



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF EASTHAM, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2022

TOWN OF EASTHAM, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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Independent Auditor's Report

To the Honorable Select Board
Town of Eastham, Massachusetts

Report on the Financial Statements

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Eastham, Massachusetts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Eastham, Massachusetts' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Eastham, Massachusetts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Eastham, Massachusetts' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 March 22, 2023, on our consideration of the Town of Eastham, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Eastham, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Eastham, Massachusetts' internal control over financial reporting and compliance.



March 22, 2023

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, 2022. 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, 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 is 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 \$17.2 million at the close of 2022.

Net position of \$47.0 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 \$4.3 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 \$34.1 million and this is largely due to the recognition of a \$30.7 million net OPEB liability and an \$14.0 million net pension liability.

Governmental Activities

	2022	2021
Assets:		
Current assets.....	\$ 26,820,139	\$ 22,937,888
Capital assets, non depreciable.....	16,173,653	15,848,461
Capital assets, net of accumulated depreciation....	28,238,042	24,381,583
Total assets.....	71,231,834	63,167,932
Deferred outflows of resources.....	5,919,792	7,182,273
Liabilities:		
Current liabilities (excluding debt).....	1,574,570	1,894,375
Noncurrent liabilities (excluding debt).....	44,670,591	54,840,083
Current debt.....	4,804,317	1,556,555
Noncurrent debt.....	9,118,977	9,340,839
Total liabilities.....	60,168,455	67,631,852
Deferred inflows of resources.....	14,333,759	6,582,698
Net position:		
Net investment in capital assets.....	32,242,062	31,109,544
Restricted.....	4,341,900	3,980,644
Unrestricted.....	(33,934,550)	(38,954,533)
Total net position.....	\$ 2,649,412	\$ (3,864,345)

Net position of \$32.2 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 \$4.3 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 \$33.9 million and this is largely due to the recognition of a \$30.5 million net OPEB liability as well as a \$13.9 million net pension liability.

	2022	2021
Program Revenues:		
Charges for services.....	\$ 4,887,823	\$ 4,560,558
Operating grants and contributions.....	2,559,740	3,291,664
Capital grants and contributions.....	7,200	6,600
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	29,023,853	28,939,767
Tax and other liens.....	90,858	233,791
Motor vehicle and other excise taxes.....	940,984	915,536
Hotel/motel tax.....	399,152	141,239
Short term rental tax.....	1,101,617	-
Meals tax.....	142,430	111,874
Community preservation tax.....	768,941	838,868
Penalties and interest on taxes.....	128,392	111,843
Payments in lieu of taxes.....	9,527	6,685
Grants and contributions not restricted to specific programs.....	163,739	158,202
Unrestricted investment income.....	9,819	34,197
Total revenues.....	40,234,075	39,350,824
Expenses:		
General government.....	5,523,165	5,702,408
Public safety.....	8,191,438	9,163,389
Education.....	10,761,727	11,263,408
Public works.....	2,670,755	2,823,245
Health and human services.....	1,445,064	1,222,109
Culture and recreation.....	1,652,333	1,855,220
Community preservation.....	234,367	92,373
Interest.....	310,897	175,357
Total expenses.....	30,789,746	32,297,509
Excess (Deficiency) before transfers.....	9,444,329	7,053,315
Transfers of net assets to water enterprise fund.....	-	(7,971,012)
Transfers.....	(2,902,680)	(3,319,827)
Change in net position.....	6,541,649	(4,237,524)
Net position, beginning of year.....	(3,864,345)	373,179
Net position, end of year.....	\$ 2,677,304	\$ (3,864,345)

The governmental activities net position increased by \$6.5 million during the current year which compares to a decrease of \$4.2 in the prior year. The current year increase is attributable to changes in the net pension and net other postemployment benefits liability which decreased by \$10 million. The use of existing net position to fund operations of the Town also contributed to the overall increase in net position.

Business-type Activities Financial Analysis

	2022	2021
Assets:		
Current assets.....	\$ 6,621,006	\$ 16,616,317
Capital assets, non depreciable.....	87,190,069	75,565,498
Total assets.....	93,811,075	92,181,815
Deferred outflows of resources.....	36,278	42,627
Liabilities:		
Current liabilities (excluding debt).....	1,870,616	573,366
Noncurrent liabilities (excluding debt).....	267,870	323,101
Current debt.....	4,500,577	4,220,737
Noncurrent debt.....	72,526,863	75,944,339
Total liabilities.....	79,165,926	81,061,543
Deferred inflows of resources.....	87,942	39,470
Net position:		
Net investment in capital assets.....	14,803,965	11,666,324
Unrestricted.....	(210,480)	(542,895)
Total net position.....	\$ 14,593,485	\$ 11,123,429

Net position of \$14.8 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 \$210,000 due to the recognition of a \$171,000 net OPEB liability and a \$97,000 net pension liability.

	2022	2021
Program Revenues:		
Charges for services.....	\$ 674,223	\$ 493,115
Capital grants and contributions.....	1,622,512	1,391,649
General Revenues:		
Unrestricted investment income.....	87	-
Total revenues.....	2,296,822	1,884,764
Expenses:		
Water.....	1,729,446	2,052,174
Excess (Deficiency) before transfers.....	567,376	(167,410)
Transfers of net assets.....	-	7,971,012
Operating transfers.....	2,902,680	3,319,827
Change in net position.....	3,470,056	11,123,429
Net position, beginning of year.....	11,123,429	-
Net position, end of year.....	\$ 14,593,485	\$ 11,123,429

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 \$19.4 million, an increase of \$1.3 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 \$10.2 million while total fund balance was \$12.9 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 31.1% of total general fund expenditures while total fund balance represents 39.3% of total general fund expenditures.

The fund balance of the general fund increased \$3.3 million from the prior year because of the Town's rising in property tax valuations, which resulted in a \$859,000 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.

Non-Major Governmental Funds

Fund balance of the non-major governmental funds decreased \$2 million primarily due to capital outlay expenditures that the Town anticipates funding in the future by issuing long term debt.

General Fund Budgetary Highlights

The Town adopts an annual budget for the general fund. The original 2022 budget authorized \$38.9 million in appropriations and other amounts to be raised, which includes \$2.5 million of amounts carried forward from the prior year. Total revenues came in over budget by \$2.7 million, mainly due to better than anticipated short term rental tax collections and better than anticipated fees associated with marijuana dispensary business permits. Taxes associated with motor vehicles excise tax and hotel/motel taxes also exceeded budget estimates by \$424,000. The total unexpended appropriations were \$1.4 million, net of amounts carried forward to the next year.

