	6,270,015	5,666,812	10.6%
Community planning and development	608,355	659,620	-7.8%
Education	8,624,789	9,075,496	-5.0%
Public works	6,689,259	7,113,643	-6.0%
Health and human services	590,346	641,672	-8.0%
Culture and recreation	1,362,003	1,401,570	-2.8%
Coastal resources	1,256,026	1,379,147	-8.9%
Interest on long term debt	1,757,085	2,115,773	-17.0%
Employee fringe benefits	6,640,307	6,624,555	-0.2%
State and county charges	626,980	620,223	1.1%
<b>Total Expenses</b>	<b>37,581,315</b>	<b>38,579,095</b>	<b>-2.6%</b>
<b>Change in net position</b>	<b>4,079,018</b>	<b>5,676,537</b>	<b>-28.1%</b>
Net position – beginning of year	<u>75,235,127</u>	<u>69,558,590</u>	<b>8.2%</b>
Net position – end of year	<u><b>\$ 79,314,145</b></u>	<u><b>\$ 75,235,127</b></u>	<b>5.4%</b>

See Independent Auditors' report

## TOWN OF CHATHAM, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2014

#### ***Total Revenues***

Total governmental activities revenues decreased \$3,486,417 from 2013 for the Town. The majority of this decrease relates to the significant decrease in the capital grant and contribution revenue. This relates to the decrease in USDA Wastewater Treatment Facility construction grants received in fiscal year 2013 compared to 2014.

#### ***General Revenues***

Real Estate revenues are the Town's largest revenue source at \$30,762,728 and \$30,333,385, representing 91.2% and 92.4% of general revenues, respectively. While the tax rates have increased, the assessed tax valuation base is \$5,778,263,310, down from \$5,791,889,030 assessed in the prior year, showing a 0.24% decrease due to decreasing property values.

#### ***Program Revenues***

Governmental charges for services are \$4,608,877 and \$4,166,999 representing a variety of departmental revenues. Of these amounts, the Public Works portion of \$1,809,090 and \$1,348,685, respectively, includes charges for services for the water, landfill and sewer.

Governmental operating grants and contributions of \$3,330,030 and \$3,266,154 represent several federal and state grants restricted to specific grant conditions. This accounts for approximately 8.0% and 7.4% of the total Town governmental activities revenues. The decrease in the governmental operating grants and contributions is a result of the Town regionalizing the education function in 2013.

#### ***Expenses***

For fiscal year ended June 30, 2014 and 2013, expenses for governmental activities totaled \$37,581,315 and \$38,579,095. The decrease is a result of reduced expenses in the education function, as well as lower interest expenses.

**TOWN OF CHATHAM, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2014

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

	<b>Business-Type Activities</b>		<b>% Change</b>
	<b><u>June 30, 2014</u></b>	<b><u>June 30, 2013</u></b>	
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 2,577,979	\$ 2,564,823	0.5%
Fines and forfeitures	<u>23,571</u>	<u>27,274</u>	-13.6%
<b>Total operating revenues</b>	<b>2,601,550</b>	<b>2,592,097</b>	<b>0.4%</b>
Expenses:			
Salaries, wages, and employee benefits	393,653	463,775	-15.1%
Expenses	1,753,235	1,268,543	38.2%
Depreciation	<u>775,176</u>	<u>790,164</u>	-1.9%
<b>Total expenses</b>	<b>2,922,064</b>	<b>2,522,482</b>	<b>15.8%</b>
<b>Total operating income</b>	<b>(320,514)</b>	<b>69,615</b>	<b>-560.4%</b>
<b>Non operating revenues (expenses)</b>			
Debt service	(202,498)	(229,734)	-11.9%
Water tower lease	191,375	298,942	-36.0%
Transfers in	<u>590,300</u>	<u>595,175</u>	-0.8%
<b>Total non operating revenue (expenses), net</b>	<b>579,177</b>	<b>664,383</b>	<b>-12.8%</b>
<b>Change in net position</b>	<b>258,663</b>	<b>733,998</b>	<b>-64.8%</b>
Net position – beginning of year	<u>15,809,877</u>	<u>15,075,879</u>	4.9%
Net position – end of year	<b><u>\$ 16,068,540</u></b>	<b><u>\$ 15,809,877</u></b>	1.6%

***Operating Revenues***

Total business-type activities operating revenues showed a modest increase of approximately \$9,453 from the prior year.

***Expenses***

Total business-type activities operating expenses showed an increase of approximately \$399,582 from the prior year from contracted services and maintenance expenses.

See Independent Auditors' report

# TOWN OF CHATHAM, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2014

### **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 amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes 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 balances of \$10,687,472 a decrease of approximately \$2,174,000 from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$732,705, restricted fund balance of \$4,876,490, committed fund balance of \$4,735,443; assigned fund balance of \$1,114,140 and unassigned fund balance of \$(771,306).

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$10.2 million, an increase of \$1.9 million from the previous year. Of this amount \$1,017,688 or 9.9% represents restricted fund balance. Committed fund balance of \$2,910,017 and assigned fund balance of \$1,114,140 represent 28.4% and 10.9% of total general fund balance respectively. Unassigned fund balance of \$5,197,333 represents 50.8% 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 13.3% and 12.9%, respectively, of total general fund expenditures and revenues, while total General fund balance represents 26.3% and 25.4%, respectively, of the same amounts.

### **General Fund Budgetary Highlights**

The difference between the original expenditure budget of \$39,721,709 and the final expenditure budget of \$37,762,553 is due to \$2.7 million in encumbrances and articles being carried over to the subsequent fiscal year as well as \$815,000 million appropriated at town meeting during the year for purchase of land.

### **Capital Asset and Debt Administration**

*Capital Assets:* The Town's investment in capital assets for governmental activities as of June 30, 2014 and 2013, amounts to \$148,320,420 and \$145,934,982, which is net of accumulated depreciation of \$48,266,194 and \$44,045,921. 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, 2014 and 2013, amounts to \$18,945,638 and \$19,495,714, which is net of accumulated depreciation of \$20,203,226 and \$19,428,050. The investment in capital assets includes land; buildings; machinery and equipment and infrastructure.

See Independent Auditors' report

**TOWN OF CHATHAM, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2014

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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 30,780	\$ 29,685	\$ 3,163	\$ 3,163
Construction in progress	6,393	1,158	225	
Buildings and improvements	94,781	97,776	1,119	1,172
Improvements non-buildings	6,019	6,547	553	588
Equipment, machinery & vehicles	2,700	3,042	71	92
Infrastructure	<u>7,647</u>	<u>7,727</u>	<u>13,815</u>	<u>14,481</u>
	<u>\$ 148,320</u>	<u>\$ 145,935</u>	<u>\$ 18,946</u>	<u>\$ 19,496</u>

Major capital asset events for governmental and business-type activities during 2014 include the following:

- Highway and sidewalk improvements
- Land
- Construction costs on wastewater treatment facility
- Fire station headquarters
- Vehicle additions (police, fire, highway, shellfish)

Major capital asset events for governmental and business-type activities during 2013 include the following:

- Highway and sidewalk improvements
- Construction costs related to chemical feed building
- Construction costs on wastewater treatment facility
- Vehicle additions (police, parks & recreation, fire, sewer, conservation)
- Municipal parking lot

*Long-term debt:* At June 30, 2014, the Town had total bonded debt outstanding of \$71,178,400 and \$5,752,818 for the governmental and business-type activities, respectively, which is a decrease of 7.0% for the governmental and a decrease of 11.5% for the business-type activities from prior year. All debt is a general obligation of the Town.

In addition the Town had short term notes of \$3,980,000 at June 30, 2014 and \$2,405,011 June 30, 2013. The short term interest rates were 0.43% and 0.44%, respectively.

