

**TOWN OF EASTHAM, MASSACHUSETTS**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017**

**TOWN OF EASTHAM, MASSACHUSETTS  
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## INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen  
Town of Eastham, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eastham, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Eastham, Massachusetts' 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eastham, Massachusetts, as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 9) and general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information (located on pages 52 through 59) 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 February 12, 2018 on our consideration of the Town of Eastham, 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 solely 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 the effectiveness of the Town of Eastham, Massachusetts' 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 Eastham, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
February 12, 2018

**TOWN OF EASTHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

As management of the Town of Eastham, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2017.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,057,381 (net position). The Town had an unrestricted deficit at the end of the current fiscal year totaling \$26,837,843.
- The Town's total net position increased \$2,108,431.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,816,453, or 6.5% of total fiscal year 2017 general fund revenues and other financing sources of \$28,021,650.
- The Town's total bonded debt outstanding was \$52,070,441 at June 30, 2017. The Town's total bonded debt increased by \$12,823,238 during the fiscal year. The Town issued \$18,240,265 of long-term debt in fiscal year 2017.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

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

The **statement of net position** presents information on all of the Town's non-fiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference 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 fiscal 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 fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

The government-wide financial statements present functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, community development and debt service (interest).

**TOWN OF EASTHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

The government-wide financial statements can be found on pages 10-11 of this report.

**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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains many individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, community preservation (special revenue), municipal water supply (capital project), library building (capital project), Dyer Prince (capital projects) and debt service funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 12-17 of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for the government-wide financial statements.

The fiduciary funds provide separate information for private-purpose trust funds and agency funds, and are combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary funds financial statements can be found on pages 18-19 of this report.

**TOWN OF EASTHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**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. The notes to the financial statements are on pages 20-51.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and community preservation fund and certain pension and other postemployment benefits information, which can be found on pages 52-59 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following tables present current and prior year data on the government-wide financial statements.

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,057,381 at the close of the fiscal year and are summarized as follows:

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets	\$ 18,155,275	\$ 27,174,891
Noncurrent Assets (Excluding Capital Assets)	58,928	58,928
Capital Assets (Net)	<u>83,389,251</u>	<u>65,995,715</u>
Total Assets	<u>101,603,454</u>	<u>93,229,534</u>
<b>Deferred Outflows of Resources</b>	<u>2,509,651</u>	<u>1,232,410</u>
<b>Liabilities</b>		
Current Liabilities (Excluding Debt)	2,893,691	4,920,982
Noncurrent Liabilities (Excluding Debt)	30,039,794	26,540,592
Current Debt	2,731,167	9,198,410
Noncurrent Debt	<u>49,880,274</u>	<u>37,500,176</u>
Total Liabilities	<u>85,544,926</u>	<u>78,160,160</u>
<b>Deferred Inflows of Resources</b>	<u>510,798</u>	<u>352,834</u>
<b>Net Position</b>		
Net investment in capital assets	33,163,522	20,647,787
Restricted	11,731,702	12,871,251
Unrestricted	<u>(26,837,843)</u>	<u>(17,570,088)</u>
Total Net Position	<u>\$ 18,057,381</u>	<u>\$ 15,948,950</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

The largest portion of the Town's net position reflects its net investment in capital assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the net investment in capital assets is reported net of 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 Town's net position represents resources that are subject to external restrictions on how they may be used. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and other postretirement benefit liabilities.

**Changes in Net Position**

The following table summarizes the Town's changes in net position for the fiscal years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 3,998,595	\$ 4,162,126
Operating Grants and Contributions	2,541,619	2,938,165
Capital Grants and Contributions	1,080,835	1,133,280
<i>General Revenues:</i>		
Real Estate, Personal Property Taxes and Tax Liens	21,933,219	20,206,752
Motor Vehicle and Other Excise Taxes	869,790	804,050
Hotel/Motel Taxes	320,549	320,842
Penalties and Interest on Taxes	97,518	99,453
Payments in Lieu of Taxes	8,324	8,529
Community Preservation Surcharges	647,524	597,598
Grants and Contributions not Restricted to Specific Programs	143,247	137,341
Unrestricted Investment Income	18,757	46,460
Special Item - MCWT loan principal forgiveness	1,671,314	-
	<u>33,331,291</u>	<u>30,454,596</u>
<b>Expenses</b>		
General Government	5,499,550	5,642,965
Public Safety	7,726,891	7,196,623
Education	11,148,091	10,781,570
Public Works	2,352,268	1,902,704
Health and Human Services	1,034,001	926,975
Culture and Recreation	1,585,902	1,136,599
Community Development	756,141	503,015
Claims and judgments	-	400,000
Other	-	4,499
Debt Service - Interest	1,120,016	979,499
	<u>31,222,860</u>	<u>29,474,449</u>
Change in Net Position	2,108,431	980,147
Net Position - Beginning of Year	<u>15,948,950</u>	<u>14,968,803</u>
Net Position - End of Year	<u>\$ 18,057,381</u>	<u>\$ 15,948,950</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Governmental activities increased the Town's net position by \$2,108,431, which is consistent with the prior year, in which governmental activities increased the Town's net position by \$980,147.

**FUND FINANCIAL STATEMENT ANALYSIS**

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

**Governmental Funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$14,653,603 a decrease of \$67,306 in comparison with the prior year. Unassigned fund balance is \$1,275,453 at June 30, 2017. The remainder of fund balance at June 30, 2017 includes the following constraints:

- Nonspendable (\$136,817)
- Restricted (\$11,360,186)
- Committed (\$1,634,481)
- Assigned (\$246,666)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$1,816,453, while total fund balance was \$3,751,549. 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 general fund revenues and other financing sources. Unassigned fund balance represents 6.5% of total general fund revenues and other financing sources, while total fund balance represents 13.5% of that total.

The fund balance of the general fund increased \$270,439 during the current fiscal year. The Town recognized an approximate \$1,332,000 budgetary surplus (budget vs. actual activity) and approximately \$2,263,000 of reserves were utilized during fiscal year 2017.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the community preservation fund (special revenue) increased \$828,096 during the current fiscal year. The fund recognized \$647,454 in surcharges, \$164,620 in intergovernmental revenues, and \$5,060 in investment income. Expenditures of \$148,038 were incurred during the fiscal year. The fund had net transfers of \$159,000.

The fund balance of the municipal water supply fund (capital project) increased \$2,728,995 during the current fiscal year. The fund received \$17,658,265 of bond proceeds and expenditures of \$16,650,523 were incurred during the fiscal year.

The fund balance of the library building fund (capital project) decreased \$29,513 during the current fiscal year. The fund received \$866,383 of intergovernmental revenues and \$592 of investment income. Expenditures of \$896,488 were incurred during the fiscal year.

The fund balance of the Dyer Prince fund (capital project) increased \$344,000 from transfers.

**TOWN OF EASTHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

The fund balance of the debt service fund decreased \$3,751,161 during the current fiscal year for payments to a refunded bonds escrow agent related to a debt refunding transaction that was initiated in fiscal year 2016.

**General Fund Budgetary Highlights**

The original general fund budget of \$28,602,704 was increased by \$161,453 (0.6%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Fire salaries	\$ 45,000	Unassigned Fund Balance
Selectmen administrative salaries	35,000	Unassigned Fund Balance
Municipal building expense	26,000	Unassigned Fund Balance
Data processing expense	20,000	Unassigned Fund Balance
Collections expense	14,000	Unassigned Fund Balance
Unpaid bills	11,453	Unassigned Fund Balance
Consulting & engineering	10,000	Unassigned Fund Balance
<b>Total Increase</b>	<b>\$ 161,453</b>	

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities at the end of the fiscal year totaled \$83,389,251 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled 26.4%.

The major capital asset event that occurred during the current fiscal year was continued construction of the municipal water supply of approximately \$16,651,000.

