

TOWN OF EASTHAM, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2021

TOWN OF EASTHAM, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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Independent Auditor's Report

To the Honorable Select Board
Town of Eastham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2021, 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eastham, Massachusetts, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements for the prior period were audited by a predecessor auditor, whose opinion dated March 30, 2021 was unmodified. As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 16 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the Town of Eastham, Massachusetts other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 basic financial statements as a whole.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2022 on our consideration of the Town of Eastham, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Powers & Sullivan, LLC

May 4, 2022

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Eastham, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Eastham's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community development, health and human services, culture and recreation, community preservation, and interest. The business-type activities include the activities of the Town's Water operations.

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

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

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

The Town of Eastham adopts an annual appropriated budget for its general fund and community preservation fund. A budgetary comparison statement has been provided for the general fund and community preservation fund as required supplementary information, to demonstrate compliance with these budgets.

The Town's general fund and community preservation fund are considered major funds for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are aggregated and shown as nonmajor funds.

Proprietary funds. The Town maintains only one type of propriety fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town's enterprise fund accounts for its' Water activities.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Eastham's assets and deferred outflows of resources exceeded its' liabilities and deferred inflows of resources on a government-wide basis by \$7.3 million at the close of 2021.

Net position of \$42.8 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position in the amount of \$4 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is in a deficit of \$39.5 million and this is largely due to the recognition of a \$36.7 million net OPEB liability and an \$18 million net pension liability.

Governmental Activities

	2021	(As Restated) 2020
	<hr/>	<hr/>
Assets:		
Current assets.....	\$ 22,937,888	\$ 20,388,311
Capital assets, non depreciable.....	15,848,461	79,415,018
Capital assets, net of accumulated depreciation....	<hr/> 24,381,583	<hr/> 25,870,583
Total assets.....	<hr/>63,167,932	<hr/>125,673,912
 Deferred outflows of resources.....	 7,182,273	 9,455,435
 Liabilities:		
Current liabilities (excluding debt).....	1,894,375	2,275,481
Noncurrent liabilities (excluding debt).....	54,840,083	58,971,839
Current debt.....	1,556,555	5,566,136
Noncurrent debt.....	<hr/> 9,340,839	<hr/> 64,623,796
Total liabilities.....	<hr/>67,631,852	<hr/>131,437,252
 Deferred inflows of resources.....	 6,582,698	 3,318,916
 Net position:		
Net investment in capital assets.....	31,109,544	36,377,004
Restricted.....	3,980,644	6,101,848
Unrestricted.....	<hr/> (38,954,533)	<hr/> (42,105,673)
 Total net position.....	 <hr/><u>\$ (3,864,345)</u>	 <hr/><u>\$ 373,179</u>

Net position of \$31.1 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position in the amount of \$4 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is in a deficit of \$39.0 million and this is largely due to the recognition of a \$36.5 million net OPEB liability as well as a \$17.9 million net pension liability.

	2021	2020
Program Revenues:		
Charges for services.....	\$ 4,560,558	\$ 4,318,979
Operating grants and contributions.....	3,291,664	4,284,680
Capital grants and contributions.....	6,600	6,600
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	28,939,767	26,269,360
Tax and other liens.....	233,791	95,947
Motor vehicle and other excise taxes.....	915,536	915,746
Hotel/motel tax.....	141,239	614,393
Meals tax.....	111,874	127,986
Community preservation tax.....	838,868	767,436
Penalties and interest on taxes.....	111,843	132,734
Payments in lieu of taxes.....	6,685	9,137
Grants and contributions not restricted to specific programs.....	158,202	158,202
Unrestricted investment income.....	34,197	111,987
Total revenues.....	39,350,824	37,813,187
Expenses:		
General government.....	5,693,361	5,725,480
Public safety.....	9,163,389	9,107,929
Education.....	11,263,408	12,145,618
Public works.....	2,823,245	3,347,475
Community development.....	9,047	113,608
Health and human services.....	1,222,109	1,232,361
Culture and recreation.....	1,855,220	1,792,117
Community preservation.....	92,373	268,756
Interest.....	175,357	2,149,404
Total expenses.....	32,297,509	35,882,748
Excess (Deficiency) before transfers.....	7,053,315	1,930,439
Transfers of net assets to water enterprise fund.....	(7,971,012)	-
Transfers.....	(3,319,827)	-
Change in net position.....	(4,237,524)	1,930,439
Net position, beginning of year.....	373,179	(1,557,260)
Net position, end of year.....	\$ (3,864,345)	\$ 373,179

The governmental activities net position decreased by \$4.1 million during the current year which compares to an increase of \$394,000 in the prior year. The current year decrease is mainly attributable to a transfer of net assets to the business type activities. Also contributing to change are the net pension and net other postemployment benefits liability (and associated deferred inflows and outflows) which increased \$745,000.

Business-type Activities Financial Analysis

As of July 1, 2020, the Town began accounting for its water activities as a business type activity.

	2021
Assets:	
Current assets.....	\$ 16,616,317
Capital assets, non depreciable.....	75,565,498
Total assets.....	92,181,815
Deferred outflows of resources.....	42,627
Liabilities:	
Current liabilities (excluding debt).....	573,366
Noncurrent liabilities (excluding debt).....	323,101
Current debt.....	4,220,737
Noncurrent debt.....	75,944,339
Total liabilities.....	81,061,543
Deferred inflows of resources.....	39,470
Net position:	
Net investment in capital assets.....	11,666,324
Unrestricted.....	(542,895)
Total net position.....	\$ 11,123,429

Net position of \$11.7 million reflects its net investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net position is in a deficit of \$543,000 and this is largely due to the recognition of a \$199,000 net OPEB liability and a \$124,000 net pension liability.

	2021
Program Revenues:	
Charges for services.....	\$ 493,115
Capital grants and contributions.....	1,391,649
Total revenues.....	1,884,764
Expenses:	
Water.....	2,052,174
Excess (Deficiency) before transfers.....	(167,410)
Transfers of net assets.....	7,971,012
Operating transfers.....	3,319,827
Change in net position.....	11,123,429
Net position, beginning of year.....	-
Net position, end of year.....	\$ 11,123,429

This is the first year that the Town is reporting its water service activities as a business-type activity. Town Meeting adopted certain aspects of Massachusetts municipal finance law that allows municipalities to report such activity as an enterprise fund. In accordance with the Town Meeting authorization, the Town transferred capital assets and long term bonds in the net amount of \$8 million, previously reported as governmental activity, to the business-type activities.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$18.1 million, an increase of \$4.5 million from the prior year. The significant reasons for the increase are explained in the following paragraphs.

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$9.2 million while total fund balance was \$9.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.5% of total general fund expenditures while total fund balance represents 33.0% of total general fund expenditures.

The fund balance of the general fund increased \$3.2 million from the prior year because of the Town's rising in property tax valuations, which resulted in a \$2 million growth in real estate and personal property tax revenues, and prudent management of departmental costs which resulted in actual expenditures and encumbrances being less than budgeted amounts.

Community Preservation Fund

The Town's Community Preservation Fund is classified as a major fund in the governmental fund financial statements. The community preservation fund is attributable to the Town's acceptance of the Community Preservation Act which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and affordable housing. The community preservation fund has a year-end balance of \$2.5 million which is reflective of a \$759,000 increase in fund balance. The increase in fund balance is a result of \$392,000 of expenditures and other financing uses being offset with revenues of \$1.2 million. When compared to the prior year, expenditures and other financing uses decreased \$199,000 while revenues increased \$123,000 due to increased local surcharge and state match revenues.

General Fund Budgetary Highlights

There was an increase of \$1.4 million increase between the original budget and the final amended budget. The increase is the result of actions taken at the Spring 2021 Special Town Meeting. At this meeting, the Town funded the stabilization fund, various employee benefit reserve funds, and increased appropriations for a variety of departmental purposes.