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 1.0%, which includes new growth.

The operating budget increased 1.0% over the FY 14 budget. The increase is mostly attributable to general budget inflation.

See Independent Auditors' report

**TOWN OF CHATHAM, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2014

**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 information provided in this report or requests for additional information should be addressed to Town of Chatham, Attn: Accounting Office, 549 Main Street, Chatham, MA 02633.

See Independent Auditors' report

**BASIC FINANCIAL STATEMENTS**

**TOWN OF CHATHAM, MASSACHUSETTS**

Statement of Net Position

June 30, 2014

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Eldredge Public Library</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 10,249,749	\$ 3,619,530	\$ 13,869,279	\$ 87,886
Investments	5,723,111		5,723,111	5,054,496
Receivables	6,621,983	803,146	7,425,129	11,183
Other receivables	28,764,667		28,764,667	
Capital assets, net of accumulated depreciation	148,320,420	18,945,638	167,266,058	13,821
Total assets	<u>199,679,930</u>	<u>23,368,314</u>	<u>223,048,244</u>	<u>5,167,386</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred charges	56,486	4,614	61,100	1,357
Total deferred outflows of resources	<u>56,486</u>	<u>4,614</u>	<u>61,100</u>	<u>1,357</u>
Total assets and deferred outflows of resources	<u>\$ 199,736,416</u>	<u>\$ 23,372,928</u>	<u>\$223,109,344</u>	<u>\$ 5,168,743</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 785,434	\$ 59,555	\$ 844,989	\$ 22,543
Accrued interest	375,700	53,858	429,558	
Notes payable	32,703,778	1,410,000	34,113,778	
Provision for refund of paid taxes	529,469		529,469	
Agency and other payables	193,505		193,505	
Noncurrent liabilities				
Due within one year	4,984,887	692,606	5,677,493	
Due in more than one year	77,407,354	5,067,408	82,474,762	15,330
Total liabilities	<u>116,980,127</u>	<u>7,283,427</u>	<u>124,263,554</u>	<u>37,873</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unamortized bond premiums	1,841,217	20,961	1,862,178	
Deferred Revenues	1,600,927		1,600,927	
Total deferred inflows of resources	<u>3,442,144</u>	<u>20,961</u>	<u>3,463,105</u>	
<b><u>NET POSITION</u></b>				
Net investment in capital assets	75,300,803	13,171,858	88,472,661	
Restricted	4,361,478		4,361,478	1,017,129
Unrestricted	(348,136)	2,896,682	2,548,546	4,113,741
Total net position	<u>79,314,145</u>	<u>16,068,540</u>	<u>95,382,685</u>	<u>5,130,870</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 199,736,416</u>	<u>\$ 23,372,928</u>	<u>\$223,109,344</u>	<u>\$ 5,168,743</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Eldredge Public Library
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
Governmental activities								
General government	\$ 3,156,150	\$ 279,529	\$ 366,645	\$ -	\$ (2,509,976)	\$ -	\$ (2,509,976)	\$ -
Public safety	6,270,015	1,206,524	39,702	-	(5,023,789)	-	(5,023,789)	-
Community planning and development	608,355	-	-	-	(608,355)	-	(608,355)	-
Education	8,624,789	-	68,765	-	(8,556,024)	-	(8,556,024)	-
Public works	6,689,259	1,809,090	97,096	-	(4,783,073)	-	(4,783,073)	-
Health and human services	590,346	87,405	37,522	-	(465,419)	-	(465,419)	-
Culture and recreation	1,362,003	172,167	19,477	-	(1,170,359)	-	(1,170,359)	-
Coastal resources	1,256,026	1,054,162	132,139	-	(69,725)	-	(69,725)	-
Interest on long-term debt	1,757,085	-	261,797	-	(1,495,288)	-	(1,495,288)	-
Employee fringe benefits	6,640,307	-	2,306,887	-	(4,333,420)	-	(4,333,420)	-
State and county charges	626,980	-	-	-	(626,980)	-	(626,980)	-
Total governmental activities	<u>37,581,315</u>	<u>4,608,877</u>	<u>3,330,030</u>	<u>-</u>	<u>(29,642,408)</u>	<u>-</u>	<u>(29,642,408)</u>	<u>-</u>
Business-type activities								
Water fund	3,072,871	2,750,109	-	-	-	(322,762)	(322,762)	-
Wood Waste Reclamation Center	51,690	42,815	-	-	-	(8,875)	(8,875)	-
Total business-type	<u>3,124,561</u>	<u>2,792,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(331,637)</u>	<u>(331,637)</u>	<u>-</u>
Total primary government	<u>\$ 40,705,876</u>	<u>\$ 7,401,801</u>	<u>\$ 3,330,030</u>	<u>\$ -</u>	<u>(29,642,408)</u>	<u>(331,637)</u>	<u>(29,974,045)</u>	<u>-</u>
<b>Component Unit</b>								
Eldredge Public Library	<u>\$ 869,640</u>	<u>\$ -</u>	<u>\$ 881,181</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,541</u>
General revenues								
Property taxes, net of allowances for uncollectibles	-	-	-	-	30,762,728	-	30,762,728	-
Excise taxes	-	-	-	-	2,697,494	-	2,697,494	-
Penalties and interest on taxes	-	-	-	-	264,396	-	264,396	-
Grants and contributions not restricted to specific programs	-	-	-	-	130,303	-	130,303	-
Investment income	-	-	-	-	190,284	-	190,284	652,133
Loss on disposal of assets	-	-	-	-	(31,148)	-	(31,148)	-
Miscellaneous	-	-	-	-	297,669	-	297,669	10,797
Transfers	-	-	-	-	(590,300)	590,300	-	-
Total general revenues, special items and transfers	-	-	-	-	<u>33,721,426</u>	<u>590,300</u>	<u>34,311,726</u>	<u>662,930</u>
Change in net position	-	-	-	-	4,079,018	258,663	4,337,681	674,471
Net position - beginning of year	-	-	-	-	<u>75,235,127</u>	<u>15,809,877</u>	<u>91,045,004</u>	<u>4,456,399</u>
Net position - end of year	-	-	-	-	<u>\$ 79,314,145</u>	<u>\$ 16,068,540</u>	<u>\$ 95,382,685</u>	<u>\$ 5,130,870</u>