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	2017	2016
Land	\$ 11,665,861	\$ 11,665,861
Construction in Progress	42,539,268	34,243,952
Land improvements	15,576	-
Buildings and Improvements	23,211,383	14,409,037
Machinery, Vehicles and Equipment	2,347,138	1,966,846
Infrastructure	3,610,025	3,710,019
<b>Total Capital Assets</b>	<b>\$ 83,389,251</b>	<b>\$ 65,995,715</b>

Additional information on the Town's capital assets can be found in Note 5 of this report.

**TOWN OF EASTHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Long-Term Debt**

At the end of the current fiscal year, total bonded debt outstanding was \$52,070,441, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 14,808,000	\$ 14,110,000
MCWT Notes	<u>37,262,441</u>	<u>25,137,203</u>
Total Bonds and Notes	<u>\$ 52,070,441</u>	<u>\$ 39,247,203</u>

During the current fiscal year, the Town issued \$18,240,265 and retired \$5,417,027 of long-term debt.

Additional information on the Town's long-term debt can be found in Note 9 of this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 2500 State Highway, Eastham, Massachusetts 02642.

**TOWN OF EASTHAM, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,507,895
Restricted Cash and Cash Equivalents	8,575,470
Receivables, Net of Allowance for Uncollectible Amounts:	
Real Estate and Personal Property Taxes	372,347
Tax and Utility Liens	251,462
Motor Vehicle and Other Excise Taxes	87,177
Community Preservation Surcharges	9,475
Departmental and Other	225,226
Intergovernmental	4,043,301
Loans	82,922
Total Current Assets	18,155,275
Noncurrent Assets:	
Tax Foreclosures	58,928
Capital Assets not being Depreciated	54,205,129
Capital Assets, Net of Accumulated Depreciation	29,184,122
Total Noncurrent Assets	83,448,179
Total Assets	\$ 101,603,454
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to Pension	\$ 2,509,651
<b>LIABILITIES</b>	
Current Liabilities:	
Warrants Payable	\$ 1,486,642
Accrued Payroll	472,382
Other Liabilities	191,133
Accrued Interest	212,940
Capital Lease Obligations	337,268
Compensated Absences	193,326
Short-Term Notes Payable	541,000
Long-Term Bonds and Notes Payable	2,190,167
Total Current Liabilities	5,624,858
Noncurrent Liabilities:	
Capital Lease Obligations	141,921
Compensated Absences	149,614
Net OPEB Obligation	11,912,428
Net Pension Liability	17,835,831
Long-Term Bonds and Notes Payable	49,880,274
Total Noncurrent Liabilities	79,920,068
Total Liabilities	\$ 85,544,926
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to Pension	\$ 510,798
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 33,163,522
Restricted for:	
Capital Purposes - Library	135,066
Capital Purposes - Municipal Water	5,141,869
Community Preservation	2,411,331
Loans	82,922
Debt Service	53,949
Permanent Funds:	
Expendable	128,909
Nonexpendable	136,817
Other Specific Purposes	3,640,839
Unrestricted	(26,837,843)
Total Net Position	\$ 18,057,381

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

**TOWN OF EASTHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenues				Net
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 5,499,550	\$ 906,281	\$ 408,305	\$ -	\$ (4,184,964)
Public Safety	7,726,891	1,663,033	45,388	-	(6,018,470)
Education	11,148,091	33,925	1,260,066	-	(9,854,100)
Public Works	2,352,268	735,615	21,674	214,452	(1,380,527)
Health and Human Services	1,034,001	141,468	71,622	-	(820,911)
Culture and Recreation	1,585,902	518,273	155,152	866,383	(46,094)
Community Development	756,141	-	487,473	-	(268,668)
Debt Service-Interest	1,120,016	-	91,939	-	(1,028,077)
Total Governmental Activities	31,222,860	3,998,595	2,541,619	1,080,835	(23,601,811)
<b>General Revenues:</b>					
					21,933,219
					869,790
					320,549
					97,518
					8,324
					647,524
					143,247
					18,757
					1,671,314
Total General Revenues and Special Item					25,710,242
<b>CHANGE IN NET POSITION</b>					2,108,431
Net Position - Beginning of Year					15,948,950
<b>NET POSITION - END OF YEAR</b>					\$ 18,057,381

**TOWN OF EASTHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

<b>ASSETS</b>	<u>General</u>	<u>Community Preservation</u>	<u>Municipal Water Supply</u>	<u>Library Building</u>
Cash and Cash Equivalents	\$ 4,507,895	\$ -	\$ -	\$ -
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	372,347	-	-	-
Tax and Trash Liens	251,462	-	-	-
Motor Vehicle and Other Excise taxes	87,177	-	-	-
Community Preservation Surcharges	-	9,475	-	-
Departmental and Other	-	-	-	-
Intergovernmental	-	-	4,043,301	-
Loans	-	-	-	-
Tax Foreclosures	58,928	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	-	2,401,857	2,241,084	251,189
<b>Total Assets</b>	<b><u>\$ 5,277,809</u></b>	<b><u>\$ 2,411,332</u></b>	<b><u>\$ 6,284,385</u></b>	<b><u>\$ 251,189</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants Payable	\$ 228,003	\$ -	\$ 1,142,516	\$ 116,123
Accrued Payroll	472,382	-	-	-
Other Liabilities	191,133	-	-	-
Short-Term Notes Payable	-	-	-	-
<b>Total Liabilities</b>	<b><u>891,518</u></b>	<b><u>-</u></b>	<b><u>1,142,516</u></b>	<b><u>116,123</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	634,742	9,475	-	-
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	53,949	2,401,857	5,141,869	135,066
Committed	1,634,481	-	-	-
Assigned	246,666	-	-	-
Unassigned	1,816,453	-	-	-
<b>Total Fund Balances</b>	<b><u>3,751,549</u></b>	<b><u>2,401,857</u></b>	<b><u>5,141,869</u></b>	<b><u>135,066</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 5,277,809</u></b>	<b><u>\$ 2,411,332</u></b>	<b><u>\$ 6,284,385</u></b>	<b><u>\$ 251,189</u></b>

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

<u>Dyer Prince</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 4,507,895
-	-	-	372,347
-	-	-	251,462
-	-	-	87,177
-	-	-	9,475
-	-	225,226	225,226
-	-	-	4,043,301
-	-	82,922	82,922
-	-	-	58,928
-	-	3,681,340	8,575,470
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,989,488</u>	<u>\$ 18,214,203</u>
\$ -	\$ -	\$ -	\$ 1,486,642
-	-	-	472,382
-	-	-	191,133
541,000	-	-	541,000
541,000	-	-	2,691,157
-	-	225,226	869,443
-	-	136,817	136,817
-	-	3,627,445	11,360,186
-	-	-	1,634,481
-	-	-	246,666
(541,000)	-	-	1,275,453
(541,000)	-	3,764,262	14,653,603
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,989,488</u>	<u>\$ 18,214,203</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Community Preservation</u>	<u>Municipal Water Supply</u>	<u>Library Building</u>
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ 21,833,617	\$ -	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	869,995	-	-	-
Hotel/Motel Tax	320,549	-	-	-
Tax and Trash Liens	21,885	-	-	-
Payments in Lieu of Taxes	8,324	-	-	-
Community Preservation Surcharges	-	647,454	-	-
Charges for Services	-	-	-	-
Intergovernmental	1,321,870	164,620	-	866,383
Penalties and Interest on Taxes	97,518	-	-	-
Licenses and Permits	582,955	-	-	-
Fines and Forfeitures	37,392	-	-	-
Departmental and Other	2,028,815	-	-	-
Contributions	-	-	-	-
Investment Income	19,241	5,060	-	592
Total Revenues	<u>27,142,161</u>	<u>817,134</u>	<u>-</u>	<u>866,975</u>
<b>EXPENDITURES</b>				
Current:				
General Government	3,604,535	20,953	-	-
Public Safety	4,455,180	-	-	-
Education	9,382,617	-	-	-
Public Works	1,689,232	-	16,650,523	-
Health and Human Services	556,867	-	-	-
Culture and Recreation	699,116	42,864	-	896,488
Community Development	-	-	-	-
Pension Benefits	1,438,962	-	-	-
Employee Benefits	2,328,981	-	-	-
Property and Liability Insurance	295,947	-	-	-
State and County Charges	565,962	-	-	-
Debt Service:				
Principal	1,682,027	65,000	-	-
Interest	965,785	19,221	-	-
Total Expenditures	<u>27,665,211</u>	<u>148,038</u>	<u>16,650,523</u>	<u>896,488</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(523,050)</u>	<u>669,096</u>	<u>(16,650,523)</u>	<u>(29,513)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Bonds and Notes	-	-	17,658,265	-
Proceeds from Capital Leases	232,174	-	-	-
Premium from Issuance of Short-Term Debt	-	-	49,939	-
Payments to Refunding Escrow Agent (Current)	-	-	-	-
Transfers In	647,315	515,000	-	-
Transfer Out	(86,000)	(356,000)	-	-
Gain on Debt Extinguishment	-	-	1,671,314	-
Total Other Financing Sources (Uses)	<u>793,489</u>	<u>159,000</u>	<u>19,379,518</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	270,439	828,096	2,728,995	(29,513)
Fund Balances - Beginning of Year	<u>3,481,110</u>	<u>1,573,761</u>	<u>2,412,874</u>	<u>164,579</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,751,549</u>	<u>\$ 2,401,857</u>	<u>\$ 5,141,869</u>	<u>\$ 135,066</u>

