

**TOWN OF CHATHAM, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDING JUNE 30, 2015**

TOWN OF CHATHAM, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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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 unit, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts (the "Town"), as of and for the year ended June 30, 2015, 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") the discretely presented component of the Town, as of and for the year ended June 30, 2015. 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, 2015, which was audited by other auditors.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The other auditor's report on the financial statements of the Library, the discretely presented component unit of the Town of Chatham, Massachusetts indicated those financial statements present fairly, in all material respects the respective financial position of the Library, as of June 30, 2015, 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.

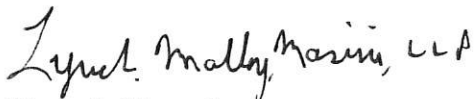
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages v-xii), and the Budgetary Comparison Schedule – General Fund and the Schedule of Funding Progress- Other Post-Employment Benefits (“OPEB”) Plan and the Schedule of Contributions – Pension Plan (on pages 36 - 40) 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 May 31, 2016, 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.



Norwell, Massachusetts
May 31, 2016



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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, the discretely presented component unit, 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, 2015, 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 May 31, 2016. Our report includes a reference to other auditors and the audited financial statements of the Library, the discretely presented component unit of the Town, as described in our report on the Town of Chatham, Massachusetts financial statements. The financial statements of the Library were not audited in accordance with Governmental Auditing Standards; and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the library. We did not audit the financial statements of the Eldredge Public Library (the "Library") the discretely presented component unit, as of and for the year ended June 30, 2015.

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.

Lynch, Malloy, Marini, LLP

Norwell, Massachusetts
May 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF CHATHAM, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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, 2015 and 2014. We encourage readers to consider the information presented here in the Management Discussion and Analysis and the following accompanying pages.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements 2) fund financial statements and 3) notes to financial statements. The notes to the financial statements provide information related to these changes which are essential in understanding the current financial statements and comparisons with previous years. Required supplementary information as required by the Government Accounting Standards Board (GASB) is presented to provide additional analysis. It should be noted the GASB required implementation of GASB#68, *Accounting and Financial Reporting for Pensions*, which had a significant impact upon the Town's Statement of Net Position for the year ended June 30, 2015.

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 contributes a majority of their funding for their annual operations. Although Eldredge Public Library, Inc. is a legal separate entity, the library receives a significant portion of their annual operating budget from the Town of Chatham and therefore, is a discretely presented component unit of the Town. The financial information of Eldredge Public Library, Inc. is reported separately from the financial information presented for the primary government itself, and has not been presented within this Management's Discussion and Analysis.

See Independent Auditors' report

TOWN OF CHATHAM, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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 nonmajor governmental funds. The basic governmental fund financial statements can be found on the accompanying pages of this report.

Proprietary Funds: The Town of Chatham maintains two proprietary funds. The Town uses the proprietary funds to account for its water and waste wood reclamation activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail for the water 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, other post employment benefits trust fund (OPEB), and agency funds. The fiduciary fund financial statements can be found on the accompanying pages of this report.

See Independent Auditors' report

TOWN OF CHATHAM, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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.

Required supplementary information: The Town adopts an annual budget for its general fund. A Budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget. Additionally, the Town reports the schedule of funding progress for its Other Post Employment Benefit Plan (OPEB) Plan and schedule of employer pension contributions.

Government Wide Financial analysis

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

	FY 2015	FY 2014
	Primary	Primary
	<u>Government</u>	<u>Government</u>
Current assets	\$ 60,894,415	\$ 55,782,186
Capital assets	<u>170,708,417</u>	<u>167,266,058</u>
Total assets	231,602,832	223,048,244
Deferred charges	<u>77,802</u>	<u>61,100</u>
Total deferred outflows of resources	77,802	61,100
Total assets and deferred outflows of resources	<u>\$ 231,680,634</u>	<u>\$ 223,109,344</u>
Current liabilities	\$ 35,591,520	\$ 41,788,792
Long-term liabilities	<u>111,016,299</u>	<u>82,474,762</u>
Total liabilities	146,607,819	124,263,554
Unamortized bond premiums	1,692,504	1,862,178
Deferred revenue	<u>2,108,650</u>	<u>1,600,927</u>
Total deferred inflows of resources	3,801,154	3,463,105
Invested in capital assets, net of related debt	81,939,334	88,472,661
Restricted	4,553,641	4,361,478
Unrestricted	<u>(5,221,314)</u>	<u>2,548,546</u>
Total net position	<u>81,271,661</u>	<u>95,382,685</u>
Total liabilities, deferred inflows and net position	<u>\$ 231,680,634</u>	<u>\$ 223,109,344</u>

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2015 and 2014 by \$81,271,661 and \$95,382,685 (presented as net position), respectively. Included in these amounts are unrestricted net position of \$ (5,221,314) and \$2,548,546, respectively.

See Independent Auditors' report

TOWN OF CHATHAM, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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 \$81,939,334 and \$88,472,661 at June 30, 2015 and 2014, 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 \$4,403,547 and increased by \$4,337,681 during fiscal year 2015 and 2014, respectively.

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

	Primary Government	
	Governmental Activities	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 5,249,067	\$ 4,608,877
Operating grants and contributions	913,269	3,330,030
Capital grants and contributions	339,561	-
Total program revenues	6,501,897	7,938,907
General Revenues:		
Property taxes levied	31,164,899	30,762,728
Excise taxes	2,852,403	2,697,494
Penalties and interest on taxes	220,604	264,396
Grants and contributions not restricted	133,917	130,303
Loss on disposal of capital assets	(30,958)	(31,148)
Investment income	72,163	190,284
Miscellaneous	943,002	297,670
Transfers	(740,300)	(590,300)
Total general revenues	34,615,730	33,721,426
Total Revenues	41,117,627	41,660,334

See Independent Auditors' report

TOWN OF CHATHAM, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

	Primary Government Governmental Activities	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Expenses:		
General government	\$ 3,163,914	\$ 3,156,150
Public safety	7,237,023	6,270,015
Community planning and development	650,592	608,355
Education	8,768,388	8,624,789
Public works	7,350,097	6,689,259
Health and human services	677,749	590,346
Culture and recreation	1,410,375	1,362,003
Coastal resources	1,413,602	1,256,026
Interest on long term debt	1,831,475	1,757,085
Employee fringe benefits	4,410,417	6,640,308
State and county charges	<u>669,675</u>	<u>626,980</u>
Total Expenses	37,583,307	37,581,316
Change in net position	3,534,320	4,079,018
Net position – beginning of year, restated	<u>63,391,574</u>	<u>75,235,127</u>
Net position – end of year	<u>\$ 66,925,894</u>	<u>\$ 79,314,145</u>

Total Revenues

Total governmental activities revenues decreased \$542,000 from 2014 for the Town. The majority of this decrease relates to the decrease in the operating grant and contribution revenue related to the USDA Wastewater Treatment Facility construction grants and on behalf payments by the Commonwealth of Massachusetts to the Massachusetts Teachers' Retirement System.

General Revenues

Real Estate revenues were the Town's largest revenue source at \$31,164,899 and \$30,762,728, representing 90.03% and 91.2% of general revenues for 2015 and 2014, respectively. While the tax rates have slightly decreased, the assessed tax valuation base increased to \$5,949,396,990 in 2015 from \$5,778,263,310 in 2014. The increase of 2.96% is due to increasing property values.

Program Revenues

Governmental charges for services were \$5,249,067 and \$4,608,877 representing a variety of departmental revenues for 2015 and 2014, respectively. The largest of portion relates to Public Works revenues of \$2,317,440 and \$1,809,090, for charges for services for the landfill and sewer for 2015 and 2014, respectively.