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

**TOWN OF CHATHAM, MASSACHUSETTS**

Balance Sheet - Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Wastewater Facility</u>	<u>State Highway Chapter 90</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 9,453,467	\$ (3,374,383)	\$ -	\$ 4,170,665	\$ 10,249,749
Investments	1,956,017			3,767,094	5,723,111
Receivables, net	5,347,883		1,600,927	23,193	6,972,003
Other receivables	-	28,764,667			28,764,667
Total assets	<u>\$ 16,757,367</u>	<u>\$ 25,390,284</u>	<u>\$ 1,600,927</u>	<u>\$ 7,960,952</u>	<u>\$ 51,709,530</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 609,464			\$ 175,970	\$ 785,434
Notes payable		30,858,778		1,845,000	32,703,778
Provision for refund of paid taxes	529,469				529,469
Agency and other payables	193,505				193,505
Total liabilities	<u>1,332,438</u>	<u>30,858,778</u>		<u>2,020,970</u>	<u>34,212,186</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred revenue	5,185,751		1,600,927	23,194	6,809,872
Total deferred inflows of resources	<u>5,185,751</u>		<u>1,600,927</u>	<u>23,194</u>	<u>6,809,872</u>
<b><u>FUND BALANCES</u></b>					
Nonspendable				732,705	732,705
Restricted	1,017,688			3,858,802	4,876,490
Committed	2,910,017			1,825,426	4,735,443
Assigned	1,114,140			-	1,114,140
Unassigned	5,197,333	(5,468,494)		(500,145)	(771,306)
Total fund balances	<u>10,239,178</u>	<u>(5,468,494)</u>		<u>5,916,788</u>	<u>10,687,472</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,757,367</u>	<u>\$ 25,390,284</u>	<u>\$ 1,600,927</u>	<u>\$ 7,960,952</u>	<u>\$ 51,709,530</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances of governmental funds	\$ 10,687,472
Capital assets used in governmental activities are not financial resources and not reported in funds.	148,320,420
Other long-term assets are not available to pay for current-period expenditures and are deferred in funds.	5,208,945
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(350,020)
Long-term liabilities, net of deferred charges, of are not due and payable in the current period and are not included in funds.	(84,176,972)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(375,700)
Net position of governmental activities	<u>\$ 79,314,145</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	General Fund	Wastewater Facility	State Highway Chapter 90	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 29,600,911	\$	\$	\$ 1,638,294	\$ 31,239,205
Excise taxes	2,709,170				2,709,170
Licenses and permits	976,797			303,391	1,280,188
Penalties and interest	261,053			3,343	264,396
Investment income	81,107			109,178	190,285
Charges for services	2,109,833			108,813	2,218,646
Special assessments	492,559				492,559
Fees and fines	59,567			5,000	64,567
Contributions				132,997	132,997
Departmental and other	494,617			87,168	581,785
Intergovernmental	3,475,677			767,227	4,242,904
Total revenues	<u>40,261,291</u>	-	-	<u>3,155,411</u>	<u>43,416,702</u>
<b>Expenditures</b>					
Current:					
General government	3,259,719			808,371	4,068,090
Public safety	5,709,384			16,267	5,725,651
Education	8,000,516			65,601	8,066,117
Public works	5,038,912	4,160,128		684,486	9,883,526
Community development	604,580				604,580
Human services	528,229			30,506	558,735
Culture and recreation	935,876			58,804	994,680
Coastal resources	864,958			170,933	1,035,891
Employee benefits	6,153,969				6,153,969
State and county assessments	626,980				626,980
Debt Service:					
Principal, interest and other charges	7,281,868				7,281,868
Total expenditures	<u>39,004,991</u>	<u>4,160,128</u>	-	<u>1,834,968</u>	<u>45,000,087</u>
Revenues over (under) expenditures	1,256,300	(4,160,128)	-	1,320,443	(1,583,385)
<b>Other financing sources (uses)</b>					
Issuance of long term debt					
Transfers in from other funds	1,235,994			32,774	1,268,768
Transfers out to other funds	(623,074)			(1,235,994)	(1,859,068)
Total other financing sources and (uses)	<u>612,920</u>		-	<u>(1,203,220)</u>	<u>(590,300)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	1,869,220	(4,160,128)	-	117,223	(2,173,685)
Fund balances, beginning of year	8,369,958	(1,308,366)	-	5,799,565	12,861,157
Fund balances, end of year	<u>\$ 10,239,178</u>	<u>\$ (5,468,494)</u>	<u>\$ -</u>	<u>\$ 5,916,788</u>	<u>\$ 10,687,472</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
To Statement of Activities  
For the Year Ended June 30, 2014

Revenues and other financing sources over expenditures and other financing uses	\$ (2,173,685)
<p>Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.</p>	
Capital outlays during the fiscal year	6,774,137
Depreciation recorded for the fiscal year	(4,357,551)
Loss on disposal of capital assets	(31,148)
<p>Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.</p>	
Net change in deferred revenue	(1,150,439)
Net change in allowance for uncollectible accounts	(2,980)
<p>The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.</p>	
Principal payments on long-term debt	5,332,382
Amortization from bond premiums	164,434
Amortization of bond issuance costs	(14,121)
<p>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.</p>	
Net change in accrued interest expense	42,088
<p>Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:</p>	
Other post employment benefits	(486,338)
Compensated absences	(42,761)
Landfill closure liability	25,000
	25,000
Change in net position of governmental activities	\$ 4,079,018

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

**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Net Position - Proprietary Funds  
June 30, 2014

	<b>Business-Type Activities</b>		
	<b>Water Activities</b>	<b>Wood Waste Reclamation Facility</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,432,228	\$ 187,302	\$ 3,619,530
Receivables, net of allowances for uncollectibles	803,146		803,146
Capital assets, net of accumulated depreciation	16,720,638	2,225,000	18,945,638
Total assets	20,956,012	2,412,302	23,368,314
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges	4,614		4,614
Total deferred outflows of resources	4,614		4,614
Total assets and deferred outflows	\$ 20,960,626	\$ 2,412,302	\$ 23,372,928
<b><u>LIABILITIES</u></b>			
Warrants payable	\$ 59,555	\$	\$ 59,555
Accrued interest payable	49,430	4,428	53,858
Notes payable	1,410,000		1,410,000
Noncurrent liabilities:			
Due within one year	542,606	150,000	692,606
Due in more than one year	4,342,408	725,000	5,067,408
Total liabilities	6,403,999	879,428	7,283,427
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unamortized bond premiums	20,961		20,961
Total deferred inflows of resources	20,961		20,961
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	11,821,858	1,350,000	13,171,858
Unrestricted	2,713,808	182,874	2,896,682
Total net position	14,535,666	1,532,874	16,068,540
Total liabilities, deferred inflows, and net position	\$ 20,960,626	\$ 2,412,302	\$ 23,372,928

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds  
June 30, 2014

	<b>Business-Type Activities</b>		
	<b>Water Activities</b>	<b>Wood Waste Reclamation Facility</b>	<b>Totals</b>
<b>Operating revenues</b>			
Charges for services, departmental and other	\$ 2,535,164	\$ 42,815	\$ 2,577,979
Fines and forfeitures	23,571		23,571
Total operating revenues	<u>2,558,735</u>	<u>42,815</u>	<u>2,601,550</u>
<b>Operating expenses</b>			
Salaries and wages	393,653		393,653
Operating expenses	1,741,235	12,000	1,753,235
Depreciation	775,176		775,176
Total operating expenses	<u>2,910,064</u>	<u>12,000</u>	<u>2,922,064</u>
<b>Operating income (loss)</b>	(351,329)	30,815	(320,514)
<b>Non operating revenues (expenses)</b>			
Water tower lease	191,375		191,375
Interest expense	(162,808)	(39,690)	(202,498)
Total non-operating revenue (expenses), net	<u>28,567</u>	<u>(39,690)</u>	<u>(11,123)</u>
<b>Transfers</b>			
Transfers in from other funds	400,000	190,300	590,300
Total transfers	<u>400,000</u>	<u>190,300</u>	<u>590,300</u>
<b>Change in net position</b>	77,238	181,425	258,663
Net position at beginning of year	14,458,428	1,351,449	15,809,877
Net position at end of year	<u>\$ 14,535,666</u>	<u>\$ 1,532,874</u>	<u>\$ 16,068,540</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