Community Preservation Fund Budgetary Highlights

Town Meeting budgeted \$2.4 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 bonds payable of the general government, as of June 30, 2022, is approximately \$9.2 million, of which \$520,000 is related to building and other facility construction, \$1.2 million is related to land acquisition, \$2.1 million is related to Rock Harbor and Nauset Estuaries projects, \$650,000 is related to Tri Town Septage projects and \$4.7 million is related to other purposes.

In 2022, the Town implemented GASB Statement #87. Therefore, the Town's agreements to finance the acquisition of vehicles and equipment previously reported as leases have been reclassified as capital financing long-term debt in the current year totaling \$1.5 million. Collectively, the Town has outstanding long-term debt totaling \$10.7 million at June 30, 2022.

The governmental activities had outstanding short-term debt of \$3.3 million at year end.

The water enterprise fund has \$2.5 million in outstanding short term debt and \$74.5 million of outstanding long term bonds payable at the end of the year.

The Town's governmental activities capital asset additions for 2022 are comprised of purchases of \$5.7 million primarily for land improvements and right-to use leased vehicles.

The Town's business type activities capital asset additions for 2022 are comprised of purchases of \$11.6 million for water construction in progress.

Please refer to the notes 4, 6, and 7 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, 2022

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 23,989,492	\$ 1,144,975	\$ 25,134,467
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	405,920	-	405,920
Tax liens.....	225,015	-	225,015
Community preservation fund surtax.....	8,889	-	8,889
Motor vehicle and other excise taxes.....	77,732	-	77,732
User charges.....	-	167,547	167,547
Departmental and other.....	226,130	-	226,130
Intergovernmental - other.....	1,498,056	5,308,484	6,806,540
Community preservation state share.....	355,000	-	355,000
Special assessments.....	33,905	-	33,905
Total current assets.....	26,820,139	6,621,006	33,441,145
NONCURRENT:			
Capital assets, nondepreciable.....	16,173,653	87,190,069	103,363,722
Capital assets, net of accumulated depreciation.....	28,238,042	-	28,238,042
Total noncurrent assets.....	44,411,695	87,190,069	131,601,764
TOTAL ASSETS.....	71,231,834	93,811,075	165,042,909
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	2,245,077	15,695	2,260,772
Deferred outflows related to other postemployment benefits.....	3,674,715	20,583	3,695,298
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	5,919,792	36,278	5,956,070
LIABILITIES			
CURRENT:			
Warrants payable.....	497,900	1,319,751	1,817,651
Accrued payroll.....	675,091	-	675,091
Accrued interest.....	31,546	550,865	582,411
Other liabilities.....	177,281	-	177,281
Unearned revenue.....	192,752	-	192,752
Notes payable.....	3,271,000	2,500,000	5,771,000
Long term debt.....	1,533,317	2,000,577	3,533,894
Total current liabilities.....	6,378,887	6,371,193	12,750,080
NONCURRENT:			
Compensated absences.....	290,319	-	290,319
Net pension liability.....	13,877,411	97,017	13,974,428
Net other postemployment benefits liability.....	30,502,861	170,853	30,673,714
Long term debt.....	9,118,977	72,526,863	81,645,840
Total noncurrent liabilities.....	53,789,568	72,794,733	126,584,301
TOTAL LIABILITIES.....	60,168,455	79,165,926	139,334,381
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	5,508,339	38,509	5,546,848
Deferred inflows related to other postemployment benefits.....	8,825,420	49,433	8,874,853
TOTAL DEFERRED INFLOWS OF RESOURCES.....	14,333,759	87,942	14,421,701
NET POSITION			
Net investment in capital assets.....	32,242,062	14,803,965	47,046,027
Restricted for:			
Debt service.....	26,974	-	26,974
Permanent funds:			
Expendable.....	87,410	-	87,410
Nonexpendable.....	136,817	-	136,817
Gifts and grants.....	746,235	-	746,235
Community preservation.....	3,344,464	-	3,344,464
Unrestricted.....	(33,934,550)	(210,480)	(34,145,030)
TOTAL NET POSITION.....	\$ 2,649,412	\$ 14,593,485	\$ 17,242,897

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,523,165	\$ 1,499,408	\$ 255,480	\$ -	\$ (3,768,277)
Public safety.....	8,191,438	1,672,012	240,755	-	(6,278,671)
Education.....	10,761,727	10,222	1,172,366	-	(9,579,139)
Public works.....	2,670,755	981,589	120,304	7,200	(1,561,662)
Health and human services.....	1,445,064	91,861	131,091	-	(1,222,112)
Culture and recreation.....	1,652,333	632,731	141,750	-	(877,852)
Community preservation.....	234,367	-	497,994	-	263,627
Interest.....	310,897	-	-	-	(310,897)
Total Governmental Activities.....	30,817,638	4,887,823	2,559,740	7,200	(23,362,875)
<i>Business-Type Activities:</i>					
Water.....	1,729,446	674,223	-	1,622,512	567,289
Total Primary Government.....	\$ 32,547,084	\$ 5,562,046	\$ 2,559,740	\$ 1,629,712	\$ (22,795,586)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(23,362,875)	\$ 567,289	\$ (22,795,586)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	29,023,853	-	29,023,853
Tax and other liens.....	90,858	-	90,858
Motor vehicle and other excise taxes.....	940,984	-	940,984
Short term rental tax.....	1,101,617	-	1,101,617
Hotel/motel tax.....	399,152	-	399,152
Meals tax.....	142,430	-	142,430
Community preservation tax.....	768,941	-	768,941
Penalties and interest on taxes.....	128,392	-	128,392
Payments in lieu of taxes.....	9,527	-	9,527
Grants and contributions not restricted to specific programs.....	163,739	-	163,739
Unrestricted investment income.....	9,819	87	9,906
<i>Transfers, net</i>	(2,902,680)	2,902,680	-
Total general revenues and transfers.....	29,876,632	2,902,767	32,779,399
Change in net position.....	6,513,757	3,470,056	9,983,813
<i>Net position:</i>			
Beginning of year.....	(3,864,345)	11,123,429	7,259,084
End of year..... \$	2,649,412	\$ 14,593,485	\$ 17,242,897