Governmental operating grants and contributions of \$913,269 and \$3,330,030 represent several federal and state grants restricted to specific grant conditions. This accounts for approximately 2.22% and 8.0% of the total Town governmental activities revenues. This relates to the decrease in USDA Wastewater Treatment Facility construction grants received in fiscal year 2015 compared to the prior year.

See Independent Auditors' report

TOWN OF CHATHAM, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

Expenses

For fiscal year ended June 30, 2015 and 2014, expenses for governmental activities totaled \$37,583,307 and \$37,581,315. The total expenses were consistent with the prior year. There was an increase in the public work expense from \$6,689,259 to \$7,350,097 due to increased highway expenses from increased paving in 2015 and various other changes in expenditures. The increase was offset by a decrease in the employee fringe benefits due to no retirement expenses for teachers in 2015 relating to on behalf payments by the Commonwealth of Massachusetts to the Massachusetts Teacher's Retirement System, because of the Town's participation in the Monomoy Regional School District.

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

	Primary Government	
	Business-Type Activities	
	June 30, 2015	June 30, 2014
Revenues:		
Program Revenues:		
Charges for services	\$ 2,689,915	\$ 2,577,979
Fines and forfeitures	22,495	23,571
Total operating revenues	2,712,410	2,601,550
Expenses:		
Salaries, wages, and employee benefits	414,697	393,653
Expenses	1,413,906	1,753,235
Depreciation	779,658	775,176
Total expenses	2,608,261	2,922,064
Total operating income	104,149	(320,514)
Non operating revenues (expenses)		
Debt service	(152,285)	(202,498)
Water tower lease	327,063	191,375
Transfers in	590,300	590,300
Total non operating revenue (expenses), net	765,078	579,177
Change in net position	869,227	258,663
Net position – beginning of year, restated	13,476,540	15,809,877
Net position – end of year	\$ 14,345,767	\$ 16,068,540

Operating Revenues

Total business-type activities operating revenues showed a modest increase of approximately \$111,000 from the prior year.

Expenses

Total business-type activities operating expenses showed a decrease of approximately \$314,000 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, 2015

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 \$20,881,293 an increase of approximately \$10,193,821 (due primarily to issuance of \$14.1 million of long-term debt) from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$772,049, restricted fund balance of \$13,760,363 committed fund balance of \$4,769,194; assigned fund balance of \$988,285 and unassigned fund balance of \$591,402.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$11.3 million, an increase of \$1 million from the previous year. Of this amount \$1,430,498 or 12.7% represents restricted fund balance. Committed fund balance of \$3,175,830 and assigned fund balance of \$988,285 represent 28.1% and 8.7% of total general fund balance respectively. Unassigned fund balance of \$5,702,643 represents 50.5% 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 15.2% and 14.8%, respectively, of total general fund expenditures and revenues. Total General Fund balance represents 30.2% and 29.3%, respectively, of the same amounts.

General Fund Budgetary Highlights

The difference between the original expenditure budget of \$41,939,440 and the final expenditure budget of \$38,675,325 is due to \$3.2 million in encumbrances and articles being carried over to the subsequent fiscal year.

Capital Asset and Debt Administration

Capital Assets: The Town's investment in capital assets for governmental activities as of June 30, 2015 and 2014, amounts to \$151,814,055 and \$148,320,420, which is net of accumulated depreciation of \$52,582,080 and \$48,266,194. 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, 2015 and 2014, amounts to \$18,894,362 and \$18,945,638, which is net of accumulated depreciation of \$20,982,884 and \$20,203,226. 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, 2015

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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 31,490	\$ 30,780	\$ 3,163	\$ 3,163
Construction in progress	13,059	6,393	667	225
Buildings and improvements	91,755	94,781	1,065	1,119
Improvements non-buildings	5,526	6,019	518	553
Equipment, machinery & vehicles	2,399	2,700	50	71
Infrastructure	<u>7,585</u>	<u>7,647</u>	<u>13,431</u>	<u>13,815</u>
	<u>\$ 151,814</u>	<u>\$ 148,320</u>	<u>\$ 18,894</u>	<u>\$ 18,946</u>

Major capital asset events for governmental and business-type activities during 2015 include the following:

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

Long-term debt: At June 30, 2015, the Town had total bonded debt outstanding of \$80,386,367 and \$6,690,212 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.

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

Economic Factors and Next Year's Budgets and Rates

The Town has increased its property tax levy by 4.9%, from \$29.7 million in 2015 to \$31.1 million in 2016. The increase was from new growth, debt exclusions and increased debt service.

The operating budget decreased 5.0% compared to the FY 15 budget. The decrease is mostly attributable to significant projects funded through free cash in FY 15 for fire station mitigation, Monomoy funding and fire contract funding and fewer projects in FY 16.

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Eldredge Public Library
<u>ASSETS</u>				
Cash and cash equivalents	\$ 20,107,290	\$ 3,881,673	\$ 23,988,963	\$ 113,233
Investments	6,061,726		6,061,726	5,046,740
Receivables, net of allowances for uncollectibles	6,502,756	959,033	7,461,789	
Other receivables	23,381,937		23,381,937	
Capital assets, net of accumulated depreciation	151,814,055	18,894,362	170,708,417	30,651
Total assets	<u>207,867,764</u>	<u>23,735,068</u>	<u>231,602,832</u>	<u>5,190,624</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Net difference between projected and actual pension earnings	27,976	4,000	31,976	
Unamortized bond costs	42,365	3,461	45,826	
Total deferred outflows of resources	<u>70,341</u>	<u>7,461</u>	<u>77,802</u>	
Total assets and deferred outflows of resources	<u>\$ 207,938,105</u>	<u>\$ 23,742,529</u>	<u>\$231,680,634</u>	<u>\$ 5,190,624</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 1,270,662	\$ 23,759	\$ 1,294,421	\$ 19,031
Accrued interest	352,000	50,170	402,170	
Notes payable	26,785,925		26,785,925	100
Provision for refund of paid taxes	571,328		571,328	
Agency and other payables	215,700		215,700	
Noncurrent liabilities				
Due within one year	5,514,370	807,606	6,321,976	
Due in more than one year	102,516,793	8,499,506	111,016,299	21,501
Total liabilities	<u>137,226,778</u>	<u>9,381,041</u>	<u>146,607,819</u>	<u>40,632</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Revenues	2,108,650		2,108,650	
Unamortized bond premiums	1,676,783	15,721	1,692,504	
Total deferred inflows of resources	<u>3,785,433</u>	<u>15,721</u>	<u>3,801,154</u>	<u>-</u>
<u>NET POSITION</u>				
Net investment in capital assets	69,750,905	12,188,429	81,939,334	
Restricted	4,553,641		4,553,641	1,006,316
Unrestricted	(7,378,652)	2,157,338	(5,221,314)	4,143,676
Total net position	<u>66,925,894</u>	<u>14,345,767</u>	<u>81,271,661</u>	<u>5,149,992</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 207,938,105</u>	<u>\$ 23,742,529</u>	<u>\$231,680,634</u>	<u>\$ 5,190,624</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, 2015