	<b><u>Business-Type Activities</u></b>		
	<b><u>Water Activities</u></b>	<b><u>Wood Waste Reclamation Facility</u></b>	<b><u>Total Enterprise</u></b>
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 2,499,057	\$ 42,815	\$ 2,541,872
Payments to vendors	(1,786,383)	(12,000)	(1,798,383)
Payments to employees, including fringe benefits	(393,653)		(393,653)
Net cash provided by (used for) operating activities	<u>319,021</u>	<u>30,815</u>	<u>349,836</u>
<b>Cash flows from noncapital financing activities</b>			
Transfer in from General Fund	400,000	190,300	590,300
Water tower lease	191,375		191,375
Net cash used for capital and related financing activities	<u>591,375</u>	<u>190,300</u>	<u>781,675</u>
<b>Cash flows from capital and related financing activities</b>			
Payments of long-term debt principal	(600,492)	(150,000)	(750,492)
Proceeds from bond anticipation notes	910,000		910,000
Payments of interest costs	(174,420)	(40,300)	(214,720)
Net cash provided by (used for) capital and related financing activities	<u>135,088</u>	<u>(190,300)</u>	<u>(55,212)</u>
<b>Cash flows from investing activities</b>			
Purchase of capital assets	(225,100)		(225,100)
Net cash (used for) investing activities	<u>(225,100)</u>		<u>(225,100)</u>
Net change in cash and cash equivalents	820,384	30,815	851,199
Cash and cash equivalents, at the beginning of year	2,611,844	156,487	2,768,331
Cash and cash equivalents, at the end of year	<u>\$ 3,432,228</u>	<u>\$ 187,302</u>	<u>\$ 3,619,530</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ (351,329)	\$ 30,815	\$ (320,514)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	775,176		775,176
Changes in assets and liabilities:			
User fees receivable, net of allowance for collectibles	(59,677)		(59,677)
Warrants payable	(47,826)		(47,826)
Accrued compensated absences	2,677		2,677
Total adjustments	<u>670,350</u>		<u>670,350</u>
Net cash provided by (used for) operating activities	<u>\$ 319,021</u>	<u>\$ 30,815</u>	<u>\$ 349,836</u>

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

**TOWN OF CHATHAM, MASSACHUSETTS**

Statement of Net Position - Fiduciary Funds

June 30, 2014

	<u>Private Purpose</u> <u>Trust Fund</u>	<u>Other Post-</u> <u>Employment</u> <u>Benefits Trust</u> <u>Fund</u>	<u>Agency</u> <u>Accounts</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,061	\$ -	\$ 929,110
Investments		105,353	
Receivables, net of allowance for uncollectibles			43,693
Total assets	<u>\$ 3,061</u>	<u>\$ 105,353</u>	<u>\$ 972,803</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 972,803</u>
Total liabilities			972,803
<b><u>NET POSITION</u></b>			
Held in trust	<u>3,061</u>	<u>105,353</u>	<u>-</u>
Total liabilities and net position	<u>\$ 3,061</u>	<u>\$ 105,353</u>	<u>\$ 972,803</u>

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

**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Changes in Net Position - Fiduciary Funds  
For the Year Ended June 30, 2014

	<b>Private Purpose Trust Funds</b>	<b><u>Other Post- Employment</u> Benefits Trust Fund</b>
<b>Additions</b>		
Interest and dividends	\$ 41	\$ -
Investment income	-	4,380
Total additions	<u>41</u>	<u>4,380</u>
Other income	<u>-</u>	<u>100,973</u>
Change in net position	41	105,353
Net position at beginning of year	<u>3,020</u>	<u>-</u>
Net position at end of year	<u><u>\$ 3,061</u></u>	<u><u>\$ 105,353</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### **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 as a Discretely Presented Component Unit because they are fiscally dependent on the Town and because the nature and significance of their 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 includes the financial data of the Eldredge Public Library. Complete 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 or 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 joint ventures, their purpose, and the annual assessment paid by the Town. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in these joint ventures.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>Assessment</u>
Cape Cod Municipal Health Group c/o Group Benefits Strategies 27 Midstate Office Park Auburn, MA 01501	To provide employee health insurance	\$ 2,290,374
Cape Cod Regional Technical High School Route 124 Harwich, MA 02645	To provide vocational education to students 9-12 grade	\$ 384,752
Monomoy Regional School District 81 Oak Street Harwich, MA 02645	To provide education to students K-12 grade	\$ 7,615,764
Cape Cod Regional Transit Authority 585 Main Street Dennis, MA 02638	To provide regional transportation services	\$ 11,715
District Department of Veteran Services PO Box 429 Hyannis, MA 02601	To provide services to veterans	\$ 40,817
Pleasant Bay Resource Management Alliance P.O. Box 1584 Harwich, MA 02645	To protect the vast natural resources of Pleasant Bay	\$ 32,774

# TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

## Related Organizations

The 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 established in GAAP and used by the Town is 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 by column 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 are 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, among 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.

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### 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:

- General fund is the primary operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.
- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified 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.
- 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 a pricing policy designed to recover similar costs.

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

- 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 proprietary funds. The following is a description of the fiduciary funds 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.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. 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. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, 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 and the State Highway Chapter 90 special revenue fund. 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 have been met.

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 judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

## TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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 and 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 grant requirements are met.

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

For the purpose of the Statement of Net Position, “cash and cash equivalents” include all demand, savings accounts, and certificates of deposits 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 result 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 and motor vehicle and boat excise three years or more years 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 fund 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 July 1, 1980) have been valued at estimated historical cost.

## TOWN OF CHATHAM, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2014

Depreciation of all exhaustible capital 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	25-50 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 the 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 the 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, and post closure monitoring costs for municipal landfills.

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.

## TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

### **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 purposes 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 balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting.
- Assigned fund balance – consist 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.

## TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

### **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 are based on values assessed as of each January 1 and are normally 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 the 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 nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2014, the classification of the Town's fund balances can be detailed as follows:

**TOWN OF CHATHAM, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

	<u>General Fund</u>	<u>Wastewater Facility</u>	<u>State Highway Chapter 90</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Nonspendable:</b>					
Education	\$	\$	\$	\$ 313,424	\$ 313,424
Public Works				419,281	419,281
subtotal				732,705	732,705
<b>Restricted:</b>					
General Government				2,704,767	2,704,767
Public Safety				183,178	183,178
Education				212,420	212,420
Public Works				198,563	198,563
Community Development				10,173	10,173
Human Services				141,067	141,067
Culture & Recreation				92,700	92,700
Coastal Resources				315,934	315,934
Debt Service	1,017,688				1,017,688
subtotal	1,017,688			3,858,802	4,876,490
<b>Committed:</b>					
General Government	547,643			1,417,141	1,964,784
Public Safety	475,367				475,367
Public Works	974,964				974,964
Community Development	78,470				78,470
Human Services	163,513				163,513
Culture & Recreation	64,939			10,096	75,035
Coastal Resources	455,121			398,189	853,310
Employee Benefits	150,000			-	150,000
subtotal	2,910,017			1,825,426	4,735,443
<b>Assigned:</b>					
General Government	26,770				26,770
Public Safety	339				339
Public Works	2,166				2,166
Community Development	70,357				70,357
Human Services	13,041				13,041
Coastal Resources	363				363
Employee Benefits	1,104				1,104
To fund capital budget	1,000,000				1,000,000
subtotal	1,114,140				1,114,140
<b>Unassigned</b>	5,197,333	(5,468,494)		(500,145)	(771,306)
<b>Total</b>	<u>\$ 10,239,178</u>	<u>\$ (5,468,494)</u>	<u>\$</u>	<u>\$ 5,916,788</u>	<u>\$ 10,687,472</u>

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, 2014, the Town maintained a balance of \$1,827,521 in its stabilization fund.

In addition, the general fund unassigned fund balance included a deficit of \$21,785 for snow and ice removal. 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.

**TOWN OF CHATHAM, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**D. Restricted Net Position**

Certain net position reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's Stabilization Fund 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 consist of the following:

Special Revenue Fund balances:	
Community Preservation Act Fund	\$ 2,258,250
Other special revenue funds	1,223,131
Permanent Funds:	
Expendable	147,392
Non-expendable	732,705
Total restricted net position	<u>\$ 4,361,478</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 certificates 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 a maturity from date of purchase of 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 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. 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, 2014 deposits totaled \$15,549,445 and had a carrying amount of \$14,801,450. Of the deposit amount, \$1,160,893 was exposed to custodial credit risk at June 30, 2014 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

At June 30, 2014 the carrying amount of deposits for the Component Unit totaled \$87,886. The total bank balance was covered by Federal Depository Insurance.

