

TOWN OF EASTHAM, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018



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**TOWN OF EASTHAM, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Eastham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eastham, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Eastham, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eastham, Massachusetts, as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the fiscal year ended June 30, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the Town reported a restatement for the change in accounting principle (see Note 1). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019 on our consideration of the Town of Eastham, Massachusetts. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Eastham, Massachusetts. internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Eastham, Massachusetts. internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
January 30, 2019

**TOWN OF EASTHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As management of the Town of Eastham, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$1,303,553 (net position). The Town had an unrestricted deficit at the end of the current fiscal year totaling \$45,231,986.
- The Town's total net position increased by \$904,627.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$2,132,932, or 7.2% of total fiscal year 2018 general fund revenues and other financing sources of \$29,839,907.
- The Town's total bonded debt outstanding was \$63,245,144 at June 30, 2018. The Town's total bonded debt increased by \$11,174,703 during the fiscal year. The Town issued \$13,364,870 of long-term debt in fiscal year 2018.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Fiduciary funds

Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-51.

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,303,553 at the close of the fiscal year and are summarized as follows:

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets	\$ 22,423,860	\$ 18,155,275
Noncurrent Assets (Excluding Capital Assets)	58,928	58,928
Capital Assets (Net)	<u>92,187,274</u>	<u>83,389,251</u>
Total Assets	<u>114,670,062</u>	<u>101,603,454</u>
Deferred Outflows of Resources	<u>2,470,959</u>	<u>2,509,651</u>
Liabilities		
Current Liabilities (Excluding Debt)	2,466,063	2,893,691
Noncurrent Liabilities (Excluding Debt)	47,135,861	30,039,794
Current Debt	3,209,341	2,731,167
Noncurrent Debt	<u>60,935,803</u>	<u>49,880,274</u>
Total Liabilities	<u>113,747,068</u>	<u>85,544,926</u>
Deferred Inflows of Resources	<u>4,697,506</u>	<u>510,798</u>
Net Position		
Net investment in capital assets	28,430,891	33,163,522
Restricted	15,497,542	11,731,702
Unrestricted	<u>(45,231,986)</u>	<u>(26,837,843)</u>
Total Net Position	<u>\$ (1,303,553)</u>	<u>\$ 18,057,381</u>

**TOWN OF EASTHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The largest portion of the Town's net position reflects its net investment in capital assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and other postretirement benefit liabilities.

Changes in Net Position

The following table summarizes the Town's changes in net position for the fiscal years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 3,822,280	\$ 3,998,595
Operating Grants and Contributions	2,305,013	2,541,619
Capital Grants and Contributions	288,637	1,080,835
<i>General Revenues:</i>		
Real Estate, Personal Property Taxes and Tax Liens	23,683,753	21,933,219
Motor Vehicle and Other Excise Taxes	904,718	869,790
Hotel/Motel Taxes	268,857	320,549
Penalties and Interest on Taxes	93,297	97,518
Payments in Lieu of Taxes	8,618	8,324
Community Preservation Surcharges	699,874	647,524
Grants and Contributions not Restricted to Specific Programs	148,834	143,247
Unrestricted Investment Income	40,250	18,757
Special Item - MCWT loan principal forgiveness	-	1,671,314
Total Revenues	<u>32,264,131</u>	<u>33,331,291</u>
Expenses		
General Government	4,633,603	5,499,550
Public Safety	8,121,206	7,726,891
Education	10,903,425	11,148,091
Public Works	2,741,702	2,352,268
Health and Human Services	979,421	1,034,001
Culture and Recreation	2,306,792	1,585,902
Community Development	4,950	756,141
Claims and judgments	350,000	-
Debt Service - Interest	1,318,405	1,120,016
Total Expenses	<u>31,359,504</u>	<u>31,222,860</u>
Change in Net Position	904,627	2,108,431
Net Position - Beginning of Year	<u>18,057,381</u>	<u>15,948,950</u>
Prior period restatement of net position	(20,265,561)	-
Net Position - End of Year	<u>\$ (1,303,553)</u>	<u>\$ 18,057,381</u>

**TOWN OF EASTHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Governmental activities increased the Town's net position by \$904,627, which is consistent with the prior year, in which governmental activities increased the Town's net position by \$2,108,431.

FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$18,726,327, an increase of \$4,072,724 in comparison with the prior year. Unassigned fund balance is \$1,407,969 at June 30, 2018. The remainder of fund balance at June 30, 2018 includes the following constraints:

- Nonspendable (\$136,817)
- Restricted (\$15,126,388)
- Committed (\$1,887,575)
- Assigned (\$167,578)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$2,132,932, while total fund balance was \$4,242,034. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and other financing sources. Unassigned fund balance represents 7.2% of total general fund revenues and other financing sources, while total fund balance represents 14.3% of that total.

The fund balance of the general fund increased \$490,485 during the current fiscal year. The Town recognized an approximate \$1,360,000 budgetary surplus (budget vs. actual activity) and approximately \$2,658,000 of reserves were utilized during fiscal year 2018.

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

The fund balance of the community preservation fund (special revenue) decreased \$339,019 during the current fiscal year. The fund recognized \$697,302 in surcharges, \$147,616 in intergovernmental revenues, and \$14,283 in investment income. Expenditures of \$857,220 were incurred during the fiscal year. The fund had transfers out of \$341,000.

The fund balance of the municipal water supply fund (capital project) increased \$3,894,428 during the current fiscal year. The fund received \$13,364,870 of bond proceeds and expenditures of \$9,470,442 were incurred during the fiscal year.

The fund balance of the Tri-Town septage demo fund (capital project) decreased \$425,127 from expenditures.

**TOWN OF EASTHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

General Fund Budgetary Highlights

The original general fund budget of \$29,765,812 was increased by \$466,865 (1.8%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Transfers to Stabilization Fund	\$ 250,000	Unassigned Fund Balance
Fire salaries	66,865	Unassigned Fund Balance
Debt service expense	34,200	Unassigned Fund Balance
Municipal buildings expense	30,000	Unassigned Fund Balance
Bulk fuel expense	30,000	Unassigned Fund Balance
Finance Committee reserve	16,700	Unassigned Fund Balance
Fire Department expense	10,000	Unassigned Fund Balance
Central Purchasing expense	10,000	Unassigned Fund Balance
Town Clerk salaries	6,100	Unassigned Fund Balance
Treasurer salaries	5,000	Unassigned Fund Balance
Data Processing expense	3,000	Unassigned Fund Balance
Treasurer expense	2,000	Unassigned Fund Balance
Planning expense	1,500	Unassigned Fund Balance
Bank charges	1,500	Unassigned Fund Balance
Total Increase	<u>\$ 466,865</u>	

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities at the end of the fiscal year totaled \$92,187,274 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled 10.6%.

The major capital asset event that occurred during the current fiscal year was continued construction of the municipal water supply of approximately \$9,500,000.

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

	2018	2017
Land	\$ 11,665,861	\$ 11,665,861
Construction in Progress	52,338,033	42,539,268
Land improvements	97,456	15,576
Buildings and Improvements	22,435,574	23,211,383
Machinery, Vehicles and Equipment	2,012,362	2,347,138
Infrastructure	3,637,988	3,610,025
Total Capital Assets	<u>\$ 92,187,274</u>	<u>\$ 83,389,251</u>

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

**TOWN OF EASTHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$63,245,144, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 26,864,870	\$ 14,808,000
MCWT Notes	<u>36,380,274</u>	<u>37,262,441</u>
Total Bonds and Notes	<u>\$ 63,245,144</u>	<u>\$ 52,070,441</u>

During the current fiscal year, the Town issued \$13,364,870 and retired \$2,190,167 of long-term debt.