Community Preservation Fund Budgetary Highlights

Town Meeting budgeted \$1 million for certain administrative and other projects allowable under the Community Preservation Fund Act.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Outstanding long-term debt of the general government, as of June 30, 2021, is approximately \$10.4 million, of which \$3.7 million is related to building and other facility construction, \$1.3 million is related to land acquisition, \$2.4 million is related to Rock Harbor and Nauset Estuaries projects, \$741,000 is related to Tri Town Septage projects and \$2.3 million is related to other purposes.

The governmental activities had outstanding short-term debt of \$199,000 at year end.

The water enterprise fund has \$2.5 million in outstanding short term debt and \$77.7 million of outstanding long term debt at the end of the year.

The Town's governmental activities capital asset additions for 2021 are comprised of purchases of \$758,000 for various infrastructure and various building construction and natural resource restoration projects classified as construction in process.

During the fiscal year, the Town established an enterprise fund to account for its water activities. This resulted in the Town transferring \$64.3 million, of previously recorded governmental activities capital assets, to the business-type activities.

Please refer to the notes 4, 6, 7 and 8 to the basic financial statements for further discussion of the major capital and debt activity.

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2021

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 19,989,836	\$ 1,762,023	\$ 21,751,859
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	320,453	-	320,453
Tax liens.....	355,379	-	355,379
Community preservation fund surtax.....	7,620	-	7,620
Motor vehicle and other excise taxes.....	119,138	-	119,138
User charges.....	-	31,225	31,225
Departmental and other.....	270,573	-	270,573
Intergovernmental - other.....	1,427,889	14,823,069	16,250,958
Community preservation state share.....	447,000	-	447,000
Total current assets.....	<u>22,937,888</u>	<u>16,616,317</u>	<u>39,554,205</u>
NONCURRENT:			
Capital assets, nondepreciable.....	15,848,461	75,565,498	91,413,959
Capital assets, net of accumulated depreciation.....	<u>24,381,583</u>	<u>-</u>	<u>24,381,583</u>
Total noncurrent assets.....	<u>40,230,044</u>	<u>75,565,498</u>	<u>115,795,542</u>
TOTAL ASSETS.....	<u>63,167,932</u>	<u>92,181,815</u>	<u>155,349,747</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	2,334,295	16,178	2,350,473
Deferred outflows related to other postemployment benefits.....	<u>4,847,978</u>	<u>26,449</u>	<u>4,874,427</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>7,182,273</u>	<u>42,627</u>	<u>7,224,900</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	630,787	14,724	645,511
Accrued payroll.....	713,550	-	713,550
Accrued interest.....	100,982	558,642	659,624
Other liabilities.....	192,304	-	192,304
Unearned revenue.....	256,752	-	256,752
Capital lease obligations.....	117,555	-	117,555
Notes payable.....	199,000	2,500,000	2,699,000
Bonds payable.....	<u>1,240,000</u>	<u>1,720,737</u>	<u>2,960,737</u>
Total current liabilities.....	<u>3,450,930</u>	<u>4,794,103</u>	<u>8,245,033</u>
NONCURRENT:			
Capital lease obligations.....	150,839	-	150,839
Compensated absences.....	460,480	-	460,480
Net pension liability.....	17,914,216	124,155	18,038,371
Net other postemployment benefits liability.....	36,465,387	198,946	36,664,333
Bonds payable.....	<u>9,190,000</u>	<u>75,944,339</u>	<u>85,134,339</u>
Total noncurrent liabilities.....	<u>64,180,922</u>	<u>76,267,440</u>	<u>140,448,362</u>
TOTAL LIABILITIES.....	<u>67,631,852</u>	<u>81,061,543</u>	<u>148,693,395</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	2,411,966	16,716	2,428,682
Deferred inflows related to other postemployment benefits.....	<u>4,170,732</u>	<u>22,754</u>	<u>4,193,486</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>6,582,698</u>	<u>39,470</u>	<u>6,622,168</u>
NET POSITION			
Net investment in capital assets.....	31,109,544	11,666,324	42,775,868
Restricted for:			
Debt service.....	32,369	-	32,369
Permanent funds:			
Expendable.....	100,683	-	100,683
Nonexpendable.....	136,817	-	136,817
Gifts and grants.....	762,661	-	762,661
Community preservation.....	2,948,114	-	2,948,114
Unrestricted.....	<u>(38,954,533)</u>	<u>(542,895)</u>	<u>(39,497,428)</u>
TOTAL NET POSITION.....	<u>\$ (3,864,345)</u>	<u>\$ 11,123,429</u>	<u>\$ 7,259,084</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	Program Revenues				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,693,361	\$ 954,509	\$ 639,041	\$ -	\$ (4,099,811)
Public safety.....	9,163,389	1,847,782	202,895	-	(7,112,712)
Education.....	11,263,408	89,913	1,478,627	-	(9,694,868)
Public works.....	2,823,245	964,875	269,387	6,600	(1,582,383)
Community development.....	9,047	-	-	-	(9,047)
Health and human services.....	1,222,109	74,297	84,974	-	(1,062,838)
Culture and recreation.....	1,855,220	629,182	169,740	-	(1,056,298)
Community preservation.....	92,373	-	447,000	-	354,627
Interest.....	175,357	-	-	-	(175,357)
 Total Governmental Activities.....	<u>32,297,509</u>	<u>4,560,558</u>	<u>3,291,664</u>	<u>6,600</u>	<u>(24,438,687)</u>
 <i>Business-Type Activities:</i>					
Water.....	2,052,174	493,115	-	1,391,649	(167,410)
 Total Primary Government.....	<u>\$ 34,349,683</u>	<u>\$ 5,053,673</u>	<u>\$ 3,291,664</u>	<u>\$ 1,398,249</u>	<u>\$ (24,606,097)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(24,438,687)	(167,410)	(24,606,097)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	28,939,767	-	28,939,767
Tax and other liens.....	233,791	-	233,791
Motor vehicle and other excise taxes.....	915,536	-	915,536
Hotel/motel tax.....	141,239	-	141,239
Meals tax.....	111,874	-	111,874
Community preservation tax.....	838,868	-	838,868
Penalties and interest on taxes.....	111,843	-	111,843
Payments in lieu of taxes.....	6,685	-	6,685
Grants and contributions not restricted to specific programs.....	158,202	-	158,202
Unrestricted investment income.....	34,197	-	34,197
<i>Transfers of net assets to water enterprise fund.....</i>	<i>(7,971,012)</i>	<i>7,971,012</i>	<i>-</i>
<i>Transfers, net.....</i>	<i>(3,319,827)</i>	<i>3,319,827</i>	<i>-</i>
Total general revenues and transfers.....	<u>20,201,163</u>	<u>11,290,839</u>	<u>31,492,002</u>
Change in net position.....	(4,237,524)	11,123,429	6,885,905
<i>Net position:</i>			
Beginning of year, as restated.....	<u>373,179</u>	<u>-</u>	<u>373,179</u>
End of year..... \$	<u><u>(3,864,345)</u></u>	<u><u>11,123,429</u></u>	<u><u>7,259,084</u></u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 11,150,665	\$ 2,493,284	\$ 6,345,887	\$ 19,989,836
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	320,453	-	-	320,453
Tax liens.....	351,141	4,238	-	355,379
Community preservation fund surtax.....	-	7,620	-	7,620
Motor vehicle and other excise taxes.....	119,138	-	-	119,138
Departmental and other.....	-	-	270,573	270,573
Intergovernmental - other.....	-	-	1,427,889	1,427,889
Community preservation state share.....	-	447,000	-	447,000
TOTAL ASSETS.....	\$ 11,941,397	\$ 2,952,142	\$ 8,044,349	\$ 22,937,888
LIABILITIES				
Warrants payable.....	\$ 599,786	\$ 4,531	\$ 26,470	\$ 630,787
Accrued payroll.....	713,550	-	-	713,550
Other liabilities.....	146,259	-	46,045	192,304
Unearned revenue.....	-	-	256,752	256,752
Notes payable.....	-	-	199,000	199,000
TOTAL LIABILITIES.....	1,459,595	4,531	528,267	1,992,393
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	791,100	458,354	1,571,411	2,820,865
FUND BALANCES				
Nonspendable.....	-	-	136,817	136,817
Restricted.....	192,445	2,489,257	5,844,634	8,526,336
Committed.....	101,261	-	-	101,261
Assigned.....	151,917	-	-	151,917
Unassigned.....	9,245,079	-	(36,780)	9,208,299
TOTAL FUND BALANCES.....	9,690,702	2,489,257	5,944,671	18,124,630
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 11,941,397	\$ 2,952,142	\$ 8,044,349	\$ 22,937,888

See notes to basic financial statements.

