

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

TOWN OF CHATHAM, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and the Town's contributions to pension plan, the schedules of the Town's proportionate share of other postemployment benefit liability and the Town's contributions to other postemployment liability, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Scappini & Pina, P.C.

Norwell, Massachusetts

March 30, 2020



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

To the Honorable Board of Selectmen
Town of Chatham, Massachusetts

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Scappini & Pina, P.C.

Norwell, Massachusetts

March 30, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the accompanying pages of this report.

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

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

Government-Wide Financial Analysis:

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

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

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

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

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

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

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

Total Revenues

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

General Revenues

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

Program Revenues

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

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

Expenses

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

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

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

Operating Revenues

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

Expenses

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

Financial Analysis of the Government's Fund Financial Statements

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

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

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

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

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

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

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

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

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

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

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

Contacting the Town's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

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

Net effect of reporting capital assets 2,858,416

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

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

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

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

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

Net effect of recognition of revenue (333,119)

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

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

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

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

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

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

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

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

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

Note 1: Organization and Reporting Entity

A. Organization

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

B. Reporting Entity

General

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

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

Joint Ventures

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

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

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

Related Organizations

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

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

The following governmental fund types are used by the Town:

Governmental Funds:

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

Major Funds

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

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

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

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

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

C. Cash, Cash Equivalents and Investments

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

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

D. Interfund Receivables and Payables

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

E. Receivables

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

F. Capital Assets

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

Government- wide Statements

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

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

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

Fund Financial Statements

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

G. Deferred Outflows and Deferred Inflows

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

H. Long-Term Obligations

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

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

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

I. Compensated Absences

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

J. Equity Classifications

Government- wide Statements

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

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

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

Fund Financial Statements

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

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

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

K. Use of Estimates

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

L. Total Columns

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

Note 3: Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

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

B. Budgetary basis of accounting

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

C. Fund Equities

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

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

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

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

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

D. Restricted Net Position

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

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

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

Note 4: Cash, Cash Equivalents, and Investments

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

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

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

The Town’s investments are as follows:

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

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

The Component Unit's investments are as follows:

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

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

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

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

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

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

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

Note 5: Receivables

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

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

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

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

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

Note 6. Other Receivables

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

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

Note 7: Capital Assets

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

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

Business-type Activities:

Water Activities

Capital assets not being depreciated:

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

Capital assets being depreciated:

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

Less accumulated depreciation for:

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

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

Capital assets not being depreciated:

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

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

Capital assets being depreciated:

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

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

Governmental Activities:

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

Business-type Activities:

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

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

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

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

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

(1) Transfers to general fund to supplement operating budgets

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

Note 9: Long-Term Obligations

Long-term debt

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

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

Business-type Activities:Water Activities

Municipal purposes-refunding, 3.98%, due 2021	\$ 110,000	\$ -	(30,000)	\$ 80,000	\$ 30,000
Municipal purposes, 4.25%, due 2049	387,500		(12,500)	375,000	12,500
Municipal purposes, 3.0% - 5.0%, due 2028	30,000		(30,000)	-	
Municipal purposes - refunding, 3.0% - 5.0%, due 2019	50,000		(50,000)	-	
Municipal Purposes-refunding 2.0% - 4.0%, due 2028	1,399,600		(142,000)	1,257,600	172,500
Municipal purposes, 2.0% - 5.0%, due 2032	1,025,000		(80,000)	945,000	80,000
Municipal purposes, 3.0% - 5.0%, due 2038	925,000		(235,000)	690,000	235,000
Municipal Purposes, 3.0% - 5.0%, due 2029		1,052,500	-	1,052,500	107,500
MCWT Drinkwater 14-06, 02.0%, due 2038	-	9,274,815	-	9,274,815	375,175
Total long-term bonds payable	3,927,100	10,327,315	(579,500)	13,674,915	1,012,675
Compensated absences	5,600	200		5,800	-
Net pension liability	3,075,000	794,010	(285,010)	3,584,000	-
Total Water Activities	\$ 7,007,700	\$ 11,121,525	\$ (864,510)	\$ 17,264,715	\$ 1,012,675
<u>Wood Waste Activities</u>					
Municipal Purposes-refunding 2.0% - 4.0%, due 2028	\$ 142,000	\$ -	\$ -	\$ 142,000	\$ 142,000
Land Acquisition, 3.0% - 3.5%, due 2020	145,000	-	(145,000)	-	-
Total long-term bonds payable	287,000	-	(145,000)	142,000	142,000
Total Waste Wood Activities	\$ 287,000	\$ -	\$ (145,000)	\$ 142,000	\$ 142,000
Total Business-Type Activities	\$ 7,294,700	\$ 11,121,525	\$ (1,009,510)	\$ 17,406,715	\$ 1,154,675

Component Unit:

Compensated absences	\$ 5,936	\$ 8,130	\$ -	\$ 14,066	\$ -
Total Component Unit	\$ 5,936	\$ 8,130	\$ -	\$ 14,066	\$ -

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

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

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

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

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

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

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

Lease Obligations

A. Operating Leases

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

B. Capital Leases

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

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

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

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

Note 10. Deferred outflows and deferred inflows of resources

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

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

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

Note 11: Temporary Borrowings

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

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

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

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

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

Note 12: Employee Benefits

A. Retirement Benefits

Plan Description

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

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

Benefits Provided:

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial Assumptions:

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

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

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

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

Discount Rate:

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

Sensitivity Analysis:

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

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

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

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

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

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

B. Compensated Absences

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

C. Other Post-Employment Benefits

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

Annual OPEB Cost and Net OPEB Obligation

Plan Description:

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

Funding Policy:

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

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

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

Measurement Date:

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

Employees Covered by Benefit Terms:

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

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

Components of OPEB Liability:

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

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

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

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

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

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

Rate of return:

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

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

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

Discount rate:

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

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

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

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

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

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

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

Changes of Assumptions:

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

Changes in Plan Provisions:

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

Summary of Significant Accounting Policies:

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

Changes in the Net OPEB Liability:

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

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

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

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

Note 13: Landfill Closure and Postclosure Care Costs

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

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

Note 14: Risk Management

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

Note 15: Commitments and Contingencies

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

Note 16: Monomoy Regional School District

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

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

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

Note 17: Subsequent Events

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

Note 18: Implementation of GASB Pronouncements

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

Current pronouncements

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

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

Future pronouncements

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

TOWN OF CHATHAM, MASSACHUSETTS

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

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

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

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

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

See accompanying independent auditors' report.

Barnstable County Retirement Association

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

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

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

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

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

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

See accompanying independent auditors' report.

TOWN OF CHATHAM, MASSACHUSETTS

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

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

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

Schedule of the Town's Contributions

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

Changes in Assumptions:

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

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

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

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

Changes in Plan Provisions:

None.

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

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

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

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

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

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

See accompanying independent auditors' report.

TOWN OF CHATHAM, MASSACHUSETTS

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

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

The Other Postemployment Benefit Plan

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

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

Schedule of the Town’s Contributions

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

Changes in Assumptions:

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

Changes in Plan Provisions:

None.