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2022

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 13,887,864	\$ 10,101,628	\$ 23,989,492
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	405,920	-	405,920
Tax liens.....	223,152	1,863	225,015
Community preservation fund surtax.....	-	8,889	8,889
Motor vehicle and other excise taxes.....	77,732	-	77,732
Departmental and other.....	-	226,130	226,130
Intergovernmental - other.....	-	1,498,056	1,498,056
Community preservation state share.....	-	355,000	355,000
Special assessments.....	-	33,905	33,905
TOTAL ASSETS.....	\$ 14,594,668	\$ 12,225,471	\$ 26,820,139
LIABILITIES			
Warrants payable.....	\$ 271,848	\$ 226,052	\$ 497,900
Accrued payroll.....	675,091	-	675,091
Other liabilities.....	129,790	47,491	177,281
Unearned revenue.....	-	192,752	192,752
Notes payable.....	-	3,271,000	3,271,000
TOTAL LIABILITIES.....	1,076,729	3,737,295	4,814,024
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue.....	570,732	2,053,676	2,624,408
FUND BALANCES			
Nonspendable.....	-	136,817	136,817
Restricted.....	362,603	7,862,903	8,225,506
Committed.....	2,194,510	-	2,194,510
Assigned.....	143,701	-	143,701
Unassigned.....	10,246,393	(1,565,220)	8,681,173
TOTAL FUND BALANCES.....	12,947,207	6,434,500	19,381,707
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 14,594,668	\$ 12,225,471	\$ 26,820,139

See notes to basic financial statements.

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

JUNE 30, 2022

Total governmental fund balances.....		\$ 19,381,707
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		44,411,695
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,624,408
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.....		(8,413,967)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(31,546)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(10,652,294)	
Net pension liability.....	(13,877,411)	
Net other postemployment benefits liability.....	(30,502,861)	
Compensated absences.....	<u>(290,319)</u>	
Net effect of reporting long-term liabilities.....		<u>(55,322,885)</u>
Net position of governmental activities.....		<u>\$ 2,649,412</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 29,074,828	\$ -	\$ 29,074,828
Tax liens.....	214,174	4,672	218,846
Motor vehicle and other excise taxes.....	982,389	-	982,389
Hotel/motel tax.....	399,152	-	399,152
Meals tax.....	142,430	-	142,430
Short term rental tax.....	1,101,617	-	1,101,617
Charges for services.....	-	934,451	934,451
Penalties and interest on taxes.....	126,520	1,872	128,392
Fees and rentals.....	-	46,929	46,929
Payments in lieu of taxes.....	9,527	-	9,527
Licenses and permits.....	630,247	-	630,247
Fines and forfeitures.....	36,376	-	36,376
Intergovernmental - Teachers Retirement.....	567,593	-	567,593
Intergovernmental - other.....	661,303	725,572	1,386,875
Departmental and other.....	2,697,637	613,344	3,310,981
Community preservation taxes.....	-	861,543	861,543
Community preservation state match.....	-	497,994	497,994
Contributions and donations.....	-	90,543	90,543
Investment income.....	7,562	2,257	9,819
TOTAL REVENUES.....	36,651,355	3,779,177	40,430,532
EXPENDITURES:			
Current:			
General government.....	3,762,116	694,890	4,457,006
Public safety.....	7,442,845	521,523	7,964,368
Education.....	9,531,291	112,382	9,643,673
Public works.....	1,895,152	70,167	1,965,319
Health and human services.....	1,119,570	28,280	1,147,850
Culture and recreation.....	963,674	115,055	1,078,729
Community preservation.....	-	559,559	559,559
Pension benefits.....	1,916,102	-	1,916,102
Pension benefits - Teachers Retirement.....	567,593	-	567,593
Property and liability insurance.....	414,528	-	414,528
Employee benefits.....	2,604,847	-	2,604,847
State and county charges.....	727,812	-	727,812
Capital outlay.....	-	2,804,938	2,804,938
Debt service:			
Principal.....	1,240,000	-	1,240,000
Relating to leases.....	344,937	-	344,937
Interest.....	372,351	-	372,351
TOTAL EXPENDITURES.....	32,902,818	4,906,794	37,809,612
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,748,537	(1,127,617)	2,620,920
OTHER FINANCING SOURCES (USES):			
Right to use lease financing.....	1,538,837	-	1,538,837
Transfers in.....	918,265	346,454	1,264,719
Transfers out.....	(2,949,134)	(1,218,265)	(4,167,399)
TOTAL OTHER FINANCING SOURCES (USES)...	(492,032)	(871,811)	(1,363,843)
NET CHANGE IN FUND BALANCES.....	3,256,505	(1,999,428)	1,257,077
FUND BALANCES AT BEGINNING OF YEAR.....	9,690,702	8,433,928	18,124,630
FUND BALANCES AT END OF YEAR.....	\$ 12,947,207	\$ 6,434,500	\$ 19,381,707

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, 2022

Net change in fund balances - total governmental funds.....		\$ 1,257,077
<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.....	5,717,365	
Depreciation expense.....	<u>(1,535,714)</u>	
Net effect of reporting capital assets.....		4,181,651
<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>		
		(196,457)
<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>		
Capital purchase financing.....	(1,538,837)	
Principal payments on leases.....	344,937	
Debt service principal payments.....	<u>1,240,000</u>	
Net effect of reporting long-term debt.....		46,100
<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.....	170,161	
Net change in accrued interest on long-term debt.....	69,436	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(3,185,591)	
Net change in net pension liability.....	4,036,805	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	(5,827,951)	
Net change in net other postemployment benefits liability.....	<u>5,962,526</u>	
Net effect of recording long-term liabilities.....		<u>1,225,386</u>
Change in net position of governmental activities.....		\$ <u><u>6,513,757</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2022

	Business-type Activities - Water
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 1,144,975
Receivables, net of allowance for uncollectibles:	
User charges.....	167,547
Intergovernmental - other.....	5,308,484
Total current assets.....	6,621,006
NONCURRENT:	
Capital assets, non depreciable.....	87,190,069
TOTAL ASSETS.....	93,811,075
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions.....	15,695
Deferred outflows related to other postemployment benefits.....	20,583
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	36,278
LIABILITIES	
CURRENT:	
Warrants payable.....	1,319,751
Accrued interest.....	550,865
Notes payable.....	2,500,000
Long term debt.....	2,000,577
Total current liabilities.....	6,371,193
NONCURRENT:	
Net pension liability.....	97,017
Net other postemployment benefits liability.....	170,853
Long term debt.....	72,526,863
Total noncurrent liabilities.....	72,794,733
TOTAL LIABILITIES.....	79,165,926
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions.....	38,509
Deferred inflows related to other postemployment benefits.....	49,433
TOTAL DEFERRED INFLOWS OF RESOURCES.....	87,942
NET POSITION	
Net investment in capital assets.....	14,803,965
Unrestricted.....	(210,480)
TOTAL NET POSITION.....	\$ 14,593,485