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

REQUESTS FOR INFORMATION

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

**TOWN OF EASTHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

	Primary Government
	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 5,516,108
Restricted Cash and Cash Equivalents	6,168,627
Receivables, Net of Allowance for Uncollectible Amounts:	
Real Estate and Personal Property Taxes	493,203
Tax and Utility Liens	291,156
Motor Vehicle and Other Excise Taxes	102,012
Community Preservation Surcharges	12,047
Departmental and Other	222,840
Intergovernmental	9,558,352
Loans	59,515
Total Current Assets	22,423,860
Noncurrent Assets:	
Tax Foreclosures	58,928
Capital Assets not being Depreciated	64,003,894
Capital Assets, Net of Accumulated Depreciation	28,183,380
Total Noncurrent Assets	92,246,202
Total Assets	\$ 114,670,062
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	\$ 2,470,959
LIABILITIES	
Current Liabilities:	
Warrants Payable	1,233,970
Accrued Payroll	540,110
Other Liabilities	137,049
Accrued Interest	235,186
Capital Lease Obligations	107,456
Compensated Absences	212,292
Short-Term Notes Payable	900,000
Long-Term Bonds and Notes Payable	2,309,341
Total Current Liabilities	5,675,404
Noncurrent Liabilities:	
Capital Lease Obligations	158,199
Compensated Absences	153,545
Net OPEB Liability	29,867,874
Net Pension Liability	16,956,243
Long-Term Bonds and Notes Payable	60,935,803
Total Noncurrent Liabilities	108,071,664
Total Liabilities	113,747,068
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	2,891,217
Related to Pension	1,806,289
Total Deferred Inflows of Resources	4,697,506
NET POSITION	
Net Investment in Capital Assets	28,430,891
Restricted for:	
Capital Purposes - Library	254,628
Capital Purposes - Municipal Water	9,036,297
Community Preservation	2,227,054
Loans	59,515
Debt Service	53,949
Permanent Funds:	
Expendable	128,449
Nonexpendable	136,817
Other Specific Purposes	3,600,833
Unrestricted	(45,231,986)
Total Net Position	\$ (1,303,553)

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

Functions/Programs	Program Revenues				Net
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense)/ Revenue	
Primary Government:					
Governmental Activities:					
General Government	\$ 4,633,603	\$ 903,066	\$ 275,305	\$ -	\$ (3,455,232)
Public Safety	8,121,206	1,276,091	344,068	-	(6,501,047)
Education	10,903,425	35,005	1,197,657	-	(9,670,763)
Public Works	2,741,702	963,639	54,164	288,637	(1,435,262)
Health and Human Services	979,421	152,656	65,797	-	(760,968)
Culture and Recreation	2,306,792	491,823	279,203	-	(1,535,766)
Community Development	4,950	-	88,819	-	83,869
Claims and Judgments	350,000	-	-	-	(350,000)
Debt Service-Interest	1,318,405	-	-	-	(1,318,405)
Total Governmental Activities	\$31,359,504	\$ 3,822,280	\$2,305,013	\$ 288,637	(24,943,574)
General Revenues:					
					23,683,753
					904,718
					268,857
					93,297
					8,618
					699,874
					148,834
					40,250
Total General Revenues and Special Item					25,848,201
CHANGE IN NET POSITION					904,627
Net Position - Beginning of Year (as restated)					(2,208,180)
NET POSITION - END OF YEAR					\$ (1,303,553)

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	General	Community Preservation	Municipal Water Supply
ASSETS			
Cash and Cash Equivalents	\$ 5,104,876	\$ -	\$ -
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	493,203	-	-
Tax and Trash Liens	291,156	-	-
Motor Vehicle and Other Excise taxes	102,012	-	-
Community Preservation Surcharges	-	12,047	-
Departmental and Other	-	-	-
Intergovernmental	-	-	9,558,352
Loans	-	-	-
Tax Foreclosures	58,928	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	2,062,838	291,957
	<u>\$ 6,050,175</u>	<u>\$ 2,074,885</u>	<u>\$ 9,850,309</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants Payable	\$ 419,958	\$ -	\$ 814,012
Accrued Payroll	540,110	-	-
Other Liabilities	137,049	-	-
Short-Term Notes Payable	-	-	-
	<u>1,097,117</u>	<u>-</u>	<u>814,012</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	711,024	12,047	-
	<u>711,024</u>	<u>12,047</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	53,949	2,062,838	9,036,297
Committed	1,887,575	-	-
Assigned	167,578	-	-
Unassigned	2,132,932	-	-
	<u>4,242,034</u>	<u>2,062,838</u>	<u>9,036,297</u>
Total Fund Balances	<u>4,242,034</u>	<u>2,062,838</u>	<u>9,036,297</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,050,175</u>	<u>\$ 2,074,885</u>	<u>\$ 9,850,309</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET (CONTINUED)
JUNE 30, 2018**

