

***TOWN OF CHATHAM, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2020***

TOWN OF CHATHAM, MASSACHUSETTS

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JUNE 30, 2020

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## **Independent Auditor's Report**

To the Honorable Select Board  
Town of Chatham, Massachusetts

## **Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## **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.

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Chatham, Massachusetts' discretely presented library component unit listed in Note 1. Those statements were audited by another auditor whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included in the discretely presented component unit financial statements referred to above, is based solely on the report of the other audit. 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.

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 unmodified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and qualified audit opinion on only the Eldredge Public Library discretely presented component unit audited by another auditor.

### **Basis for Qualified Opinion on the Eldredge Public Library**

The financial statements of the Eldredge Public Library were audited by another auditor and was included in the Town's basic financial statements as a discretely presented component unit. The other auditor would not provide assurance of their independence; therefore, no reliance could be placed on their opinion.

### **Qualified Opinion on the Eldredge Public Library**

In our opinion, based on the report of another auditor, except for the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements of the Eldredge Public Library referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of the Town of Chatham, Massachusetts, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified 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 of Chatham, Massachusetts, as of June 30, 2020, 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.

As part of our audit of the 2020 financial statements, we also audited the adjustments described in Note 16 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the Town other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 basic financial statements as a whole.

### **Other Matters**

#### *Required Supplementary Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2021, on our consideration of the Town of Chatham, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chatham, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

June 15, 2021, except for the library component unit listed in Note 1, which was audited by other auditors and whose report was dated on October 19, 2020.

# ***Management's Discussion and Analysis***

## Management's Discussion and Analysis

As management of the Town of Chatham, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis is part of these requirements.

### **Financial Highlights**

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$107.2 million (net position).
- As required by GASB Standards, the Town recognized their total net pension liability of \$24.7 million along with deferred outflows related to pension of \$3.3 million and deferred inflows related to pension of \$1.8 million on the statement of net position.
- As required by GASB Standards, the Town recognized their total net other postemployment benefits (OPEB) liability of \$19.1 million along with deferred outflows related to OPEB of \$1.2 million and deferred inflows related to OPEB of \$1.0 million on the statement of net position.
- The government's total net position increased by \$6.6 million. Of this increase, \$4.9 million is related to governmental activities and \$1.7 million is related to business-type activities.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$19.6 million, an increase of \$3.0 million in comparison with the prior year.
- The Town contributed an additional \$300,000 to its other postemployment benefits (OPEB) trust fund, which had a balance of \$1.8 million at the end of the current year.
- At the end of the current year, unassigned fund balance for the general fund was \$11.2 million, or 25.6% percent of total government expenditures

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Chatham's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets and liabilities, and deferred inflows/outflows of resources, with the difference between them 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 *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, natural resources, community

development, health and human services, culture and recreation, community preservation, claims and judgments, and interest. The business-type activities include water and wood waste reclamation facility operations.

The government-wide financial statements include not only the Town itself (known as the primary government), but also the Eldredge Public Library for which the Town contributes a majority of funding for their annual operations. Although it is legally separate, the library receives a significant portion of its annual operating budget from the Town of Chatham and, therefore, the financial information of this component unit is reported separately from the financial information presented for the primary government itself.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Chatham adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information following the notes to the basic financial statements to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its municipal water department and the wood waste reclamation facility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and wood waste reclamation facility operations, each of which are considered major funds of the Town.

**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 statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town maintains three different types of fiduciary funds. The other postemployment benefit trust fund is used to report resources held in trust for healthcare benefits for retirees and beneficiaries. The private purpose trust fund is used to report the Town's scholarship funds. The agency fund reports resources held by the Town in a custodial capacity for individuals, private organizations, and other governments.

**Notes to the basic 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.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. Chatham’s government-wide assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$107.2 million at the end of 2020. The Town’s total net position increased by \$6.6 million during 2020.

Comparative analysis of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, and transfers of the governmental and business-type activities are discussed herein.

**Governmental Activities**

	2020	2019 (As Restated)
<b>Assets:</b>		
Current assets.....	\$ 34,426,730	\$ 36,270,839
Capital assets, non depreciable.....	58,953,538	45,331,297
Capital assets, net of accumulated depreciation....	122,748,462	122,489,108
<b>Total assets.....</b>	<b>216,128,730</b>	<b>204,091,244</b>
<b>Deferred outflows of resources.....</b>	<b>4,423,282</b>	<b>5,804,275</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	2,065,426	3,047,657
Noncurrent liabilities (excluding debt).....	43,467,755	45,293,990
Current debt.....	13,375,527	16,863,841
Noncurrent debt.....	73,599,296	61,587,081
<b>Total liabilities.....</b>	<b>132,508,004</b>	<b>126,792,569</b>
<b>Deferred inflows of resources.....</b>	<b>2,772,208</b>	<b>2,744,067</b>
<b>Net position:</b>		
Net investment in capital assets.....	94,727,177	102,422,506
Restricted.....	6,083,586	10,567,197
Unrestricted.....	(15,538,963)	(32,630,820)
<b>Total net position.....</b>	<b>\$ 85,271,800</b>	<b>\$ 80,358,883</b>

For the Town’s governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$85.3 million at the close of 2020.

The results of operations of the governmental activities are discussed in the following paragraphs and tables. Net position of \$94.7 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental activities net position, \$6.1 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a

deficit of \$15.5 million. The deficit is primarily the result of the recognition of net pension liability of \$23.8 million along with the net other postemployment benefits liability of \$19.1 million. These are long-term unfunded liabilities that will not require significant short-term resources.

	2020	2019
<b>Program Revenues:</b>		
Charges for services.....	\$ 4,666,047	\$ 5,149,960
Operating grants and contributions.....	2,543,759	1,685,912
Capital grants and contributions.....	3,214,675	329,134
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	36,582,233	34,757,846
Tax and other liens.....	68,321	345,039
Motor vehicle and other excise taxes.....	1,710,053	1,770,741
Hotel/motel tax.....	1,898,640	1,470,224
Meals tax.....	450,046	473,860
Community preservation tax.....	1,238,491	917,062
Penalties and interest on taxes.....	128,257	224,433
Payments in lieu of taxes.....	34,043	37,458
Grants and contributions not restricted to specific programs.....	192,579	213,768
Unrestricted investment income.....	353,395	430,434
Gain (loss) on sale of capital assets.....	27,100	49,400
<b>Total revenues.....</b>	<b>53,107,639</b>	<b>47,855,271</b>
<b>Expenses:</b>		
General government.....	4,549,318	3,979,074
Public safety.....	10,795,696	10,458,371
Education.....	9,560,087	9,864,629
Public works.....	12,049,515	10,319,655
Community development.....	1,298,458	1,256,070
Health and human services.....	1,354,282	1,152,540
Culture and recreation.....	1,034,384	387,680
Natural resources.....	4,988,683	4,203,454
Community preservation.....	566,957	1,439,525
Claims and judgments.....	300,000	-
Interest.....	1,152,502	1,201,783
<b>Total expenses.....</b>	<b>47,649,882</b>	<b>44,262,781</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>5,457,757</b>	<b>3,592,490</b>
<b>Transfers.....</b>	<b>(544,840)</b>	<b>(710,105)</b>
<b>Change in net position.....</b>	<b>4,912,917</b>	<b>2,882,385</b>
<b>Net position, beginning of year (as restated).....</b>	<b>80,358,883</b>	<b>77,476,498</b>
<b>Net position, end of year.....</b>	<b>\$ 85,271,800</b>	<b>\$ 80,358,883</b>

The governmental activities net position increased by \$4.9 million during the current year. Key reasons for this increase included the receipt of \$3.2 million in capital grants and better than expected budgetary results. Charges for services came in lower than the previous year due to the COVID-19 shutdowns that took place statewide starting in March 2020.

Capital grant revenue came in higher than the previous year due to federal and state funding for the airport improvement project along with an increase in the community preservation fund state match.

Property taxes are the most significant revenue source for the Town’s governmental activities. They comprise 69% of all resources.

Approximately 20% of the Town’s expenses relate to education. Education expenses represent the Town’s assessments paid to the Monomoy Regional School District and the Cape Cod Regional Technical High School.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs incurred between March 1, 2020, and December 30, 2020, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. (See Note 16 for further information).

**Business-type Activities**

	2020	2019 (As Restated)
<b>Assets:</b>		
Current assets.....	\$ 5,844,708	\$ 7,341,288
Noncurrent assets (excluding capital).....	2,274,198	1,350,979
Capital assets, non depreciable.....	3,163,433	14,220,113
Capital assets, net of accumulated depreciation....	23,650,088	12,960,272
<b>Total assets.....</b>	<b>34,932,427</b>	<b>35,872,652</b>
<b>Deferred outflows of resources.....</b>	<b>118,814</b>	<b>136,808</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	154,160	755,796
Noncurrent liabilities (excluding debt).....	893,554	922,908
Current debt.....	939,393	1,154,675
Noncurrent debt.....	11,086,897	12,662,240
<b>Total liabilities.....</b>	<b>13,074,004</b>	<b>15,495,619</b>
<b>Deferred inflows of resources.....</b>	<b>64,708</b>	<b>316,710</b>
<b>Net position:</b>		
Net investment in capital assets.....	15,191,632	13,353,470
Unrestricted.....	6,720,897	6,843,661
<b>Total net position.....</b>	<b>\$ 21,912,529</b>	<b>\$ 20,197,131</b>

For the Town’s business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21.9 million at the close of 2020. Of this amount, \$15.2 million is net investment in capital assets, and the remaining balance of *unrestricted net position* is \$6.7 million.

	2020	2019
<b>Program Revenues:</b>		
Charges for services.....	\$ 4,459,060	\$ 3,232,180
<b>Expenses:</b>		
Water.....	3,278,330	3,000,736
Wood waste reclamation facility.....	10,172	21,259
<b>Total expenses.....</b>	<b>3,288,502</b>	<b>3,021,995</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>1,170,558</b>	<b>210,185</b>
<b>Transfers.....</b>	<b>544,840</b>	<b>560,105</b>
<b>Change in net position.....</b>	<b>1,715,398</b>	<b>770,290</b>
<b>Net position, beginning of year (as restated).....</b>	<b>20,197,131</b>	<b>19,426,841</b>
<b>Net position, end of year.....</b>	<b>\$ 21,912,529</b>	<b>\$ 20,197,131</b>

There was an increase of \$1.7 million in net position during the current year of which \$1.5 million related to water and \$170,000 related to the wood waste reclamation facility. The primary reason for the increase was the water tower lease revenue increasing in the current year.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$19.6 million, an increase of \$3.0 million from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$11.2 million, committed fund balance of the general fund totaled \$4.6 million, and \$2.7 million was assigned for encumbrances and for free cash voted for the 2021 budget. The total general fund balance of \$18.5 million has increased by \$963,000 during 2020. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25.6% of total general fund expenditures, while total fund balance represents 42.2% of that same amount.