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

		Business-type Activities - Water
<u>OPERATING REVENUES:</u>		
Charges for services.....	\$	674,223
<u>OPERATING EXPENSES:</u>		
Cost of services and administration.....		281,879
Salaries and wages.....		67,788
TOTAL OPERATING EXPENSES.....		349,667
OPERATING INCOME (LOSS).....		324,556
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....		87
Interest expense.....		(1,379,779)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....		(1,379,692)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....		(1,055,136)
CAPITAL CONTRIBUTIONS.....		1,622,512
<u>TRANSFERS:</u>		
Transfers in.....		2,902,680
CHANGE IN NET POSITION.....		3,470,056
NET POSITION AT BEGINNING OF YEAR.....		11,123,429
NET POSITION AT END OF YEAR.....	\$	14,593,485

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

	<u>Business-type Activities - Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 537,901
Payments to vendors.....	(322,012)
Payments to employees.....	<u>(35,243)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>180,646</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers in.....	<u>2,902,680</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Proceeds from the issuance of bonds and notes.....	9,514,585
Acquisition and construction of capital assets.....	(10,312,366)
Principal payments on bonds and notes.....	(1,515,124)
Interest expense.....	<u>(1,387,556)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(3,700,461)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	<u>87</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(617,048)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>1,762,023</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ <u><u>1,144,975</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>	
<u>FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ <u>324,556</u>
Adjustments to reconcile operating income to net cash from operating activities:	
Deferred (outflows)/inflows related to pensions.....	22,276
Deferred (outflows)/inflows related to other postemployment benefits.....	32,545
Changes in assets and liabilities:	
User charges.....	(136,322)
Warrants payable.....	(7,178)
Net pension liability.....	(27,138)
Net other postemployment benefit liability.....	<u>(28,093)</u>
Total adjustments.....	<u>(143,910)</u>
NET CASH FROM OPERATING ACTIVITIES.....	\$ <u><u>180,646</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents.....	\$ -	\$ 93,617
Investments:		
Investments in Plymouth County OPEB Trust.....	576,288	
Loans.....	-	167,029
TOTAL ASSETS.....	576,288	260,646
NET POSITION		
Restricted for other postemployment benefits.....	576,288	-
Held in trust for other purposes.....	-	260,646
TOTAL NET POSITION.....	576,288	260,646

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022

	<u>Other Postemployment Benefit Trust Fund</u>	<u>Private Purpose Trust Fund</u>
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 50,000	\$ -
Employer contributions for other postemployment benefit payments....	1,052,867	-
Private donations.....	-	6,000
Other.....	-	12,000
 Total contributions.....	 <u>1,102,867</u>	 <u>18,000</u>
Net investment income:		
Investment income (loss).....	(84,820)	3,352
 TOTAL ADDITIONS.....	 <u>1,018,047</u>	 <u>21,352</u>
DEDUCTIONS:		
Other postemployment benefit payments.....	1,052,867	-
Educational scholarships.....	-	12,000
 TOTAL DEDUCTIONS.....	 <u>1,052,867</u>	 <u>12,000</u>
 NET INCREASE (DECREASE) IN NET POSITION.....	 (34,820)	 9,352
 NET POSITION AT BEGINNING OF YEAR.....	 <u>611,108</u>	 <u>251,294</u>
 NET POSITION AT END OF YEAR.....	 <u>\$ 576,288</u>	 <u>\$ 260,646</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 2022 assessment was \$4,835,717.

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 2022 assessment was \$451,379.

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 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.

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

The allowance for uncollectible 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. Water 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.

All purchases and construction costs in excess of \$35,000 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 shown on the following page.

<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 assets that applies to future periods 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 assets that applies to future periods 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.

J. Unearned and Unavailable Revenue

Unearned revenue at the government-wide and fund financial statement level represents resources that have been received but not yet earned.

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.

K. 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.

L. Interfund Transfers

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

Government-Wide Financial Statements

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

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

N. 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.

O. 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.

P. Investment Income

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

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

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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.

R. Use of Estimates

Government-Wide and Fund Financial Statements

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

S. Individual Fund Deficits

There are fund deficits in the Federal Grants Fund (\$7,881) and in the Capital Projects Fund (\$1,557,339). These deficits 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 27 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. To address custodial credit risk over deposits, 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.

At year-end, the carrying amount of deposits totaled \$25,228,084, and the bank balance totaled \$25,405,111. Of the bank balance, \$1,500,000 was covered by Federal Depository Insurance and \$17,916,508 was covered by the Depositors Insurance Fund, \$2,552,162 was collateralized, and \$3,436,441 was uncollateralized.

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, 2022 was \$576,288. 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.

NOTE 3 - RECEIVABLES

At June 30, 2022, 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.....	\$ 405,920	\$ -	\$ 405,920
Tax liens.....	225,015	-	225,015
Community preservation fund surtax.....	8,889	-	8,889
Motor vehicle and other excise taxes.....	129,946	(52,214)	77,732
Departmental and other.....	226,130	-	226,130
Intergovernmental - other.....	1,498,056	-	1,498,056
Community preservation state share.....	355,000	-	355,000
Special assessments.....	33,905	-	33,905
Total.....	<u>\$ 2,882,861</u>	<u>\$ (52,214)</u>	<u>\$ 2,830,647</u>

At June 30, 2022, receivables for the water enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	167,547	-	167,547
Water intergovernmental - other.....	5,308,484	-	5,308,484
Total.....	<u>\$ 5,476,031</u>	<u>\$ -</u>	<u>\$ 5,476,031</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 269,848	\$ -	\$ 269,848
Tax liens.....	223,152	1,863	225,015
Community preservation fund.....	-	363,889	363,889
Motor vehicle and other excise taxes.....	77,732	-	77,732
Departmental and other.....	-	226,130	226,130
Intergovernmental - highway improvements.....	-	1,427,889	1,427,889
Special assessments.....	-	33,905	33,905
 Total.....	 <u>\$ 570,732</u>	 <u>\$ 2,053,676</u>	 <u>\$ 2,624,408</u>

NOTE 4 - CAPITAL ASSETS

Details of capital asset activity for the year ended June 30, 2022, are presented as follows:

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.....	2,369,000	325,192	-	2,694,192
 Total capital assets not being depreciated.....	 <u>15,848,461</u>	 <u>325,192</u>	 <u>-</u>	 <u>16,173,653</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	113,340	3,054,029	-	3,167,369
Buildings and improvements.....	31,251,656	353,735	-	31,605,391
Machinery, vehicles and equipment.....	7,124,144	338,175	-	7,462,319
Right-to-use leased machinery, vehicles and equipment.....	268,394	1,538,837	-	1,807,231
Infrastructure.....	9,765,490	107,397	-	9,872,887
 Total capital assets being depreciated.....	 <u>48,523,024</u>	 <u>5,392,173</u>	 <u>-</u>	 <u>53,915,197</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(37,847)	(93,582)	-	(131,429)
Buildings and improvements.....	(11,143,783)	(814,456)	-	(11,958,239)
Machinery, vehicles and equipment.....	(5,916,341)	(321,911)	-	(6,238,252)
Infrastructure.....	(7,043,470)	(305,765)	-	(7,349,235)
 Total accumulated depreciation.....	 <u>(24,141,441)</u>	 <u>(1,535,714)</u>	 <u>-</u>	 <u>(25,677,155)</u>
 Total capital assets being depreciated, net.....	 <u>24,381,583</u>	 <u>3,856,459</u>	 <u>-</u>	 <u>28,238,042</u>
 Total governmental activities capital assets, net.....	 <u>\$ 40,230,044</u>	 <u>\$ 4,181,651</u>	 <u>\$ -</u>	 <u>\$ 44,411,695</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 75,565,498	\$ 11,624,571	\$ -	\$ 87,190,069

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

Governmental Activities:	
General government.....	\$ 182,715
Public safety.....	297,943
Education.....	294,588
Public works.....	493,381
Health and human services.....	8,479
Culture and recreation.....	<u>258,608</u>
Total depreciation expense - governmental activities.....	\$ <u>1,535,714</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022, are summarized as follows:

	<u>Transfers In:</u>				
	<u>General fund</u>	<u>Nonmajor governmental funds</u>	<u>Water Enterprise fund</u>	<u>Total</u>	
<u>Transfers Out:</u>					
General fund.....	\$ -	\$ 46,454	\$ 2,902,680	\$ 2,949,134	(a)
Community preservation fund.....	18,000	300,000	-	318,000	(b)
Nonmajor governmental funds.....	<u>900,265</u>	<u>-</u>	<u>-</u>	<u>900,265</u>	(c)
Total.....	\$ <u>918,265</u>	\$ <u>346,454</u>	\$ <u>2,902,680</u>	\$ <u>4,167,399</u>	

- (a) Transfers from the general fund to subsidize Water Enterprise fund debt service and to provide funding for the Town’s septic repair program and various capital and planning purposes.
- (b) To fund affordable housing projects.
- (c) From the Ambulance Revolving, Waterways Management, Tile V, and Cable funds to offset budgeted expenditures in the General Fund.

NOTE 6 - 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, 2022 the Town had the following short-term debt outstanding in the governmental funds:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
Governmental Funds:							
	Municipal Purpose BAN.....	1.00%	1/29/22	\$ 199,000	\$ -	\$ (199,000)	\$ -
	Municipal Purpose BAN.....	1.00%	1/27/23	-	3,271,000	-	3,271,000
	Total Governmental Funds.....			\$ 199,000	\$ 3,271,000	\$ (199,000)	\$ 3,271,000
Water Enterprise Fund:							
	Municipal Purpose BAN.....	1.00%	1/29/22	\$ 2,500,000	\$ -	\$ (2,500,000)	\$ -
	Municipal Purpose.....	1.00%	1/27/23	-	2,500,000	-	2,500,000
	Total Water Enterprise Fund.....			\$ 2,500,000	\$ 2,500,000	\$ (2,500,000)	\$ 2,500,000

The Governmental Funds BAN outstanding was renewed upon maturity in the amount of \$3,080,000. The new maturity date is January 26, 2024 and has an interest rate of 5.25%. The balance was paid down with available funds.

The Water Enterprise Fund BAN outstanding was renewed upon maturity. The new maturity date is January 26, 2024 and has an interest rate of 4.00%.

NOTE 7 - 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."

The Town implemented GASB Statement #87, *Leases* in the year ended June 30, 2022. Therefore, the Town's agreements to finance the acquisition of vehicles and equipment previously reported as leases have been reclassified as capital financing long-term debt in the current year.

Details related to the governmental activities outstanding indebtedness at June 30, 2022, and the debt service requirements are as shown on the following page.

Long-term Debt Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
<u>Capital financing</u>				
Ambulance and Fire Engine Financing.....	2031	\$ 1,807,231	2.35% - 2.63%	\$ 1,462,294
<u>Direct borrowings</u>				
Septic Repair Program MCWT T5-98-1006.....	2026	200,000	0.00	40,000
<u>General obligation</u>				
Municipal Purpose Bonds of 2015.....	2035	4,500,000	2.5% - 4%	2,925,000
Municipal Purpose Bonds of 2016.....	2026	3,455,000	2% - 4%	1,485,000
Municipal Purpose Bonds of 2017.....	2026	582,000	3.125% - 5%	200,000
Municipal Purpose Bonds of 2018.....	2039	3,105,000	2% - 4%	2,510,000
Municipal Purpose Bonds of 2020.....	2036	2,360,000	2% - 4%	2,030,000
Total Bonds Payable.....				<u>10,652,294</u>
Total Bonds Payable, net.....				<u>\$ 10,652,294</u>

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

Year	Direct Borrowings and General Obligation Bonds Payable		
	Principal	Interest	Total
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>\$ 9,190,000</u>	<u>\$ 1,727,216</u>	<u>\$ 10,917,216</u>

Included in the outyear schedule above, are \$10,000 of annual principal payments through fiscal year 2026 that relate to outstanding governmental activities direct borrowings at June 30, 2022.