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

JUNE 30, 2021

Total governmental fund balances.....		\$ 18,124,630
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		40,230,044
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,820,865
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not reported.....		599,575
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(100,982)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(10,430,000)	
Net pension liability.....	(17,914,216)	
Net other postemployment benefits liability.....	(36,465,387)	
Capital lease obligations.....	(268,394)	
Compensated absences.....	(460,480)	
Net effect of reporting long-term liabilities.....		<u>(65,538,477)</u>
Net position of governmental activities.....		<u>\$ (3,864,345)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 28,216,169	\$ -	\$ -	\$ 28,216,169
Tax liens.....	125,979	2,216	-	128,195
Motor vehicle and other excise taxes.....	954,868	-	-	954,868
Hotel/motel tax.....	141,239	-	-	141,239
Meals tax.....	111,874	-	-	111,874
Charges for services.....	-	-	945,262	945,262
Penalties and interest on taxes.....	110,857	986	-	111,843
Payments in lieu of taxes.....	6,685	-	-	6,685
Licenses and permits.....	645,686	-	-	645,686
Fines and forfeitures.....	57,739	-	-	57,739
Intergovernmental - Teachers Retirement.....	1,036,915	-	-	1,036,915
Intergovernmental - other.....	567,309	-	984,541	1,551,850
Departmental and other.....	3,151,201	-	871,220	4,022,421
Community preservation taxes.....	-	842,404	-	842,404
Community preservation state match.....	-	304,620	-	304,620
Contributions and donations.....	-	-	85,561	85,561
Investment income.....	23,675	1,280	9,242	34,197
TOTAL REVENUES.....	35,150,196	1,151,506	2,895,826	39,197,528
EXPENDITURES:				
Current:				
General government.....	3,183,144	-	1,015,536	4,198,680
Public safety.....	5,445,933	-	819,451	6,265,384
Education.....	9,299,637	-	131,239	9,430,876
Public works.....	1,830,767	-	65,050	1,895,817
Community development.....	-	-	9,047	9,047
Health and human services.....	821,690	-	23,847	845,537
Culture and recreation.....	915,960	-	254,523	1,170,483
Community preservation.....	-	92,373	-	92,373
Pension benefits.....	1,812,443	-	-	1,812,443
Pension benefits - Teachers Retirement.....	1,036,915	-	-	1,036,915
Property and liability insurance.....	332,681	-	-	332,681
Employee benefits.....	2,811,945	-	-	2,811,945
State and county charges.....	660,229	-	-	660,229
Debt service:				
Principal.....	910,200	-	-	910,200
Interest.....	316,330	-	-	316,330
TOTAL EXPENDITURES.....	29,377,874	92,373	2,318,693	31,788,940
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	5,772,322	1,059,133	577,133	7,408,588
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	-	2,360,000	2,360,000
Premium from issuance of bonds.....	-	-	181,000	181,000
Capital contributions to establish water enterprise fund....	-	-	(2,096,022)	(2,096,022)
Transfers in.....	760,900	-	342,000	1,102,900
Transfers out.....	(3,298,371)	(300,000)	(824,356)	(4,422,727)
TOTAL OTHER FINANCING SOURCES (USES)...	(2,537,471)	(300,000)	(37,378)	(2,874,849)
NET CHANGE IN FUND BALANCES.....	3,234,851	759,133	539,755	4,533,739
FUND BALANCES AT BEGINNING OF YEAR.....	6,455,851	1,730,124	5,404,916	13,590,891
FUND BALANCES AT END OF YEAR.....	\$ 9,690,702	\$ 2,489,257	\$ 5,944,671	\$ 18,124,630

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds.....		\$ 4,533,739
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	758,350	
Net capital assets transferred to business-type activities.....	(64,292,184)	
Depreciation expense.....	<u>(1,521,723)</u>	
Net effect of reporting capital assets.....		(65,055,557)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		135,860
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	180,913	
Issuance of bonds.....	(2,360,000)	
Premium from issuance of bonds.....	(181,000)	
Net amortization of premium from issuance of bonds.....	181,000	
Debt transferred to business-type activities.....	58,417,194	
Debt service principal payments.....	<u>910,200</u>	
Net effect of reporting long-term debt.....		57,148,307
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(15,138)	
Net change in accrued interest on long-term debt.....	(40,027)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(1,795,896)	
Net change in net pension liability.....	1,835,834	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	(3,741,048)	
Net change in net other postemployment benefits liability.....	<u>2,756,402</u>	
Net effect of recording long-term liabilities.....		<u>(999,873)</u>
Change in net position of governmental activities.....		\$ <u><u>(4,237,524)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Business-type Activities - Water
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 1,762,023
Receivables, net of allowance for uncollectibles:	
User charges.....	31,225
Intergovernmental - other.....	14,823,069
Total current assets.....	16,616,317
NONCURRENT:	
Capital assets, non depreciable.....	75,565,498
TOTAL ASSETS.....	92,181,815
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions.....	16,178
Deferred outflows related to other postemployment benefits.....	26,449
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	42,627
LIABILITIES	
CURRENT:	
Warrants payable.....	14,724
Accrued interest.....	558,642
Notes payable.....	2,500,000
Bonds payable.....	1,720,737
Total current liabilities.....	4,794,103
NONCURRENT:	
Net pension liability.....	124,155
Net other postemployment benefits liability.....	198,946
Bonds payable.....	75,944,339
Total noncurrent liabilities.....	76,267,440
TOTAL LIABILITIES.....	81,061,543
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions.....	16,716
Deferred inflows related to other postemployment benefits.....	22,754
TOTAL DEFERRED INFLOWS OF RESOURCES.....	39,470
NET POSITION	
Net investment in capital assets.....	11,666,324
Unrestricted.....	(542,895)
TOTAL NET POSITION.....	\$ 11,123,429

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Water
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 493,115
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	609,393
Salaries and wages.....	62,381
TOTAL OPERATING EXPENSES.....	671,774
OPERATING INCOME (LOSS).....	(178,659)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest expense.....	(1,380,400)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(1,559,059)
CAPITAL CONTRIBUTIONS.....	9,362,661
<u>TRANSFERS:</u>	
Transfers in.....	3,319,827
CHANGE IN NET POSITION.....	11,123,429
NET POSITION AT BEGINNING OF YEAR.....	-
NET POSITION AT END OF YEAR.....	\$ 11,123,429

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

	<u>Business-type Activities - Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 461,890
Payments to vendors.....	(271,030)
Payments to employees.....	<u>(66,076)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>124,784</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers in.....	<u>3,319,827</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Proceeds from the issuance of bonds and notes.....	9,228,486
Capital contributions.....	3,487,671
Acquisition and construction of capital assets.....	(11,273,314)
Principal payments on bonds and notes.....	(1,737,865)
Interest expense.....	<u>(1,387,566)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,682,588)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,762,023
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 1,762,023</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>	
<u>FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ (178,659)
Adjustments to reconcile operating income to net cash from operating activities:	
Deferred (outflows)/inflows related to pensions.....	538
Deferred (outflows)/inflows related to other postemployment benefits.....	(3,695)
Changes in assets and liabilities:	
User charges.....	(31,225)
Warrants payable.....	14,724
Net pension liability.....	124,155
Net other postemployment benefit liability.....	<u>198,946</u>
Total adjustments.....	<u>303,443</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 124,784</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Non-cash capital balances transferred from governmental activities.....	\$ (5,874,990)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	-	76,743
Investments:		
Investments in Plymouth County OPEB Trust.....	611,108	
Loans.....	-	174,551
TOTAL ASSETS.....	611,108	251,294
NET POSITION		
Restricted for other postemployment benefits.....	611,108	-
Held in trust for other purposes.....	-	251,294
TOTAL NET POSITION.....	611,108	251,294