The wastewater facility fund is used to account for construction of the Town's wastewater facility and related infrastructure. At the end of the current year, total fund balance was in a deficit totaling \$10.0 million which represents a decrease of \$234,000 from the prior year. The fund had expenditures totaling \$12.8 million and bond proceeds of \$12.6 million. The deficit will be funded with additional bond and grant proceeds in the future.

There was a \$2.2 million increase in nonmajor governmental funds, which reported \$8.4 million in revenues, \$8.9 million in expenditures, and net \$2.7 million in net other financing sources (uses) including \$3.5 million in bond proceeds, offset by net transfers of \$1.1 million.

### ***General Fund Budgetary Highlights***

The original 2020 approved budget for the general fund includes \$51.0 million in current year appropriations and other amounts to be raised.

Actual general fund revenues came in higher than budget by \$1.5 million. The largest surplus was hotel/motel tax of \$624,000 mainly due from short term rentals; followed by motor vehicle and other excise taxes of \$371,000 and departmental and other of \$355,000. These were mainly from the Town taking a conservative approach when budgeting revenue.

Actual general fund expenditures and encumbrances were approximately \$1.8 million less than budgeted.

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

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP).

During the current year, the Town acquired \$19.1 million in governmental activities capital assets consisting of \$17.2 million in construction in progress which included ongoing wastewater facility projects and the airport improvement project. In the business-type activities, the water enterprise fund expended \$713,000 for buildings and improvements and infrastructure.

The Town's governmental funds had total bonded debt outstanding of \$77.6 million at the end of the current year. Of this amount, \$44.7 million were through the Massachusetts Clean Water Trust.

The water enterprise fund has \$11.8 million in water debt that is fully supported by the rates and does not rely on a general fund subsidy. For further discussion please refer to Note 4 for major capital activity and Notes 7 and 8 for debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Chatham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 549 Main Street, Chatham, Massachusetts 02633.

# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Eldredge Public Library
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 16,220,154	\$ 5,052,851	\$ 21,273,005	\$ 251,532
Investments.....	3,899,155	-	3,899,155	6,607,670
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	816,588	-	816,588	-
Tax liens.....	233,228	-	233,228	-
Community preservation fund surtax.....	26,488	-	26,488	-
Motor vehicle and other excise taxes.....	295,668	-	295,668	-
User charges.....	64,215	734,226	798,441	-
Departmental and other.....	152,234	-	152,234	-
Intergovernmental - other.....	12,059,169	-	12,059,169	-
Community preservation state share.....	281,914	-	281,914	-
Special assessments.....	341,374	-	341,374	-
Apportioned leases.....	-	57,631	57,631	-
Tax foreclosures.....	36,543	-	36,543	-
Total current assets.....	34,426,730	5,844,708	40,271,438	6,859,202
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Apportioned leases.....	-	2,274,198	2,274,198	-
Capital assets, nondepreciable.....	58,953,538	3,163,433	62,116,971	-
Capital assets, net of accumulated depreciation.....	122,748,462	23,650,088	146,398,550	22,972
Total noncurrent assets.....	181,702,000	29,087,719	210,789,719	22,972
<b>TOTAL ASSETS.....</b>	<b>216,128,730</b>	<b>34,932,427</b>	<b>251,061,157</b>	<b>6,882,174</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions.....	3,197,403	118,814	3,316,217	-
Deferred outflows related to other postemployment benefits.....	1,225,879	-	1,225,879	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>4,423,282</b>	<b>118,814</b>	<b>4,542,096</b>	<b>-</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	775,402	27,814	803,216	5,381
Accrued payroll.....	363,679	6,055	369,734	-
Accrued interest.....	232,829	120,291	353,120	-
Other liabilities.....	138,596	-	138,596	-
Landfill closure.....	25,000	-	25,000	-
Compensated absences.....	529,920	-	529,920	17,005
Notes payable.....	8,174,858	-	8,174,858	-
Bonds payable.....	5,200,669	939,393	6,140,062	-
Total current liabilities.....	15,440,953	1,093,553	16,534,506	22,386
<b>NONCURRENT:</b>				
Landfill closure.....	75,000	-	75,000	-
Compensated absences.....	441,157	7,473	448,630	-
Net pension liability.....	23,845,399	886,081	24,731,480	-
Net other postemployment benefits liability.....	19,106,199	-	19,106,199	-
Bonds payable.....	73,599,296	11,086,897	84,686,193	-
Total noncurrent liabilities.....	117,067,051	11,980,451	129,047,502	-
<b>TOTAL LIABILITIES.....</b>	<b>132,508,004</b>	<b>13,074,004</b>	<b>145,582,008</b>	<b>22,386</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions.....	1,741,370	64,708	1,806,078	-
Deferred inflows related to other postemployment benefits.....	1,030,838	-	1,030,838	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>2,772,208</b>	<b>64,708</b>	<b>2,836,916</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets.....	94,727,177	15,191,632	109,918,809	22,972
Restricted for:				
Permanent funds:				
Expendable.....	1,290,511	-	1,290,511	-
Nonexpendable.....	990,419	-	990,419	-
Gifts and grants.....	77,924	-	77,924	-
Community preservation.....	3,724,732	-	3,724,732	-
Without donor restrictions.....	-	-	-	5,745,057
With donor restrictions.....	-	-	-	1,091,759
Unrestricted.....	(15,538,963)	6,720,897	(8,818,066)	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 85,271,800</b>	<b>\$ 21,912,529</b>	<b>\$ 107,184,329</b>	<b>\$ 6,859,788</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 4,549,318	\$ 776,803	\$ 280,465	\$ -	\$ (3,492,050)
Public safety.....	10,795,696	769,996	521,564	-	(9,504,136)
Education.....	9,560,087	-	72,801	-	(9,487,286)
Public works.....	12,049,515	2,334,495	79,103	2,932,761	(6,703,156)
Natural resources.....	4,988,683	103,086	1,392,776	-	(3,492,821)
Community development.....	1,298,458	51,009	-	-	(1,247,449)
Health and human services.....	1,354,282	56,330	36,440	-	(1,261,512)
Culture and recreation.....	1,034,384	574,328	15,910	-	(444,146)
Community preservation.....	566,957	-	-	281,914	(285,043)
Claims and judgments.....	300,000	-	-	-	(300,000)
Interest.....	1,152,502	-	144,700	-	(1,007,802)
<b>Total Governmental Activities.....</b>	<b>47,649,882</b>	<b>4,666,047</b>	<b>2,543,759</b>	<b>3,214,675</b>	<b>(37,225,401)</b>
<i>Business-Type Activities:</i>					
Water.....	3,278,330	4,423,384	-	-	1,145,054
Wood waste reclamation facility.....	10,172	35,676	-	-	25,504
<b>Total Business-Type Activities.....</b>	<b>3,288,502</b>	<b>4,459,060</b>	<b>-</b>	<b>-</b>	<b>1,170,558</b>
<b>Total Primary Government.....</b>	<b>\$ 50,938,384</b>	<b>\$ 9,125,107</b>	<b>\$ 2,543,759</b>	<b>\$ 3,214,675</b>	<b>\$ (36,054,843)</b>
<b>Component Unit:</b>					
Eldredge Public Library.....	\$ 1,021,519	\$ -	\$ 999,649	\$ -	\$ (21,870)

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Eldredge Public Library
<b>Changes in net position:</b>				
Net (expense) revenue from previous page.....	\$ (37,225,401)	\$ 1,170,558	\$ (36,054,843)	\$ (21,870)
<i>General revenues:</i>				
Real estate and personal property taxes, net of tax refunds payable.....	36,582,233	-	36,582,233	-
Tax and other liens.....	68,321	-	68,321	-
Motor vehicle and other excise taxes.....	1,710,053	-	1,710,053	-
Hotel/motel tax.....	1,898,640	-	1,898,640	-
Meals tax.....	450,046	-	450,046	-
Community preservation tax.....	1,238,491	-	1,238,491	-
Penalties and interest on taxes.....	128,257	-	128,257	-
Payments in lieu of taxes.....	34,043	-	34,043	-
Grants and contributions not restricted to specific programs.....	192,579	-	192,579	-
Unrestricted investment income.....	353,395	-	353,395	278,240
Gain (loss) on sale of capital assets.....	27,100	-	27,100	-
<i>Transfers, net</i> .....	(544,840)	544,840	-	-
Total general revenues and transfers.....	42,138,318	544,840	42,683,158	278,240
Change in net position.....	4,912,917	1,715,398	6,628,315	256,370
<i>Net position:</i>				
Beginning of year (as restated).....	80,358,883	20,197,131	100,556,014	6,603,418
End of year.....	\$ 85,271,800	\$ 21,912,529	\$ 107,184,329	\$ 6,859,788