Year	Capital Financing Payable		
	Principal	Interest	Total
2023.....	\$ 268,317	\$ 38,295	\$ 306,612
2024.....	275,607	31,006	306,613
2025.....	203,869	23,514	227,383
2026.....	208,914	18,468	227,382
2027.....	95,937	13,297	109,234
2028.....	98,460	10,774	109,234
2029.....	101,049	8,184	109,233
2030.....	103,707	5,527	109,234
2031.....	106,434	2,799	109,233
Total.....	\$ 1,462,294	\$ 151,864	\$ 1,614,158

Bonds Payable Schedule – Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
<u>Direct borrowings</u>				
USDA Water Bond.....	2059	\$ 1,615,000	1.75%	\$ 1,528,818
Massachusetts Clean Water Trust.....	2052	75,525,592	2%	68,633,622
<u>General obligation</u>				
Municipal Purpose Bonds of 2017.....	2045	4,951,000	3% - 4%	4,365,000
Total Bonds Payable.....				<u>74,527,440</u>

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

Year	Direct Borrowings		General Obligation	
	Principal	Interest	Principal	Interest
2023.....	\$ 1,870,577	\$ 1,517,503	\$ 130,000	\$ 72,947
2024.....	1,917,983	1,665,498	135,000	70,447
2025.....	1,966,596	1,618,763	140,000	67,847
2026.....	2,016,441	1,570,159	145,000	65,822
2027.....	2,067,557	1,520,294	150,000	63,722
2028 - 2030....	11,151,108	6,807,501	825,000	284,475
2031 - 2035....	12,638,459	5,351,358	955,000	219,360
2036 - 2040....	14,324,703	3,694,942	1,120,000	139,466
2041 - 2045....	15,029,521	1,819,613	765,000	43,115
2046 - 2050....	6,810,996	440,930	-	-
2051 - 2055....	259,133	29,365	-	-
2056 - 2059....	109,366	2,873	-	-
Total.....	\$ 70,162,440	\$ 26,038,799	\$ 4,365,000	\$ 1,027,201

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, 2022, the Town had the following authorized and unissued debt as follows:

Purpose	Amount
Land acquisition (4790 State Highway).....	\$ 199,000
Water.....	28,118,001
Town center plaza.....	3,080,000
Total.....	\$ <u>31,397,001</u>

Changes in Long-term Liabilities

During the year ended June 30, 2022, 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.....	\$ 10,430,000	\$ -	\$ (1,240,000)	\$ -	\$ -	\$ 9,190,000	\$ 1,533,317
Long-term capital financing.....	268,394	1,538,837	(344,937)	-	-	1,462,294	268,317
Total bonds payable.....	10,698,394	1,538,837	(1,584,937)	-	-	10,652,294	1,801,634
Compensated absences.....	460,480	-	-	-	(170,161)	290,319	-
Net pension liability.....	17,914,216	-	-	3,330,327	(7,367,132)	13,877,411	-
Net other postemployment benefits liability..	36,465,387	-	-	3,959,618	(9,922,144)	30,502,861	-
Total governmental activity long-term liabilities.....	\$ <u>65,538,477</u>	\$ <u>1,538,837</u>	\$ <u>(1,584,937)</u>	\$ <u>7,289,945</u>	\$ <u>(17,459,437)</u>	\$ <u>55,322,885</u>	\$ <u>1,801,634</u>
Business-Type Activities:							
Long-term bonds payable.....	\$ 77,665,076	\$ -	\$ (3,137,636)	\$ -	\$ -	\$ 74,527,440	\$ 2,000,577
Net pension liability.....	124,155	-	-	24,366	(51,504)	97,017	-
Net other postemployment benefits liability..	198,946	-	-	27,483	(55,576)	170,853	-
Total business-type activity long-term liabilities.....	\$ <u>77,988,177</u>	\$ <u>-</u>	\$ <u>(3,137,636)</u>	\$ <u>51,849</u>	\$ <u>(107,080)</u>	\$ <u>74,795,310</u>	\$ <u>2,000,577</u>

NOTE 8 – 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, 2022, \$2.3 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 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, 2022, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Nonspendable:			
Permanent fund principal.....	\$ -	\$ 136,817	\$ 136,817
Restricted for:			
Community preservation fund.....	-	2,978,712	2,978,712
State grants	-	283,240	283,240
Affordable housing trust.....	-	1,172,519	1,172,519
Gifts.....	-	729,712	729,712
Revolving.....	-	2,080,472	2,080,472
School federal and state grants.....	-	16,523	16,523
Other special revenue.....	-	514,315	514,315
Expendable trust unds.....	-	87,410	87,410
Debt service.....	362,603	-	362,603
Committed to:			
Articles and continuing appropriations:			
General government.....	490,562	-	490,562
Public safety.....	475,098	-	475,098
Education.....	191,121	-	191,121
Public works.....	913,803	-	913,803
Culture and recreation.....	123,926	-	123,926
Assigned to:			
Encumbrances:			
General government.....	89,097	-	89,097
Public safety.....	8,148	-	8,148
Education.....	28,612	-	28,612
Public works.....	2,451	-	2,451
Health and human services.....	15,035	-	15,035
Culture and recreation.....	358	-	358
Unassigned.....	10,246,393	(1,565,220)	8,681,173
Total Fund Balances.....	<u>\$ 12,947,207</u>	<u>\$ 6,434,500</u>	<u>\$ 19,381,707</u>

NOTE 9 - 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 10 - PENSION PLAN*Plan Descriptions*

The Town is a member of the Barnstable County Retirement Association (BCRA), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 50 member units. The BCRA is administered by five board members (Board) on behalf of all current employees and retirees 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>.

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 <https://mtrs.state.ma.us/service/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, 2021. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$567,593 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 \$7,073,180 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 \$1,871,788 which equaled its actual contribution for the year ended December 31, 2021. The System-wide required contribution was allocated based on covered payroll and actuarial measurements. The Town's portion of System-wide covered payroll was 22.67% 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, 2022, the Town reported a liability of \$13,974,428 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, updating procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2021, the Town's proportion was 2.542%, which decreased by 0.069% from the proportion measured at December 31, 2020.

Pension Expense

For the year ended June 30, 2022, the Town recognized pension expense of \$1,015,712. At June 30, 2022, the Town reported deferred outflows of resources related to pensions of \$2,260,772 and deferred inflows of resources relates to pensions of \$5,546,848.

The balances of deferred outflows and inflows of resources at June 30, 2022, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience..... \$	-	\$ (98,065)	\$ (98,065)
Net difference between projected and actual earnings, net.....	-	(4,893,101)	(4,893,101)
Changes in assumptions.....	1,752,491	-	1,752,491
Changes in proportion and proportionate share of contributions...	508,281	(555,682)	(47,401)
Total deferred outflows/(inflows) of resources..... \$	<u>2,260,772</u>	<u>\$ (5,546,848)</u>	<u>\$ (3,286,076)</u>

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>	
2023.....	\$ (510,829)
2024.....	(1,258,183)
2025.....	(775,455)
2026.....	(823,464)
2027.....	<u>81,855</u>
Total deferred outflows/(inflows) of resources..... \$	<u>(3,286,076)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2021:

Valuation date.....	January 1, 2022
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.....	6.90%
Mortality Rates:	
Pre-Retirement.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021
Disabled Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021

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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	22.00%	6.11%
International developed markets equity..	11.50%	6.49%
International emerging markets equity...	4.50%	8.12%
Core fixed income.....	15.00%	0.38%
High-yield fixed income.....	8.00%	2.48%
Real estate.....	10.00%	3.72%
Timberland.....	4.00%	3.44%
Hedge fund, GTAA, Risk parity.....	10.00%	2.63%
Private equity.....	15.00%	9.93%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.75%. 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 6.90%. 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 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount (6.90%)	1% Increase (7.90%)
The Town's proportionate share of the net pension liability.....	\$ 20,550,508	\$ 13,974,428	\$ 8,442,881

Changes in Assumptions – The net investment return assumption was lowered from 7.15% to 6.90%. Also, the morality improvement scale was updated from Scale MP-2017 to Scale MP-2021.