**TOWN OF CHATHAM, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

The Town's investments are as follows:

<u>Investment Type</u>	<u>(Level 1) Fair Market Value</u>	<u>Rating</u>	<u>N/A</u>	<u>Maturity</u>		
				<u>12 months or less</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>
U.S. treasury notes	\$ 616,660	Aaa	\$	\$	\$ 616,660	\$ -
Common Stock	857,198	N/A	857,198			
MMDT	1,371,553	N/A	1,371,553			
Money Market Securities	246,794	N/A	246,794			
Certificates of Deposit	1,606,896	N/A		396,234	1,210,662	
Mutual Funds	476,688	N/A	476,688			
Corporate Bonds	<u>547,322</u>	A1 - Baa1			<u>547,322</u>	
Total governmental activities	<u>\$ 5,723,111</u>		<u>\$ 2,952,233</u>	<u>\$ 396,234</u>	<u>\$2,374,644</u>	<u>\$ -</u>
Common Stock	42,675	N/A	42,675			
Money Market Securities	39,831	N/A	39,831			
Mutual Funds	22,847	N/A	22,847			
Total fiduciary funds	<u>\$ 105,353</u>		<u>\$ 105,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Component Unit's investments are as follows:

<u>Investment Type</u>	<u>(Level 1) Fair Market Value</u>	<u>Rating</u>	<u>Maturity</u>
Cash held for investment	\$ 305,893	N/A	N/A
Bonds	1,319,743	Not provided	Not provided
Mutual Funds	<u>3,428,860</u>	N/A	N/A
Total component unit	<u>\$ 5,054,496</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 the 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.

*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

**TOWN OF CHATHAM, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

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.

**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 the current 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 and amounts deferred and unearned:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate and personal property taxes	\$ 498,937	\$ (113,388)	\$ 385,549	\$ 373,348
Tax liens, deferrals and foreclosures	675,491		675,491	641,229
Motor vehicle and other excise	276,823	(186,237)	90,586	276,823
Departmental and other	314,093	(50,395)	263,698	314,093
Betterments and special assessments	562,192		562,192	559,912
Intergovernmental:				
School Building Assistance	3,043,540		3,043,540	3,043,540
State Highway Awards	1,600,927		1,600,927	1,600,927
Total on governmental fund basis	<u>6,972,003</u>		<u>6,972,003</u>	<u>6,972,003</u>
Totals on entity-wide basis	<u>\$ 6,972,003</u>	<u>\$ (350,020)</u>	<u>\$ 6,621,983</u>	

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

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 216,747	\$	\$ 216,747
Unbilled water rates	611,239		611,239
Allowance for uncollectible		(24,840)	(24,840)
Totals	<u>\$ 827,986</u>	<u>\$ (24,840)</u>	<u>\$ 803,146</u>

**Note 6. Other Receivables**

The Massachusetts Water Pollution Abatement Trust (MWPAT) interim note dated June 5, 2014 for \$24,240,000 (Note 11) was issued for the wastewater treatment facility project. The funds for this interim loans will be disbursed to the Town as reimbursements for the project. The town had not received any funds for this note as of June 30, 2014.

**TOWN OF CHATHAM, MASSACHUSETTS**

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June 30, 2014

The Massachusetts Water Pollution Abatement Trust (MWPAT) interim note for \$4,458,767 (Note 10) was issued for the wastewater treatment facility project. The funds for this interim loans will be disbursed to the Town as reimbursements for the project. The town had not received any funds for this note as of June 30, 2014. The date of the commitment for the interim note was January 9, 2013.

The Massachusetts Water Pollution Abatement Trust (MWPAT) draw down outstanding noted above relates to a \$2,256,265 loan (Note 10) issued to the Town on May 22, 2013 for the wastewater treatment facility project. The funds for this interim loans will be disbursed to the Town as reimbursements for the project. The receivable at June 30, 2014 was \$65,900.

**Note 7. Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 29,684,669	\$ 1,094,940	\$	\$ 30,779,609
Construction in Progress	1,158,120	5,234,538		6,392,658
Sub-total	<u>30,842,789</u>	<u>6,329,478</u>		<u>37,172,267</u>
Capital assets being depreciated:				
Buildings and related improvements	118,593,765			118,593,765
Improvements other than buildings	13,859,194			13,859,194
Equipment, machinery & vehicles	7,515,473	223,350	(168,426)	7,570,397
Infrastructure	19,169,682	221,309		19,390,991
Sub-total	<u>159,138,114</u>	<u>444,659</u>	<u>(168,426)</u>	<u>159,414,347</u>
Less accumulated depreciation:				
Buildings and related improvements	20,817,621	2,995,175		23,812,796
Improvements other than buildings	7,312,469	527,868		7,840,337
Equipment, machinery & vehicles	4,473,392	533,774	(137,278)	4,869,888
Infrastructure	11,442,439	300,734		11,743,173
Sub-total	<u>44,045,921</u>	<u>4,357,551</u>	<u>(137,278)</u>	<u>48,266,194</u>
Governmental capital assets, net	<u>\$ 145,934,982</u>	<u>\$ 2,416,586</u>	<u>\$ (31,148)</u>	<u>\$ 148,320,420</u>
<b><u>Business-type activities:</u></b>				
<b><u>Water Activities</u></b>				
Capital assets not being depreciated:				
Land	\$ 938,433	\$	\$	\$ 938,433
Construction in progress		225,100		225,100
Sub-total	<u>938,433</u>	<u>225,100</u>		<u>1,163,533</u>
Capital assets being depreciated:				
Buildings and related improvements	1,451,995			1,451,995
Improvements other than buildings	687,423			687,423
Equipment, machinery & vehicles	140,182			140,182
Infrastructure	33,480,731			33,480,731
Sub-total	<u>35,760,331</u>			<u>35,760,331</u>
Less accumulated depreciation:				
Buildings and related improvements	279,759	53,654		333,413
Improvements other than buildings	99,224	34,669		133,893
Equipment, machinery & vehicles	47,798	21,158		68,956
Infrastructure	19,001,269	665,695		19,666,964
Sub-total	<u>19,428,050</u>	<u>775,176</u>		<u>20,203,226</u>
Water activities capital assets, net	<u>17,270,714</u>	<u>(550,076)</u>		<u>16,720,638</u>
<b><u>Wood Waste Activities</u></b>				
Land	<u>2,225,000</u>			<u>2,225,000</u>
Wood Waste activities capital assets, net	<u>2,225,000</u>			<u>2,225,000</u>
Business-Type capital assets, net	<u>\$ 19,495,714</u>	<u>\$ (550,076)</u>	<u>\$</u>	<u>\$ 18,945,638</u>

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Notes to Financial Statements

June 30, 2014

**Component unit activities:**

Capital assets not being:				
Equipment & Furniture	\$ 341,465	\$ 10,181	\$	\$ 351,646
Less accumulated depreciation:				
Equipment & Furniture	<u>332,763</u>	<u>5,062</u>	<u></u>	<u>337,825</u>
Component unit capital assets, net	<u>\$ 8,702</u>	<u>\$ 5,119</u>	<u>\$</u>	<u>\$ 13,821</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government		\$ 169,227
Public safety		585,282
Education		611,688
Public works		2,329,526
Health and human services		20,426
Culture and recreation		397,190
Coastal resources		244,212
Total depreciation expense – governmental activities		<u>\$ 4,357,551</u>
Business-type activities:		
Water/Total		<u>\$ 775,176</u>
Component unit activities:		
Eldredge Public Library/Total		<u>\$ 5,062</u>