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

	General	Wastewater Facility	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 7,113,132	\$ -	\$ 9,107,022	\$ 16,220,154
Investments.....	1,698,611	-	2,200,544	3,899,155
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	816,588	-	-	816,588
Tax liens.....	233,228	-	-	233,228
Community preservation fund surtax.....	3,378	-	23,110	26,488
Motor vehicle and other excise taxes.....	295,668	-	-	295,668
User charges.....	64,215	-	-	64,215
Departmental and other.....	128,090	-	24,144	152,234
Intergovernmental - other.....	-	8,174,858	3,884,311	12,059,169
Community preservation state share.....	-	-	281,914	281,914
Special assessments.....	341,374	-	-	341,374
Tax foreclosures.....	36,543	-	-	36,543
Due from other funds.....	9,990,999	-	-	9,990,999
<b>TOTAL ASSETS.....</b>	<b>\$ 20,721,826</b>	<b>\$ 8,174,858</b>	<b>\$ 15,521,045</b>	<b>\$ 44,417,729</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 345,230	\$ 32,180	\$ 397,992	\$ 775,402
Accrued payroll.....	349,003	-	14,676	363,679
Due to other funds.....	-	9,990,999	-	9,990,999
Other liabilities.....	138,574	-	22	138,596
Notes payable.....	-	8,174,858	-	8,174,858
<b>TOTAL LIABILITIES.....</b>	<b>832,807</b>	<b>18,198,037</b>	<b>412,690</b>	<b>19,443,534</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	1,387,956	-	3,943,498	5,331,454
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	990,419	990,419
Restricted.....	-	-	10,369,816	10,369,816
Committed.....	4,566,985	-	-	4,566,985
Assigned.....	2,690,199	-	-	2,690,199
Unassigned.....	11,243,879	(10,023,179)	(195,378)	1,025,322
<b>TOTAL FUND BALANCES.....</b>	<b>18,501,063</b>	<b>(10,023,179)</b>	<b>11,164,857</b>	<b>19,642,741</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 20,721,826</b>	<b>\$ 8,174,858</b>	<b>\$ 15,521,045</b>	<b>\$ 44,417,729</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2020

Total governmental fund balances.....		\$ 19,642,741
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		181,702,000
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,331,454
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		1,651,074
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(232,829)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(78,799,965)	
Net pension liability.....	(23,845,399)	
Net other postemployment benefits liability.....	(19,106,199)	
Landfill closure.....	(100,000)	
Compensated absences.....	<u>(971,077)</u>	
Net effect of reporting long-term liabilities.....		<u>(122,822,640)</u>
Net position of governmental activities.....		<u>\$ 85,271,800</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2020

	General	Wastewater Facility	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 35,422,523	\$ -	\$ 1,048,786	\$ 36,471,309
Tax liens.....	116,898	-	-	116,898
Motor vehicle and other excise taxes.....	1,355,814	-	260,020	1,615,834
Hotel/motel tax.....	1,898,640	-	-	1,898,640
Meals tax.....	450,046	-	-	450,046
Charges for services.....	2,393,265	-	189,634	2,582,899
Penalties and interest on taxes.....	127,840	-	417	128,257
Fees and rentals.....	-	-	9,800	9,800
Payments in lieu of taxes.....	34,043	-	-	34,043
Licenses and permits.....	683,159	-	231,969	915,128
Fines and forfeitures.....	66,285	-	-	66,285
Intergovernmental - other.....	329,162	-	5,109,119	5,438,281
Departmental and other.....	1,097,444	-	104,846	1,202,290
Community preservation taxes.....	-	-	946,991	946,991
Special assessments.....	33,315	-	-	33,315
Contributions and donations.....	-	-	408,763	408,763
Investment income.....	252,581	-	100,813	353,394
<b>TOTAL REVENUES.....</b>	<b>44,261,015</b>	<b>-</b>	<b>8,411,158</b>	<b>52,672,173</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	3,081,127	-	100,906	3,182,033
Public safety.....	6,835,150	-	399,153	7,234,303
Education.....	9,415,498	-	4,908	9,420,406
Public works.....	6,943,424	12,842,828	3,270,865	23,057,117
Natural resources.....	2,375,266	-	4,405,753	6,781,019
Community development.....	848,310	-	68,535	916,845
Health and human services.....	918,262	-	38,211	956,473
Culture and recreation.....	608,108	-	14,209	622,317
Community preservation.....	-	-	566,957	566,957
Pension benefits.....	2,176,410	-	-	2,176,410
Employee benefits.....	3,400,826	-	-	3,400,826
Claims and judgments.....	300,000	-	-	300,000
State and county charges.....	827,520	-	-	827,520
Debt service:				
Principal.....	4,255,428	-	-	4,255,428
Interest.....	1,861,412	-	-	1,861,412
<b>TOTAL EXPENDITURES.....</b>	<b>43,846,741</b>	<b>12,842,828</b>	<b>8,869,497</b>	<b>65,559,066</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>414,274</b>	<b>(12,842,828)</b>	<b>(458,339)</b>	<b>(12,886,893)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds.....	-	12,608,416	3,450,000	16,058,416
Premium from issuance of bonds.....	-	-	301,688	301,688
Proceeds from the sale of capital assets.....	-	-	27,100	27,100
Transfers in.....	1,139,910	-	146,200	1,286,110
Transfers out.....	(591,040)	-	(1,239,910)	(1,830,950)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>548,870</b>	<b>12,608,416</b>	<b>2,685,078</b>	<b>15,842,364</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>963,144</b>	<b>(234,412)</b>	<b>2,226,739</b>	<b>2,955,471</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>17,537,919</b>	<b>(9,788,767)</b>	<b>8,938,118</b>	<b>16,687,270</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 18,501,063</b>	<b>\$ (10,023,179)</b>	<b>\$ 11,164,857</b>	<b>\$ 19,642,741</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....	\$	2,955,471
<p>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.</p>		
Capital outlay.....		19,070,444
Depreciation expense.....		<u>(5,188,849)</u>
Net effect of reporting capital assets.....		13,881,595
<p>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. This amount represents the net change in unavailable revenue.....</p>		
		408,365
<p>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 transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....		195,128
Issuance of bonds.....		(16,058,416)
Premium from issuance of bonds.....		(301,688)
Net amortization of premium from issuance of bonds.....		761,034
Debt service principal payments.....		<u>4,255,428</u>
Net effect of reporting long-term debt.....		(11,148,514)
<p>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.</p>		
Net change in compensated absences accrual.....		(159,677)
Net change in accrued interest on long-term debt.....		(52,124)
Net change in deferred outflow/(inflow) of resources related to pensions.....		(1,776,810)
Net change in net pension liability.....		834,996
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		(651,380)
Net change in net other postemployment benefits liability.....		595,995
Net change in landfill closure.....		<u>25,000</u>
Net effect of recording long-term liabilities.....		<u>(1,184,000)</u>
Change in net position of governmental activities.....	\$	<u><u>4,912,917</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-type Activities - Enterprise Funds		
	Water	Wood Waste Reclamation Facility	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 4,723,495	\$ 329,356	\$ 5,052,851
Receivables, net of allowance for uncollectibles:			
User charges.....	734,226	-	734,226
Apportioned leases.....	57,631	-	57,631
Total current assets.....	<u>5,515,352</u>	<u>329,356</u>	<u>5,844,708</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Apportioned leases.....	2,274,198	-	2,274,198
Capital assets, non depreciable.....	938,433	2,225,000	3,163,433
Capital assets, net of accumulated depreciation.....	23,650,088	-	23,650,088
Total noncurrent assets.....	<u>26,862,719</u>	<u>2,225,000</u>	<u>29,087,719</u>
<b>TOTAL ASSETS.....</b>	<u><b>32,378,071</b></u>	<u><b>2,554,356</b></u>	<u><b>34,932,427</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	118,814	-	118,814
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	27,814	-	27,814
Accrued payroll.....	6,055	-	6,055
Accrued interest.....	120,291	-	120,291
Bonds payable.....	939,393	-	939,393
Total current liabilities.....	<u>1,093,553</u>	<u>-</u>	<u>1,093,553</u>
<b>NONCURRENT:</b>			
Compensated absences.....	7,473	-	7,473
Net pension liability.....	886,081	-	886,081
Bonds payable.....	11,086,897	-	11,086,897
Total noncurrent liabilities.....	<u>11,980,451</u>	<u>-</u>	<u>11,980,451</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>13,074,004</b></u>	<u><b>-</b></u>	<u><b>13,074,004</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	64,708	-	64,708
<b>NET POSITION</b>			
Net investment in capital assets.....	12,966,632	2,225,000	15,191,632
Unrestricted.....	6,391,541	329,356	6,720,897
<b>TOTAL NET POSITION.....</b>	<u><b>\$ 19,358,173</b></u>	<u><b>\$ 2,554,356</b></u>	<u><b>\$ 21,912,529</b></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds		
	Water	Wood Waste Reclamation Facility	Total
<b><u>OPERATING REVENUES:</u></b>			
Charges for services.....	\$ 3,191,065	\$ 35,676	\$ 3,226,741
<b><u>OPERATING EXPENSES:</u></b>			
Cost of services and administration.....	1,422,481	12,000	1,434,481
Salaries and wages.....	504,032	-	504,032
Depreciation.....	1,079,898	-	1,079,898
<b>TOTAL OPERATING EXPENSES.....</b>	<b>3,006,411</b>	<b>12,000</b>	<b>3,018,411</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>184,654</b>	<b>23,676</b>	<b>208,330</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>			
Interest expense.....	(271,919)	1,828	(270,091)
Water tower lease revenues.....	1,232,319	-	1,232,319
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>960,400</b>	<b>1,828</b>	<b>962,228</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>1,145,054</b>	<b>25,504</b>	<b>1,170,558</b>
<b><u>TRANSFERS:</u></b>			
Transfers in.....	400,000	144,840	544,840
<b>CHANGE IN NET POSITION.....</b>	<b>1,545,054</b>	<b>170,344</b>	<b>1,715,398</b>
<b>NET POSITION AT BEGINNING OF YEAR (as restated).....</b>	<b>17,813,119</b>	<b>2,384,012</b>	<b>20,197,131</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 19,358,173</b>	<b>\$ 2,554,356</b>	<b>\$ 21,912,529</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds		
	Water	Wood Waste Reclamation Facility	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Receipts from customers and users.....	\$ 3,148,757	\$ 35,676	\$ 3,184,433
Payments to vendors.....	(1,994,589)	(12,000)	(2,006,589)
Payments to employees.....	(496,304)	-	(496,304)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>657,864</b>	<b>23,676</b>	<b>681,540</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Water tower lease revenues.....	251,445	-	251,445
Transfers in.....	400,000	144,840	544,840
Intergovernmental.....	516,100	-	516,100
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>1,167,545</b>	<b>144,840</b>	<b>1,312,385</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Acquisition and construction of capital assets.....	(713,034)	-	(713,034)
Principal payments on bonds and notes.....	(1,012,675)	(142,000)	(1,154,675)
Interest expense.....	(350,746)	(2,840)	(353,586)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(2,076,455)</b>	<b>(144,840)</b>	<b>(2,221,295)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(251,046)</b>	<b>23,676</b>	<b>(227,370)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>4,974,541</b>	<b>305,680</b>	<b>5,280,221</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 4,723,495</b>	<b>\$ 329,356</b>	<b>\$ 5,052,851</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>			
Operating income (loss).....	\$ 184,654	\$ 23,676	\$ 208,330
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	1,079,898	-	1,079,898
Deferred (outflows)/inflows related to pensions.....	414,894	-	414,894
Changes in assets and liabilities:			
User charges.....	(42,308)	-	(42,308)
Warrants payable.....	(607,105)	-	(607,105)
Accrued payroll.....	6,055	-	6,055
Compensated absences.....	1,673	-	1,673
Net pension liability.....	(379,897)	-	(379,897)
Total adjustments.....	473,210	-	473,210
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 657,864</b>	<b>\$ 23,676</b>	<b>\$ 681,540</b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>			
Intergovernmental subsidy of debt service.....	\$ 516,100	\$ -	\$ 516,100