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
	<u>Trust Fund</u>	<u>Trust Funds</u>
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 200,000	\$ -
Employer contributions for other postemployment benefit payments....	1,007,969	-
Private donations.....	-	6,000
Other.....	-	4,000
	<u>1,207,969</u>	<u>10,000</u>
Total contributions.....		
Net investment income:		
Investment income.....	95,271	3,073
Less: investment expense.....	<u>(1,076)</u>	<u>-</u>
Net investment income (loss).....	<u>94,195</u>	<u>3,073</u>
	<u>1,302,164</u>	<u>13,073</u>
TOTAL ADDITIONS.....		
DEDUCTIONS:		
Other postemployment benefit payments.....	1,007,969	-
Educational scholarships.....	-	4,000
	<u>1,007,969</u>	<u>4,000</u>
TOTAL DEDUCTIONS.....		
NET INCREASE (DECREASE) IN NET POSITION.....	294,195	9,073
NET POSITION AT BEGINNING OF YEAR.....	<u>316,913</u>	<u>242,221</u>
NET POSITION AT END OF YEAR.....	<u>\$ 611,108</u>	<u>\$ 251,294</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Select Board.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. It has been determined that there are no component units that meet the requirements for inclusion in the Town's basic financial statements.

Joint Ventures

The Town is a member of the Nauset Regional School District that provides educational services. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2021 assessment was \$4,642,374.

The Town is a member of the Cape Cod Regional Technical High School that provides vocational educational services. The members share in the operations of the High School. Each member is responsible for its proportionate share of the operational costs of the High School, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2021 assessment was \$223,596.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures 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 year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

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

The *community preservation fund* is a special revenue fund used to account for funds collected in accordance with the Community Preservation Act. The funds may be used for the creation, preservation and support of open space, historic resources, land for recreational use and affordable housing.

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:

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

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

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

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

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

The *water enterprise fund*, which is used to account for the water activities, is reported as a major proprietary fund.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private purpose trust fund* accumulates resources to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trust funds have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies allow the trustees to approve spending of the realized investment earnings.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate and Personal Property Taxes

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

The allowance for uncollectible real estate and personal property tax is estimated based on historical trends and specific account analysis.

Community Preservation Fund Surtax

Community Preservation Fund Surtaxes consist of an additional tax of up to 3% of the value in excess of \$100,000 of real property valuation. The fund resources can be used to support expenditures for open space acquisition or preservation, historic preservation, recreation and affordable housing.

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

Tax Liens

The Town has the ability to secure real estate tax and water and sewer liens by placing property into tax title. Tax liens are recorded as receivables in the year they are processed.

Motor Vehicle and Other Excise Taxes

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

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

User Fees

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Wastewater charges are recorded as receivables in the year of the levy. Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Departmental and Other

Departmental and other receivables consist primarily of ambulance charges and tax foreclosures and are recorded as receivables in the year accrued. The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Intergovernmental

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

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

Community Preservation Fund State Share

Community Preservation Fund State Share represents the grants from the Commonwealth of Massachusetts which matches a portion of funds collected by the Town through the Community Preservation Surtax.

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

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

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

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

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
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.

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

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. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

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:

"Debt service" represents amounts restricted to pay for future debt service.

“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.

“Gifts and grants” represents restrictions placed on assets from outside parties.

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town will, from time to time, fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same

purpose, it is the Town's policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Pensions

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

O. 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).

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

P. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

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

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

R. Individual Fund Deficits

There is a fund deficit in the Federal Grants Fund totaling \$36,780. This deficit will be funded through future grant receipts and available fund balances.

S. Total Column*Government-Wide Financial Statements*

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

Governmental Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. MMDT maintains a cash portfolio that has a weighted average maturity of 53 days. The pool is unrated.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's policy addressing custodial credit risk over deposits is explained in the next paragraph. At year-end, the carrying amount of deposits totaled \$21,828,602, and the bank balance totaled \$20,793,295. Of the bank balance, \$1,133,730 was covered by Federal Depository Insurance and \$17,622,231 was covered by the Depositors Insurance Fund, and \$2,037,334 was uncollateralized.

It is the policy of the Town to rely on FDIC and DIF insurance. Depending on the cash requirements of the Town there may be a need to maintain depository balances that are above and beyond FDIC, DIF and collateral agreement coverage is utilized. In addition, the Town’s deposits will be limited to financial institutions with proven financial strength.

Other Postemployment Benefit Investments

The Town is part of the Plymouth County OPEB Trust Program (PCOT) which maintains a pooled investment trust for various Massachusetts governmental organizations. The value at June 30, 2021 was \$611,108. The trust administrator is the Public Agency Retirement Services (PARS) which is an IRS approved multiple-employer Section 115 OPEB Trust. U.S. Bank is the trustee for the funds invested. Since this is an irrevocable Section 115 trust the investments are not subjected to custodial credit risk. The Town’s position in this Trust is measured at net asset value and is unrated.

Fair Value of Cash and Investments

The investment in MMDT, totaling \$1,688,046 is comprised of a cash portfolio. The cash portfolio is valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

NOTE 3 - RECEIVABLES

At June 30, 2021, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 320,453	\$ -	\$ 320,453
Tax liens.....	355,379	-	355,379
Community preservation fund surtax.....	7,620	-	7,620
Motor vehicle and other excise taxes.....	173,126	(53,988)	119,138
Departmental and other.....	270,573	-	270,573
Intergovernmental - other.....	1,427,889	-	1,427,889
Community preservation state share.....	447,000	-	447,000
Total.....	<u>\$ 3,002,040</u>	<u>\$ (53,988)</u>	<u>\$ 2,948,052</u>

At June 30, 2021, receivables for the water enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	31,225	-	31,225
Water intergovernmental - other.....	14,823,069	-	14,823,069
Total.....	\$ 14,854,294	\$ -	\$ 14,854,294

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 320,318	\$ -	\$ 320,318
Tax liens.....	351,141	4,238	355,379
Community preservation fund.....	503	454,117	454,620
Motor vehicle and other excise taxes.....	119,138	-	119,138
Departmental and other.....	-	190,599	190,599
Intergovernmental - highway improvements.....	-	1,380,811	1,380,811
Total.....	\$ 791,100	\$ 2,029,765	\$ 2,820,865

NOTE 4 - CAPITAL ASSETS

During the fiscal year, the Town established an enterprise fund to account for its water activities. This resulted in the Town transferring \$64.3 million, of previously recorded governmental activities capital assets, to the business-type activities.

Details of capital asset activity for the year ended June 30, 2021, was as presented on the following page.