**Note 8. Interfund balances and activity**

Interfund transfers for the fiscal year ended June 30, 2014, consisted of the following:

	<b>General</b>	<b>Other Governmental</b>	<b>Business-Type Water</b>	<b>Business-Type Wood Waste</b>
	<b><u>Fund</u></b>	<b><u>Funds</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>
Amounts transferred from Waterways Improvement to fund FY 2014 operating budget	\$ 260,000	\$ (260,000)	\$	\$
Amounts transfer from Land Bank Fund to supplement FY 2014 budget	926,994	(926,994)		
Amounts transferred from Wetlands Protection Funds to supplement FY 2014 budget	10,000	(10,000)		
Amounts transferred from Cemetery Sale of Lots to supplement FY 2014 budget	5,000	(5,000)		
Amounts transferred from Railroad Museum fund to supplement FY 2014 budget	3,000	(3,000)		
Amounts transferred from PEG Access fund to supplement FY 2014 budget	30,000	(30,000)		
Amounts transferred from Cemetery Perpetual Care to supplement FY 2014 budget	1,000	(1,000)		
Amounts transferred from General Fund to Pleasant Bay Alliance Management Fund to fund Operations	(32,774)	32,774		
General Fund funding of Water Fund	(400,000)		400,000	
Amounts transferred from Water Fund to fund Indirect costs appropriated in General Fund	<u>269,533</u>	<u></u>	<u>(269,533)</u>	<u></u>
Totals on budgetary basis	1,072,753	(1,203,220)	130,467	
Amounts transferred from General Fund to Woodwaste Fund to fund debt service costs	(190,300)			190,300
Water Fund overhead reclassified for modified accrual basis	<u>(269,533)</u>	<u></u>	<u>269,533</u>	<u></u>
Totals on governmental fund basis	<u>\$ 612,920</u>	<u>\$ (1,203,220)</u>	<u>\$ 400,000</u>	<u>\$ 190,300</u>

**TOWN OF CHATHAM, MASSACHUSETTS**  
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**Note 9. Deferred outflows and inflows of resources**

As of June 30, 2014, deferred outflows of resources for governmental activities were \$56,486 for unamortized borrowing costs. The business-type activities reported deferred outflows of resources were \$4,614 for unamortized borrowing costs. The component unit reported deferred outflows of resources in the amount of \$1,357 for prepaid operating expenses.

As of June 30, 2014, deferred inflows of resources for governmental activities were \$1,841,217 for unamortized bond premiums and \$1,600,927 for deferred revenues. The business-type activities reported deferred outflows of resources of \$20,961 for unamortized bond premiums.

**Note 10. Long-term obligations**

**Long-term debt**

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

<b>Purpose</b>	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance June 30, 2014</b>	<b>Current Portion</b>
<b>Governmental activities:</b>					
MWPAT Septic betterment subsidized bond, due 2023	\$ 86,851	\$	\$ (10,828)	\$ 76,023	\$ 10,829
Municipal purposes-refunding, 3.98%, due 2021	641,690		(292,008)	349,682	139,894
Municipal purposes-refunding, 2.5%-5.0%, due 2016	1,575,000		(540,000)	1,035,000	345,000
Municipal purposes, 3.75%-4.1%, due 2025	2,735,000		(345,000)	2,390,000	325,000
Municipal purposes, subsidized, due 2025	32,500		(2,500)	30,000	2,500
Municipal purposes - refunding, 3.0%-5.0%, due 2019	5,860,000		(1,080,000)	4,780,000	1,070,000
Municipal purposes, 3.0% - 5.0%, due 2028	9,665,000		(865,000)	8,800,000	860,000
MWPAT Wastewater Treatment Facility, 2.0%, due 2028	3,016,579		(140,629)	2,875,950	143,470
Municipal purposes, 2.0% - 5.0%, due 2037	20,405,000		(1,010,000)	19,395,000	1,010,000
USDA Sewer Bond, 2.75%, due 2049	21,002,147		(583,393)	20,418,754	583,393
USDA Sewer Bond, 2.75%, due 2049	1,715,798		(47,662)	1,668,136	47,662
MWPAT Wastewater Treatment Facility, 2.0%, due 2032	7,518,952		(304,149)	7,214,803	310,759
MWPAT Wastewater Treatment Facility, 0.0%, due 2033	2,256,265	-	(111,213)	2,145,052	111,380
Total long-term bonds	76,510,782	-	(5,322,382)	71,178,400	4,959,887
Landfill closure and monitoring liability	275,000		(25,000)	250,000	25,000
Other post employment benefits	9,588,138	1,219,999	(733,661)	10,074,476	
Compensated absences	846,604	42,760		889,364	
Total governmental noncurrent liabilities	<u>\$ 87,220,524</u>	<u>\$ 1,262,759</u>	<u>\$ (6,091,043)</u>	<u>\$ 82,392,240</u>	<u>\$ 4,984,887</u>
<b>Business-type activities:</b>					
<b>Water Activities</b>					
Land acquisition, 5.23%, due 2014	\$ 23,310	\$	\$ (7,992)	\$ 15,318	\$ 5,106
Municipal purposes-refunding, 3.98%, due 2021	775,000		(255,000)	520,000	200,000
Municipal purposes, 3.75% - 4.1%, due 2025	2,025,000		(160,000)	1,865,000	160,000
Municipal purposes, 4.25%, due 2049	450,000		(12,500)	437,500	12,500
Municipal purposes, 3.0% - 5.0%, due 2028	480,000		(35,000)	445,000	35,000
Municipal purpose - refunding, 3.0% - 5.0%, due 2019	300,000		(50,000)	250,000	50,000
Municipal purpose, 2.0% - 5.0%, due 2032	1,425,000		(80,000)	1,345,000	80,000
Total long-term bonds payable	5,478,310		(600,492)	4,877,818	542,606
Compensated absences	4,519	2,677		7,196	
Total water activities noncurrent liabilities	<u>\$ 5,482,829</u>	<u>\$ 2,677</u>	<u>\$ (600,492)</u>	<u>\$ 4,885,014</u>	<u>\$ 542,606</u>
<b>Wood Waste Activities</b>					
Land acquisition, 3.0% - 5.0%, due 2028	\$ 1,025,000	\$	\$ (150,000)	\$ 875,000	\$ 150,000
Total wood waste activities noncurrent liabilities	<u>1,025,000</u>		<u>(150,000)</u>	<u>875,000</u>	<u>150,000</u>
Total business-type activities noncurrent liabilities	<u>\$ 6,507,829</u>	<u>\$ 2,677</u>	<u>\$ (750,492)</u>	<u>\$ 5,760,014</u>	<u>\$ 692,606</u>
<b>Component unit activities:</b>					
Compensated absences	\$ 10,387	\$	\$ 4,943	\$ 15,330	\$
Total component unit activities noncurrent liabilities	<u>\$ 10,387</u>	<u>\$</u>	<u>\$ 4,943</u>	<u>\$ 15,330</u>	<u>\$</u>

**TOWN OF CHATHAM, MASSACHUSETTS**

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Outstanding Massachusetts Water Pollution Abatement Trust (“MWPAT”) 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 MWPAT (and MWPAT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide financial statements; however, these payments are not included in the budgetary basis supplementary 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, 2014, including interest, are as follows:

<b>Year Ending June 30,</b>	<b><u>Governmental Activities</u></b>			<b><u>Business-Type Activities</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2015	\$ 4,959,887	\$2,173,971	\$7,133,858	\$692,606	\$220,059	\$912,665
2016	4,859,706	2,019,002	6,878,708	572,606	196,031	768,637
2017	4,854,731	1,823,018	6,677,749	572,606	170,035	742,641
2018	4,454,533	1,662,864	6,117,397	502,500	148,605	651,105
2019	3,925,522	1,526,352	5,451,874	502,500	128,723	631,223
2020 – 2024	14,780,457	5,935,688	20,716,145	1,602,500	396,356	1,998,856
2025 – 2029	11,961,683	3,852,714	15,814,397	862,500	149,526	1,012,026
2030 – 2034	9,621,092	2,465,552	12,086,644	257,500	60,406	317,906
2035 – 2039	5,450,275	1,339,318	6,789,593	62,500	34,531	97,031
2040 – 2044	3,155,275	755,372	3,910,647	62,500	21,250	83,750
2045 – 2049	3,155,239	332,076	3,487,315	62,500	7,969	70,469
Totals	<u>\$71,178,400</u>	<u>\$23,885,927</u>	<u>\$95,064,327</u>	<u>\$ 5,752,818</u>	<u>\$1,533,491</u>	<u>\$7,286,309</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, 2014:

<b><u>Purpose</u></b>	<b><u>Year(s) Authorized</u></b>	<b><u>Amount</u></b>
Community septic - betterment	2002	\$ 150,000
Planning – roads	1995	150,000
Community center	2003	15,000
Water and well pumping station	2006	560,000
Road/sidewalk/bike path	2007	450,000
Ell Street and Sky Way Improvements	2009	25,000
Mill Pond Wells	2012	650,000
Iron Removal Treatment Facility	2012	90,000
Water main replacement	2012	850,000
Wastewater Treatment Facility	2013	761,233
Fire Station Design and Construction	2014	8,566,635
Iron & Manganese Treatment Facility	2014	5,533,000
Wastewater Treatment Facility	2014	3,040,000
		<u>\$ 20,840,868</u>

**TOWN OF CHATHAM, MASSACHUSETTS**  
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June 30, 2014

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, 2014.

*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 does not have any material capital lease obligations outstanding as of June 30, 2014.

**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),
- 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 Capital Project Funds.

Changes in the Town's short-term debt for the year ended June 30, 2014 are as follows:

**Governmental Activities**

Type/ Dated Date	Purpose	Interest Rate	Maturity Date	Balance July 1, 2013	Issued	Retirements	Balance June 30, 2014
Interim Loan 6/5/2014	Municipal Purposes	2.0%	N/A	\$ -	\$24,240,000	\$ -	\$ 24,240,000
Interim Loan 8/15/2014	Municipal Purposes	0.10%	N/A		4,458,767		4,458,767
ARRA Principal Forgiveness Portion of Interim Note	Municipal Purposes	N/A	N/A	1,435,011			1,435,011
BAN 6/27/2013	Municipal Purposes	0.44%	6/27/2014	470,000		470,000	-
BAN 6/17/2014	Municipal Purposes	0.43%	6/26/2015	-	2,570,000		2,570,000
<b>Total Governmental Activities</b>				<b>\$ 1,905,011</b>	<b>\$31,268,767</b>	<b>\$ 470,000</b>	<b>\$ 32,703,778</b>

**Business-Type Activities**

Type/ Dated Date	Purpose	Interest Rate	Maturity Date	Balance July 1, 2013	Issued	Retirements	Balance June 30, 2014
<b><u>Water Activities:</u></b>							
BAN 6/27/2013	Municipal Purposes	0.44%	6/27/2014	\$ 500,000	\$ -	\$ 500,000	\$ -
BAN 6/17/2014	Municipal Purposes	0.43%	6/26/2015	-	1,410,000	-	1,410,000
<b>Total Business-Type Activities</b>				<b>\$ 500,000</b>	<b>\$1,410,000</b>	<b>\$ 500,000</b>	<b>\$ 1,410,000</b>

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town has deficit fund balances in the Capital Projects Fund. These deficits will be funded through long-term borrowing.

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

The ARRA principal forgiveness portion of interim loan above was issued by the MWPAT on January 22, 2010 for the wastewater treatment facility project. This loan is eligible for grant funding received under the American Recovery and Reinvestment Act of 2009 (ARRA). Accordingly, the construction project is subject to special ARRA conditions and requirements for the duration of the project. Upon completion and issuance of approved project completion certificates the loan of \$12,243,500 qualifies for principle forgiveness of \$1,435,011 representing nearly 12% in savings on project costs. Since the project has not been completed the potential principle forgiveness remains as an outstanding liability of the Town as of June 30, 2014.

### **Note 12. Employee Benefits**

#### **A. Retirement Benefits**

##### Plan Description

The Town of Chatham, Massachusetts contributes for eligible employees, other than teachers, to the Barnstable County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Association. The Association provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Association is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five-member board. The Association issues an annual report which is available to the public and may be obtained by contacting the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (PERAC), One Ashburton Place, Boston, MA 02108. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute.

##### Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The Town's current year contribution is \$1,581,916, which was equal to its required contribution. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the Association for the years ending June 30, 2013 and 2012 were \$1,860,903 and \$1,465,293, respectively, which were equal to the required contributions for each year.

As noted above, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Accounting Principles Generally Accepted in the United States require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, \$2,306,887 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town is included in the accompanying Statement of Activities as Employee Benefits operating contributions and expense and in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and employee benefits expenditures. These on-behalf payments are not part of the local budget and therefore, are not included in the accompanying budgetary basis statements.

#### **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 by-laws 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.

**TOWN OF CHATHAM, MASSACHUSETTS**

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June 30, 2014

**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 165 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid. For 2014, those costs approximated \$794,210.

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$	1,138,478
Interest on net OPEB obligation		431,466
Adjustment to annual required contribution		(349,945)
Annual OPEB cost (expenses)		1,219,999
Contributions made		(733,661)
Increase in net OPEB obligation		486,338
Net OPEB obligation, beginning year		9,588,138
Net OPEB obligation, end of year	\$	10,074,476

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$1,219,999	60.14%	\$ 10,074,476
6/30/2013	\$1,174,095	63.62%	\$ 9,588,138
6/30/2012	\$3,427,014	36.16%	\$ 9,160,949

**Funding Status and Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Percentage of Covered Payroll [(b)-(a)]/c]
6/30/2012	\$	\$ 16,559,085	\$ 16,559,085	0.00%	\$ 10,316,453	160.5%

The unfunded actuarial liability was determined using a thirty year open amortization basis increasing at 4.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts

## TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.5% per annum

Medical/Drug Cost Trend Rates: 8.0% decreasing by 0.50% for 6 years to an ultimate level of 5.00% per year.

Dental Cost Trend Rate: 5.0% per annum

General Inflation Assumption: 4.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortization payments increasing at 4.0% over 30 years

Remaining Amortization Period: 26 years at June 30, 2012

### **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, 2014, \$250,000 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. At June 30, 2014, the Group had net position of \$25,748,591.

**TOWN OF CHATHAM, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**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 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 grades 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 vote on all matters and the four (4) Committee members from Town of Chatham have 50% of a vote on all matters for a total of six (6) votes. For a motion to pass, a majority of the six (6) votes must be cast in the affirmative with at least one affirmative vote from each town.

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. 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 #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. This pronouncement was implemented in the current year. The pronouncement reclassified certain assets and liabilities as deferred outflows and deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No.10 and No. 62*, which is required to be implemented in fiscal year 2014. The pronouncement resolves conflicting guidance from issued pronouncement No. 54, regarding fund based reporting of risk financing activities. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service

**TOWN OF CHATHAM, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

fees. The Town doesn't believe this pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting issues associated with a variety of transactions, such as mergers, acquisitions, disposals and transfer of governmental operations. The Town doesn't anticipate this pronouncement will have an effect upon the Town's financial statements.