<u>Tri-Town Septage Demo</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 274,873	\$ 136,359	\$ 5,516,108
-	-	493,203
-	-	291,156
-	-	102,012
-	-	12,047
-	222,840	222,840
-	-	9,558,352
-	59,515	59,515
-	-	58,928
<u>-</u>	<u>3,813,832</u>	<u>6,168,627</u>
<u>\$ 274,873</u>	<u>\$ 4,232,546</u>	<u>\$ 22,482,788</u>
\$ -	\$ -	\$ 1,233,970
-	-	540,110
-	-	137,049
<u>700,000</u>	<u>200,000</u>	<u>900,000</u>
<u>700,000</u>	<u>200,000</u>	<u>2,811,129</u>
<u>-</u>	<u>222,261</u>	<u>945,332</u>
-	136,817	136,817
-	3,973,304	15,126,388
-	-	1,887,575
-	-	167,578
<u>(425,127)</u>	<u>(299,836)</u>	<u>1,407,969</u>
<u>(425,127)</u>	<u>3,810,285</u>	<u>18,726,327</u>
<u>\$ 274,873</u>	<u>\$ 4,232,546</u>	<u>\$ 22,482,788</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	General	Community Preservation	Municipal Water Supply
REVENUES			
Real Estate and Personal Property Taxes	\$ 23,574,715	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	889,882	-	-
Hotel/Motel Tax	268,857	-	-
Tax and Trash Liens	47,589	-	-
Payments in Lieu of Taxes	8,618	-	-
Community Preservation Surcharges	-	697,302	-
Charges for Services	178,511	-	-
Intergovernmental	1,285,815	147,616	-
Penalties and Interest on Taxes	93,297	-	-
Licenses and Permits	607,427	-	-
Fines and Forfeitures	34,618	-	-
Departmental and Other	1,961,437	-	-
Contributions	-	-	-
Investment Income	44,910	14,283	-
Total Revenues	<u>28,995,676</u>	<u>859,201</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	3,427,170	178,939	-
Public Safety	4,952,754	-	-
Education	9,368,451	-	-
Public Works	1,625,413	-	9,470,442
Health and Human Services	564,128	-	-
Culture and Recreation	780,363	597,906	-
Community Development	-	-	-
Pension Benefits	1,475,637	-	-
Employee Benefits	2,511,066	-	-
Property and Liability Insurance	304,806	-	-
Claims and Judgments	350,000	-	-
State and County Charges	571,683	-	-
Debt Service:			
Principal	2,125,167	65,000	-
Interest	1,280,784	15,375	-
Total Expenditures	<u>29,337,422</u>	<u>857,220</u>	<u>9,470,442</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(341,746)</u>	<u>1,981</u>	<u>(9,470,442)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of Bonds and Notes	-	-	13,364,870
Proceeds from Capital Leases	202,311	-	-
Transfers In	641,920	-	-
Transfer Out	(12,000)	(341,000)	-
Total Other Financing Sources (Uses)	<u>832,231</u>	<u>(341,000)</u>	<u>13,364,870</u>
NET CHANGE IN FUND BALANCES	490,485	(339,019)	3,894,428
Fund Balances - Beginning of Year	<u>3,751,549</u>	<u>2,401,857</u>	<u>5,141,869</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,242,034</u>	<u>\$ 2,062,838</u>	<u>\$ 9,036,297</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Tri-Town Septage Demo	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 23,574,715
-	-	889,882
-	-	268,857
-	-	47,589
-	-	8,618
-	-	697,302
-	575,255	753,766
-	920,714	2,354,145
-	-	93,297
-	-	607,427
-	-	34,618
-	719,017	2,680,454
-	107,896	107,896
-	10,484	69,677
<u>-</u>	<u>2,333,366</u>	<u>32,188,243</u>
-	277,846	3,883,955
-	555,492	5,508,246
-	148,977	9,517,428
425,127	307,702	11,828,684
-	35,229	599,357
-	262,293	1,640,562
-	4,950	4,950
-	-	1,475,637
-	-	2,511,066
-	-	304,806
-	-	350,000
-	-	571,683
-	-	2,190,167
<u>-</u>	<u>-</u>	<u>1,296,159</u>
<u>425,127</u>	<u>1,592,489</u>	<u>41,682,700</u>
<u>(425,127)</u>	<u>740,877</u>	<u>(9,494,457)</u>
-	-	13,364,870
-	-	202,311
-	353,000	994,920
<u>-</u>	<u>(641,920)</u>	<u>(994,920)</u>
<u>-</u>	<u>(288,920)</u>	<u>13,567,181</u>
(425,127)	451,957	4,072,724
<u>-</u>	<u>3,358,328</u>	<u>14,653,603</u>
<u>\$ (425,127)</u>	<u>\$ 3,810,285</u>	<u>\$ 18,726,327</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund Balances	\$ 18,726,327
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds	92,187,274
In the statement of net position, deferred outflows/inflows of resources are reported for amounts related to:	
OPEB	(2,891,217)
Pension	664,670
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	945,332
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(235,186)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and Notes Payable	(63,245,144)
Capital Lease Obligations	(265,655)
Compensated Absences	(365,837)
Net OPEB Liability	(29,867,874)
Net Pension Liability	<u>(16,956,243)</u>
Net Position of Governmental Activities	<u>\$ (1,303,553)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 4,072,724
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital Outlays	10,312,880
Depreciation	(1,514,857)
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p>	
	(38,692)
<p>In the statement of activities, deferred inflows related to OPEB is amortized and recognized as OPEB expense. This amount represents the net change in deferred inflows related to OPEB.</p>	
	(2,891,217)
<p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.</p>	
	(1,295,491)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	75,888
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(13,364,870)
Bond Maturities	2,190,167
Capital Lease Proceeds	(202,311)
Capital Lease Maturities	415,845
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>	
	(22,246)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated Absences	(22,897)
Net OPEB Liability	2,310,116
Net Pension Liability	879,588
Changes in Net Position of Governmental Activities	\$ 904,627