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 13,479,461	\$ -	\$ -	\$ 13,479,461
Construction in progress.....	65,935,557	725,627	(64,292,184)	2,369,000
Total capital assets not being depreciated....	79,415,018	725,627	(64,292,184)	15,848,461
<u>Capital assets being depreciated:</u>				
Land improvements.....	113,340	-	-	113,340
Buildings and improvements.....	31,251,656	-	-	31,251,656
Machinery, vehicles and equipment.....	7,392,538	-	-	7,392,538
Infrastructure.....	9,732,767	32,723	-	9,765,490
Total capital assets being depreciated.....	48,490,301	32,723	-	48,523,024
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(26,966)	(10,881)	-	(37,847)
Buildings and improvements.....	(10,367,700)	(776,083)	-	(11,143,783)
Machinery, vehicles and equipment.....	(5,484,910)	(431,431)	-	(5,916,341)
Infrastructure.....	(6,740,142)	(303,328)	-	(7,043,470)
Total accumulated depreciation.....	(22,619,718)	(1,521,723)	-	(24,141,441)
Total capital assets being depreciated, net.....	25,870,583	(1,489,000)	-	24,381,583
Total governmental activities capital assets, net.....	\$ 105,285,601	\$ (763,373)	\$ (64,292,184)	\$ 40,230,044

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 75,565,498	\$ -	\$ 75,565,498

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

Governmental Activities:	
General government.....	\$ 122,610
Public safety.....	354,904
Education.....	298,508
Public works.....	472,185
Health and human services.....	8,479
Culture and recreation.....	<u>265,037</u>
 Total depreciation expense - governmental activities.....	 \$ <u><u>1,521,723</u></u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, are summarized as follows:

Transfers Out:	Transfers In:			Total	
	General fund	Nonmajor governmental funds	Water Enterprise fund		
General fund.....	\$ -	\$ 42,000	\$ 3,319,827	\$ 3,361,827	(a)
Community preservation fund.....	-	300,000	-	300,000	(b)
Nonmajor governmental funds.....	<u>824,905</u>	<u>-</u>	<u>-</u>	<u>824,905</u>	(c)
 Total.....	 \$ <u><u>824,905</u></u>	 \$ <u><u>342,000</u></u>	 \$ <u><u>3,319,827</u></u>	 \$ <u><u>4,486,732</u></u>	

- (a) To subsidize Wastewater Enterprise fund debt service and to provide funding for the Town’s septic repair program and various capital and planning purposes.
- (b) To fund various affordable housing projects.
- (c) Budgeted transfers form various special revenue funds to offset budgeted expenditures in the General Fund.

NOTE 6 - CAPITAL LEASES

The Town has entered into lease agreements to finance the acquisition of highway department and council on aging department vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The information presented on the following page identifies assets acquired through capital lease agreements.

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery, vehicles and equipmen \$	401,040
Less: accumulated depreciation...	<u>(59,359)</u>
Total..... \$	<u><u>341,681</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2021, are as follows:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2022..... \$	129,663
2023.....	79,230
2024.....	<u>79,230</u>
Total minimum lease payments.....	288,123
Less: amounts representing interest.....	<u>(19,729)</u>
Present value of minimum lease payments... \$	<u><u>268,394</u></u>

NOTE 7 - SHORT-TERM FINANCING

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

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

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

As of June 30, 2021 the Town had the following short-term debt outstanding in the governmental funds:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
Governmental Funds:							
	Municipal Purpose BAN.....	2.00%	1/29/21	\$ 190,000	\$ -	\$ (190,000)	\$ -
	Municipal Purpose BAN.....	2.00%	1/29/21	950,000	-	(950,000)	-
	Municipal Purpose BAN.....	2.00%	1/29/21	1,600,000	-	(1,600,000)	-
	Municipal Purpose RAN.....	1.00%	12/18/20	-	3,000,000	(3,000,000)	-
	Municipal Purpose BAN.....	1.00%	1/29/22	-	199,000	-	199,000
	Total Governmental Funds.....			\$ 2,740,000	\$ 3,199,000	\$ (5,740,000)	\$ 199,000
Water Enterprise Fund:							
	Municipal Purpose BAN.....	1.00%	1/29/22	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000
	Total Enterprise Fund.....			\$ -	\$ 2,500,000	\$ -	\$ 2,500,000

The Governmental Funds BAN outstanding was renewed upon maturity in the amount of \$191,000. The new maturity date is January 27, 2023 and has an interest rate of 1%. The balance was paid down with available funds.

The Water Enterprise Fund BAN outstanding was renewed upon maturity. The new maturity date is January 27, 2023 and has an interest rate of 1%.

NOTE 8 - LONG-TERM DEBT

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

Details related to the governmental activities outstanding indebtedness at June 30, 2021, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<u>Direct borrowings</u>				
Septic Repair Program MCWT T5-98-1006.....	2026	\$ 200,000	0.00	\$ 50,000
<u>General obligation</u>				
Municipal Purpose Bonds of 2015.....	2035	4,500,000	2.5% - 4%	3,150,000
Municipal Purpose Bonds of 2016.....	2026	3,455,000	2% - 4%	1,870,000
Municipal Purpose Bonds of 2017.....	2026	582,000	3.125% - 5%	285,000
Municipal Purpose Bonds of 2018.....	2039	3,105,000	2% - 4%	2,715,000
Municipal Purpose Bonds of 2020.....	2036	2,360,000	2% - 4%	2,360,000
Total Bonds Payable.....				<u>10,430,000</u>

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

Year	Principal	Interest	Total
2022.....	\$ 1,240,000	\$ 361,686	\$ 1,601,686
2023.....	1,265,000	288,712	1,553,712
2024.....	1,270,000	238,412	1,508,412
2025.....	1,125,000	195,825	1,320,825
2026.....	895,000	166,624	1,061,624
2027.....	520,000	146,099	666,099
2028.....	520,000	129,399	649,399
2029.....	435,000	114,174	549,174
2030.....	415,000	100,249	515,249
2031.....	425,000	87,016	512,016
2032.....	430,000	74,257	504,257
2033.....	425,000	61,113	486,113
2034.....	430,000	47,860	477,860
2035.....	425,000	33,876	458,876
2036.....	210,000	19,400	229,400
2037.....	130,000	13,400	143,400
2038.....	135,000	8,100	143,100
2039.....	135,000	2,700	137,700
Total.....	\$ <u>10,430,000</u>	\$ <u>2,088,902</u>	\$ <u>12,518,902</u>

Bonds Payable Schedule – Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<u>Direct borrowings</u>				
USDA Water Bond.....	2059	\$ 1,615,000	1.75%	\$ 1,558,045
Massachusetts Clean Water Trust.....	2052	75,525,592	2%	71,617,031
<u>General obligation</u>				
Municipal Purpose Bonds of 2017.....	2045	4,951,000	3% - 4%	<u>4,490,000</u>
Total Bonds Payable.....				<u><u>77,665,076</u></u>

Debt service requirements for principal and interest for the Wastewater Enterprise Fund bonds payable in future years are as follows:

Year	Principal		Interest	
	Direct Borrowings	General Obligation	Principal	Interest
2022.....	\$ 1,595,737	\$ 1,255,214	\$ 125,000	\$ 145,894
2023.....	1,912,359	1,385,541	130,000	140,894
2024.....	1,960,844	1,347,067	135,000	135,694
2025.....	2,010,565	1,307,612	140,000	131,644
2026.....	2,061,545	1,267,164	145,000	127,444
2027 - 2031....	11,118,997	5,692,237	800,000	568,960
2032 - 2036....	12,602,607	4,515,636	925,000	438,720
2037 - 2041....	14,284,684	3,182,159	1,085,000	278,932
2042 - 2046....	16,191,826	1,670,837	1,005,000	86,230
2047 - 2051....	8,421,397	361,113	-	-
2052 - 2056....	851,509	32,957	-	-
2057 - 2060....	163,006	5,726	-	-
Total.....	\$ <u>73,175,076</u>	\$ <u>22,023,263</u>	\$ <u>4,490,000</u>	\$ <u>2,054,412</u>

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, 2021, the Town had the following authorized and unissued debt as follows:

Purpose	Amount
Land acquisition (4790 State Highway).....	\$ 199,000
Water.....	<u>31,255,636</u>
Total.....	\$ <u>31,454,636</u>