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

<u>Dyer Prince</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 21,833,617
-	-	-	869,995
-	-	-	320,549
-	-	-	21,885
-	-	-	8,324
-	-	-	647,454
-	-	576,428	576,428
-	-	812,922	3,165,795
-	-	-	97,518
-	-	-	582,955
-	-	-	37,392
-	-	1,128,096	3,156,911
-	-	140,421	140,421
-	-	6,984	31,877
<u>-</u>	<u>-</u>	<u>2,664,851</u>	<u>31,491,121</u>
-	-	236,468	3,861,956
-	-	744,312	5,199,492
-	-	173,956	9,556,573
-	-	219,078	18,558,833
-	-	37,199	594,066
-	-	515,544	2,154,012
-	-	756,141	756,141
-	-	-	1,438,962
-	-	-	2,328,981
-	-	-	295,947
-	-	-	565,962
-	-	-	1,747,027
-	-	-	985,006
<u>-</u>	<u>-</u>	<u>2,682,698</u>	<u>48,042,958</u>
-	-	(17,847)	(16,551,837)
-	-	582,000	18,240,265
-	-	-	232,174
-	-	42,000	91,939
-	(3,751,161)	-	(3,751,161)
344,000	-	107,141	1,613,456
-	-	(1,171,456)	(1,613,456)
-	-	-	1,671,314
<u>344,000</u>	<u>(3,751,161)</u>	<u>(440,315)</u>	<u>16,484,531</u>
344,000	(3,751,161)	(458,162)	(67,306)
<u>(885,000)</u>	<u>3,751,161</u>	<u>4,222,424</u>	<u>14,720,909</u>
<u>\$ (541,000)</u>	<u>\$ -</u>	<u>\$ 3,764,262</u>	<u>\$ 14,653,603</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

Total Governmental Fund Balances	\$ 14,653,603
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds	83,389,251
In the statement of net position, deferred outflows/inflows of resources are reported for amounts related to pensions	1,998,853
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	869,443
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(212,940)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and Notes Payable	(52,070,441)
Capital Lease Obligations	(479,189)
Compensated Absences	(342,940)
Net OPEB Obligation	(11,912,428)
Net Pension Liability	(17,835,831)
Net Position of Governmental Activities	\$ 18,057,381

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

**TOWN OF EASTHAM, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$ (67,306)
<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. These amounts represent the related activity of the current period.</p>	
Capital Outlays	18,659,634
Depreciation	(1,266,098)
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p>	
	1,277,241
<p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.</p>	
	(157,964)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	76,918
<p>The issuance of long-term debt (e.g., bonds and leases) 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, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(18,240,265)
Bond Maturities	5,417,027
Capital Lease Proceeds	(232,174)
Capital Lease Maturities	328,830
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>	
	(53,849)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated Absences	15,590
Net OPEB Obligation	(1,246,522)
Net Pension Liability	(2,402,631)
	(2,402,631)
Changes in Net Position of Governmental Activities	\$ 2,108,431

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

**TOWN OF EASTHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 39,941	\$ 6,953
Investments (External Investment Pools)	86,025	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Loans	-	165,346	-
Total Assets	86,025	205,287	6,953
<b>LIABILITIES</b>			
Liabilities Due Depositors	-	-	6,953
<b>NET POSITION</b>			
Net Position Restricted for Other Postemployment Benefits and Other Purposes	\$ 86,025	\$ 205,287	

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

**TOWN OF EASTHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2017**

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 879,079	\$ -
Private Donations	-	13,658
Other	-	32,000
	<u>879,079</u>	<u>45,658</u>
 Net Investment Income:		
Net Appreciation in Fair Value of Investments	10,600	-
Interest	-	783
	<u>10,600</u>	<u>783</u>
<b>NET INVESTMENT INCOME</b>	<u>10,600</u>	<u>783</u>
 Total Additions	<u>889,679</u>	<u>46,441</u>
 <b>DEDUCTIONS</b>		
Benefits and Refunds	803,654	-
Scholarships Awarded	-	32,175
	<u>803,654</u>	<u>32,175</u>
 Total Deductions	<u>803,654</u>	<u>32,175</u>
 <b>CHANGE IN NET POSITION</b>	 86,025	 14,266
 Net Position - Beginning of Year	 <u>-</u>	 <u>191,021</u>
 <b>NET POSITION - END OF YEAR</b>	 <u>\$ 86,025</u>	 <u>\$ 205,287</u>

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

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The Town of Eastham, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen (the Board).

For financial reporting purposes, the basic financial statements include all funds, organizations, account groups, agencies, boards, commissions and institutions that are not legally separate from the Town.

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/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

**Joint Ventures**

A joint venture is an organization (resulting from a contractual agreement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in two joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specific recipients. The following table identifies the Town's joint ventures and related information:

Name	Purpose	Address	Fiscal Year 2017 Assessment
Nauset Regional School District	To provide educational services	78 Elderidge Parkway Orleans, MA 02653	\$ 4,889,251
Cape Cod Regional Technical High School	To provide vocational educational services	351 Pleasant Lake Avenue Harwich, MA 02645	\$ 309,752

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Nauset Regional School District (District) is governed by a 10 member school committee consisting of two elected representatives from the Town. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the address previously identified.

The Cape Cod Regional Technical High School (School) is governed by a 21 member school committee consisting of two representatives (appointed by the Board of Selectmen) from the Town. The Town is indirectly liable for the School's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the address previously identified.

***Government-Wide Financial Statements***

The government-wide financial statements (statement of net position and the statement activities) report information on all non-fiduciary activities of the primary government. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

***Fund Financial Statements***

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

**C. Implementation of New Accounting Principles**

For the year ended June 30, 2017, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The implementation of GASB Statement No. 74 expanded disclosures related to OPEB, while the other GASB Statements had no reporting impact for the Town.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus, Basis of Accounting and Basis of 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 fiscal 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 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 specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

***Fund Financial Statements***

**Governmental funds** 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 are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. 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.

**TOWN OF EASTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 used to account for and report all financial resources not accounted for and reported in another fund.

The *community preservation fund* is a special revenue fund used to account for the 3% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

The *municipal water supply fund* is a capital projects fund used to account for the development of a Town-wide municipal water system.

The *library building fund* is a capital projects fund used to account for accumulation of funds to build a new public library.

The *Dyer Prince fund* is a capital projects fund used to account for accumulation of funds to acquire land on Dyer Prince Road.

The *debt service fund* is used to account for a debt refunding transaction.

The nonmajor governmental funds consist of other special revenue, 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:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fiduciary funds** 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 government's programs.