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 11,069	\$ 791	\$ 306,979
Investments:			
U.S. treasuries.....	-	2,789	68,142
Government sponsored enterprises.....	-	-	29,482
Corporate bonds.....	-	-	190,799
Equity securities.....	-	-	63,538
Equity mutual funds.....	1,754,436	-	-
<b>TOTAL ASSETS.....</b>	<b>1,765,505</b>	<b>3,580</b>	<b>658,940</b>
<b>LIABILITIES</b>			
Warrants payable.....	-	-	6,638
Accrued payroll.....	-	-	23,812
Other liabilities.....	-	-	628,490
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>658,940</b>
<b>NET POSITION</b>			
Restricted for other postemployment benefits.....	1,765,505	-	-
Held in trust for other purposes.....	-	3,580	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 1,765,505</b>	<b>\$ 3,580</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	<u>Other Postemployment Benefit Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 300,000	\$ -
Employer contributions for other postemployment benefit payments....	<u>1,137,251</u>	<u>-</u>
Total contributions.....	<u>1,437,251</u>	<u>-</u>
Net investment income:		
Investment income.....	<u>168,726</u>	<u>251</u>
TOTAL ADDITIONS.....	<u>1,605,977</u>	<u>251</u>
<u>DEDUCTIONS:</u>		
Other postemployment benefit payments.....	<u>1,137,251</u>	<u>-</u>
NET INCREASE (DECREASE) IN NET POSITION.....	468,726	251
NET POSITION AT BEGINNING OF YEAR.....	<u>1,296,779</u>	<u>3,329</u>
NET POSITION AT END OF YEAR.....	<u>\$ 1,765,505</u>	<u>\$ 3,580</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Chatham, Massachusetts (Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The Town of Chatham, Massachusetts is a municipal corporation governed by an elected five-member Select Board.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions, and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (Primary Government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of their operational and/or 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 relationships 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. as a discretely presented component unit because they are fiscally dependent on the Town and because of the nature and significance of their relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. Accordingly, the Component Units column of the combined financial statements includes the financial data of the Eldredge Public Library.

Complete financial statements of the individual component unit can be obtained directly from their respective administrative office located at 564 Main Street, Chatham, Massachusetts.

***Joint Ventures***

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risk, and rewards of providing goods or services to venture participants directly, or for the benefit of the public or specified recipients. The Town has no equity interest in the joint ventures. The following identifies where the joint venture financial statements are available, their purpose, and the annual assessments paid by the Town during 2020.

<u>Joint Venture and Address</u>	<u>Purpose</u>	<u>2020 Payments</u>
Cape Cod Municipal Health Group c/o Group Benefit Strategies 27 Midstate Office Park Auburn, MA 01501	To provide employee insurance benefits	\$ 2,486,659
Cape Cod Regional Technical High School 351 Pleasant Lake Avenue Harwich, MA 02645	To provide secondary vocational education for member Towns	\$ 276,612
Monomoy Regional School District 425 Crowell Road Chatham, MA 02633	To provide education for grades K-12 for the Towns of Harwich and Chatham	\$ 9,138,886
Cape Cod Regional Transit Authority 585 Main Street Dennis, MA 02638	To provide public transportation	\$ 17,832
Town Department of Veteran Services PO Box 429 Hyannis, MA 02601	To provide veterans' services	\$ 52,118
Pleasant Bay Resource Management Alliance 220 Sandwich Road Bourne, MA 02532	To protect the vast natural resources of Pleasant Bay	\$ 46,200

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

#### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), and

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of 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 generally are recorded when the fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund used to account for all financial resources, except those that are required to be accounted for in another fund.

The *wastewater facility* is a capital project fund used to account for and report construction of the Town's wastewater facility and related infrastructure.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The *component unit* is used to account for and report the activity of the entity that is separate from the primary government but is financially accountable to the Town. The component unit is reported using the flow of economic resources measurement focus and the accrual basis of accounting and is discretely presented in the basic financial statements.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The *water enterprise fund* has been reported as a major proprietary fund and is used to account for the Town's water activities.

The *wood waste reclamation facility enterprise fund* has been reported as a major proprietary fund and is used to account for the Town's wood waste recycling activities.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs. Agency funds have no measurement focus.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *private purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings. The Town's private purpose trust fund is primarily comprised of scholarships.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town's agency fund is comprised mainly of off duty details, performance bonds, and fees collected on behalf of other governments. The agency fund applies the accrual basis of accounting but does not have a measurement focus.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

#### E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

##### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair value. Taxes are due on November 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed yearly after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

##### ***Motor Vehicle and Other Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value; with a maximum taxable value of \$50,000.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

**User Charges**

Water and sewer user charges are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user charges are estimated at year-end and are recorded as revenue in the current period. Water and sewer liens are processed annually and are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Departmental and Other**

Departmental and other receivables consist of mainly of ambulance receivables and are recorded as receivables in the year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

**Special Assessments**

Special assessments consist of apportioned and unapportioned road improvement and septic system betterments assessed to homeowners whose properties were improved through Town-run construction projects.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Intergovernmental**

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**G. Inventories*****Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

**H. Capital Assets*****Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets; donated works of art, historical treasures, and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value. Except for the capital assets of the governmental

activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$20,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	25 - 50
Improvements.....	10 - 50
Machinery and equipment.....	3 - 20
Infrastructure.....	20 - 50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources related to pensions and deferred outflows of resources related to other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has reported deferred inflows of resources related to pensions and deferred inflows of resources related to other postemployment benefits in this category.

*Governmental Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents amounts that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

### J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

#### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

#### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

### K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

#### *Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

#### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

### L. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

### M. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts and grants” represent restrictions placed on assets from outside parties and consists primarily of gifts and federal and state grants.

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of Open Town Meeting, the government’s highest level of decision-making authority. Town Meeting is the highest level of decision-making authority that can, by majority vote of a warrant article at an open Town Meeting, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose, the purpose no longer exists, or a vote is taken to modify the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Finance Director to assign fund balance which generally only exists temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### N. Pensions

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

#### O. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

##### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### P. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

#### Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

##### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

R. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

S. Individual Fund Deficits

Individual fund deficits exist within the special revenue and capital project funds. These deficits will be funded through available funds and bond proceeds in future years.

T. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

*Fund Financial Statements*

The total column 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 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The library component unit reported \$251,532 in cash and \$6,607,670 in investments which are not included in the Town's cash and investment disclosures below.

Custodial Credit Risk – Deposits

In the case of deposits, the custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. At year-end, the carrying amount of deposits totaled \$18,032,940 and the bank balance totaled \$18,919,343. Of the bank balance, \$2,491,790 was covered by Federal Depository Insurance, and \$16,427,553 was covered by Depositors Insurance Fund. The Town's investment policy addresses custodial credit risk by tracking the credit worthiness and diversifying investments across several banks.

Investments

As of June 30, 2020, the Town of Chatham had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
<u>Debt securities:</u>			
U.S. treasury notes.....	\$ 722,993	\$ 223,160	\$ 499,833
Government sponsored enterprises.....	312,802	-	312,802
Corporate bonds.....	<u>2,024,393</u>	<u>271,915</u>	<u>1,752,478</u>
Total debt securities.....	3,060,188	<u>\$ 495,075</u>	<u>\$ 2,565,113</u>
<u>Other investments:</u>			
Equity securities.....	674,156		
Equity mutual funds.....	2,273,997		
Money market mutual funds.....	498,678		
MMDT - Cash portfolio.....	<u>3,060,226</u>		
Total investments.....	<u>\$ 9,567,245</u>		

The Town participates in the MMDT cash portfolio. MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months. The Town's investment in MMDT is unrated.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town has custodial credit risk exposure equal to \$3,060,188 in debt securities and \$674,156 in equity securities because the related securities are uninsured, unregistered, and held by the counterparty. The Town's investment policy places no limit on the amount of U.S. treasury and government agency obligations. In regard to other investments, the Town's policy allows the purchase of investment grade securities with a high concentration of securities rated A or better. The Town places no limit on the amount of investments in MMDT.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect the fair value of the Town's investments. 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.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. At June 30, 2020, the Town’s investments were rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AA+.....	\$ 312,802	\$ 532,733
A+.....	-	165,110
AA-.....	-	89,793
A-.....	-	371,222
BBB+.....	-	580,512
BBB.....	-	285,023
Total.....	<u>\$ 312,802</u>	<u>\$ 2,024,393</u>

The Town’s investment policy minimizes credit risk by diversification, prudent selection of investment instruments and limiting investment to highly safe types of securities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. The Town places no limit on the amount the government may invest in any one issuer. As of June 30, 2020, more than 5% of the Town’s investments are in U.S. treasury floating rate notes which had 9% of the total investments.