Changes in Long-term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 66,831,596	\$ 2,360,000	\$ (910,200)	\$ -	\$ (57,851,396)	\$ 10,430,000	\$ 1,240,000
Capital lease obligations.....	449,307	-	-	-	(180,913)	268,394	117,555
Compensated absences.....	445,342	-	-	15,138	-	460,480	-
Net pension liability.....	19,750,050	-	-	92,117	(1,927,951)	17,914,216	-
Net other postemployment benefits liability..	39,221,789	-	-	2,498,075	(5,254,477)	36,465,387	-
Total governmental activity long-term liabilities.....	\$ 126,698,084	\$ 2,360,000	\$ (910,200)	\$ 2,605,330	\$ (65,214,737)	\$ 65,538,477	\$ 1,357,555
Business-Type Activities:							
Long-term bonds payable.....	\$ -	\$ 21,551,545	\$ (1,737,865)	\$ 57,851,396	\$ -	\$ 77,665,076	\$ 1,720,737
Net pension liability.....	-	-	-	136,657	(12,502)	124,155	-
Net other postemployment benefits liability..	-	-	-	205,501	(6,555)	198,946	-
Total business-type activity long-term liabilities.....	\$ -	\$ 21,551,545	\$ (1,737,865)	\$ 58,193,554	\$ (19,057)	\$ 77,988,177	\$ 1,720,737

During the fiscal year, the Town established an enterprise fund to account for its water activities. This resulted in the Town transferring \$58.4 million, of previously recorded governmental activities bonds payable and related accrued interest, to the business-type activities.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town reports the following information in order to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

At June 30, 2021, \$1.5 million been set aside in a general stabilization fund which is classified as part of the unassigned fund balance in the general fund in the governmental funds financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the Town are dependent upon authorization and approval of Town Meeting. The stabilization fund can be used for general and/or capital purposes upon approval of Town Meeting. Additions to the fund can only be made upon Town Meeting approval.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The Town’s highest level of decision-making authority is the Annual Town Meeting.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2021, the governmental fund balances consisted of the following:

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 136,817	\$ 136,817
Restricted for:				
Community preservation fund.....	-	2,489,257	-	2,489,257
State grants	-	-	194,409	194,409
Affordable housing trust.....	-	-	900,030	900,030
Gifts.....	-	-	751,353	751,353
Revolving.....	-	-	1,839,714	1,839,714
School federal and state grants.....	-	-	11,308	11,308
Other special revenue.....	-	-	519,243	519,243
Capital projects.....	-	-	1,527,894	1,527,894
Expendable trust unds.....	-	-	100,683	100,683
Debt service.....	192,445	-	-	192,445
Committed to:				
Articles and continuing appropriations:				
General government.....	43,699	-	-	43,699
Public safety.....	13,590	-	-	13,590
Public works.....	43,972	-	-	43,972
Assigned to:				
Encumbrances:				
General government.....	34,508	-	-	34,508
Public safety.....	15,810	-	-	15,810
Education.....	70,983	-	-	70,983
Health and human services.....	24,972	-	-	24,972
Culture and recreation.....	5,644	-	-	5,644
Unassigned.....	9,245,079	-	(36,780)	9,208,299
Total Fund Balances.....	\$ 9,690,702	\$ 2,489,257	\$ 5,944,671	\$ 18,124,630

NOTE 10 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town participates in a health insurance risk pool trust administered by Cape Cod Municipal Health Group (Group), a non-profit organization incorporated in July of 1987 to obtain health insurance for member governments at costs eligible to larger groups. The Group offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Group. The Town is obligated to pay the Group its required premiums and, in the event the Group is terminated, its pro rata share of a deficit, should one exist.

The Town participates in a premium-based workers’ compensation plan. The amount of the claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

NOTE 11 - PENSION PLAN*Plan Descriptions*

The Town is a member of the Barnstable County Retirement Association (BCRA), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 15 member units. The BCRA is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System's audited financial statements may be obtained by visiting <http://www.barnstablecounty.org/retirement-association/>.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. 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 contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2020. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$1,036,915 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$8,395,100 as of the measurement date.

Benefits Provided

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

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the

pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRA a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution was \$1,816,343 which equaled its actual contribution for the year ended December 31, 2020. The System-wide required contribution was allocated based on covered payroll and actuarial measurements. The Town's portion of System-wide covered payroll was 22.04% of covered payroll. The Town's contribution is expected to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2021, the Town reported a liability of \$18,038,371 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, updating procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2020, the Town's proportion was 2.611%, which decreased by 0.018% from the proportion measured at December 31, 2019.

Pension Expense

For the year ended June 30, 2021, the Town recognized pension expense of \$1,901,098. At June 30, 2021, the Town reported deferred outflows of resources related to pensions of \$2,350,473 and deferred inflows of resources relates to pensions of \$2,428,682.

The balances of deferred outflows and inflows of resources at June 30, 2021, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (98,759)	\$ (98,759)
Net difference between projected and actual earnings, net.....	-	(2,104,836)	(2,104,836)
Changes in assumptions.....	1,586,443	-	1,586,443
Changes in proportion and proportionate share of contributions...	764,030	(225,087)	538,943
Total deferred outflows/(inflows) of resources.....	\$ 2,350,473	\$ (2,428,682)	\$ (78,209)

The Town’s net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022.....	\$ 90,433
2023.....	298,019
2024.....	(471,118)
2025.....	24,569
2026.....	<u>(20,112)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u><u>(78,209)</u></u>

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2020:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Actuarial Cost Method
Projected salary increases.....	3.25%
Cost of living adjustments.....	3% of the first \$18,000
Investment rate of return/Discount rate.....	7.15%
Mortality Rates:	
Pre-Retirement.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017
Disabled Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017

Investment policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for

each major asset class included in the pension plan’s target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	22.00%	6.28%
International developed markets equity..	12.00%	7.00%
International emerging markets equity...	5.00%	8.82%
Core fixed income.....	15.00%	3.80%
Value added fixed income.....	8.00%	2.97%
Real estate.....	10.00%	3.50%
Timberland.....	4.00%	3.45%
Hedge fund, PCS.....	10.00%	2.35%
Private equity.....	14.00%	10.11%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
	January 1, 2020 Measurement Date		
The Town's proportionate share of the net pension liability.....	\$ 24,397,488	\$ 18,038,371	\$ 12,694,897

Changes in Assumptions – None

Changes in Plan Provisions – None

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Eastham administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the Town are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 65 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 35 percent of their premium costs.

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

During 2021, the Town pre-funded future OPEB liabilities totaling \$200,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2021, the balance of this fund totaled \$611,108.

Summary of Significant Accounting Policies

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

Plan Membership

The Plan’s membership at June 30, 2021 is presented at the top of the following page.

Active members.....	100
Inactive members currently receiving benefits.....	<u>154</u>
Total.....	<u><u>254</u></u>

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2021:

Total OPEB liability.....	\$	37,275,441
Less: OPEB plan’s fiduciary net position.....		<u>(611,108)</u>
Net OPEB liability.....	\$	<u>36,664,333</u>
The OPEB plan’s fiduciary net position		
as a percentage of the total OPEB liability.....		1.64%

Significant Actuarial Methods and Assumptions

The Plan’s total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial methods and assumptions applied to all periods included in the measurement that was updated to June 30, 2021:

Valuation date.....	June 30, 2020
Actuarial cost method.....	Entry Age Normal.
Amortization method.....	Level percent of payroll - payments increase 3.25% per year.
Remaining amortization period.....	26 years from July 1, 2020.
Asset valuation method.....	Fair value.
Investment rate of return.....	7.00%
Discount rate.....	2.16%
Inflation rate.....	3.25%

Projected salary increases.....	<p>Group 1 (excluding Teachers) and 2 employees: 6.0% decreasing over 11 years to an ultimate level of 4.0%. Group 4 employees: 7.0% decreasing over 8 years to an ultimate level of 4.5%. Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%.</p>
Pre-retirement mortality rates.....	<p>Healthy Non-Teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.</p> <p>Healthy Teachers: Pub-2010 Teachers Employee Headcount-Weighted Mortality Table projected generationally with Scale MP-2020.</p>
Post-retirement mortality rates.....	<p>Healthy Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.</p> <p>Healthy Teachers: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2020.</p> <p>Disabled Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.</p> <p>Disabled Teachers: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2020.</p>