The following fiduciary fund types are reported:

The *OPEB trust fund* is used to account for assets held in trust for OPEB benefits.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist of police detail and student activity funds. Agency funds do not present the results of operations or have a measurement focus.

**E. Cash and Cash Equivalents 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.

**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 fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

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

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on November 1 and May 1 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 fiscal year of the levy.

Real estate tax liens are processed annually on delinquent properties and are recorded as receivables in the fiscal year they are processed.

**Motor Vehicle and Other Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Community Preservation Surcharges**

Community preservation surcharges are levied annually and at a rate of 3% of residents' real estate tax bills. The surcharge is due with the real estate tax on November 1 and May 1 and is subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges would be included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

**Departmental and Other**

Departmental and other receivables represent amounts due from various departmental activities. These receivables are recorded when the service has been provided or the applicable agreement has been entered into.

**Intergovernmental**

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

**Loans**

The Town administers various loan programs to residents that provide assistance to comply with Title V of the Massachusetts State Environmental Code regulating septic systems. The Town also administers educational loan programs. Loans are recorded as receivables upon issuance.

**G. Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other
- Loans

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

- Real estate taxes
- Tax liens
- Community preservation surcharges

Intergovernmental receivables are considered 100% collectible.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. 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.

**I. Restricted Assets**

**Government-Wide and Fund Financial Statements**

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**J. Capital Assets**

**Government-Wide Financial Statements**

Capital assets, which consist of land, construction in progress, land improvements, buildings and improvements, machinery, equipment and vehicles, and infrastructure (e.g., roads, sidewalks and similar items), are reported in the governmental activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is not capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 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:

Capital Asset Type	Estimated Useful Life (in years)
Land Improvements	20
Buildings and Improvements	20-40
Machinery, Vehicles and Equipment	3-20
Infrastructure	20-40

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.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Financial Statements**

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

**K. Interfund Receivables and Payables**

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

**Government-Wide Financial Statements**

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

**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.

**L. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds.

**Government-Wide Financial Statements**

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position.

**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.

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

**M. Deferred Outflows of Resources**

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 that time.

The governmental unit has deferred outflows of resources related to pensions which are reported in the government-wide financial statements statement of net position.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Deferred Inflows of Resources**

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 government has unavailable revenue that is reported in the governmental funds balance sheet. Unavailable revenue 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.

The governmental unit also has deferred inflows of resources related to pensions which are reported in the government-wide financial statements statement of net position.

**O. Net Position and Fund Balances**

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

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:

“Capital purposes - Library” represents amounts restricted for Library building construction.

“Capital purposes – Municipal Water” represents amounts restricted for the development of a Town-wide municipal water system.

“Community preservation” represents amounts restricted for open space, historic resource and affordable housing purposes.

“Loans” represents outstanding septic loans receivable.

“Debt service” represents amounts restricted for a debt refunding transaction.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents restrictions placed on assets from outside parties.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Funds Financial Statements (Fund Balances)**

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

*Assigned* – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

*Unassigned* – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**P. Long-Term Debt**

**Government-Wide Financial Statements**

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line 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 when the debt is issued. 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.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. 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).

**R. Compensated Absences**

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

**Government-Wide 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.

**S. Pensions**

**Government-Wide and Fund Financial Statements**

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 the Barnstable County Retirement Association (BCRA) and additions to/deductions from BCRA's fiduciary net position have been determined on the same basis as they are reported by BCRA. 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.

**T. Postretirement Benefits**

**Government-Wide and Fund Financial Statements**

In addition to providing pension benefits, and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

**U. 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 fiscal year. Actual results could vary from estimates that were used.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**V. Total Column**

**Fund Financial Statements**

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The municipal finance laws of the Commonwealth require the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases to the annual budget subsequent to Annual Town Meeting approval require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2017 approved budget for the general fund authorized \$28,602,704 in appropriations and other amounts to be raised. During the fiscal year, appropriations were increased by \$161,453.

The Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The budgetary comparison schedules presented in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

**B. Fund Deficits**

At June 30, 2017, the Land Dyer Prince Road fund had a deficit of \$541,000. The deficit will be funded by proceeds from the issuance of bonds and notes.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**C. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2017, expenditures exceeded appropriations for state and county charges. This over-expenditure will be funded by taxes during fiscal year 2018.

**NOTE 3 DEPOSITS AND INVESTMENTS**

The municipal finance laws of the Commonwealth authorize the Town to invest available cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT); and the Plymouth County OPEB Trust (PCOT).

The MMDT and PCOT meet the criteria of external investment pools and operate in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth and Plymouth County serves as Trustees, respectively. The reported value of the pools are the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds and private purpose trust funds are held separately from other Town funds.

**Deposits – Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy is to rely on FDIC and DIF insurance coverage and to collateralize an additional portion of deposits. In addition, the Town's deposits will be limited to financial institutions with proven financial strength, capital adequacy and overall affirmative reputation in the municipal industry.

As of June 30, 2017, \$978,007 of the Town's bank balance of \$12,961,656 was uninsured and exposed to custodial credit risk.

**Investments Summary**

The Town's investments at June 30, 2017 totaled \$657,029 and consisted entirely of MMDT and PCOT.

**Investments - Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town's policy for interest rate risk is to manage duration of investments consistent with the municipal finance laws of the Commonwealth. As of June 30, 2017, the Town was not exposed to interest rate risk.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's policy for custodial credit risk of investments is to limit the Town's investment to financial institutions with proven financial strength, capital adequacy and overall affirmative reputation in the municipal industry. In addition, all securities not held directly by the Town will be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. As of June 30, 2017, the Town's investments were not exposed to custodial credit risk.

**Investments - Credit Risk of Debt Securities**

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town's policy for credit risk of debt securities is to allow for unlimited investments in United State treasury and agency obligations which carry an AAA rating. In regards to other investment, the Town will only purchase investment grade securities with a high concentration in securities rated A and above. In addition, the Town may invest in MMDT and PCOT with no limit to the amount of funds placed in the trust. As of June 30, 2017, the Town's investments in MMDT and PCOT were unrated by a national credit rating organization.

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2017, receivables for the individual major governmental funds, nonmajor governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Real Estate and Personal Property Taxes	\$ 372,347	\$ -	\$ 372,347
Tax and Utility Liens	251,462	-	251,462
Motor Vehicle and Other Excise Taxes	87,177	-	87,177
Community Preservation Surcharges	9,475	-	9,475
Intergovernmental	4,043,301	-	4,043,301
Departmental and Other	471,552	(246,326)	225,226
Loans	248,268	-	248,268
Total	<u>\$ 5,483,582</u>	<u>\$ (246,326)</u>	<u>\$ 5,237,256</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 11,665,861	\$ -	\$ -	\$ 11,665,861
Construction in Progress	34,243,952	16,187,684	(7,892,368)	42,539,268
Total Capital Assets not being Depreciated	45,909,813	16,187,684	(7,892,368)	54,205,129
<u>Capital assets being depreciated:</u>				
Land Improvements	14,000	16,253	-	30,253
Buildings and Improvements	21,888,082	9,363,574	-	31,251,656
Machinery, Vehicles and Equipment	5,883,737	763,487	(154,647)	6,492,577
Infrastructure	9,155,152	221,004	-	9,376,156
Total Capital Assets being Depreciated	36,940,971	10,364,318	(154,647)	47,150,642
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(14,000)	(677)	-	(14,677)
Buildings and Improvements	(7,479,045)	(561,228)	-	(8,040,273)
Machinery, Vehicles and Equipment	(3,916,890)	(383,196)	154,647	(4,145,439)
Infrastructure	(5,445,134)	(320,997)	-	(5,766,131)
Total Accumulated Depreciation	(16,855,069)	(1,266,098)	154,647	(17,966,520)
Total Capital Assets being Depreciated, Net	20,085,902	9,098,220	-	29,184,122
Total Governmental Activities Capital Assets, Net	\$ 65,995,715	\$ 25,285,904	\$ (7,892,368)	\$ 83,389,251