Fair Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2020:

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 722,993	\$ 722,993	\$ -	\$ -
Government sponsored enterprises.....	312,802	312,802	-	-
Corporate bonds.....	2,024,393	-	2,024,393	-
Total debt securities.....	3,060,188	1,035,795	2,024,393	-
<u>Other investments:</u>				
Equity securities.....	674,156	674,156	-	-
Equity mutual funds.....	2,273,997	2,273,997	-	-
Money market mutual funds.....	498,678	498,678	-	-
Total other investments.....	3,446,831	3,446,831	-	-
Total investments measured at fair value.....	6,507,019	\$ 4,482,626	\$ 2,024,393	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	3,060,226			
Total investments.....	\$ 9,567,245			

U.S. treasury notes, government sponsored enterprises, equity securities, equity mutual funds, and money market mutual funds, classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

MMDT cash portfolio investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

**NOTE 3 – RECEIVABLES**

At June 30, 2020, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	931,661	\$ (115,073)	\$ 816,588
Tax liens.....	233,228	-	233,228
Community preservation fund surtax.....	26,488	-	26,488
Motor vehicle and other excise taxes.....	517,744	(222,076)	295,668
User charges.....	64,215	-	64,215
Departmental and other.....	340,734	(188,500)	152,234
Intergovernmental - other.....	12,059,169	-	12,059,169
Community preservation state share.....	281,914	-	281,914
Special assessments.....	341,374	-	341,374
 Total..... \$	 <u>14,796,527</u>	 <u>\$ (525,649)</u>	 <u>\$ 14,270,878</u>

At June 30, 2020, receivables for the water enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges..... \$	734,226	-	\$ 734,226
Water apportioned leases.....	2,331,829	-	2,331,829
 Total..... \$	 <u>3,066,055</u>	 <u>-</u>	 <u>\$ 3,066,055</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	322,002	-	\$ 322,002
Tax liens.....	233,228	-	233,228
Community preservation.....	3,378	23,110	26,488
Motor vehicle and other excise taxes.....	295,668	-	295,668
User charges.....	64,215	-	64,215
Departmental and other.....	128,091	24,143	152,234
Intergovernmental - other.....	-	3,614,331	3,614,331
Community preservation state share.....	-	281,914	281,914
Special assessments.....	341,374	-	341,374
 Total..... \$	 <u>1,387,956</u>	 <u>\$ 3,943,498</u>	 <u>\$ 5,331,454</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, was as follows:

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 35,752,535	\$ 325,000	\$ -	\$ 36,077,535
Construction in progress.....	9,578,762	17,239,643	(3,942,402)	22,876,003
Total capital assets not being depreciated....	<u>45,331,297</u>	<u>17,564,643</u>	<u>(3,942,402)</u>	<u>58,953,538</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	139,160,756	4,284,262	(64,518)	143,380,500
Improvements.....	22,457,073	-	(1,022,614)	21,434,459
Machinery and equipment.....	10,488,384	834,417	(282,908)	11,039,893
Infrastructure.....	21,945,464	329,524	-	22,274,988
Total capital assets being depreciated.....	<u>194,051,677</u>	<u>5,448,203</u>	<u>(1,370,040)</u>	<u>198,129,840</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(40,315,285)	(770,729)	64,518	(41,021,496)
Improvements.....	(11,393,878)	(3,385,448)	1,022,614	(13,756,712)
Machinery and equipment.....	(6,423,053)	(622,583)	282,908	(6,762,728)
Infrastructure.....	(13,430,353)	(410,089)	-	(13,840,442)
Total accumulated depreciation.....	<u>(71,562,569)</u>	<u>(5,188,849)</u>	<u>1,370,040</u>	<u>(75,381,378)</u>
Total capital assets being depreciated, net.....	<u>122,489,108</u>	<u>259,354</u>	<u>-</u>	<u>122,748,462</u>
Total governmental activities capital assets, net.....	<u>\$ 167,820,405</u>	<u>\$ 17,823,997</u>	<u>\$ (3,942,402)</u>	<u>\$ 181,702,000</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

<b>Governmental Activities:</b>	
General government.....	\$ 272,933
Public safety.....	992,172
Education.....	434,681
Public works.....	2,791,040
Natural resources.....	269,393
Health and human services.....	16,563
Culture and recreation.....	412,067
Total depreciation expense - governmental activities.....	<u>\$ 5,188,849</u>

**Business-Type Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 938,433	\$ -	\$ -	\$ 938,433
Construction in progress.....	<u>11,056,680</u>	<u>-</u>	<u>(11,056,680)</u>	<u>-</u>
Total capital assets not being depreciated....	<u>11,995,113</u>	<u>-</u>	<u>(11,056,680)</u>	<u>938,433</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,557,637	-	-	1,557,637
Buildings and improvements.....	687,423	10,057,035	-	10,744,458
Machinery, equipment, and vehicles.....	900,418	-	-	900,418
Infrastructure.....	<u>33,919,302</u>	<u>1,712,679</u>	<u>-</u>	<u>35,631,981</u>
Total capital assets being depreciated.....	<u>37,064,780</u>	<u>11,769,714</u>	<u>-</u>	<u>48,834,494</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(612,284)	(34,669)	-	(646,953)
Buildings and improvements.....	(307,238)	(260,069)	-	(567,307)
Machinery, equipment, and vehicles.....	(155,969)	(40,859)	-	(196,828)
Infrastructure.....	<u>(23,029,017)</u>	<u>(744,301)</u>	<u>-</u>	<u>(23,773,318)</u>
Total accumulated depreciation.....	<u>(24,104,508)</u>	<u>(1,079,898)</u>	<u>-</u>	<u>(25,184,406)</u>
Total capital assets being depreciated, net.....	<u>12,960,272</u>	<u>10,689,816</u>	<u>-</u>	<u>23,650,088</u>
Total water activities capital assets, net.....	<u>\$ 24,955,385</u>	<u>\$ 10,689,816</u>	<u>\$ (11,056,680)</u>	<u>\$ 24,588,521</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Wood Waste Reclamation Facility:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	<u>\$ 2,225,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,225,000</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

<b>Business-Type Activities:</b>	
Water.....	<u>\$ 1,079,898</u>

Capital assets activity of the discretely presented component unit for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Discretely Presented Component Unit:</b>				
<u>Capital assets being depreciated:</u>				
Equipment and furniture.....	\$ 404,213	\$ -	\$ (314,902)	\$ 89,311
<u>Less accumulated depreciation for:</u>				
Equipment and furniture.....	(384,358)	(8,902)	326,921	(66,339)
Total discretely presented component unit capital assets, net....	\$ 19,855	\$ (8,902)	\$ 12,019	\$ 22,972

Depreciation expense was charged to functions/program of the discretely presented component unit as follows:

<b>Discretely Presented Component Unit:</b>	
Eldredge Public Library.....	\$ 8,902

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At June 30, 2020, the Town had an interfund receivable/payable between the general fund and the wastewater facility major governmental fund totaling \$9,990,999. The purpose of this balance is to cover short-term cash needs that will be funded by future grant and bond proceeds.

Interfund transfers for the year ended June 30, 2020, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General fund	Nonmajor governmental funds	Water enterprise fund	Wood waste reclamation enterprise fund	
General fund.....	\$ -	\$ 46,200	\$ 400,000	\$ 144,840	\$ 591,040 (1)
Nonmajor governmental funds.....	1,139,910	100,000	-	-	1,239,910 (2)
Total.....	\$ 1,139,910	\$ 146,200	\$ 400,000	\$ 144,840	\$ 1,830,950

- (1) Represents budgeted transfers out of the general fund to nonmajor governmental funds for the Pleasant Bay watershed, to the water enterprise fund for operations, and to the wood waste reclamation facility enterprise fund for debt service.
- (2) Represents budgeted transfers out of various nonmajor governmental funds to the general fund. Also represents a transfer from the Town’s permanent funds to the affordable housing trust fund.

**NOTE 6 – LANDFILL**

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. Based upon experience, the Town estimates annual monitoring costs are \$25,000 per year, which is included within the annual appropriations. As of June 30, 2020, \$100,000 has been reported on the Town’s statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. Actual costs may change due to changes in regulations, technology, and inflation.

**NOTE 7 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to the short-term debt activity for the year ended June 30, 2020, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
<b>Governmental Funds:</b>							
	* MCWT Interim Loan.....	2.00%	N/A	\$ 12,608,416	\$ -	\$ (12,608,416)	\$ -
	* MCWT Interim Loan.....	2.00%	N/A	-	8,174,858	-	8,174,858
	Total Governmental Funds.....			\$ 12,608,416	\$ 8,174,858	\$ (12,608,416)	\$ 8,174,858

\*The Town entered into a short-term interest free loan agreement through the Massachusetts Clean Water Trust (MCWT) interim loan program which provides funding to allow projects to proceed during the time prior to permanent financing by the Trust.

**NOTE 8 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

Details related to the outstanding general obligation indebtedness at June 30, 2020, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
<b>General Obligation Bonds Payable:</b>				
Municipal Purpose Loan of 2012.....	2037	\$ 21,149,681	2.00-5.00	\$ 13,575,000
Municipal Purpose Refunding Loan of 2015.....	2040	10,300,000	3.00-5.00	8,130,000
Municipal Purpose Refunding Loan of 2017.....	2029	5,495,400	2.00-4.00	4,019,900
Municipal Purpose Loan of 2019.....	2039	3,972,500	2.00-5.00	3,750,000
Municipal Purpose Loan of 2020.....	2040	3,450,000	2.00-4.00	3,450,000
Subtotal Governmental General Obligation Bonds Payable.....				32,924,900
<b>Direct Borrowings Payable:</b>				
Massachusetts Clean Water Trust 2004.....	2021	195,089	3.30-5.25	11,049
Massachusetts Clean Water Trust 2006.....	2026	50,000	0.00	15,000
Massachusetts Clean Water Trust 2011.....	2031	3,289,537	2.00	1,970,467
Massachusetts Clean Water Trust 2012.....	2033	7,518,952	2.00	5,245,954
USDA Rural Development Sewer 2012.....	2049	23,349,000	2.75	18,300,560
Massachusetts Clean Water Trust 2015.....	2035	3,847,853	0.00	2,896,684
Massachusetts Clean Water Trust 2015.....	2033	1,967,772	0.00	1,424,188
Massachusetts Clean Water Trust 2019.....	2036	2,387,009	0.00	2,248,276
Massachusetts Clean Water Trust 2020.....	2039	12,608,416	0.00	12,608,416
Subtotal Governmental Direct Borrowings Payable.....				44,720,594
Total Bonds Payable.....				77,645,494
Add: Unamortized Premium.....				1,154,471
Total Bonds Payable, net.....				\$ 78,799,965