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment policy

The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

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 of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2021 are summarized in the table on the following page.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	0.00%	6.28%
International developed markets equity..	0.00%	7.00%
International emerging markets equity...	0.00%	8.82%
Core fixed income.....	0.00%	0.38%
High-yield fixed income.....	0.00%	2.97%
Real estate.....	0.00%	3.50%
Commodities.....	0.00%	3.45%
Hedge fund, GTAA, Risk parity.....	0.00%	2.35%
Private equity.....	0.00%	10.11%
Total.....	0.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, the 2.16% municipal bond rate was applied to all periods to determine the total OPEB liability. The 2.16% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 30, 2021.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020.....	\$ 39,538,702	\$ 316,913	\$ 39,221,789
Changes for the year:			
Service cost.....	2,088,879	-	2,088,879
Interest.....	908,892	-	908,892
Differences between expected and actual experience.....	(1,069,902)	-	(1,069,902)
Changes of assumptions.....	(3,183,161)	-	(3,183,161)
Benefit payments.....	(1,007,969)	-	(1,007,969)
Contributions - employer.....	-	200,000	(200,000)
Net investment income.....	-	94,195	(94,195)
Net change.....	(2,263,261)	294,195	(2,557,456)
Balances at June 30, 2021.....	\$ 37,275,441	\$ 611,108	\$ 36,664,333

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

The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 2.16%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate.

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability.....	\$ 43,458,255	\$ 36,664,333	\$ 31,304,351

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

The following table presents the net OPEB liability, calculated using the current rate if it was 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 30,652,294	\$ 36,664,333	\$ 44,458,269

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

For the year ended June 30, 2021, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$2,093,366. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (1,217,964)	\$ (1,217,964)
Net difference between projected and actual earnings.....	-	(46,296)	(46,296)
Changes of assumptions.....	4,874,427	(2,929,226)	1,945,201
Total deferred outflows/(inflows) of resources.....	\$ 4,874,427	\$ (4,193,486)	\$ 680,941

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022.....	\$ 142,084
2023.....	419,348
2024.....	419,451
2026.....	408,902
2026.....	<u>(708,844)</u>
 Total deferred outflows/(inflows) of resources.....	 \$ <u>680,941</u>

Changes in Assumptions

- The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.
- Per capita health costs, contributions, and trends for CCMHG retirees were updated to reflect current experience and future expectations.
- Per capita health costs, contributions and trends for GIC retirees were updated based on June 30, 2020 Commonwealth of Massachusetts Postemployment Benefit Other than Pensions GASB Statement No. 74 Valuation Report, dated January 2021, completed by Deloitte Consulting.
- The mortality assumption for Teachers was updated to be consistent with the companion pension fund.
- The Medicare enrollment assumption for GIC retirees under age 65 and future retirees was updated.
- The life insurance enrollment for future retirees was updated, if applicable.

Changes in Plan Provisions

- None.

NOTE 13 - COMMITMENTS

The Town has various contracts outstanding relative to the construction of a new water distribution and treatment system.

The Town has encumbrances outstanding in the amount of \$942,000.

NOTE 14 - CONTINGENCIES*Federal Grants*

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still 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 it is expected such amounts, if any, to be immaterial.

Other

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, cannot be ascertained, management believes any resulting liability should not materially affect the Town's financial position at June 30, 2021.

NOTE 15 – COVID-19

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

A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

The United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The United States Federal Government established the American Rescue Plan Act (ARPA) to enhance the United States' recovery from the economic and health effects of the COVID-19 pandemic. This Act requires that the payment from these funds be used to cover costs related to; public health; negative economic impacts; services to disproportionately impacted communities; premium pay; infrastructure; revenue replacement; or administration. These funds can only be used to cover costs incurred between March 3, 2021, and December 31, 2024. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

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

NOTE 16 – RESTATEMENT OF BEGINNING NET POSITION

Governmental activities beginning net position has been restated due to the recognition of receivables that existed in the prior year but were not reflected in the prior year financial statements. The details of the effect of the restatement of beginning net position is as follows:

	06/30/2020 Previously Reported Balances	Community Preservation Fund State Grant	Chapter 90 State Grant	06/30/2020 Restated Balances
Government-Wide Financial Statements				
Governmental activities.....	\$ (1,163,501)	\$ 320,013	\$ 1,216,667	\$ 373,179

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 4, 2022, which is the date the financial statements were available to be issued.

NOTE 18 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.

- The GASB issued Statement #97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of *GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented in 2022.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 28,169,762	\$ 28,169,762	\$ 28,343,846	\$ -	\$ 174,084
Tax liens.....	-	-	125,979	-	125,979
Motor vehicle and other excise taxes.....	750,195	750,195	954,868	-	204,673
Hotel/motel tax.....	121,911	121,911	141,239	-	19,328
Meals tax.....	50,257	50,257	111,874	-	61,617
Penalties and interest on taxes.....	90,000	90,000	110,857	-	20,857
Payments in lieu of taxes.....	8,000	8,000	6,685	-	(1,315)
Licenses and permits.....	532,600	532,600	645,686	-	113,086
Fines and forfeitures.....	25,000	25,000	57,739	-	32,739
Intergovernmental - other.....	569,288	569,288	567,309	-	(1,979)
Departmental and other.....	1,405,595	1,380,001	3,148,201	-	1,768,200
Investment income.....	22,000	22,000	22,365	-	365
TOTAL REVENUES.....	31,744,608	31,719,014	34,236,648	-	2,517,634
EXPENDITURES:					
Current:					
General government.....	5,204,682	4,278,724	3,183,145	78,207	1,017,372
Public safety.....	5,834,950	6,195,407	5,169,891	305,442	720,074
Education.....	9,443,208	9,803,325	9,248,976	394,784	159,565
Public works.....	1,797,603	2,380,948	1,830,767	43,972	506,209
Health and human services.....	1,406,873	1,303,199	821,690	24,972	456,537
Culture and recreation.....	932,207	1,046,670	915,960	5,644	125,066
Pension benefits.....	1,863,068	1,863,068	1,812,443	44,909	5,716
Property and liability insurance.....	432,800	432,800	332,681	-	100,119
Employee benefits.....	2,795,780	2,928,891	2,811,945	44,058	72,888
State and county charges.....	663,065	663,048	660,229	-	2,819
Debt service:					
Principal.....	2,651,007	2,651,007	2,648,065	-	2,942
Interest.....	1,835,790	1,835,790	1,703,886	-	131,904
TOTAL EXPENDITURES.....	34,861,033	35,382,877	31,139,678	941,988	3,301,211
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,116,425)	(3,663,863)	3,096,970	(941,988)	5,818,845
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	1,744,125	1,744,125	-	-	(1,744,125)
Use of free cash.....	817,806	2,215,244	-	-	(2,215,244)
Transfers in.....	790,900	790,900	760,900	-	(30,000)
Transfers out.....	(236,406)	(1,086,406)	(1,086,406)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	3,116,425	3,663,863	(325,506)	-	(3,989,369)
NET CHANGE IN FUND BALANCE.....	-	-	2,771,464	(941,988)	1,829,476
BUDGETARY FUND BALANCE, Beginning of year.....	5,982,881	5,982,881	5,982,881	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 5,982,881	\$ 5,982,881	\$ 8,754,345	\$ (941,988)	\$ 1,829,476

COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Community preservation taxes.....	\$ 791,261	\$ 791,261	\$ 842,403	\$ -	\$ 51,142
Community preservation tax liens.....	-	-	2,216	-	2,216
Community preservation state match.....	100,000	100,000	304,620	-	204,620
Penalties and interest.....	-	-	986	-	986
Investment income.....	-	-	1,280	-	1,280
TOTAL REVENUES.....	891,261	891,261	1,151,505	-	260,244
EXPENDITURES:					
Current:					
Administration.....	44,563	44,563	5,418	39,145	-
Acquisitions and projects.....	968,839	968,839	86,955	706,984	174,900
TOTAL EXPENDITURES.....	1,013,402	1,013,402	92,373	746,129	174,900
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(122,141)	(122,141)	1,059,132	(746,129)	435,144
OTHER FINANCING SOURCES (USES):					
Fund balance designated for future appropriation.....	-	-	-	-	-
Use of fund reserves.....	422,141	422,141	-	-	(422,141)
Transfers out.....	(300,000)	(300,000)	(300,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	122,141	122,141	(300,000)	-	(422,141)
NET CHANGE IN FUND BALANCE.....	-	-	759,132	(746,129)	13,003
BUDGETARY FUND BALANCE, Beginning of year.....	1,730,125	1,730,125	1,730,125	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,730,125	\$ 1,730,125	\$ 2,489,257	\$ (746,129)	\$ 13,003

See notes to required supplementary information.