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

<b>Governmental Activities:</b>	
General Government	\$ 119,027
Public Safety	362,987
Education	306,306
Public Works	411,818
Health and Human Services	15,672
Culture and Recreation	50,288
Total Depreciation Expense - Governmental Activities	<u>\$ 1,266,098</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2017, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Community Preservation	Dyer Prince	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ 86,000	\$ 86,000 (1)
Community Preservation	-	-	344,000	12,000	356,000 (2)
Nonmajor Governmental Funds	647,315	515,000	-	9,141	1,171,456 (3)
	<u>\$ 647,315</u>	<u>\$ 515,000</u>	<u>\$ 344,000</u>	<u>\$ 107,141</u>	<u>\$ 1,613,456</u>

- (1) Represents budgeted transfers from general fund to FY17 Visitors Service Board/Promotions fund (\$10,000) and the Rock Harbor Dredge fund (\$76,000).
- (2) Represents budgeted transfers from the Community Preservation fund to the Dyer Prince fund (\$344,000) and Affordable Housing Trust fund (\$12,000).
- (3) Represents budgeted transfers to the general fund from Ambulance Receipts (\$416,000), Government Media Access (\$126,000), Title V Betterment (\$20,400), Olde Mill Receipts (\$1,000), and landfill solar farm (\$80,000) special revenue funds. Also represents miscellaneous fund closeout transfers. Also represents transfers to the Community Preservation fund from the Affordable Housing Trust fund (\$500,000) and the Diamondback Terrapin fund (\$15,000). Also represents a transfer from program income to the Affordable Housing Trust fund (\$9,141).

**NOTE 7 SHORT-TERM FINANCING**

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

- Current operating costs prior to collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

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

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 SHORT-TERM FINANCING (CONTINUED)**

Details related to short-term debt activity for the fiscal year ended June 30, 2017, is as follows:

**Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
BAN	Land Acquisition	8/14/2015	8/12/2016	0.65%	\$ 885,000	\$ -	\$ (885,000)	\$ -
BAN	Dredging	6/30/2016	6/17/2017	2.25%	700,000	-	(700,000)	-
SAN	Library	6/30/2016	6/17/2017	2.25%	866,383	-	(866,383)	-
BAN	Water	6/30/2016	6/17/2017	2.25%	5,000,000	-	(5,000,000)	-
BAN	Land Acquisition	8/12/2016	8/11/2017	0.95%	-	541,000	-	541,000
Total					<u>\$ 7,451,383</u>	<u>\$ 541,000</u>	<u>\$ (7,451,383)</u>	<u>\$ 541,000</u>

**Subsequent Event**

On August 11, 2017, the Town repaid \$341,000 of the land acquisition BAN outstanding at June 30, 2017 and renewed \$200,000 of the BAN outstanding at June 30, 2017. The renewed BAN has an interest rate of 1.30% and a maturity date of August 10, 2018.

**NOTE 8 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term liabilities during the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
<b>Governmental Activities:</b>					
Bonds and Notes Payable	\$ 39,247,203	\$ 18,240,265	\$ (5,417,027)	\$ 52,070,441	\$ 2,190,167
Pollution Remediation Liability	50,000	-	(50,000)	-	-
Capital Lease Obligations	575,845	232,174	(328,830)	479,189	337,268
Compensated Absences	358,530	-	(15,590)	342,940	193,326
Net OPEB Obligation	10,665,906	2,100,176	(853,654)	11,912,428	-
Net Pension Liability	15,433,200	2,402,631	-	17,835,831	-
Total	<u>\$ 66,330,684</u>	<u>\$ 22,975,246</u>	<u>\$ (6,665,101)</u>	<u>\$ 82,640,829</u>	<u>\$ 2,720,761</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2017 are as follows:

**Bonds and Notes Payable – Governmental Funds**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Septic Repair Loan Program (MCWT)	08/01/20	5.05%	\$ 51,800	\$ -	\$ (10,400)	\$ 41,400
Land Acquisition	08/15/20	4.62%	460,000	-	(110,000)	350,000
Septic Repair Loan Program (MCWT)	07/15/25	0.00%	100,000	-	(10,000)	90,000
Elementary School Addition	08/15/16	4.24%	4,080,000	-	(4,080,000)	-
Municipal Water Supply Project	01/15/21	1.25-2%	1,840,000	-	(395,000)	1,445,000
Eastham Library	06/15/35	3.01%	4,275,000	-	(225,000)	4,050,000
Municipal Water Supply Project (MCWT)	01/15/46	2.40%	24,985,403	-	(561,627)	24,423,776
Refunding	08/01/25	4.00%	3,455,000	-	(25,000)	3,430,000
GOB MPL 2017	06/15/45	3.00-4.00%	-	5,533,000	-	5,533,000
Municipal Water Supply Project (MCWT)	01/15/47	2.40%	-	2,304,545	-	2,304,545
Municipal Water Supply Project (MCWT)	01/16/47	2.40%	-	10,402,720	-	10,402,720
Total bonds and notes payable			<u>\$ 39,247,203</u>	<u>\$ 18,240,265</u>	<u>\$ (5,417,027)</u>	<u>\$ 52,070,441</u>

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 2,190,167	\$ 1,292,995	\$ 3,483,162
2019	2,219,428	1,303,819	3,523,247
2020	2,242,263	1,239,098	3,481,361
2021	2,025,487	1,170,892	3,196,379
2022	1,784,315	1,110,598	2,894,913
2023	1,813,964	1,057,246	2,871,210
2024	1,839,250	981,002	2,820,252
2025	1,785,190	945,084	2,730,274
2026	1,806,798	910,236	2,717,034
2027	1,459,095	873,473	2,332,568
2028	1,492,096	836,205	2,328,301
2029	1,525,821	798,115	2,323,936
2030	1,560,287	759,185	2,319,472
2031	1,595,514	718,835	2,314,349
2032	1,631,523	677,610	2,309,133
2033	1,668,333	635,210	2,303,543
2034	1,705,965	591,446	2,297,411
2035	1,744,438	546,455	2,290,893
2036	1,558,776	500,497	2,059,273
2037	1,604,002	461,429	2,065,431
2038	1,645,137	421,192	2,066,329
2039	1,687,205	379,925	2,067,130
2040	1,735,231	337,603	2,072,834
2041	1,779,240	294,048	2,073,288
2042	1,829,256	249,096	2,078,352
2043	1,875,306	202,858	2,078,164
2044	1,927,416	155,464	2,082,880
2045	1,980,613	106,717	2,087,330
2046	1,759,925	56,600	1,816,525
2047	598,400	14,362	612,762
Total	<u>\$ 52,070,441</u>	<u>\$ 19,627,295</u>	<u>\$ 71,697,736</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2017, the Town's subsidy totaled approximately \$2,500.

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, 2017, the Town had \$73,728,753 of authorized and unissued debt for purposes of construction on the water supply and distribution system.

**NOTE 10 CAPITAL LEASES**

The Town has entered into certain capital lease agreements for various machinery, vehicles and equipment, under which the assets will become property of the Town when all terms of the lease agreement are met. The agreements also contain early purchase options which would allow the Town to purchase the assets before the end of the lease term.

The following schedule presents future minimum lease payments as of June 30, 2017:

<u>Fiscal Years Ending June 30.</u>	<u>Amount</u>
2018	\$ 348,647
2019	49,118
2020	49,118
2021	49,118
Less: Amounts Representing Interest	<u>(16,812)</u>
Present Value of Minimum Lease Payments	<u>\$ 479,189</u>

Machinery, vehicles and equipment and the related accumulated depreciation under capital leases is as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery, Vehicles and Equipment	\$ 1,393,109
Less: Accumulated Amortization	<u>(276,035)</u>
Total	<u>\$ 1,117,074</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** – The Town provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report.

Plan assets are managed by Plymouth County with the County Treasurer serving as the custodian of the fund. Investment policies and objectives are established by an investment committee consisting of 5 persons comprised of a representative sample from participating member units.