The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting for financial guarantees extended by a government for the obligations of another government, not-for-profit, or private entity without directly receiving equal or approximately equal value in exchange for the guarantee. The Town doesn't anticipate the pronouncement will have an effect upon the Town's financial statements.

**Future pronouncements**

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which is required to be implemented in fiscal year 2015. The pronouncement requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB #68*, which is required to be implemented in fiscal year 2014. The pronouncement addresses transition provisions of GASB #68 for accounting amounts associated with contributions, if any, made by a local government or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The pronouncement will have a material effect upon the Town's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CHATHAM, MASSACHUSETTS**  
 Required Supplementary Information  
 Schedule of Funding Progress – Other Post Employment Benefits (OPEB)  
 June 30, 2014

**Funding Status and Schedule of Funding Progress**

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The unfunded actuarial accrued liability was determined using thirty year open amortization basis increasing at 4.0%.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial	Unfunded	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a
		Accrued Liability (AAL) (b)	AAL (UAAL) (b)-(a)			Percentage of Covered Payroll [(b)-(a))/c]
6/30/2012	\$ -	\$ 16,559,085	\$ 16,559,085	0.00%	\$ 10,316,453	160.5%
6/30/2010	\$ -	\$ 43,726,097	\$ 43,726,097	0.00%	\$ 18,055,803	242.2%
6/30/2008	\$ -	\$ 40,775,669	\$ 40,775,669	0.00%	\$ 17,166,681	237.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.5% per annum

Medical/Drug Cost Trend Rates: 8.0% decreasing by 0.50% for 6 years to an ultimate level of 5.0% per year.

Dental Cost Trend Rate: 5.0% per annum

General Inflation Assumption: 4.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortization payments increasing at 4.0% over 30 years

Remaining Amortization Period: 26 years at June 30, 2012

**TOWN OF CHATHAM, MASSACHUSETTS**  
 Required Supplementary Information  
 Schedule of Funding Progress for the Town's  
 Pension Benefit Plan and Notes  
 June 30, 2014

**Pension plan**

The Town contributes to the Barnstable County Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan (the Plan) administered by the Barnstable County Retirement Board. The System provides retirement, disability, and death benefits to members and beneficiaries. MGL Chapter 32 assigns authority to establish and amend benefit provisions of the Plan. The Town is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among Plan participants based on active covered payroll. The following information presented relates to the cost sharing plan as a whole, of which the Town is one participating member.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to actuarial accrued liability for benefits. This information is designed to be helpful for understanding the scale of the information presented relative to the Town. Projection of benefits for financial reporting purposes does not explicitly incorporate any potential effects of legal or contractual funding limitations that may be applicable.

<b>Barnstable County Retirement System</b>						
<b>Schedule of Funding Progress</b>						
Actuarial Valuation Date	Actuarial Value Of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded Actuarial Accrued Liability ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a percent of Covered Payroll ( b-a )/c
1/1/2014	\$ 776,973,700	\$ 1,353,810,101	\$ 576,836,401	57.4%	\$ 253,920,106	227.2%
1/1/2012	651,063,981	1,173,483,848	522,419,867	55.5%	239,437,303	218.2%
1/1/2010	554,876,554	1,030,210,321	475,333,767	53.9%	234,374,075	202.8%

The Town's share of the unfunded actuarial accrued liability (UAAL) as of the January 1, 2014 valuation is approximately \$12.6 million, or 2.18% of the total.

The following actuarial methods and assumptions were used in the System's most recent actuarial valuation dated January 1, 2014.

- a. Actuarial cost method: Individual entry age normal actuarial cost method
- b. Plan asset valuation: Sum of actuarial value at the beginning of the 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.

**TOWN OF CHATHAM, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Funding Progress for the Town's  
Pension Benefit Plan and Notes  
June 30, 2014

- c. Cost of living increases: Cost of living increases have been assumed to be 3.0% of the first \$15,000 of retirement income.
- d. Investment rate of return: 7.75%.
- e. Projected salary increases: Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group2, and 4.75% for Group 4.
- f. Retirement rates: These rates vary based upon age and group for general employees with 100% expected to be retired by age 70 for groups 1 and 2 and at age 65 for group 4.
- g. Mortality: It is assumed that both pre-retirement, healthy retirement, and disabled retirement mortality are represented by the RP-2000 Mortality Table for males and females, with projection Scale AA for 12 years.
- h. Family composition: It is assumed that 75% of all members will be survived by a spouse and that females (males) are three years younger (older) than spouse and no children of retired participants.

**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis  
General Fund - Budget and Actual  
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes and payments in lieu	\$ 29,037,003	\$ 29,037,003	\$ 29,294,544	\$ 257,541
Excise taxes	2,260,000	2,260,000	2,709,170	449,170
Licenses and permits	770,000	770,000	976,797	206,797
Penalties and interest	100,000	100,000	261,053	161,053
Investment interest	20,000	20,000	19,360	(640)
Charges for services	2,249,389	2,249,389	2,109,833	(139,556)
Special assessments	100,000	100,000	492,559	392,559
Fees and fines	50,000	50,000	59,567	9,567
Departmental and other	475,802	475,802	494,617	18,815
Intergovernmental	1,134,902	1,134,902	1,163,102	28,200
Total revenues	<u>36,197,096</u>	<u>36,197,096</u>	<u>37,580,602</u>	<u>1,383,506</u>
<b>Expenditures</b>				
General government	3,247,606	3,394,382	3,259,716	134,666
Public safety	6,327,003	5,866,412	5,709,384	157,028
Education	8,000,516	8,000,516	8,000,516	
Public works	5,805,959	5,017,225	5,038,912	(21,687)
Community planning and development	778,128	629,301	604,581	24,720
Health & human services and coastal resources	2,064,216	1,440,415	1,393,187	47,228
Community and social services	976,340	968,465	935,876	32,589
Employee benefits	3,957,720	4,116,616	4,116,616	-
State and county assessments	658,638	658,638	626,980	31,658
Debt service	7,905,583	7,670,583	7,466,480	204,103
Total expenditures	<u>39,721,709</u>	<u>37,762,553</u>	<u>37,152,248</u>	<u>610,305</u>
Revenues over (under) expenditures	(3,524,613)	(1,565,457)	428,354	1,993,811
<b>Other financing sources (uses)</b>				
Transfers in from other funds	1,235,994	1,235,994	1,505,527	269,533
Transfers out to other funds	(400,000)	(400,000)	(432,774)	(32,774)
Total other financing sources	<u>835,994</u>	<u>835,994</u>	<u>1,072,753</u>	<u>236,759</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,688,619)	(729,463)	1,501,107	<u>\$ 2,230,570</u>
<b>Other budget items</b>				
Free cash appropriations	807,438	1,622,438		
Prior year overlay deficits	(77,333)	(77,333)		
Carryover encumbrances	1,958,514	(815,642)		
Total other budget items	<u>2,688,619</u>	<u>729,463</u>		
Net budget	<u>\$</u>	<u>\$</u>		

**TOWN OF CHATHAM, MASSACHUSETTS**

Notes to Required Supplementary Information

June 30, 2014

**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 the 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). The “actual” results column of the Statements of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a “budget basis” to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for 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, 2014, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 37,580,602	\$ 37,152,248	\$ 1,072,753
Adjustment of property tax revenues to modified accrual basis	306,367		
State funded teacher’s pension	2,306,887	2,306,887	
MWPAT subsidy accrual	5,689	5,689	
Stabilization fund, net activity	61,746		-
Adjustment for waste wood reclamation fund debt service payments		(190,300)	(190,300)
Adjustment for budgeted allocation of water fund overhead costs		(269,533)	(269,533)
	<hr/>	<hr/>	<hr/>
As reported on a GAAP basis	\$ 40,261,291	\$ 39,004,991	\$ 612,920

See Independent Auditors’ Report