Pension Plan Schedules

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

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

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

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

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2020.....	\$ 2.61%	\$ 18,038,371	\$ 8,242,240	218.85%	66.82%
December 31, 2019.....	2.63%	19,750,050	7,960,529	248.10%	62.34%
December 31, 2018.....	2.48%	19,613,903	7,248,534	270.59%	57.63%
December 31, 2017.....	2.49%	16,956,243	6,977,816	243.00%	61.86%
December 31, 2016.....	2.54%	17,835,831	7,065,428	252.44%	57.28%
December 31, 2015.....	2.45%	15,433,200	6,681,146	231.00%	58.10%
December 31, 2014.....	2.53%	14,262,018	6,626,170	215.24%	60.43%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
EASTHAM CONTRIBUTORY RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2021.....	\$ 1,816,343	\$ (1,816,343)	-	\$ 8,407,085	21.60%
June 30, 2020.....	1,730,822	(1,738,036)	(7,214)	8,119,740	21.41%
June 30, 2019.....	1,559,905	(1,559,905)	-	7,393,505	21.10%
June 30, 2018.....	1,487,129	(1,487,129)	-	7,117,372	20.89%
June 30, 2017.....	1,438,962	(1,438,962)	-	7,206,737	19.97%
June 30, 2016.....	1,323,659	(1,323,659)	-	6,814,769	19.42%
June 30, 2015.....	1,317,678	(1,317,678)	-	6,758,693	19.50%

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

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2021.....	\$ 8,395,100	\$ 1,036,915	0.00%
2020.....	7,501,819	909,726	53.95%
2019.....	7,284,552	738,184	54.84%
2018.....	7,049,749	735,803	54.25%
2017.....	7,645,289	384,551	52.73%
2016.....	6,930,227	345,653	55.38%
2015.....	5,337,042	314,716	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability					
Service cost.....	\$ 1,219,897	\$ 1,051,242	\$ 1,074,425	\$ 1,413,685	\$ 2,088,879
Interest.....	941,192	1,095,083	1,177,421	1,122,788	908,892
Changes of benefit terms.....	-	-	-	-	-
Differences between expected and actual experience.....	-	-	(652,761)	-	(1,069,902)
Changes of assumptions.....	(3,606,951)	(1,382,959)	702,870	6,784,486	(3,183,161)
Benefit payments.....	(803,654)	(839,818)	(1,065,218)	(896,441)	(1,007,969)
Net change in total OPEB liability.....	(2,249,516)	(76,452)	1,236,737	8,424,518	(2,263,261)
Total OPEB liability - beginning.....	32,203,415	29,953,899	29,877,447	31,114,184	39,538,702
Total OPEB liability - ending (a).....	<u>\$ 29,953,899</u>	<u>\$ 29,877,447</u>	<u>\$ 31,114,184</u>	<u>\$ 39,538,702</u>	<u>\$ 37,275,441</u>
Plan fiduciary net position					
Employer contributions.....	\$ 879,079	\$ 889,818	\$ 1,115,218	\$ 996,441	\$ 200,000
Employer contributions for OPEB payments.....	-	-	-	-	1,007,969
Net investment income.....	10,600	11,133	12,551	7,204	94,195
Benefit payments.....	(803,654)	(839,818)	(1,065,218)	(896,441)	(1,007,969)
Net change in plan fiduciary net position.....	86,025	61,133	62,551	107,204	294,195
Plan fiduciary net position - beginning of year.....	-	86,025	147,158	209,709	316,913
Plan fiduciary net position - end of year (b).....	<u>\$ 86,025</u>	<u>\$ 147,158</u>	<u>\$ 209,709</u>	<u>\$ 316,913</u>	<u>\$ 611,108</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 29,867,874</u>	<u>\$ 29,730,289</u>	<u>\$ 30,904,475</u>	<u>\$ 39,221,789</u>	<u>\$ 36,664,333</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.29%	0.49%	0.67%	0.80%	1.64%
Covered-employee payroll.....	\$ 9,898,721	\$ 10,202,063	\$ 10,202,063	\$ 10,896,899	\$ 11,114,837
Net OPEB liability as a percentage of covered-employee payroll.....	301.73%	291.41%	302.92%	359.94%	N/A

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

See notes to required supplementary information.

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

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2021.....	\$ 1,514,909	\$ (1,207,969)	\$ 306,940	\$ 11,114,837	10.87%
June 30, 2020.....	1,780,548	(996,441)	784,107	10,896,899	9.14%
June 30, 2019.....	1,724,502	(1,115,218)	609,284	10,202,063	10.93%
June 30, 2018.....	1,537,886	(889,818)	648,068	10,202,063	8.72%
June 30, 2017.....	1,485,880	(853,654)	632,226	9,898,721	8.62%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2021.....	29.72%
June 30, 2020.....	2.50%
June 30, 2019.....	5.40%
June 30, 2018.....	9.40%
June 30, 2017.....	15.20%

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

See notes to required supplementary information.

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

Municipal Law requires the Town to adopt an annual balanced budget that is recommended by the Finance Committee and Select Board and approved by Town Meeting. The budget, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses is presented to the Open Town Meeting. The 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 or transfers between and within departments subsequent to the approval of the annual budget can occur with a Special Town Meeting vote. During the last two months of the fiscal year, Town Meeting approval is not required and these increases or transfers can be approved with approval of both the Finance Committee and Select Board. The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote at a Special Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2021 approved budget authorized approximately \$35.1 million in appropriations and other amounts to be raised inclusive of \$1.7 million in carryforwards from the prior year. During 2021, Town Meetings approved supplemental appropriations of approximately \$1.4 million to fund various other financing uses and for various other departmental purposes.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2021, is presented on the following page.

Net change in fund balance - budgetary basis.....	\$ 2,771,464
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	854,310
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	(127,676)
Net change in recording accrued expenditures.....	(217,619)
Net change in recording accrued payroll.....	(45,628)
Recognition of revenue for on-behalf payments.....	1,036,915
Recognition of expenditures for on-behalf payments.....	<u>(1,036,915)</u>
Net change in fund balance - GAAP basis.....	\$ <u>3,234,851</u>

NOTE B – PENSION PLAN***Pension Plan Schedules***Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of the Town's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions – None

Changes in Plan Provisions – None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town of Eastham administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit PlanThe Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Town's Contributions

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

Schedule of Investment Return

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

Changes in Assumptions

- The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.
- Per capita health costs, contributions, and trends for CCMHG retirees were updated to reflect current experience and future expectations.
- Per capita health costs, contributions and trends for GIC retirees were updated based on June 30, 2020 Commonwealth of Massachusetts Postemployment Benefit Other than Pensions GASB Statement No. 74 Valuation Report, dated January 2021, completed by Deloitte Consulting.
- The mortality assumption for Teachers was updated to be consistent with the companion pension fund.
- The Medicare enrollment assumption for GIC retirees under age 65 and future retirees was updated.
- The life insurance enrollment for future retirees was updated, if applicable.

Changes in Plan Provisions

- None.