Plan membership as of June 30, 2017 is as follows:

Active Employees	108
Retired Employees, Beneficiaries and Dependents	<u>126</u>
Total	<u><u>234</u></u>

**Benefits provided** – The Town provides health, dental and life insurance coverage for its retirees and survivors. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions.

**Contributions** – The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health and dental insurance contribution rates of Plan members and the Town are 35% and 65%, respectively. The Plan members and Town contribute 50%, respectively, towards a \$5,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

For the fiscal year ended June 30, 2017, the employer contributions totaled \$879,079. The Trust did not receive contributions from any other sources.

**Net Other Post Employment Benefits Liability (Plan)** - The components of the net OPEB liability of the Plan as of June 30, 2017, were as follows:

Total OPEB Liability	\$ 29,953,899
Fiduciary Net Position	<u>(86,025)</u>
Net OPEB Liability	<u><u>\$ 29,867,874</u></u>

Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.29%
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The OPEB trust fund reported in the fiduciary funds financial statements is reported using the flow of economic resources measurement focus and uses the accrual basis of accounting. Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Methods and Assumptions** – Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effect of legal or contractual funding limitations, are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and Plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions used to measure the total OPEB liability as of the latest actuarial valuation are as follows:

Valuation Date: June 30, 2016

Actuarial Cost Method: Individual Entry Age Normal

Amortization Method: Amortized as level percentage over 30 years at the last valuation

Remaining Amortization Period: 30 years at June 30, 2016

Asset Valuation Method: Market Value

Investment Rate of Return: 7.0%, net of OPEB plan investment expense, including inflation.

Single Equivalent Discount Rate: 3.58%, net of OPEB plan investment expense, including inflation. Using a blend of the Municipal Bond Index Rate for unfunded periods and the Investment Rate of Return for funded periods

Inflation: 3.5% Annually

Healthcare/Medical Cost Trend Rate: 7.0% decreasing by 0.5% each year to an ultimate level of 4.5%

Salary Increases: 4.25% - 7.00% depending on employee type

Pre-Retirement Mortality: RP-2000 Employees Mortality Table projected generationally with scale BB2D from 2009

Post-Retirement Mortality: RP-2000 Employees Mortality Table projected generationally with scale BB2D from 2009

Disabled Mortality: RP-2000 Employees Mortality Table projected generationally with scale BB2D from 2015

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Investment Policies and Rates of Return** – The OPEB trust fund investments are in the Plymouth County OPEB Trust Investment Pool, an external investment pool.

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 15.2 percent. The money-weighted rate of return expresses investment performance, net of investment expense.

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 investment expense and inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses and a risk margin. The arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36.00%	6.44%
International Equity - Developed Market	27.00%	7.40%
International Equity - Emerging Market	7.00%	9.42%
Core Fixed Income	15.00%	2.02%
High Yield Fixed Income	5.00%	4.43%
Real Estate	7.50%	5.00%
Alternative Investments	2.50%	6.22%
Total	<u>100.00%</u>	

**Discount rate.** The discount rate used to measure the total OPEB liability was 3.58%. The discount rate was selected using a blend of the Municipal Bond Index Rate (3.13% at June 30, 2017) for unfunded periods and the Investment Rate of Return (7.00% at June 30, 2017) for funded periods.

**Sensitivity of the net OPEB liability to changes in the discount rate.** The following presents the net OPEB liability calculated using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$ 34,960,703	\$ 29,867,874	\$ 25,820,333

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%) decreasing to <u>3.5%</u>	Current Trend Rate (7.00%) decreasing to <u>4.5%</u>	1% Increase (8.00%) decreasing to <u>5.5%</u>
Net OPEB Liability	\$ 25,417,590	\$ 29,867,874	\$ 35,559,668

**Annual OPEB Cost and Net OPEB Obligation** - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table identifies the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town's net OPEB obligation:

	<u>Amount</u>
Annual Required Contribution	\$ 2,084,244
Interest on Net OPEB Obligation	381,839
Adjustment to Annual Required Contribution	<u>(365,907)</u>
Annual OPEB Cost	2,100,176
Contributions Made	<u>(853,654)</u>
Increase in Net OPEB Obligation	1,246,522
Net OPEB Obligation at Beginning of Year	<u>10,665,906</u>
Net OPEB Obligation at End of Year	<u><u>\$ 11,912,428</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 1,839,033	38.3%	\$ 9,525,974
June 30, 2016	\$ 1,939,111	41.2%	\$ 10,665,906
June 30, 2017	\$ 2,100,176	40.6%	\$ 11,912,428

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Funded Status and Funding Progress** – The funded status of the Plan at June 30, 2016, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/16	\$ 25,425	\$ 28,701,091	\$ 28,675,666	0.1%	\$ 9,898,721	289.7%

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

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Individual Entry Age Normal
Amortization Method:	Amortization payments increasing at 3.5%
Remaining Amortization Period:	30 years (open)
Interest Discount Rate:	3.58%
Healthcare/Medical Cost Trend Rate:	7.0%; 0.5% decreases to level of 4.5%
Inflation Rate:	3.5% annually

**Allocation of AOPEBC** – AOPEBC costs were allocated to the Town’s functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 377,794
Public Safety	827,199
Education	539,609
Public Works	150,317
Human Services	89,431
Culture and Recreation	<u>115,826</u>
Total AOPEBC - Governmental Activities	<u><u>\$ 2,100,176</u></u>

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Community Preservation	Municipal Water Supply	Library Building	Dyer Prince	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,817	\$ 136,817
<b>Restricted</b>							
Community Preservation	-	2,401,857	-	-	-	-	2,401,857
Municipal Water Supply	-	-	5,141,869	-	-	-	5,141,869
Debt Service	53,949	-	-	-	-	-	53,949
Library Building	-	-	-	135,066	-	-	135,066
Affordable Housing	-	-	-	-	-	940,385	940,385
Ambulance Receipts Reserved	-	-	-	-	-	684,508	684,508
Library Trustees Permanent Fund	-	-	-	-	-	312,116	312,116
General Government	-	-	-	-	-	664,527	664,527
Public Safety	-	-	-	-	-	24,935	24,935
Education	-	-	-	-	-	206,450	206,450
Public Works	-	-	-	-	-	421,012	421,012
Health and Human Services	-	-	-	-	-	41,063	41,063
Culture and Recreation	-	-	-	-	-	203,088	203,088
Community Development	-	-	-	-	-	129,361	129,361
Subtotal - Restricted	53,949	2,401,857	5,141,869	135,066	-	3,627,445	11,360,186
<b>Committed</b>							
Subsequent Year's Expenditures	715,500	-	-	-	-	-	715,500
Continuing Appropriations	918,981	-	-	-	-	-	918,981
Subtotal - Committed	1,634,481	-	-	-	-	-	1,634,481
<b>Assigned</b>							
Encumbrances	246,666	-	-	-	-	-	246,666
<b>Unassigned</b>	1,816,453	-	-	-	(541,000)	-	1,275,453
	<u>\$ 3,751,549</u>	<u>\$ 2,401,857</u>	<u>\$ 5,141,869</u>	<u>\$ 135,066</u>	<u>\$ (541,000)</u>	<u>\$ 3,764,262</u>	<u>\$ 14,653,603</u>

**NOTE 13 STABILIZATION FUNDS**

The Town maintains a general stabilization fund that was established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization fund require two-thirds vote of Town meeting. Investment income is retained by the fund.

The balance of the stabilization fund at June 30, 2017 totals \$53,563 and is reported as unassigned fund balance in the general fund.

**NOTE 14 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.

**Health Insurance**

The Town participates in a health insurance risk pool administered by the Cape Cod Municipal Health Group (Group). The Group offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 14 RISK FINANCING (CONTINUED)**

The Town is obligated to pay the Group its required premiums and, in the event the Group is terminated, its proportionate share of a deficit, should one exist. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**Workers' Compensation**

The Town participates in a premium-based workers' compensation policy for all employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**NOTE 15 PENSION PLAN**

**General Information about the Pension Plan**

*Plan description.* Employees of the Town deemed eligible by the Barnstable County Retirement Board are provided with pensions through the BCRA - a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Membership in the BCRA is mandatory immediately upon the commencement of employment for all permanent employees (except for school department employees who serve in a teaching capacity) working a minimum of 25 hours per week. The BCRA issues a publicly available financial report that can be obtained by contacting the BCRA located at 750 Attucks Lane, Hyannis, Massachusetts, 02601.