Debt service requirements for principal and interest for governmental general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds Payable			Direct Borrowings Payable		
	Principal	Interest	Total	Principal	Interest	Total
2021.....	\$ 2,618,000	\$ 1,125,494	\$ 3,743,494	\$ 2,220,438	\$ 642,994	\$ 2,863,432
2022.....	2,353,000	1,039,074	3,392,074	2,221,866	614,672	2,836,538
2023.....	2,259,200	933,530	3,192,730	2,234,574	586,680	2,821,254
2024.....	2,259,200	836,762	3,095,962	2,247,522	558,462	2,805,984
2025.....	2,144,900	758,554	2,903,454	2,260,716	530,015	2,790,731
2026.....	2,028,600	680,651	2,709,251	2,274,156	501,330	2,775,486
2027.....	1,915,000	615,447	2,530,447	2,285,351	472,405	2,757,756
2028.....	1,603,000	555,562	2,158,562	2,299,305	443,236	2,742,541
2029.....	1,599,000	502,822	2,101,822	2,313,525	413,813	2,727,338
2030.....	1,535,000	449,482	1,984,482	2,328,017	384,135	2,712,152
2031.....	1,515,000	403,870	1,918,870	2,342,780	354,195	2,696,975
2032.....	1,515,000	357,220	1,872,220	2,156,261	326,003	2,482,264
2033.....	1,515,000	310,570	1,825,570	2,167,529	299,593	2,467,122
2034.....	1,510,000	262,470	1,772,470	1,601,302	277,663	1,878,965
2035.....	1,505,000	214,690	1,719,690	1,602,760	260,310	1,863,070
2036.....	1,505,000	165,462	1,670,462	1,408,778	242,955	1,651,733
2037.....	1,505,000	116,240	1,621,240	1,267,629	225,601	1,493,230
2038.....	740,000	66,526	806,526	1,268,584	208,248	1,476,832
2039.....	740,000	43,100	783,100	1,269,541	190,893	1,460,434
2040.....	560,000	19,000	579,000	1,270,500	173,539	1,444,039
2041.....	-	-	-	631,055	156,185	787,240
2042.....	-	-	-	631,055	138,831	769,886
2043.....	-	-	-	631,055	121,477	752,532
2044.....	-	-	-	631,055	104,124	735,179
2045.....	-	-	-	631,055	86,770	717,825
2046.....	-	-	-	631,055	69,415	700,470
2047.....	-	-	-	631,055	52,061	683,116
2048.....	-	-	-	631,055	34,707	665,762
2049.....	-	-	-	631,020	17,353	648,373
Total.....	\$ <u>32,924,900</u>	\$ <u>9,456,526</u>	\$ <u>42,381,426</u>	\$ <u>44,720,594</u>	\$ <u>8,487,665</u>	\$ <u>53,208,259</u>

The Town has entered into various long-term debt transactions with the Massachusetts Clean Water Trust (MCWT) for their governmental funds. The debt balances are associated with a zero percent interest rate. Future imputed interest payments total approximately \$4,064,400 and the imputed interest for 2020 was approximately \$144,700. Accordingly, interest expense and corresponding intergovernmental revenue totaling \$144,700 have been reported in the financial statements.

**Bonds Payable Schedule – Water Enterprise Fund**

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
<b>General Obligation Bonds Payable:</b>				
Municipal Purpose Loan of 2002.....	2022	\$ 592,300	3.50-5.00	\$ 50,000
Municipal Purpose Loan of 2012.....	2032	1,509,722	2.00-5.00	865,000
Municipal Purpose Refunding Loan of 2015.....	2025	930,000	3.00-5.00	455,000
Municipal Purpose Refunding Loan of 2017.....	2029	1,541,600	2.00-4.00	1,085,100
Municipal Purpose Loan of 2019.....	2029	1,052,500	2.00-5.00	945,000
Subtotal Water Enterprise General Obligation Bonds Payable.....				3,400,100
<b>Direct Borrowings Payable:</b>				
USDA Water Main Bonds 2009.....	2049	500,000	4.25	362,500
Massachusetts Clean Water Trust 2019.....	2039	9,274,815	2.00	8,046,593
Subtotal Water Enterprise Direct Borrowings Payable.....				8,409,093
Total Bonds Payable.....				11,809,193
Add: Unamortized premium on bonds.....				217,097
Total Bonds Payable, net.....				\$ 12,026,290

Debt service requirements for principal and interest for water enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds Payable			Direct Borrowings Payable		
	Principal	Interest	Total	Principal	Interest	Total
2021.....	\$ 477,000	\$ 132,682	\$ 609,682	\$ 395,829	\$ 183,689	\$ 579,518
2022.....	472,000	111,564	583,564	364,930	164,616	529,546
2023.....	440,800	91,264	532,064	372,589	156,959	529,548
2024.....	440,800	71,682	512,482	380,415	149,148	529,563
2025.....	440,100	56,864	496,964	388,411	141,178	529,589
2026.....	346,400	39,815	386,215	396,581	133,047	529,628
2027.....	200,000	29,443	229,443	404,928	124,751	529,679
2028.....	197,000	21,498	218,498	413,458	116,287	529,745
2029.....	191,000	13,768	204,768	422,172	107,649	529,821
2030.....	65,000	4,658	69,658	431,076	98,835	529,911
2031.....	65,000	4,226	69,226	440,173	89,841	530,014
2032.....	65,000	2,112	67,112	449,467	80,664	530,131
2033.....	-	-	-	458,964	71,298	530,262
2034.....	-	-	-	468,668	61,740	530,408
2035.....	-	-	-	478,581	51,987	530,568
2036.....	-	-	-	488,712	42,033	530,745
2037.....	-	-	-	499,062	31,873	530,935
2038.....	-	-	-	509,636	21,505	531,141
2039.....	-	-	-	520,441	10,923	531,364
2040.....	-	-	-	12,500	5,313	17,813
2041.....	-	-	-	12,500	4,781	17,281
2042.....	-	-	-	12,500	4,250	16,750
2043.....	-	-	-	12,500	3,719	16,219
2044.....	-	-	-	12,500	3,188	15,688
2045.....	-	-	-	12,500	2,656	15,156
2046.....	-	-	-	12,500	2,125	14,625
2047.....	-	-	-	12,500	1,594	14,094
2048.....	-	-	-	12,500	1,063	13,563
2049.....	-	-	-	12,500	531	13,031
Total.....	\$ 3,400,100	\$ 579,576	\$ 3,979,676	\$ 8,409,093	\$ 1,867,243	\$ 10,276,336

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the Town had the following authorized and unissued debt:

Purpose	Amount
Well and pump station.....	\$ 560,000
Road betterments.....	25,000
Mill pond pump and pump houses.....	650,000
Water mains.....	478,185
Wastewater treatment facility.....	13,162,662
Fire station design and construction.....	16,635
Wastewater (Phase 1D).....	22,525,142
Waterfront infrastructure.....	7,655,000
Wastewater expansion.....	7,150,000
Transfer station redesign.....	470,000
<b>Total.....</b>	<b>\$ 52,692,624</b>

**Changes in Long-term Liabilities**

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	(As Restated) Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term general obligation bonds payable... \$	32,142,900	\$ 3,450,000	\$ (2,668,000)	\$ -	\$ -	\$ 32,924,900	\$ 2,618,000
Long-term direct borrowings payable.....	33,699,606	12,608,416	(1,587,428)	-	-	44,720,594	2,220,438
Add: Unamortized premium on bonds.....	1,613,817	301,688	(761,034)	-	-	1,154,471	362,231
Total bonds payable.....	67,456,323	16,360,104	(5,016,462)	-	-	78,799,965	5,200,669
Capital lease obligations.....	195,128	-	-	-	(195,128)	-	-
Landfill closure.....	125,000	-	-	-	(25,000)	100,000	25,000
Compensated absences.....	811,400	-	-	971,077	(811,400)	971,077	529,920
Net pension liability.....	24,331,525	-	-	1,612,307	(2,098,433)	23,845,399	-
Net other postemployment benefits liability.....	19,702,194	-	-	1,168,856	(1,764,851)	19,106,199	-
Total governmental activity long-term liabilities.....	\$ 112,621,570	\$ 16,360,104	\$ (5,016,462)	\$ 3,752,240	\$ (4,894,812)	\$ 122,822,640	\$ 5,755,589
<b>Business-Type Activities:</b>							
Long-term general obligation bonds payable... \$	4,167,100	\$ -	\$ (767,000)	\$ -	\$ -	\$ 3,400,100	\$ 477,000
Long-term direct borrowings payable.....	9,649,815	-	(1,240,722)	-	-	8,409,093	395,829
Add: Unamortized premium on bonds.....	300,032	-	(82,935)	-	-	217,097	66,564
Total bonds payable.....	14,116,947	-	(2,090,657)	-	-	12,026,290	939,393
Compensated absences.....	5,800	-	-	1,873	(200)	7,473	-
Net pension liability.....	796,978	-	-	167,080	(77,977)	886,081	-
Total business-type activity long-term liabilities.....	\$ 14,919,725	\$ -	\$ (2,090,657)	\$ 168,953	\$ (78,177)	\$ 12,919,844	\$ 939,393

Long-term liabilities related to both governmental and business-type activities are normally paid from the general fund and enterprise funds, respectively.

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balance according to constraints imposed on the uses of those resources.

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds, and inventory as nonspendable.

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval.

In accordance with Massachusetts General Law the Town has established a general stabilization fund. At year end, the balance of the Town's stabilization fund was \$2.1 million and was reported as unassigned fund balance within the general fund.

The committed balances in the general fund consist of articles carried forward to next year. Assigned balances in the general fund are encumbrances carried forward to next year. The detail of each article and encumbrance is included in the budgetary comparison schedule presented as required supplementary information.

As of June 30, 2020, the governmental fund balances consisted of the following:

	General	Wastewater Facility	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 990,419	\$ 990,419
Restricted for:				
Community preservation.....	-	-	3,419,708	3,419,708
School special revenue.....	-	-	496,789	496,789
Other special revenue.....	-	-	5,162,808	5,162,808
Permanent fund.....	-	-	1,290,511	1,290,511
Committed to:				
Articles and continuing appropriations:				
General government.....	827,603	-	-	827,603
Public safety.....	266,459	-	-	266,459
Public works.....	1,956,262	-	-	1,956,262
Natural resources.....	1,410,707	-	-	1,410,707
Community development.....	105,954	-	-	105,954
Assigned to:				
General government.....	12,593	-	-	12,593
Natural resources.....	44	-	-	44
Public works.....	54,344	-	-	54,344
Community development.....	30,702	-	-	30,702
Health and human services.....	18,371	-	-	18,371
Free cash used for subsequent year budget....	2,574,145	-	-	2,574,145
Unassigned.....	11,243,879	(10,023,179)	(195,378)	1,025,322
Total Fund Balances.....	\$ 18,501,063	\$ (10,023,179)	\$ 11,164,857	\$ 19,642,741

**NOTE 10 – COMMUNITY PRESERVATION FUNDS**

The Town has approved the Community Preservation Act (CPA) which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The CPA requires that the Town spend or set aside for later spending a minimum of 10% of annual revenues for open space, a minimum of 10% of annual revenues for historic resources and a minimum of 10% of annual revenues for community housing.