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	
Primary Government								
Governmental activities								
General government	\$ 3,163,914	\$ 349,494	\$ 366,924	\$	\$ (2,447,496)	\$	\$ (2,447,496)	\$
Public safety	7,237,023	1,110,041	29,518	198,361	(5,899,103)		(5,899,103)	
Community planning and development	650,592				(650,592)		(650,592)	
Education	8,768,388		81,630		(8,686,758)		(8,686,758)	
Public works	7,350,097	2,317,440	55,436		(4,977,221)		(4,977,221)	
Health and human services	677,749	87,361	29,242		(561,146)		(561,146)	
Culture and recreation	1,410,375	189,298	18,418		(1,202,659)		(1,202,659)	
Coastal resources	1,413,602	1,195,433	70,866	141,200	(6,103)		(6,103)	
Interest on long-term debt	1,831,475		261,235		(1,570,240)		(1,570,240)	
Employee fringe benefits	4,410,417				(4,410,417)		(4,410,417)	
State and county charges	669,675				(669,675)		(669,675)	
Total governmental activities	37,583,307	5,249,067	913,269	339,561	(31,081,410)		(31,081,410)	
Business-type activities								
Water fund	2,709,004	3,003,797				294,793	294,793	
Wood Waste Reclamation Center	51,542	35,676				(15,866)	(15,866)	
Total business-type	2,760,546	3,039,473				278,927	278,927	
Total primary government	\$ 40,343,853	\$ 8,288,540	\$ 913,269	\$ 339,561	(31,081,410)	278,927	(30,802,483)	
Component Unit								
Eldredge Public Library	\$ 861,923		\$ 722,104					(139,819)
General revenues								
Property taxes, net of allowances for uncollectibles					31,164,899		31,164,899	
Excise taxes					2,852,403		2,852,403	
Penalties and interest on taxes					220,604		220,604	
Grants and contributions not restricted to specific programs					133,917		133,917	
Investment income					72,163		72,163	148,156
Loss on disposal of assets					(30,958)		(30,958)	
Miscellaneous					943,002		943,002	10,785
Transfers					(740,300)	590,300	(150,000)	
Total general revenues and transfers					34,615,730	590,300	35,206,030	158,941
Change in net position					3,534,320	869,227	4,403,547	19,122
Net position - beginning of year, restated					63,391,574	13,476,540	76,868,114	5,130,870
Net position - end of year					\$ 66,925,894	\$ 14,345,767	\$ 81,271,661	\$ 5,149,992

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

TOWN OF CHATHAM, MASSACHUSETTS

Balance Sheet - Governmental Fund

June 30, 2015

	General Fund	Wastewater Facility	State Highway Chapter 90	Non-major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 10,450,433	\$	\$	\$ 9,656,857	\$ 20,107,290
Investments	2,268,065			3,793,661	6,061,726
Interfund receivables				1,515,471	1,515,471
Receivables, net	4,718,276		2,108,650	29,830	6,856,756
Other receivables		23,381,937			23,381,937
Total assets	<u>\$ 17,436,774</u>	<u>\$ 23,381,937</u>	<u>\$ 2,108,650</u>	<u>\$ 14,995,819</u>	<u>\$ 57,923,180</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 808,171	\$	\$	\$ 462,491	\$ 1,270,662
Interfund payables		1,515,471			1,515,471
Notes payable		26,785,925			26,785,925
Provision for refund of paid taxes	571,328				571,328
Agency and other payables	215,700				215,700
Total liabilities	<u>1,595,199</u>	<u>28,301,396</u>		<u>462,491</u>	<u>30,359,086</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred revenue	4,544,319		2,108,650	29,832	6,682,801
Total deferred inflows of resources	<u>4,544,319</u>		<u>2,108,650</u>	<u>29,832</u>	<u>6,682,801</u>
<u>FUND BALANCES</u>					
Nonspendable				772,049	772,049
Restricted	1,430,498			12,329,865	13,760,363
Committed	3,175,830			1,593,364	4,769,194
Assigned	988,285				988,285
Unassigned	5,702,643	(4,919,459)		(191,782)	591,402
Total fund balances	<u>11,297,256</u>	<u>(4,919,459)</u>		<u>14,503,496</u>	<u>20,881,293</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 17,436,774</u>	<u>\$ 23,381,937</u>	<u>\$ 2,108,650</u>	<u>\$ 14,995,819</u>	<u>\$ 57,923,180</u>

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

Total fund balances of governmental funds	\$ 20,881,293
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and not reported in funds.	151,814,055
Certain deferred inflows of resources are accrued as revenue on a full accrual basis and not in funds.	4,574,151
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(354,000)
Long-term liabilities, net of deferred charges, of are not due and payable in the current period and are not included in funds.	(108,031,163)
Certain deferred outflows of resources are reported on a full accrual basis and not in funds.	70,341
Unamortized bond premiums are reported as deferred inflows of resources on a full accrual basis.	(1,676,783)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(352,000)
Net position of governmental activities	<u>\$ 66,925,894</u>

TOWN OF CHATHAM, MASSACHUSETTS
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund:
For the Year Ended June 30, 2015

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

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, 2015

Revenues and other financing sources over expenditures and other financing uses	\$ 10,193,821
<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	7,866,117
Depreciation recorded for the fiscal year	(4,341,524)
Loss on disposal of capital assets	(30,958)
<p>Certain deferred outflows of resources are recognized on the government-wide basis to be amortized over future periods.</p>	
Net difference between projected and actual pension earnings.	27,976
<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	(634,794)
Net change in allowance for uncollectible accounts	(3,980)
<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>	
Proceeds from long-term debt	(14,167,853)
Principal payments on long-term debt	4,959,886
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	23,700
<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>	
Net pension liability	(134,682)
Other post employment benefits	(398,566)
Compensated absences	(136)
Landfill closure liability	<u>25,000</u>
Change in net position of governmental activities	<u>\$ 3,534,320</u>

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

TOWN OF CHATHAM, MASSACHUSETTS
Statement of Net Position - Proprietary Funds
June 30, 2015

	Business-Type Activities		
	Water Activities	Wood Waste Reclamation Facility	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,670,695	\$ 210,978	\$ 3,881,673
Receivables, net of allowances for uncollectibles	959,033		959,033
Capital assets, net of accumulated depreciation	16,669,362	2,225,000	18,894,362
Total assets	21,299,090	2,435,978	23,735,068
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Net difference between projected and actual pension earnings	4,000		4,000
Unamortized bond costs	3,461		3,461
Total deferred outflows of resources	7,461		7,461
Total assets and deferred outflows	\$ 21,306,551	\$ 2,435,978	\$ 23,742,529
<u>LIABILITIES</u>			
Accounts payable	\$ 23,759	\$	\$ 23,759
Accrued interest	46,500	3,670	50,170
Noncurrent liabilities:			
Due within one year	662,606	145,000	807,606
Due in more than one year	7,919,506	580,000	8,499,506
Total liabilities	8,652,371	728,670	9,381,041
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized bond premiums	15,721		15,721
Total deferred inflows of resources	15,721		15,721
<u>NET POSITION</u>			
Net investment in capital assets	10,688,429	1,500,000	12,188,429
Unrestricted	1,950,030	207,308	2,157,338
Total net position	12,638,459	1,707,308	14,345,767
Total liabilities, deferred inflows, and net position	\$ 21,306,551	\$ 2,435,978	\$ 23,742,529

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, 2015

	Business-Type Activities		
	Water Activities	Wood Waste Reclamation Facility	Totals
Operating revenues			
Charges for services, departmental and other	\$ 2,654,239	\$ 35,676	\$ 2,689,915
Fines and forfeitures	22,495		22,495
Total operating revenues	<u>2,676,734</u>	<u>35,676</u>	<u>2,712,410</u>
Operating expenses			
Salaries and wages	414,697		414,697
Operating expenses	1,401,905	12,000	1,413,905
Depreciation	779,659		779,659
Total operating expenses	<u>2,596,261</u>	<u>12,000</u>	<u>2,608,261</u>
Operating income (loss)	80,473	23,676	104,149
Non operating revenues (expenses)			
Water tower lease	327,063		327,063
Interest expense	(112,743)	(39,542)	(152,285)
Total non-operating revenue (expenses), net	<u>214,320</u>	<u>(39,542)</u>	<u>174,778</u>
Transfers			
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>
Change in net position	694,793	174,434	869,227
Net position at beginning of year, restated	11,943,666	1,532,874	13,476,540
Net position at end of year	<u>\$ 12,638,459</u>	<u>\$ 1,707,308</u>	<u>\$ 14,345,767</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, 2015