Changes in Plan Provisions – None

NOTE 11 – 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 2022, the Town pre-funded future OPEB liabilities totaling \$50,000 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, 2022, the balance of this fund totaled \$576,288.

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, 2022 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, 2022:

Total OPEB liability.....	\$ 31,250,002
Less: OPEB plan’s fiduciary net position.....	<u>(576,288)</u>
Net OPEB liability.....	<u><u>\$ 30,673,714</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....	1.84%

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, 2022:

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.....	25 years from July 1, 2021.
Asset valuation method.....	Fair value.
Investment rate of return.....	7.00%
Discount rate.....	3.54%
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%.</p> <p>Group 4 employees: 7.0% decreasing over 8 years to an ultimate level of 4.5%.</p> <p>Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%.</p>
Health trend rates.....	<p>GIC: Non-medicare 6.60%, 6.50%, 6.40%, 6.20%, then 6% decreasing by 0.25% each year to an ultimate level of 4.5% per year</p> <p>GIC: Medicare 4.80%, 4.70%, 4.60%, 4.70%, then 6% decreasing by 0.25% each year to an ultimate level of 4.5% per year</p> <p>CCMHG: Medicare/Non-medicare 2.50% for 1 year then 6.75% decreasing by 0.25% each year to an ultimate level of 4.5% per year</p> <p>Dental: 3%</p> <p>Part B: 8.70% for 1 year then 4.5%</p>
Cost of living adjustments.....	
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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -5.70%. 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, 2022 are summarized in the following page.

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	47.10%	6.11%
International developed markets equity..	13.90%	6.49%
International emerging markets equity...	7.00%	8.12%
Core fixed income.....	0.00%	0.38%
High-yield fixed income.....	22.00%	2.48%
Real estate.....	7.00%	3.72%
Commodities.....	0.00%	3.44%
Hedge fund, GTAA, Risk parity.....	0.00%	2.63%
Private equity.....	0.00%	9.93%
Cash.....	3.00%	0.00%
Total.....	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. 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 3.54% municipal bond rate was applied to all periods to determine the total OPEB liability. The 3.54% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 30, 2022.

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, 2021.....	\$ 37,275,441	\$ 611,108	\$ 36,664,333
Changes for the year:			
Service cost.....	1,479,006	-	1,479,006
Interest.....	825,786	-	825,786
Changes of assumptions.....	(7,277,364)	-	(7,277,364)
Benefit payments.....	(1,052,867)	-	(1,052,867)
Contributions - employer.....	-	50,000	(50,000)
Net investment income.....	-	(84,820)	84,820
Net change.....	<u>(6,025,439)</u>	<u>(34,820)</u>	<u>(5,990,619)</u>
Balances at June 30, 2022.....	<u>\$ 31,250,002</u>	<u>\$ 576,288</u>	<u>\$ 30,673,714</u>

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 3.54%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Net OPEB liability.....	\$ <u>35,712,726</u>	\$ <u>30,673,714</u>	\$ <u>26,629,315</u>

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.....	\$ <u>25,859,233</u>	\$ <u>30,673,714</u>	\$ <u>36,817,114</u>

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

For the year ended June 30, 2022, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$972,744. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources from the sources presented on the following page.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience..... \$	-	(930,853)	(930,853)
Net difference between projected and actual earnings.....	68,764	-	68,764
Changes of assumptions.....	3,626,534	(7,944,000)	(4,317,466)
Total deferred outflows/(inflows) of resources..... \$	3,695,298	(8,874,853)	(5,179,555)

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

<u>Year ended June 30:</u>	
2023.....	\$ (1,010,255)
2024.....	(1,010,152)
2025.....	(1,020,701)
2026.....	(2,138,447)
Total deferred outflows/(inflows) of resources.....	\$ (5,179,555)

Changes in Assumptions

- The discount rate changed from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

Changes in Plan Provisions

- None.

NOTE 12 - 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 \$143,701.

NOTE 13 - 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, 2022.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2023, which is the date the financial statements were available to be issued.

NOTE 15 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2022, the following GASB pronouncements were implemented:

- GASB Statement #87, *Leases*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.
- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.
- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.
- GASB 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*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- 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 #99, *Omnibus 2022*, which is required to be implemented in 2023.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.

- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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, 2022

	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.....	\$ 28,936,085	\$ 28,936,085	\$ 28,938,889	\$ -	\$ 2,804
Tax liens.....	-	-	214,174	-	214,174
Motor vehicle and other excise taxes.....	817,500	817,500	982,389	-	164,889
Hotel/motel tax.....	140,000	140,000	399,152	-	259,152
Short term rental tax.....	48,800	48,800	1,101,617	-	1,052,817
Meals tax.....	100,000	100,000	142,430	-	42,430
Penalties and interest on taxes.....	90,000	90,000	126,520	-	36,520
Payments in lieu of taxes.....	6,000	6,000	9,527	-	3,527
Licenses and permits.....	532,700	532,700	630,247	-	97,547
Fines and forfeitures.....	25,000	25,000	36,376	-	11,376
Intergovernmental - other.....	625,071	625,071	661,303	-	36,232
Departmental and other.....	1,941,558	1,941,558	2,697,637	-	756,079
Investment income.....	20,000	20,000	6,598	-	(13,402)
TOTAL REVENUES.....	33,282,714	33,282,714	35,946,859	-	2,664,145
EXPENDITURES:					
Current:					
General government.....	4,387,869	4,387,869	3,762,116	579,659	46,094
Public safety.....	6,814,698	6,814,698	6,178,697	483,246	152,755
Education.....	10,145,807	10,145,807	9,640,133	505,674	-
Public works.....	3,216,662	3,216,662	2,212,197	916,253	88,212
Health and human services.....	1,291,158	1,291,158	1,119,570	15,035	156,553
Culture and recreation.....	1,159,675	1,159,675	963,674	124,284	71,717
Pension benefits.....	2,011,135	2,011,135	1,916,102	-	95,033
Property and liability insurance.....	460,932	460,932	414,528	-	46,404
Employee benefits.....	3,091,753	3,091,753	2,604,847	-	486,906
State and county charges.....	688,509	688,509	727,812	-	(39,303)
Debt service:					
Principal.....	2,755,123	2,755,123	2,755,123	-	-
Interest.....	2,053,478	2,053,478	1,787,800	-	265,678
TOTAL EXPENDITURES.....	38,076,799	38,076,799	34,082,599	2,624,151	1,370,049
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(4,794,085)	(4,794,085)	1,864,260	(2,624,151)	4,034,194
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	2,451,499	2,451,499	-	-	(2,451,499)
Use of free cash.....	2,164,000	2,164,000	-	-	(2,164,000)
Transfers in.....	958,586	958,586	918,265	-	(40,321)
Transfers out.....	(780,000)	(780,000)	(806,454)	-	(26,454)
TOTAL OTHER FINANCING SOURCES (USES).....	4,794,085	4,794,085	111,811	-	(4,682,274)
NET CHANGE IN FUND BALANCE.....	-	-	1,976,071	(2,624,151)	(648,080)
BUDGETARY FUND BALANCE, Beginning of year.....	8,817,801	8,817,801	8,817,801	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 8,817,801	\$ 8,817,801	\$ 10,793,872	\$ (2,624,151)	\$ (648,080)