*Benefits provided.* Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of compensation for those hired prior to April 2, 2012. 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.

There are three classes of membership in the plan; Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed. There are no minimum vesting requirements for individuals in Group 4.

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

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

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 PENSION PLAN (CONTINUED)**

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

*Contributions.* Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total 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 plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$1,438,962 for the year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the Town reported a liability of \$17,835,831 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2016, the Town proportion was 2.539%.

For the year ended June 30, 2017, the Town recognized pension expense of \$2,722,316. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$2,509,651; which included the net difference between projected and actual investment earnings on pension plan investments (\$1,013,843), changes of assumptions (\$1,058,033), and changes in proportion and differences between employer contributions and proportionate share of contributions (\$437,775). At June 30, 2017, the Town reported deferred inflows of resources related to pensions of \$510,798; which included differences between expected and actual experience (\$228,531) and changes in proportion and differences between employer contributions and proportionate share of contributions (\$282,267).

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 PENSION PLAN (CONTINUED)**

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2018	\$ 517,853
2019	517,853
2020	511,717
2021	199,208
2022	<u>252,222</u>
Totals	<u>\$ 1,998,853</u>

*Actuarial assumptions.* The total pension liability was determined using the following actuarial assumptions:

- Inflation Rate: 4.00%
- Salary Increases: Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
- Mortality Rates: Pre-Retirement - The RP-2000 Employee Mortality Table projected generationally with a Scale BB2D from 2009.  
 Healthy Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB2D from 2009.  
 Disabled Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015.
- Investment Rate of Return: 7.625%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2015.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 PENSION PLAN (CONTINUED)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.0%	6.4%
International Equity - Developed Markets	16.0%	7.4%
International Equity - Emerging Markets	6.0%	9.4%
Core Fixed Income	13.0%	2.0%
High-Yield Fixed Income	10.0%	4.4%
Real Estate	10.0%	5.0%
Commodities	4.0%	4.4%
Hedge Fund, GTAA, Risk Parity	13.0%	3.8%
Private Equity	10.0%	10.5%
Totals	<u>100.0%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.625%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.625%, as well as what the Town proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.625%) or 1-percentage-point higher (8.625%) than the current rate:

	1% Decrease (6.625%)	Current Discount Rate (7.625%)	1% Increase (8.625%)
Town of Eastham's Proportionate Share of the Net Pension Liability	\$ 22,696,289	\$ 17,835,831	\$ 13,736,276

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued BCRA financial report.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

*Benefits provided.* MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

*Contributions.* The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5% to 11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions and the Commonwealth is a nonemployer contributing entity in MTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2017. The Commonwealth's net pension liability associated with the Town was \$7,645,289.

The MTRS' net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016.

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

For the year ended June 30, 2017, the Town recognized pension expense of \$779,870 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

*Actuarial assumptions.* The MTRS' total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

Investment Rate of Return: 7.5%

Salary Increases: Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

Mortality Rates: Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)

Postretirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)

Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	40.0%	6.9%
Core Fixed Income	13.0%	1.6%
Private Equity	10.0%	8.7%
Real Estate	10.0%	4.6%
Value Added Fixed Income	10.0%	4.8%
Hedge Funds	9.0%	4.0%
Portfolio Completion Strategies	4.0%	3.6%
Timber/Natural Resources	4.0%	5.4%
Total	<u>100.0%</u>	

**TOWN OF EASTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

*Discount rate.* The discount rate used to measure the MTRS' total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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.

*Pension plan fiduciary net position.* Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**NOTE 17 COMMITMENTS**

The Town has authorized and unissued borrowings for approximately \$74 million and has entered into related contracts or is planning to enter into related contracts totaling said amount, to install the town-wide municipal water supply and water distribution system.

**NOTE 18 CONTINGENCIES**

A claim is pending against the Town arising over an alleged release of hazardous materials, specifically a chemical known as 1,4 Dioxane, from the Town's former landfill and the impact that said release has had on private drinking water wells in the area. Based on a study and assessment conducted by the Town's consultants, it was believed there were approximately 38 properties with well water containing levels of 1,4 Dioxane above regulatory standards. Some property owners filed claims against the Town for personal injury, and property damages, all of which have been settled except one. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. The amount of liability, at June 30, 2017, related to these legal actions and claims cannot be ascertained.

The Town participates in a number of federal award programs. The programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**TOWN OF EASTHAM, MASSACHUSETTS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2017**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 21,822,847	\$ -	\$ 21,822,847
Motor Vehicle and Other Excise Taxes	-	757,000	-	757,000
Hotel/Motel Tax	-	300,000	-	300,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	8,000	-	8,000
Intergovernmental	-	575,374	-	575,374
Penalties and Interest on Taxes	-	92,000	-	92,000
Licenses and Permits	-	500,000	-	500,000
Fines and Forfeitures	-	35,000	-	35,000
Departmental and Other	-	1,726,000	-	1,726,000
Investment Income	-	42,000	-	42,000
	<u>-</u>	<u>25,858,221</u>	<u>-</u>	<u>25,858,221</u>
<b>Total Revenues</b>	<u>-</u>	<u>25,858,221</u>	<u>-</u>	<u>25,858,221</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,290,744	4,875,358	116,453	4,991,811
Public Safety	780	4,466,539	45,000	4,511,539
Education	48,898	8,961,731	-	8,961,731
Public Works	1,441	1,636,556	-	1,636,556
Health and Human Services	1,800	578,790	-	578,790
Culture and Recreation	-	740,330	-	740,330
Pension Benefits	-	1,438,962	-	1,438,962
Employee Benefits	-	2,342,500	-	2,342,500
Property and Liability Insurance	-	302,600	-	302,600
State and County Charges	-	525,519	-	525,519
Debt Service:				
Principal	-	1,682,027	-	1,682,027
Interest	-	965,792	-	965,792
	<u>1,343,663</u>	<u>28,516,704</u>	<u>161,453</u>	<u>28,678,157</u>
<b>Total Expenditures</b>	<u>1,343,663</u>	<u>28,516,704</u>	<u>161,453</u>	<u>28,678,157</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,343,663)</u>	<u>(2,658,483)</u>	<u>(161,453)</u>	<u>(2,819,936)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	643,400	-	643,400
Transfers Out	-	(86,000)	-	(86,000)
	<u>-</u>	<u>557,400</u>	<u>-</u>	<u>557,400</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>557,400</u>	<u>-</u>	<u>557,400</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,343,663)</u>	<u>(2,101,083)</u>	<u>(161,453)</u>	<u>(2,262,536)</u>
Fund Balance - Beginning of Year	<u>3,327,464</u>	<u>3,327,464</u>	<u>3,327,464</u>	<u>3,327,464</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,983,801</u>	<u>\$ 1,226,381</u>	<u>\$ 3,166,011</u>	<u>\$ 1,064,928</u>

See accompanying notes to required supplementary information.