	<u>Business-Type Activities</u>		
	<u>Water Activities</u>	<u>Wood Waste Reclamation Facility</u>	<u>Total Enterprise</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 2,520,846	\$ 35,676	\$ 2,556,522
Payments to vendors	(1,441,998)	(12,000)	(1,453,998)
Payments to employees, including fringe benefits	(392,697)		(392,697)
Net cash provided by (used for) operating activities	<u>686,151</u>	<u>23,676</u>	<u>709,827</u>
Cash flows from noncapital financing activities			
Transfer in from General Fund	400,000	190,300	590,300
Water tower lease	327,063		327,063
Net cash used for capital and related financing activities	<u>727,063</u>	<u>190,300</u>	<u>917,363</u>
Cash flows from capital and related financing activities			
Payments of long-term debt principal	(542,606)	(150,000)	(692,606)
Retirements of bond anticipation notes	(1,410,000)		(1,410,000)
Proceeds from bonds	1,630,000		1,630,000
Payments of interest costs	(119,758)	(40,300)	(160,058)
Net cash provided by (used for) capital and related financing activities	<u>(442,364)</u>	<u>(190,300)</u>	<u>(632,664)</u>
Cash flows from investing activities			
Purchase of capital assets	(728,383)		(728,383)
Net difference between projected and actual pension earnings	(4,000)		(4,000)
Net cash (used for) investing activities	<u>(732,383)</u>		<u>(732,383)</u>
Net change in cash and cash equivalents	238,467	23,676	262,143
Cash and cash equivalents, at the beginning of year	3,432,228	187,302	3,619,530
Cash and cash equivalents, at the end of year	<u>\$ 3,670,695</u>	<u>\$ 210,978</u>	<u>\$ 3,881,673</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 80,473	\$ 23,676	\$ 104,149
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	779,659		779,659
Changes in assets and liabilities:			
User fees receivable, net of allowance for collectibles	(155,889)		(155,889)
Warrants payable	(35,796)		(35,796)
Accrued compensated absences	(4,296)		(4,296)
Net pension liability	22,000		22,000
Total adjustments	<u>605,678</u>		<u>605,678</u>
Net cash provided by (used for) operating activities	<u>\$ 686,151</u>	<u>\$ 23,676</u>	<u>\$ 709,827</u>

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

TOWN OF CHATHAM, MASSACHUSETTS
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2015

	Private Purpose Trust Fund	Other Post- Employment Benefits Trust Fund	Agency Accounts
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,117	\$ 150,000	\$ 743,273
Investments		106,241	
Receivables, net of allowance for uncollectibles			43,692
Total assets	\$ 3,117	\$ 256,241	\$ 786,965
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	\$	\$	\$ 786,965
Total liabilities			786,965
<u>NET POSITION</u>			
Held in trust	3,117	256,241	
Total liabilities and net position	\$ 3,117	\$ 256,241	\$ 786,965

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

TOWN OF CHATHAM, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2015

	Private Purpose <u>Trust Funds</u>	Other Post- Employment Benefits <u>Trust Fund</u>
Additions		
Interest and dividends	\$ 56	\$
Investment income		888
Total additions	<u>56</u>	<u>888</u>
Other financing sources		
Transfer in		150,000
Change in net position	<u>56</u>	<u>150,888</u>
Net position at beginning of year	<u>3,061</u>	<u>105,353</u>
Net position at end of year	<u><u>\$ 3,117</u></u>	<u><u>\$ 256,241</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, 2015

Note 1. Organization and Reporting Entity

A. Organization

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

B. Reporting Entity

General

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

Discretely Presented Component Units – Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationship with the Town are such that exclusion would cause the Town’s financial statements to be misleading or incomplete. The Town has included The Eldredge Public Library, Inc. (the Library), a not-for-profit organization, as a Discretely Presented Component Unit because it is fiscally dependent on the Town and because the nature and significance of the 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	\$ 2,170,062
Cape Cod Regional Technical High School Route 124 Harwich, MA 02645	To provide vocational education to students 9-12 grade	\$ 367,436
Monomoy Regional School District 81 Oak Street Harwich, MA 02645	To provide education to students K-12 grade	\$ 7,739,657
Cape Cod Regional Transit Authority 585 Main Street Dennis, MA 02638	To provide regional transportation services	\$ 15,760
District Department of Veteran Services PO Box 429 Hyannis, MA 02601	To provide services to veterans	\$ 41,817
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

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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.

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

Fund Financial Statements

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

The following governmental fund types are used by the Town:

Governmental Funds:

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

Major Funds

- General fund is the primary operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.
- Wastewater Facility is a capital projects fund used to account for and report construction of the Town's wastewater facility and related infrastructure.
- State Highway Chapter 90 is a special revenue fund, in accordance with Massachusetts General Laws, to account for improvements to highways.

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

- 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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenue funds. Currently, the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long term debt.

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

- 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.
- 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. Government Accounting Standards Board Pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The major funds for the current fiscal year are the General Fund, the Wastewater Facility and the State Highway Chapter 90 special revenue fund. The nonmajor funds are combined in a column in the fund financial statements.

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

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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.

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 and savings accounts of the Town.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Certificates of deposits have been classified as investments by the Town. 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.

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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. 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.

TOWN OF CHATHAM, MASSACHUSETTS
Notes to Financial Statements
June 30, 2015

H. Long-term Obligations

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

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

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

I. Compensated Absences

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

J. Equity Classifications

Government-wide Statements

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

- Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—Represents the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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.

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.

TOWN OF CHATHAM, MASSACHUSETTS
Notes to Financial Statements
June 30, 2015

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.

TOWN OF CHATHAM, MASSACHUSETTS
Notes to Financial Statements
June 30, 2015

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, 2015, the classification of the Town's fund balances can be detailed as follows:

	<u>General Fund</u>	<u>Wastewater Facility</u>	<u>State Highway Chapter 90</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Education	\$	\$	\$	\$ 342,768	\$ 342,768
Public Works				429,281	429,281
subtotal				772,049	772,049
Restricted:					
General Government				3,365,481	3,365,481
Public Safety				177,461	177,461
Education				209,208	209,208
Public Works				7,931,344	7,931,344
Community Development				10,173	10,173
Human Services				151,222	151,222
Culture & Recreation				137,722	137,722
Coastal Resources				347,254	347,254
Debt Service	1,430,498				1,430,498
subtotal	1,430,498			12,329,865	13,760,363
Committed:					
General Government	790,976			1,362,310	2,153,286
Public Safety	188,128				188,128
Public Works	1,095,258				1,095,258
Community Development	122,650				122,650
Culture & Recreation				10,583	10,583
Human Services	957,584				957,584
Coastal Resources	21,234			220,471	241,705
subtotal	3,175,830			1,593,364	4,769,194
Assigned:					
General Government	20,771				20,771
Public Works	3,062				3,062
Community Development	35,500				35,500
Human Services	2,025				2,025
Culture & Recreation	870				870
Coastal Resources	23,742				23,742
Employee Benefits	2,315				2,315
To fund capital budget	900,000				900,000
subtotal	988,285				988,285
Unassigned	5,702,643	(4,919,459)		(191,782)	591,402
Total	<u>\$ 11,297,256</u>	<u>\$ (4,919,459)</u>	<u>\$</u>	<u>\$ 14,503,496</u>	<u>\$ 20,881,293</u>

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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, 2015, the Town maintained a balance of \$1,847,607 in its stabilization fund.

In addition, the general fund unassigned fund balance included a deficit of \$19,201 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.