In accordance with the CPA, the Town has approved a bylaw establishing a Community Preservation Committee (CPC) to study the needs, possibilities and resources of the Town regarding community preservation and to make recommendations for Town Meeting approval to fund eligible projects using CPA funds.

As of June 30, 2020, the CPA fund has a balance of \$3,419,708 and is reported as a nonmajor fund in the governmental funds financial statements.

**NOTE 11 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town provides health insurance through the Cape Cod Municipal Health Group (Group), a nonprofit shared risk health group comprised of 51 governmental units. The Town and its employees contribute to the Group based upon a 65% (Town) and 35% (employee) primary care premium formula. In the event the Group is terminated, the Town is obligated to pay its prorata share of a deficit, should one exist.

**NOTE 12 – PENSION PLAN***Plan Descriptions*

The Town is a member of the Barnstable County Retirement Association (BCRA), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 50 member units. The BCRA is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting <http://www.barnstablecounty.org/retirement-association/>.

*Benefits Provided*

BCRA provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRA a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution was \$2,167,376 and its actual

contribution for the year ended June 30, 2020, was \$2,176,410, 22.08% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2020, the Town reported a liability of \$24,731,480 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, procedures were used to roll back the total pension liability to the measurement date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town’s proportion was 3.29%, which is 0.05% more than its proportion measured at December 31, 2018.

*Pension Expense*

For the year ended June 30, 2020, the Town recognized pension expense of \$3,153,222. At June 30, 2020, the Town reported net deferred outflows/(inflows) of resources related to pensions of \$1,510,139.

The balances of deferred outflows and inflows related to pensions at June 30, 2020, consist of the following:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience..... \$	-	\$ (208,465)	\$ (208,465)
Difference between projected and actual earnings, net.....	-	(1,477,989)	(1,477,989)
Changes in assumptions.....	2,875,204	-	2,875,204
Changes in proportion and proportionate share of contributions...	441,013	(119,624)	321,389
Total deferred outflows/(inflows) of resources..... \$	<u>3,316,217</u>	<u>\$ (1,806,078)</u>	<u>\$ 1,510,139</u>

The deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021..... \$	329,946
2022.....	404,804
2023.....	742,105
2024.....	(283,153)
2025.....	316,437
Total deferred outflows/(inflows) of resources..... \$	<u>1,510,139</u>

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Actuarial Cost Method.
Projected salary increases.....	3.25%
Cost of living adjustments.....	3.00% of the first \$18,000.
Investment rate of return/Discount rate.....	7.15% (previously, 7.38%)
Mortality Rates:	
Pre- Retirement.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disable Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

*Investment Policy*

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board and pursuant to Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy.

The long-term expected rate of return on pension 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 by weighting the expected future real rates of return by the target asset allocation percentage and by adding 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, 2020, are summarized in the table on the following page.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.00%	6.15%
International developed markets equity.....	13.00%	6.78%
International emerging markets equity.....	5.00%	8.65%
Core fixed income.....	15.00%	1.11%
High-yield fixed income.....	8.00%	3.51%
Real estate.....	10.00%	4.33%
Commodities.....	4.00%	4.13%
Hedge Fund, GTAA, Risk parity.....	11.00%	3.19%
Private equity.....	13.00%	9.99%
Total.....	<u>100.00%</u>	

*Rate of Return*

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. 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 of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
The Town's proportionate share of the net pension liability.....	\$ 32,523,155	\$ 24,731,480	\$ 18,185,575

*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’s financial report.

*Changes in Assumptions*

- The net investment return assumption was lowered from 7.375% to 7.15%.
- The administrative expense assumption was changed from \$1,500,000 to \$1,850,000.

*Changes in Plan Provisions*

None.

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS***Plan Description*

The Town of Chatham administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare, dental, vision, and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on-behalf of its teacher retirees by the state. The state pays 85 – 90% of the total premium; the retiree's co-payment is 10 – 15% of the total premium as well as full payment for catastrophic illness coverage.

*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 65% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 35% of their premium costs. For 2020, the Town's age-adjusted contribution to the plan totaled \$1.4 million, which includes \$300,000 in pre-funding as described below.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities.

During 2020, the Town pre-funded future OPEB liabilities totaling \$300,000 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, 2020, the balance of this fund totaled \$1.8 million.

*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.

*Employees Covered by Benefit Terms*

The following table represents the Plan’s membership at June 30, 2020:

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

*Components of OPEB Liability*

The following table represents the components of the Plan’s OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$ 20,352,143
Less: OPEB plan’s fiduciary net position.....	<u>(1,765,505)</u>
Net OPEB liability.....	<u><u>\$ 18,586,638</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....	8.67%

*Significant Actuarial Methods and Assumptions*

The total OPEB liability in the June 30, 2018, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement that was updated to June 30, 2020, as follows:

Valuation date.....	June 30, 2018
Actuarial cost method.....	Entry age normal - level percentage of payroll.
Asset valuation method.....	Market value of assets as of the measurement date.
Investment rate of return.....	7.00%
Inflation rate.....	3.25%
Salary increases.....	Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6.0% decreasing over 11 year to an ultimate level of 4.0%.  Service-related increases for Group 4 employees: 7.0% decreasing over 8 years to an ultimate level of 4.5%.  Service-related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%.

Health care trends:

Cape Cod Municipal Health Group.....	Non-Medicare: 0% for 1 year, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.  Medicare: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
Group Insurance Commission Medical/ Prescription Drug.....	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.
Group Insurance Commission EGWP.....	5.00%
Dental.....	0% for 1 year then 3.0% thereafter.
Contributions.....	Retiree contributions are expected to increase with respective trend shown above.

Mortality rates:

Preretirement mortality rates:

Healthy Non-Teachers.....	RP-2014 Blue Collar 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 mortality rates:

Healthy Non-Teachers.....	RP-2014 Blue Collar 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 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.
Disabled Teachers.....	RP-2014 Healthy Annuitant Mortality Table set forward four years projected generationally with Scale BB2D from 2014.

*Rate of Return*

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 10.74%. 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 by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020, are summarized in table on the following page.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.00%	6.15%
International developed markets equity..	13.00%	6.78%
International emerging markets equity...	5.00%	8.65%
Core fixed income.....	15.00%	1.11%
High-yield fixed income.....	8.00%	3.51%
Real estate.....	10.00%	4.33%
Commodities.....	4.00%	4.13%
Hedge Fund, GTAA, Risk parity.....	11.00%	3.19%
Private equity.....	13.00%	9.99%
Total.....	100.00%	

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020, and 7.00% as of June 30, 2019. 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 discount rate is a blend of the long-term expected rate of return on OPEB Trust Fund assets and a yield or index rate using the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.21% as of June 30, 2020, and 3.50% as of June 30, 2019).

*Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019.....	\$ 20,205,642	\$ 1,296,779	\$ 18,908,863
Changes for the year:			
Service cost.....	424,479	-	424,479
Interest.....	1,440,674	-	1,440,674
Changes in assumptions.....	(581,401)	-	(581,401)
Benefit payments.....	(1,137,251)	(1,137,251)	-
Contributions - employer.....	-	1,437,251	(1,437,251)
Net investment income.....	-	168,726	(168,726)
Net change.....	146,501	468,726	(322,225)
Balances at June 30, 2020.....	\$ 20,352,143	\$ 1,765,505	\$ 18,586,638

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following table presents the net other postemployment benefit liability, calculated using the discount rate of 7.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability.....	\$ 21,084,860	\$ 18,586,638	\$ 16,495,046

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following table presents the net other postemployment benefit liability as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rates.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 16,035,750	\$ 18,586,638	\$ 21,695,052

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$1,875,894. At June 30, 2020, the Town reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,061,312	\$ -	\$ 1,061,312
Difference between projected and actual earnings, net.....	164,567	-	164,567
Changes in assumptions.....	-	(1,030,838)	(1,030,838)
Total deferred outflows/(inflows) of resources.....	\$ 1,225,879	\$ (1,030,838)	\$ 195,041

The deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2021.....	\$ 122,502
2022.....	247,341
2023.....	(57,895)
2024.....	<u>(116,907)</u>
 Total deferred outflows/(inflows) of resources.....	 \$ <u>195,041</u>

*Changes of Assumptions*

The valuation includes the repeal of the excise tax on high cost health plans, which was effective December 20, 2019.

*Changes in Plan Provisions*

None.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

The Town has entered into, or is planning to enter into, contracts totaling \$52.7 million, in relation to various capital projects, including \$42.8 million in relation to the wastewater treatment facility, \$7.6 million for waterfront infrastructure, \$650,000 for the Mill pond pump and pump house, \$560,000 for the well and pump station, \$470,000 for the transfer station redesign, and \$520,000 for various other capital projects.

**NOTE 15 – COVID-19**

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state’s Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties. A number of businesses have been forced to stop or significantly reduce operations decreasing the Town’s portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and

ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

#### NOTE 16 – RESTATEMENT OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the governmental and business-type activities have been restated. The cumulative effect of the restatement is as follows:

	06/30/2019 Previously Reported Balances	Capital Asset Restatement	Restatement of Unavailable Revenue	Reallocation of Net Pension Liability	GASB #75 Change of Measurement Date	06/30/2019 Revised Balances
<b>Government-Wide Financial Statements</b>						
Governmental activities.....	\$ 79,433,963	\$ (347,324)	\$ 4,108,826	\$ (2,318,022)	\$ (518,560)	\$ 80,358,883
Business-type activities.....	16,528,130	-	1,350,979	2,318,022	-	20,197,131
Total.....	\$ 95,962,093	\$ (347,324)	\$ 5,459,805	\$ -	\$ (518,560)	\$ 100,556,014
<b>Business-type Activities - Enterprise Funds</b>						
Water enterprise fund.....	\$ 14,144,118	\$ -	\$ 1,350,979	\$ 2,318,022	\$ -	\$ 17,813,119
Wood Waste Reclamation enterprise fund..	2,384,012	-	-	-	-	2,384,012
Total.....	\$ 16,528,130	\$ -	\$ 1,350,979	\$ 2,318,022	\$ -	\$ 20,197,131

#### NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 15, 2021, which is the date the financial statements were available to be issued.

#### NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.

- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statement.

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***Required Supplementary Information***

# *General Fund*

## *Budgetary Comparison Schedule*

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 35,434,507	\$ 35,434,507	\$ 35,130,750	\$ -	\$ (303,757)
Tax liens.....	-	-	116,898	-	116,898
Motor vehicle and other excise taxes.....	985,000	985,000	1,355,814	-	370,814
Hotel/motel tax.....	1,275,000	1,275,000	1,898,640	-	623,640
Meals tax.....	425,000	425,000	450,046	-	25,046
Charges for services.....	2,210,000	2,210,000	2,393,265	-	183,265
Penalties and interest on taxes.....	150,000	150,000	127,840	-	(22,160)
Payments in lieu of taxes.....	25,000	25,000	34,043	-	9,043
Licenses and permits.....	750,000	750,000	683,159	-	(66,841)
Fines and forfeitures.....	40,000	40,000	66,285	-	26,285
Intergovernmental - other.....	207,326	207,326	184,462	-	(22,864)
Departmental and other.....	742,534	742,534	1,097,444	-	354,910
Special assessments.....	40,000	40,000	33,315	-	(6,685)
Investment income.....	75,000	75,000	243,280	-	168,280
<b>TOTAL REVENUES.....</b>	<b>42,359,367</b>	<b>42,359,367</b>	<b>43,815,241</b>	<b>-</b>	<b>1,455,874</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	4,371,530	4,371,530	3,081,127	840,196	450,207
Public safety.....	7,652,531	7,652,531	6,835,150	266,459	550,922
Education.....	9,415,498	9,415,498	9,415,498	-	-
Natural resources.....	3,792,598	3,792,598	2,375,266	1,410,751	6,581
Public works.....	8,982,042	8,982,042	6,943,424	2,010,606	28,012
Community development.....	991,748	991,748	848,310	136,656	6,782
Health and human services.....	1,045,834	1,045,834	918,262	18,371	109,201
Culture and recreation.....	1,059,958	1,059,958	608,108	-	451,850
Pension benefits.....	2,176,410	2,176,410	2,176,410	-	-
Employee benefits.....	3,689,291	3,689,291	3,667,600	-	21,691
Claims and judgments.....	300,000	300,000	300,000	-	-
State and county charges.....	783,213	783,213	827,520	-	(44,307)
Debt service:					
Principal.....	4,160,228	4,255,428	4,255,428	-	-
Interest.....	2,022,190	1,926,990	1,716,712	-	210,278
<b>TOTAL EXPENDITURES.....</b>	<b>50,443,071</b>	<b>50,443,071</b>	<b>43,968,815</b>	<b>4,683,039</b>	<b>1,791,217</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(8,083,704)</b>	<b>(8,083,704)</b>	<b>(153,574)</b>	<b>(4,683,039)</b>	<b>3,247,091</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	1,406,684	1,406,684	1,406,684	-	-
Transfers out.....	(591,040)	(591,040)	(591,040)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>815,644</b>	<b>815,644</b>	<b>815,644</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(7,268,060)</b>	<b>(7,268,060)</b>	<b>662,070</b>	<b>(4,683,039)</b>	<b>3,247,091</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>15,226,208</b>	<b>15,226,208</b>	<b>15,226,208</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 7,958,148</b>	<b>\$ 7,958,148</b>	<b>\$ 15,888,278</b>	<b>\$ (4,683,039)</b>	<b>\$ 3,247,091</b>

See notes to required supplementary information.

# *Pension Plan Schedules*

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
BARNSTABLE COUNTY RETIREMENT ASSOCIATION**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	3.29%	\$ 24,731,480	\$ 9,664,258	255.91%	62.34%
December 31, 2018.....	3.24%	25,597,503	9,145,611	279.89%	57.60%
December 31, 2017.....	3.23%	21,967,203	8,715,482	252.05%	61.90%
December 31, 2016.....	3.24%	22,730,936	8,656,497	262.59%	57.30%
December 31, 2015.....	3.20%	20,169,345	8,371,238	240.94%	58.10%
December 31, 2014.....	3.31%	18,671,253	8,674,713	215.24%	60.40%

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 notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**BARNSTABLE COUNTY RETIREMENT ASSOCIATION**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 2,167,376	\$ (2,176,410)	\$ (9,034)	\$ 9,857,543	22.08%
June 30, 2019.....	2,035,784	(2,035,784)	-	9,328,523	21.82%
June 30, 2018.....	1,933,226	(1,933,226)	-	8,889,792	21.75%
June 30, 2017.....	1,833,890	(1,833,890)	-	8,829,627	20.77%
June 30, 2016.....	1,729,864	(1,729,864)	-	8,538,663	20.26%
June 30, 2015.....	1,734,970	(1,734,970)	-	8,848,207	19.61%

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 notes to required supplementary information.

# *Other Postemployment Benefit Plan Schedules*

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on the Town's net other postemployment benefit liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE  
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
<b>Total OPEB Liability</b>				
Service cost.....	\$ 480,254	\$ 463,573	\$ 486,382	\$ 424,479
Interest.....	987,774	1,037,929	1,079,094	1,440,674
Changes of benefit terms.....	-	-	-	-
Differences between expected and actual experience.....	-	-	2,125,742	-
Changes of assumptions.....	(637,477)	(251,533)	(696,530)	(581,401)
Benefit payments.....	(857,575)	(896,166)	(985,545)	(1,137,251)
Net change in total OPEB liability.....	(27,024)	353,803	2,009,143	146,501
Total OPEB liability - beginning.....	17,869,720	17,842,696	18,196,499	20,205,642
Total OPEB liability - ending (a).....	\$ <u>17,842,696</u>	\$ <u>18,196,499</u>	\$ <u>20,205,642</u>	\$ <u>20,352,143</u>
<b>Plan fiduciary net position</b>				
Employer contributions.....	\$ 150,000	\$ 150,000	\$ 150,000	\$ 300,000
Employer contributions for OPEB payments.....	857,575	896,166	1,259,125	1,137,251
Net investment income.....	21,506	78,380	51,076	168,726
Benefit payments.....	(857,575)	(896,166)	(985,545)	(1,137,251)
Net change in plan fiduciary net position.....	171,506	228,380	474,656	468,726
Plan fiduciary net position - beginning of year.....	422,237	593,743	822,123	1,296,779
Plan fiduciary net position - end of year (b).....	\$ <u>593,743</u>	\$ <u>822,123</u>	\$ <u>1,296,779</u>	\$ <u>1,765,505</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<b>\$ <u>17,248,953</u></b>	<b>\$ <u>17,374,376</u></b>	<b>\$ <u>18,908,863</u></b>	<b>\$ <u>18,586,638</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	3.33%	4.52%	6.42%	8.67%
Covered-employee payroll.....	\$ 8,656,497	\$ 8,715,482	\$ 8,889,792	\$ 9,067,587
Net OPEB liability as a percentage of covered-employee payroll.....	199.26%	199.35%	212.70%	204.98%

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 notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2020.....	\$ 1,575,757	\$ (1,437,251)	\$ 138,506	\$ 9,067,587	15.85%
June 30, 2019.....	1,526,157	(1,409,125)	117,032	8,889,792	15.85%
June 30, 2018.....	1,196,492	(1,046,166)	150,326	8,715,482	12.00%
June 30, 2017.....	1,156,031	(1,007,575)	148,456	8,656,497	11.64%

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 notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	10.74%
June 30, 2019.....	15.94%
June 30, 2018.....	10.73%
June 30, 2017.....	3.84%

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 notes to required supplementary information.

**NOTE A – BUDGETARY BASIS OF ACCOUNTING**A. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved at the Annual Town Meeting. The Town Manager presents an annual budget to the Select Board and Finance Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted by categories that are broken down by personal services, expenses, debt service and capital outlay and are mandated by Municipal Law.

Supplementary appropriations are voted at special town meetings.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses, and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2020 approved budget for the general fund includes \$51.0 million in current year appropriations and other amounts to be raised.

The finance department has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town's accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. The reconciliations of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$	662,070
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		9,301
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		<u>291,773</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>963,144</u></u>

**NOTE B – PENSION PLAN*****Pension Plan Schedules*****A. 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, 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.

**B. 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 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 covered payroll.

**C. Changes in Assumptions**

- The net investment return assumption was lowered from 7.375% to 7.15%.
- The administrative expense assumption was changed from \$1,500,000 to \$1,850,000.

**D. Changes in Plan Provisions**

None.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The Town administers a single-employer defined benefit healthcare plan ("Plan"). The plan provides lifetime healthcare, dental, vision, and life insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

**The Other Postemployment Benefit Plan****A. Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios**

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. 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 employee payroll.

**B. 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 employee payroll. Methods and assumptions used to determine contribution rates are presented below:

Valuation date.....	June 30, 2018
Actuarial cost method.....	Entry age normal - level percentage of payroll.
Asset valuation method.....	Market value of assets as of the measurement date.
Investment rate of return.....	7.00%
Inflation rate.....	3.25%
Salary increases.....	Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6.0% decreasing over 11 year to an ultimate level of 4.0%.  Service-related increases for Group 4 employees: 7.0% decreasing over 8 years to an ultimate level of 4.5%.  Service-related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%.
Health care trends:	
Cape Cod Municipal Health Group.....	Non-Medicare: 0% for 1 year, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.  Medicare: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
Group Insurance Commission Medical/ Prescription Drug.....	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.
Group Insurance Commission EGWP.....	5.00%
Dental.....	0% for 1 year then 3.0% thereafter.
Contributions.....	Retiree contributions are expected to increase with respective trend shown above.

Mortality rates:

Preretirement mortality rates:

Healthy Non-Teachers.....	RP-2014 Blue Collar 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 mortality rates:

Healthy Non-Teachers.....	RP-2014 Blue Collar 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 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.
Disabled Teachers.....	RP-2014 Healthy Annuitant Mortality Table set forward four years projected generationally with Scale BB2D from 2014.

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

D. Changes of Assumptions

The valuation includes the repeal of the excise tax on high cost health plans, which was effective December 20, 2019.

E. Changes in Plan Provisions

None.