See accompanying Note to Required Supplementary Information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 21,849,002	\$ -	\$ 21,849,002	\$ 26,155
869,995	-	869,995	112,995
320,549	-	320,549	20,549
21,885	-	21,885	21,885
8,324	-	8,324	324
542,000	-	542,000	(33,374)
97,518	-	97,518	5,518
582,955	-	582,955	82,955
37,392	-	37,392	2,392
2,028,815	-	2,028,815	302,815
18,757	-	18,757	(23,243)
<u>26,377,192</u>	<u>-</u>	<u>26,377,192</u>	<u>518,971</u>
3,654,535	997,461	4,651,996	339,815
4,455,180	27,113	4,482,293	29,246
8,602,747	119,499	8,722,246	239,485
1,457,058	20,000	1,477,058	159,498
556,867	1,574	558,441	20,349
699,116	-	699,116	41,214
1,438,962	-	1,438,962	-
2,328,981	-	2,328,981	13,519
295,947	-	295,947	6,653
565,962	-	565,962	(40,443)
1,682,027	-	1,682,027	-
965,785	-	965,785	7
<u>26,703,167</u>	<u>1,165,647</u>	<u>27,868,814</u>	<u>809,343</u>
<u>(325,975)</u>	<u>(1,165,647)</u>	<u>(1,491,622)</u>	<u>1,328,314</u>
647,315	-	647,315	3,915
(86,000)	-	(86,000)	-
<u>561,315</u>	<u>-</u>	<u>561,315</u>	<u>3,915</u>
235,340	(1,165,647)	(930,307)	1,332,229
3,327,464	-	3,327,464	-
<u>\$ 3,562,804</u>	<u>\$ (1,165,647)</u>	<u>\$ 2,397,157</u>	<u>\$ 1,332,229</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
COMMUNITY PRESERVATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2017**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Community Preservation Surcharges	\$ -	\$ 614,000	\$ -	\$ 614,000
Intergovernmental	-	177,000	-	177,000
Departmental and Other	-	-	-	-
Investment Income	-	4,420	-	4,420
Total Revenues	<u>-</u>	<u>795,420</u>	<u>-</u>	<u>795,420</u>
<b>EXPENDITURES</b>				
Current:				
Administrative	-	37,877	-	37,877
Acquisitions and Projects	120,909	715,779	-	836,688
Debt Service:				
Principal	-	65,000	-	65,000
Interest	-	19,221	-	19,221
Total Expenditures	<u>120,909</u>	<u>-</u>	<u>-</u>	<u>958,786</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(120,909)</u>	<u>795,420</u>	<u>-</u>	<u>(163,366)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>-</u>	<u>(356,000)</u>	<u>-</u>	<u>(356,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(120,909)</u>	<u>439,420</u>	<u>-</u>	<u>(519,366)</u>
Fund Balances - Beginning of Year	<u>1,573,762</u>	<u>1,573,762</u>	<u>1,573,762</u>	<u>1,573,762</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,452,853</u>	<u>\$ 2,013,182</u>	<u>\$ 1,573,762</u>	<u>\$ 1,054,396</u>

See accompanying notes to required supplementary information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 647,453	\$ -	\$ 647,453	\$ 33,453
164,620	-	164,620	(12,380)
-	-	-	-
5,060	-	5,060	640
<u>817,133</u>	<u>-</u>	<u>817,133</u>	<u>21,713</u>
37,877	-	37,877	-
25,940	686,266	712,206	124,482
65,000	-	65,000	-
19,221	-	19,221	-
<u>148,038</u>	<u>686,266</u>	<u>834,304</u>	<u>124,482</u>
<u>669,095</u>	<u>(686,266)</u>	<u>(17,171)</u>	<u>146,195</u>
<u>(356,000)</u>	<u>-</u>	<u>(356,000)</u>	<u>-</u>
313,095	(686,266)	(373,171)	146,195
<u>1,573,762</u>	<u>-</u>	<u>1,573,762</u>	<u>-</u>
<u>\$ 1,886,857</u>	<u>\$ (686,266)</u>	<u>\$ 1,200,591</u>	<u>\$ 146,195</u>

**TOWN OF EASTHAM, MASSACHUSETTS  
PENSION PLAN SCHEDULES  
YEAR ENDED JUNE 30, 2017**

**PENSION PLAN SCHEDULES**

The following schedules provide information related to the Association as a whole, for which the Town is one participating employer:

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY(1)(2)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	2.539%	2.451%	2.526%
Town's proportionate share of the net pension liability	\$ 17,835,831	\$ 15,433,200	\$ 14,262,018
Town's covered payroll	\$ 7,065,428	\$ 6,681,146	\$ 6,626,170
Town's proportionate share of the net pension liability as a percentage of its covered payroll	252.44%	231.00%	215.24%
Plan fiduciary net position as a percentage of the total pension liability	57.28%	58.10%	60.43%

(1) The amounts presented were determined as of December 31 of each year.

(2) Data is being accumulated to present the required 10 years of information.

**SCHEDULE OF TOWN CONTRIBUTIONS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Required Contribution	\$ 1,438,962	1,323,659	1,317,678
Contributions in Relation to the Actuarially Required Contribution	<u>(1,438,962)</u>	<u>(1,323,659)</u>	<u>(1,317,678)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Town's Covered Payroll	\$ 7,065,428	6,681,146	6,626,170
Contributions as a Percentage of Covered Payroll	20.37%	19.81%	19.89%

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%
Town's Proportionate Share of the Net Pension Liability	\$ -	-	-
Commonwealth's Proportionate Share of the Net Pension Liability Associated with the Town	<u>7,645,289</u>	<u>6,930,327</u>	<u>5,337,042</u>
Total	<u>\$7,645,289</u>	<u>6,930,327</u>	<u>5,337,042</u>
Town's Covered Payroll	\$2,249,229	\$2,144,065	\$2,058,588
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.73%	55.38%	61.64%

**TOWN OF EASTHAM, MASSACHUSETTS  
PENSION PLAN SCHEDULES  
YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ -	-	-
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Town's Covered Payroll	\$2,249,229	\$2,144,065	\$2,058,588
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A

**TOWN OF EASTHAM, MASSACHUSETTS  
OTHER POSTEMPLOYMENT BENEFITS SCHEDULES  
YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS (PLAN)\***

	2017
<b>Total OPEB Liability</b>	
Service Cost	\$ 1,219,897
Interest	941,192
Changes of assumptions	(3,606,951)
Benefit Payments	(803,654)
Net Change in Total OPEB Liability	(2,249,516)
Total OPEB Liability - Beginning of Period	32,203,415
Total OPEB Liability - End of Period (a)	\$ 29,953,899
Plan Fiduciary Net Position	
Contributions - Employer	879,079
Net Investment Income	10,600
Benefit Payments	(803,654)
Net Change in Plan Fiduciary net Position	86,025
Plan Fiduciary Net Position - Beginning of Period	-
Plan Fiduciary Net Position - End of Period (b)	86,025
Town's Net OPEB Liability - Ending (a) - (b)	\$ 29,867,874
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.29%
Covered Payroll	\$ 9,898,721
Net OPEB Liability as a Percentage of Covered Payroll	301.73%

**SCHEDULE OF CONTRIBUTIONS (PLAN)\***

	2017
Actuarially Required Contribution	\$ 2,100,176
Contributions in Relation to the Actuarially Required Contribution	(853,654)
Contribution Deficiency (Excess)	\$ 1,246,522
Town's Covered Payroll	\$ 9,898,721
Contributions as a Percentage of Covered Payroll	8.62%

**SCHEDULE OF INVESTMENT RETURNS (PLAN)\***

	2017
Annual money-weighted rate of return, net of investment expense	15.2%

\* Data is being accumulated annually to present 10 years of the reported information

**TOWN OF EASTHAM, MASSACHUSETTS  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

**NOTE A BUDGETARY – GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund and community preservation fund (CPA) for the fiscal year ended June 30, 2017 is presented below:

**General Fund**

	Revenues	Expenditures
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 26,377,192	\$ 27,868,814
<u>Reclassifications</u>		
Activity of stabilization fund recorded in the general fund for GAAP purposes	484	-
<u>Adjustments</u>		
Net change in recording 60-day receipts	(15,385)	-
To record capital leases	-	232,174
Net change in recording pollution remediation liability	-	(50,000)
To record activity for MTRS on-behalf payments	779,870	779,870
To record encumbrances and continuing appropriations	-	(1,165,647)
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	\$ 27,142,161	\$ 27,665,211

**CPA Fund**

	Expenditures
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 834,304
<u>Adjustments</u>	
To record encumbrances and continuing appropriations	(686,266)
GAAP basis as reported on the statement of revenues expenditures and changes in fund balances	\$ 148,038