D. Restricted Net Position

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

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

Special Revenue Fund balances:		
Community Preservation Act Fund	\$	2,368,107
Other special revenue funds		1,290,482
Permanent Funds:		
Expendable		123,003
Non-expendable		772,049
Total restricted net position	\$	<u>4,553,641</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. OPEB funds are invested in accordance with MGL Chapter 203c. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. At June 30, 2015 (primary government) deposits totaled \$25,913,533 and had a carrying amount of \$24,885,353. Of the deposit amount, \$1,496,053 was exposed to custodial credit risk at June 30, 2015 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, 2015 the carrying amount of deposits for the Component Unit totaled \$113,233. The total bank balance was covered by Federal Depository Insurance.

TOWN OF CHATHAM, MASSACHUSETTS
Notes to Financial Statements
June 30, 2015

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	\$ 1,001,575	Aaa	\$	\$	\$1,001,575	\$ -
Common Stock	867,043	N/A	867,043			
MMDT	1,665,453	N/A	1,665,453			
Money Market Securities	244,812	N/A	244,812			
Certificates of Deposit	1,208,671	N/A		872,034	336,637	
Mutual Funds	409,300	N/A	409,300			
Corporate Bonds	664,872	A1 - Baa1		183,028	481,844	
Total governmental activities	<u>\$ 6,061,726</u>		<u>\$ 3,186,608</u>	<u>\$ 1,055,062</u>	<u>\$1,820,056</u>	<u>\$ -</u>
Common Stock	65,359	N/A	65,359			
Money Market Securities	405	N/A	405			
Mutual Funds	40,477	N/A	40,477			
Total fiduciary funds	<u>\$ 106,241</u>		<u>\$ 106,241</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	\$ 523,016	N/A	N/A
Bonds	1,135,603	Not provided	Not provided
Mutual Funds	<u>3,388,121</u>	N/A	N/A
Total component unit	<u>\$ 5,046,740</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. The Town's certificates of deposit are covered by FDIC insurance limits.

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

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

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

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:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Real estate and personal property taxes	\$ 705,770	\$ (116,000)	\$ 589,770
Tax liens, deferrals and foreclosures	573,100		573,100
Motor vehicle and other excise	281,172	(194,000)	87,172
Departmental and other	312,500	(44,000)	268,500
Betterments and special assessments	527,528		527,528
Intergovernmental:			
School Building Assistance	2,348,036		2,348,036
State Highway Awards – Chapter 90	2,108,650		2,108,650
Total on governmental fund basis	<u>6,856,756</u>		<u>6,856,756</u>
Totals on entity-wide basis	<u>\$ 6,856,756</u>	<u>\$ (354,000)</u>	<u>\$ 6,502,756</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	\$ 316,033	\$	\$ 316,033
Unbilled water rates	672,000		672,000
Allowance for uncollectible		(29,000)	(29,000)
Totals	<u>\$ 988,033</u>	<u>\$ (29,000)</u>	<u>\$ 959,033</u>

Note 6. Other Receivables

The Massachusetts Clean Water Trust ("MCWT") interim note dated June 5, 2014 for \$24,240,000 (Note 11) was issued for the wastewater treatment facility project. The funds for this interim loans will be disbursed to the Town as reimbursements for the project. The note receivable is \$22,705,123 as of June 30, 2015 the town received \$1,534,877 during the year.

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

The Massachusetts Clean Water Trust (“MCWT”) interim note for \$4,458,767 (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 note receivable is \$610,914 as of June 30, 2015 the town received \$3,847,853 during the year.

The Massachusetts Clean Water Trust (“MCWT”) draw down outstanding noted above relates to a \$2,256,265 loan (Note 11) 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, 2015 was \$65,900.

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 30,779,609	\$ 710,000	\$	\$ 31,489,609
Construction in Progress	6,392,658	6,665,838	_____	13,058,496
Sub-total	37,172,267	7,375,838	_____	44,548,105
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	7,570,397	260,391	(56,596)	7,774,192
Infrastructure	19,390,991	229,888	_____	19,620,879
Sub-total	159,414,347	490,279	(56,596)	159,848,030
Less accumulated depreciation:				
Buildings and related improvements	23,812,796	3,025,720		26,838,516
Improvements other than buildings	7,840,337	492,493		8,332,830
Equipment, machinery & vehicles	4,869,888	530,340	(25,638)	5,374,590
Infrastructure	11,743,173	292,971	_____	12,036,144
Sub-total	48,266,194	4,341,524	(25,638)	52,582,080
Governmental capital assets, net	<u>\$ 148,320,420</u>	<u>\$ 3,524,593</u>	<u>\$ (30,958)</u>	<u>\$ 151,814,055</u>
<u>Business-type activities:</u>				
<u>Water Activities</u>				
Capital assets not being depreciated:				
Land	\$ 938,433	\$	\$	\$ 938,433
Construction in progress	225,100	441,122	_____	666,222
Sub-total	1,163,533	441,122	_____	1,604,655
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	287,261	_____	33,767,992
Sub-total	35,760,331	287,261	_____	36,047,592
Less accumulated depreciation:				
Buildings and related improvements	333,413	53,655		387,068
Improvements other than buildings	133,893	34,669		168,562
Equipment, machinery & vehicles	68,956	21,158		90,114
Infrastructure	19,666,964	670,177	_____	20,337,141
Sub-total	20,203,226	779,659	_____	20,982,885
Water activities capital assets, net	16,720,638	(51,275)	_____	16,669,362
<u>Wood Waste Activities</u>				
Land	2,225,000	_____	_____	2,225,000
Wood Waste activities capital assets, net	2,225,000	_____	_____	2,225,000
Business-Type capital assets, net	<u>\$ 18,945,638</u>	<u>\$ (51,275)</u>	<u>\$</u>	<u>\$ 18,894,362</u>

TOWN OF CHATHAM, MASSACHUSETTS
Notes to Financial Statements
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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Component unit activities:</u>				
Capital assets not being:				
Equipment & Furniture	\$ 351,646	\$ 23,847	\$	\$ 375,493
Less accumulated depreciation:				
Equipment & Furniture	<u>337,825</u>	<u>7,017</u>	<u> </u>	<u>344,842</u>
Component unit capital assets, net	<u>\$ 13,821</u>	<u>\$ 16,830</u>	<u>\$</u>	<u>\$ 30,651</u>

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

Governmental activities:

General government	\$ 170,383
Public safety	572,038
Education	605,045
Public works	2,331,849
Health and human services	20,426
Culture and recreation	400,929
Coastal resources	240,854
Total depreciation expense – governmental activities	<u>\$ 4,341,524</u>

Business-type activities:

Water/Total	<u>\$ 779,659</u>
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Component unit activities:

Eldredge Public Library/Total	<u>\$ 7,017</u>
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Note 8. Interfund balances and activity

Other governmental funds were due, \$1,515,471, from the Wastewater Facility fund at June 30, 2015.

Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Business-Type Water Fund</u>	<u>Business- Type Wood Waste Fund</u>	<u>Fiduciary- OPEB Fund</u>
Amounts transferred from Waterways Improvement to fund FY 2015 operating budget	\$ 450,000	\$ (450,000)	\$	\$	\$
Amounts transfer from Land Bank Fund to supplement FY 2015 budget	902,031	(902,031)			
Amounts transferred from Wetlands Protection Funds to supplement FY 2015 budget	10,000	(10,000)			
Amounts transferred to general fund from insurance proceeds received	47,377	(47,377)			
Amounts transferred from Railroad Museum fund to supplement FY 2015 budget	3,263	(3,263)			
Amounts transferred from PEG Access fund to supplement FY 2015 budget	30,000	(30,000)			
Amounts transferred from Cemetery Perpetual Care to supplement FY 2015 budget	1,000	(1,000)			
Amounts transferred from General Fund to Pleasant Bay Alliance Management Fund to fund Operations	(32,774)	32,774			
Amounts transferred to cultural council	(4,000)	4,000			
Amounts transferred to fund depot road project	(698,495)	698,495			
Amounts transferred to OPEB Fund	(150,000)				150,000
General Fund funding of Water Fund	(400,000)		400,000		
Amounts transferred from Water Fund to fund Indirect costs appropriated in General Fund	<u>272,889</u>		<u>(272,889)</u>		
Totals on budgetary basis	431,291	(708,402)	127,111		150,000

TOWN OF CHATHAM, MASSACHUSETTS
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	General Fund	Other Governmental Funds	Business-Type Water Fund	Business Type Wood Waste Fund	Fiduciary- OPEB Fund
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	(272,889)	_____	272,889	_____	_____
Totals on governmental fund basis	<u>\$ (31,898)</u>	<u>\$ (708,402)</u>	<u>\$ 400,000</u>	<u>\$ 190,300</u>	<u>\$ 150,000</u>

Note 9. Long-term obligations

Long-term debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

Purpose	Balance June 30, 2014	Additions	(Reductions)	Balance June 30, 2015	Current Portion
Governmental activities:					
MCWT Septic betterment subsidized bond, due 2023	\$ 76,023	\$	\$ (10,828)	\$ 65,195	\$ 10,829
Municipal purposes-refunding, 3.98%, due 2021	349,682	_____	(139,894)	209,788	49,894
Municipal purposes-refunding, 2.5%-5.0%, due 2016	1,035,000	_____	(345,000)	690,000	345,000
Municipal purposes, 3.75%-4.1%, due 2025	2,390,000	_____	(325,000)	2,065,000	325,000
Municipal purposes, subsidized, due 2025	30,000	_____	(2,500)	27,500	2,500
Municipal purposes - refunding, 3.0%-5.0%, due 2019	4,780,000	_____	(1,070,000)	3,710,000	1,055,000
Municipal purposes, 3.0% - 5.0%, due 2028	8,800,000	_____	(860,000)	7,940,000	860,000
Municipal purposes, 3.0% - 5.0%, due 2038	-	10,320,000	_____	10,320,000	440,000
MCWT Wastewater Treatment Facility, 2.0%, due 2028	2,875,950	_____	(143,470)	2,732,480	146,368
Municipal purposes, 2.0% - 5.0%, due 2037	19,395,000	_____	(1,010,000)	18,385,000	1,005,000
USDA Sewer Bond, 2.75%, due 2049	20,418,754	_____	(583,393)	19,835,361	583,393
USDA Sewer Bond, 2.75%, due 2049	1,668,136	_____	(47,662)	1,620,474	47,662
MCWT Wastewater Treatment Facility, 2.0%, due 2032	7,214,803	_____	(310,759)	6,904,044	317,513
MCWT Wastewater Treatment Facility, 0.0%, due 2033	2,145,052	-	(111,380)	2,033,672	111,547
MCWT Wastewater Treatment Facility, 0.0%, due 2035	-	3,847,853	-	3,847,853	189,664
Total long-term bonds	71,178,400	14,167,853	(4,959,886)	80,386,367	5,489,370
Landfill closure and monitoring liability	250,000	_____	(25,000)	225,000	25,000
Net pension liability	15,922,571	134,682	_____	16,057,253	_____
Other post employment benefits	10,074,477	1,317,825	(919,259)	10,473,043	_____
Compensated absences	889,364	136	_____	889,500	_____
Total governmental noncurrent liabilities	<u>\$ 98,314,812</u>	<u>\$ 15,620,496</u>	<u>\$ (5,904,145)</u>	<u>\$ 108,031,163</u>	<u>\$ 5,514,370</u>
Business-type activities:					
Water Activities					
Land acquisition, 5.23%, due 2014	\$ 15,318	\$	\$ (5,106)	\$ 10,212	\$ 5,106
Municipal purposes-refunding, 3.98%, due 2021	520,000	_____	(200,000)	320,000	90,000
Municipal purposes, 3.75% - 4.1%, due 2025	1,865,000	_____	(160,000)	1,705,000	155,000
Municipal purposes, 4.25%, due 2049	437,500	_____	(12,500)	425,000	12,500
Municipal purposes, 3.0% - 5.0%, due 2028	445,000	_____	(35,000)	410,000	35,000
Municipal purpose - refunding, 3.0% - 5.0%, due 2019	250,000	_____	(50,000)	200,000	50,000
Municipal purpose, 2.0% - 5.0%, due 2032	1,345,000	_____	(80,000)	1,265,000	80,000
Municipal purposes, 3.0% - 5.0%, due 2038	-	1,630,000	_____	1,630,000	235,000
Total long-term bonds payable	4,877,818	1,630,000	(542,606)	5,965,212	662,606
Net pension liability	2,592,000	22,000	_____	2,614,000	_____
Compensated absences	7,196	_____	(4,296)	2,900	_____
Total water activities noncurrent liabilities	<u>\$ 7,477,014</u>	<u>\$ 1,652,000</u>	<u>\$ (546,902)</u>	<u>\$ 8,582,112</u>	<u>\$ 662,606</u>
Wood Waste Activities					
Land acquisition, 3.0% - 5.0%, due 2028	\$ 875,000	\$	\$ (150,000)	\$ 725,000	\$ 145,000
Total wood waste activities noncurrent liabilities	875,000	_____	(150,000)	725,000	145,000
Total business-type activities noncurrent liabilities	<u>\$ 8,352,014</u>	<u>\$ 1,652,000</u>	<u>\$ (696,902)</u>	<u>\$ 9,307,112</u>	<u>\$ 807,606</u>
Component unit activities:					
Compensated absences	\$ 15,330	\$	\$ 6,171	\$ 21,501	\$
Total component unit activities noncurrent liabilities	<u>\$ 15,330</u>	<u>\$</u>	<u>\$ 6,171</u>	<u>\$ 21,501</u>	<u>\$</u>

TOWN OF CHATHAM, MASSACHUSETTS

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June 30, 2015

Outstanding Massachusetts Clean Water Trust (“MCWT”) bonds are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that the Commonwealth of Massachusetts will subsidize the interest portion of the debt service via contract payments to MCWT (and MCWT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide 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, 2015, including interest, are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,489,370	\$2,424,490	\$7,913,860	\$807,606	\$273,331	\$1,080,937
2017	5,484,679	2,206,504	7,691,183	807,606	235,585	1,043,191
2018	5,084,766	2,024,352	7,109,118	737,500	202,405	939,905
2019	4,556,041	1,870,240	6,426,281	737,500	173,123	910,623
2020	3,936,995	1,710,242	5,647,237	687,500	140,099	827,599
2021 – 2025	17,214,751	6,769,886	23,984,637	1,877,500	398,463	2,275,963
2026 – 2030	14,502,738	4,430,798	18,933,536	667,500	121,853	789,353
2031 – 2035	11,802,292	2,784,395	14,586,687	192,500	51,494	243,994
2036 – 2040	6,635,275	1,400,527	8,035,802	62,500	31,875	94,375
2041 – 2045	3,155,275	670,713	3,825,988	62,500	18,594	81,094
2046 – 2050	2,524,185	231,798	2,755,983	50,000	5,310	55,310
Totals	<u>\$80,386,367</u>	<u>\$26,523,945</u>	<u>\$106,910,312</u>	<u>\$ 6,690,212</u>	<u>\$1,652,132</u>	<u>\$8,342,344</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, 2015:

<u>Purpose</u>	<u>Year(s) Authorized</u>	<u>Amount</u>
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	200,000
Ell Street and Sky Way Improvements	2009	25,000
Mill Pond Wells	2012	650,000
Water main replacement	2012	720,000
Wastewater Treatment Facility	2013	761,233
Fire Station Design and Construction	2014	566,635
Iron & Manganese Treatment Facility	2014	5,533,000
Wastewater Treatment Facility	2014	3,040,000
		<u>\$ 12,370,868</u>

TOWN OF CHATHAM, MASSACHUSETTS
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June 30, 2015

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, 2015.