See notes to required supplementary information.

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Community preservation taxes.....	\$ 846,985	\$ 846,985	\$ 861,543	\$ -	\$ 14,558
Community preservation tax liens.....	-	-	4,672	-	4,672
Community preservation state match.....	211,746	211,746	497,994	-	286,248
Penalties and interest.....	-	-	1,872	-	1,872
Investment income.....	-	-	933	-	933
TOTAL REVENUES.....	1,058,731	1,058,731	1,367,014	-	308,283
EXPENDITURES:					
Current:					
Administration.....	92,081	92,081	6,269	-	85,812
Acquisitions and projects.....	2,017,096	1,977,951	426,938	173,505	1,377,508
TOTAL EXPENDITURES.....	2,109,177	2,070,032	433,207	173,505	1,463,320
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,050,446)	(1,011,301)	933,807	(173,505)	1,771,603
OTHER FINANCING SOURCES (USES):					
Use of fund reserves.....	746,129	746,129	-	-	(746,129)
Transfers out.....	(300,000)	(300,000)	(318,000)	-	(18,000)
TOTAL OTHER FINANCING SOURCES (USES).....	446,129	446,129	(318,000)	-	(764,129)
NET CHANGE IN FUND BALANCE.....	(604,317)	(565,172)	615,807	(173,505)	1,007,474
BUDGETARY FUND BALANCE, Beginning of year.....	2,489,257	2,489,257	2,489,257	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,884,940	\$ 1,924,085	\$ 3,105,064	\$ (173,505)	\$ 1,007,474

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' 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, 2021.....	\$ 2.54%	\$ 13,974,428	\$ 8,094,610	172.64%	75.07%
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
BARNSTABLE COUNTY RETIREMENT ASSOCIATION

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2022.....	\$ 1,871,788	\$ (1,871,788)	-	\$ 8,256,502	22.67%
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
2022.....	\$ 7,073,180	\$ 567,593	62.03%
2021.....	8,395,100	1,036,915	50.67%
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 Returns 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	June 30, 2022
Total OPEB Liability						
Service cost.....	\$ 1,219,897	\$ 1,051,242	\$ 1,074,425	\$ 1,413,685	\$ 2,088,879	\$ 1,479,006
Interest.....	941,192	1,095,083	1,177,421	1,122,788	908,892	825,786
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)	(7,277,364)
Benefit payments.....	(803,654)	(839,818)	(1,065,218)	(896,441)	(1,007,969)	(1,052,867)
Net change in total OPEB liability.....	(2,249,516)	(76,452)	1,236,737	8,424,518	(2,263,261)	(6,025,439)
Total OPEB liability - beginning.....	32,203,415	29,953,899	29,877,447	31,114,184	39,538,702	37,275,441
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>	<u>\$ 31,250,002</u>
Plan fiduciary net position						
Employer contributions.....	\$ 879,079	\$ 889,818	\$ 1,115,218	\$ 996,441	\$ 200,000	\$ 50,000
Employer contributions for OPEB payments.....	-	-	-	-	1,007,969	1,052,867
Net investment income.....	10,600	11,133	12,551	7,204	94,195	(84,820)
Benefit payments.....	(803,654)	(839,818)	(1,065,218)	(896,441)	(1,007,969)	(1,052,867)
Net change in plan fiduciary net position.....	86,025	61,133	62,551	107,204	294,195	(34,820)
Plan fiduciary net position - beginning of year.....	-	86,025	147,158	209,709	316,913	611,108
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>	<u>\$ 576,288</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>	<u>\$ 30,673,714</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.29%	0.49%	0.67%	0.80%	1.64%	1.84%
Covered-employee payroll.....	\$ 9,898,721	\$ 10,202,063	\$ 10,202,063	\$ 10,896,899	\$ 11,114,837	\$ 11,337,134
Net OPEB liability as a percentage of covered-employee payroll.....	301.73%	291.41%	302.92%	359.94%	N/A	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**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2022.....	\$ 1,622,596	\$ (1,102,867)	\$ 519,729	\$ 11,337,134	9.73%
June 30, 2021.....	1,570,813	(1,207,969)	362,844	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, 2022.....	-5.70%
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 2022 approved budget authorized approximately \$38.9 million in appropriations and other amounts to be raised inclusive of \$2.5 million in carryforwards from the prior year.

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, 2022, is presented on the following page.

Net change in fund balance - budgetary basis.....	\$	1,976,071
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		1,499,611
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		(135,939)
Net change in recording accrued expenditures.....		(83,838)
Net change in recording accrued payroll.....		600
Recognition of revenue for on-behalf payments.....		567,593
Recognition of expenditures for on-behalf payments.....		<u>(567,593)</u>
Net change in fund balance - GAAP basis.....	\$	<u>3,256,505</u>

Appropriation Deficits

State and county charges expenditures exceeded the amount appropriated. This over-expenditure is not required to funded.

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 – The net investment return assumption was lowered from 7.15% to 6.90%. Also, the mortality improvement scale was updated from Scale MP-2017 to Scale MP-2021.

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 Plan

The 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 Returns

The Schedule of Investment Returns 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 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

Changes in Plan Provisions

- None.