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, 2015.

Note 10. Deferred outflows and deferred inflows of resources

The following is a summary of the Town's deferred outflows of resources and deferred inflows of resources as of June 30, 2015.

Governmental activities:	<u>June 30, 2015</u>
Deferred outflows of resources:	
Net difference between projected and actual pension earnings	\$ 27,976
Unamortized bond costs	<u>42,365</u>
Total deferred outflows of resources	<u>\$ 70,341</u>
Deferred inflow of resources:	
Deferred revenues	\$ 2,108,650
Unamortized bond premiums	<u>1,676,783</u>
Total deferred inflows of resources	<u>\$ 3,785,433</u>
Business-type activities-	
Deferred outflows of resources:	
Net difference between projected and actual pension earnings	\$ 4,000
Unamortized bond costs	<u>3,461</u>
Total deferred outflows of resources	<u>\$ 7,461</u>
Deferred inflow of resources:	
Unamortized bond premiums	<u>\$ 15,721</u>
Governmental funds	
Deferred inflows of resources	
Deferred revenues	<u>\$ 4,544,319</u>

Note 11. Temporary borrowings

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

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs and RANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

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

Changes in the Town's short-term debt for the year ended June 30, 2015 are as follows:

<u>Governmental Activities</u>							
<u>Type/ Dated Date</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2014</u>	<u>Issued</u>	<u>Retirements/ Bonded</u>	<u>Balance June 30, 2015</u>
MA Clean Water Trust - Interim Loan 6/5/2014	Municipal Purposes	2.0%	N/A	\$ 24,240,000	\$	\$ 3,469,583	\$ 20,770,417
MA Clean Water Trust Interim Loan 8/15/2014	Municipal Purposes	0.10%	N/A	4,458,767		3,847,853	610,914
MA Clean Water Trust Interim Loan 6/5/2014	Municipal Purposes	2.0%	N/A		3,469,583		3,469,583
ARRA Principal Forgiveness Portion of Interim Note	Municipal Purposes	N/A	N/A	1,435,011			1,435,011
BAN 6/26/2015	Municipal Purposes	0.60%	6/24/2016		500,000		500,000
BAN 6/17/2014	Municipal Purposes	0.43%	6/26/2015	2,570,000		2,570,000	-
Total Governmental Activities				<u>\$ 32,703,778</u>	<u>\$3,969,583</u>	<u>\$ 9,887,436</u>	<u>\$ 26,785,925</u>
<u>Business-Type Activities</u>							
<u>Type/ Dated Date</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2014</u>	<u>Issued</u>	<u>Retirements/ Bonded</u>	<u>Balance June 30, 2015</u>
<u>Water Activities:</u>							
BAN 6/17/2014	Municipal Purposes	0.43%	6/26/2015	\$1,410,000	\$ -	\$ 1,410,000	\$ -
Total Business-Type Activities				<u>\$1,410,000</u>	<u>\$ -</u>	<u>\$ 1,410,000</u>	<u>\$ -</u>

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. The ARRA principal forgiveness portion of interim loan above was issued by the MCWT 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, 2015.

Note 12. Employee Benefits

A. Retirement Benefits

Plan Description

The Barnstable County Retirement Association (the "Association" or "Plan") is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Barnstable County Retirement Board (the "Board"), with the exception of school department employees who serve in a teaching capacity. The Town is a member of the Monomoy Regional School District. The pensions for these school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System ("MTRS"). Accordingly, the District is responsible for the associated benefits. Membership in the Association is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. As of January 1, 2014, the Association had 50 participating employers.

TOWN OF CHATHAM, MASSACHUSETTS

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The Association is a member of the Massachusetts Contributory Retirement System and is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (“M.G.L.”) and other applicable statutes. The Public Employee Retirement Administration Commission (“PERAC”) is the state agency responsible for oversight of the Commonwealth’s public retirement systems. The Association is governed by a five member Board who establish the policies under which the Association operates. The Association has issued a publicly available financial report that includes audited financial statements and required supplementary information for the year ended December 31, 2014, which may be obtained by writing to the Association directly at the following address: Barnstable County Retirement Association, 750 Attucks Lane, Hyannis, MA 02601.

Benefits Provided:

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

Contributions:

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

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

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

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

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system’s funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town’s statutorily required contribution for the year was \$1,734,970, which was net of the discount of approximately \$20,000.

TOWN OF CHATHAM, MASSACHUSETTS
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June 30, 2015

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

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

	2014
Total pension liability	\$1,426,632,712
Less: Plan fiduciary net position	(862,069,292)
Net pension liability	\$ 564,563,420
Plan fiduciary net position as a percentage of the total pension liability	60.43%
Total employer pension expense	\$ 55,332,919
Town's proportionate share of the collective net pension liability	\$ 18,671,253
Town's percentage share of the collective net pension liability	3.30%
Town's covered payroll	\$ 8,674,713
Town's proportionate share of pension expense recognized	\$ 1,829,972

The Town's proportionate share of collective deferred outflows of resources of \$966,861 as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$31,976. This amount is to be recognized in future pension expense as follows:

Year ended June 30,		
2016	\$	7,994
2017		7,994
2018		7,994
2019		7,994
	\$	31,976

Actuarial Assumptions:

Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Payments increase at 4.0%, except for 2010 Early Retirement Incentive, which is at a level payment.
Inflation Rate:	4.0%
Asset Valuation Method:	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Projected Salary Increases:	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.5% for Group 2, and 4.75% for Group 4.
Cost of Living Adjustments:	3.0% of the first \$15,000 of retirement income.

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Mortality Rates:

Pre-retirement:	The RP-2000 Employee Mortality Table projected generationally with Scale AA from 2010.
Healthy Retiree:	The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2010.
Disabled Retiree:	The RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally using Scale AA from 2010.

The pension plan's policy in regards to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighing the expected future real rates of return by the target asset allocation percentage and by addition expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	20.0%	6.6%
International developed markets equity	16.0%	7.1%
International emerging markets equity	7.0%	9.4%
Core fixed income	13.0%	2.2%
High-yield fixed income	10.0%	4.7%
Real estate	10.0%	4.4%
Commodities	4.0%	4.4%
Hedge fund, GTAA, Risk parity	10.0%	3.9%
Private equity	10.0%	11.7%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis:

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the Plan's and the Town's proportionate share of the collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at December 31, 2014:

TOWN OF CHATHAM, MASSACHUSETTS
Notes to Financial Statements
June 30, 2015

	1% Decrease to 6.75%	Current Discount Rate 7.75%	1% Increase to 8.75%
BCRA - Total Plan	\$ 727,809,353	\$ 564,563,420	\$ 426,139,334
Town's proportionate share	\$ 24,070,126	\$ 18,671,253	\$ 14,093,289

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.

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 200 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid.

Annual OPEB Cost and Net OPEB Obligation

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	\$	1,162,949
Interest on net OPEB obligation		604,469
Adjustment to annual required contribution		(449,593)
Annual OPEB cost (expenses)		1,317,825
Contributions made		(919,259)
Increase in net OPEB obligation		398,566
Net OPEB obligation, beginning year		10,074,477
Net OPEB obligation, end of year	\$	10,473,043

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$1,317,825	69.76%	\$ 10,473,043
6/30/2014	\$1,219,999	60.14%	\$ 10,074,477
6/30/2013	\$1,174,095	63.62%	\$ 9,588,138

TOWN OF CHATHAM, MASSACHUSETTS
Notes to Financial Statements
June 30, 2015

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]
6/30/2014	\$ 102,543	\$ 16,771,422	\$ 16,668,879	0.61%	N/A	N/A
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 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: 6.0% per annum

Medical/Drug Cost Trend Rates: 10.0% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate rate of 5.0% per year for participants under 65 years old. 10.0% decreasing by 0.5% for 10 years to an ultimate rate of 5.0% per year for participants over 65 years old.

Dental Cost Trend Rate: None

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: 24 years at June 30, 2014

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.

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

As of June 30, 2015, \$225,000 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. The current portion of the landfill closure is \$25,000. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 14. Risk Management

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

Note 15. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Note 16. Monomoy Regional School District

July 1, 2012 was the official start date for the Monomoy Regional School District (the District), comprised of the Town of Harwich and 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.

TOWN OF CHATHAM, MASSACHUSETTS
Notes to Financial Statements
June 30, 2015

17. Restatement of Certain Beginning Balances

The following table illustrates certain reclassifications of beginning net position:

<u>Governmental Activities</u>			
Net position as of June 30, 2014	\$ 79,314,145		
Implementation of GASB 68			
Town's share of net pension liability	(15,922,571)		
Net position, restated as of July 1, 2014	\$ 63,391,574		
 <u>Business-type Activities</u>			
	<u>Total</u>	<u>Water</u>	<u>Wood Waste</u>
Net position as of June 30, 2014	\$16,068,540	\$14,535,666	\$1,532,874
Implementation of GASB 68			
Town's share of net pension liability	(2,592,000)	(2,592,000)	-
Net position, restated as of July 1, 2014	\$ 13,476,540	\$ 11,943,666	\$ 1,532,874

Note 18. Implementation of GASB Pronouncements

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

Current pronouncements

The GASB issued Statement #68, Accounting and Financial Reporting for Pension, which was required to be implemented in fiscal year 2015. The pronouncement required 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 Town implemented the pronouncement.

The GASB issued Statement #71, Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB #68, which was required to be implemented in fiscal year 2015. 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 Town implemented the pronouncement.

Future pronouncements

The GASB issued Statement #72, Fair Value Measurement and Application, which is required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #75, Financial Reporting for Postemployment Benefit Plans Other Than Pensions, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town expects the implementation of the pronouncement to have a material effect on the financial statements.

The GASB issued Statement #76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is required to be implemented in fiscal year 2017. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles ("GAAP"). The Town expects to implement the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHATHAM, MASSACHUSETTS
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2015

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and payments in lieu	\$ 29,330,563	\$ 29,330,563	\$ 29,617,763	\$ 287,200
Excise taxes	2,280,000	2,280,000	2,855,815	575,815
Licenses and permits	770,000	770,000	1,104,524	334,524
Penalties and interest	100,000	100,000	178,476	78,476
Investment interest	19,000	19,000	24,263	5,263
Charges for services	2,140,000	2,140,000	2,443,067	303,067
Special assessments	100,000	100,000	106,538	6,538
Fees and fines	50,000	50,000	59,324	9,324
Departmental and other	433,352	433,352	1,172,571	739,219
Intergovernmental	1,140,498	1,140,498	1,138,877	(1,621)
Total revenues	<u>36,363,413</u>	<u>36,363,413</u>	<u>38,701,218</u>	<u>2,337,805</u>
Expenditures				
General government	4,374,242	3,187,497	2,805,313	382,184
Public safety	5,399,364	5,873,984	5,896,910	(22,926)
Education	8,107,094	8,107,094	8,107,093	1
Public works	6,441,995	5,335,674	5,288,280	47,394
Community planning and development	943,659	785,509	654,997	130,512
Health & human services and coastal resources	3,172,819	2,174,640	2,140,209	34,431
Community and social services	1,022,398	1,020,373	967,510	52,863
Employee benefits	4,144,074	4,181,759	4,178,033	3,726
State and county assessments	675,551	675,551	669,675	5,876
Debt service	7,658,244	7,333,244	7,168,547	164,697
Total expenditures	<u>41,939,440</u>	<u>38,675,325</u>	<u>37,876,567</u>	<u>798,758</u>
Revenues over (under) expenditures	(5,576,027)	(2,311,912)	824,651	3,136,563
Other financing sources (uses)				
Transfers in from other funds	1,221,031	1,221,031	1,716,559	495,528
Transfers out to other funds	(550,000)	(550,000)	(1,285,268)	(735,268)
Total other financing sources	<u>671,031</u>	<u>671,031</u>	<u>431,291</u>	<u>(239,740)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(4,904,996)	(1,640,881)	<u>\$ 1,255,942</u>	<u>\$ 2,896,823</u>
Other budget items				
Free cash appropriations	2,098,494	2,098,494		
Prior year overlay deficits	(21,785)	(21,785)		
Carryover encumbrances and articles	2,828,287	(435,828)		
Total other budget items	<u>4,904,996</u>	<u>1,640,881</u>		
Net budget	<u>\$</u>	<u>\$</u>		

TOWN OF CHATHAM, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2015

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 Budgetary Comparison Schedule – General Fund, 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, 2015, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 38,701,218	\$ 37,876,567	\$ 431,291
Adjustment of property tax revenues to modified accrual basis	(217,950)		
MCWT subsidy accrual	5,127	5,127	
Stabilization fund, net activity	20,086		-
Adjustment for waste wood reclamation fund debt service payments		(190,300)	(190,300)
Adjustment for budgeted allocation of water fund overhead costs		(272,889)	(272,889)
	<hr/>	<hr/>	<hr/>
As reported on a GAAP basis	\$ 38,508,481	\$ 37,418,505	\$ (31,898)

See Independent Auditors’ Report

TOWN OF CHATHAM, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Funding Progress – Other Post Employment Benefits (“OPEB”) Plan
 June 30, 2015

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]
6/30/2014	\$ 102,543	\$ 16,771,422	\$ 16,668,879	0.61%	N/A	N/A
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%

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 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: 6.0% per annum

Medical/Drug Cost Trend Rates: 10.0% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate rate of 5.0% per year for participants under 65 years old. 10.0% decreasing by 0.5% for 10 years to an ultimate rate of 5.0% per year for participants over 65 years old.

Dental Cost Trend Rate: None

General Inflation Assumption: 4.0% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 24 years at June 30, 2014

TOWN OF CHATHAM, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Contributions – Pension Plan
 June 30, 2015

Schedule of Contributions – Pension Plan

1. Barnstable County Retirement Association

The Barnstable County Retirement Association (the “Association”) is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all eligible employees of the governmental member units, with the exception of school department employees who serve in a teaching capacity. Based upon the actuarial valuation date of the Association of January 1, 2014, the following is presented:

	2014
Total pension liability	\$ 1,426,632,712
Less: Plan fiduciary net position	(862,069,290)
Net pension liability	\$ 564,563,420
Plan fiduciary net position as a percentage of total pension liability:	60.43%
Town's proportionate/allocated share of the collective net pension liability:	\$ 18,671,253
Town's proportionate share of pension expense:	\$ 1,829,972
Town's proportionate share of collective net pension liability as a percentage of the total:	3.30%
Actuarially determined contributions:	\$ 1,734,970
Contributions in relation to the actuarial determined contribution:	1,734,970
Contribution deficiency (excess):	\$ -
Town's covered payroll:	\$ 8,674,713
Town's contributions as a percentage of covered payroll:	20.00%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll:	215.2%

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

See Independent Auditor's Report.