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 30,428	\$ 6,923
Investments (External Investment Pools)	147,158	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Loans	-	189,998	-
Total Assets	147,158	220,426	6,923
LIABILITIES			
Liabilities Due Depositors	-	-	6,923
Unearned Revenue	-	-	-
Total Liabilities	-	-	\$ 6,923
NET POSITION			
Net Position Restricted for Other Postemployment Benefits and Other Purposes	\$ 147,158	\$ 220,426	

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018**

	OPEB Trust Fund	Private Purpose Trust Funds
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
Employer	\$ 889,818	\$ -
Private Donations	-	13,250
Other	-	31,999
	<u> </u>	<u> </u>
Total Contributions	889,818	45,249
	<u> </u>	<u> </u>
Net Investment Income:		
Net Appreciation in Fair Value of Investments	11,133	-
Interest	-	1,890
	<u> </u>	<u> </u>
NET INVESTMENT INCOME	11,133	1,890
	<u> </u>	<u> </u>
Total Additions	900,951	47,139
	<u> </u>	<u> </u>
DEDUCTIONS		
Benefits and Refunds	839,818	-
Scholarships Awarded	-	32,000
	<u> </u>	<u> </u>
Total Deductions	839,818	32,000
	<u> </u>	<u> </u>
CHANGE IN NET POSITION	61,133	15,139
Net Position - Beginning of Year	86,025	205,287
	<u> </u>	<u> </u>
NET POSITION - END OF YEAR	<u>\$ 147,158</u>	<u>\$ 220,426</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

B. Reporting Entity

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

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

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Ventures

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

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

Name	Purpose	Address	Fiscal Year 2018 Assessment
Nauset Regional School District	To provide educational services	78 Elderidge Parkway Orleans, MA 02653	\$ 4,669,661
Cape Cod Regional Technical High School	To provide vocational educational services	351 Pleasant Lake Avenue Harwich, MA 02645	\$ 291,987

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Joint Ventures (Continued)

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

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

C. Implementation of New Accounting Principles

For the year ended June 30, 2018, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 75, *Accounting and financial Reporting for Postemployment Benefits Other than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The implementation of GASB Statements No. 81, 85, and 86 had no significant reporting impact for the Town.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Principles (Continued)

The implementation of GASB Statement No. 75 resulted in the establishment of the total other postemployment benefit (OPEB) liability in the Statement of Net Position and enhanced disclosures related to the OPEB, As a result, the Town has restated its 2018 beginning net position to reflect the implementation of the Statement. The cumulative effect of change in accounting principle is as follows:

		Governmental Activities
June 30, 2017 net position as previously reported	\$	18,057,381
Impact of GASB 75 implementation		(20,265,561)
June 30, 2017 net position as restated	\$	(2,208,180)

D. Measurement Focus, Basis of Accounting, and Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

The *Tri-Town septage demo fund* is a capital projects fund used to account for the Town's share of costs associated with the demolition and site restoration of the Tri-Town Septage Treatment Plant.

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

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

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

The following fiduciary fund types are reported:

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

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

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

E. Cash and Cash Equivalents and Investments

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable (Continued)

Real Estate Taxes, Personal Property Taxes, and Tax Liens

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

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

Motor Vehicle and Other Excise Taxes

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

Community Preservation Surcharges

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

Departmental and Other

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

Intergovernmental

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

Loans

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Allowance for Uncollectible Accounts

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

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

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

- Real estate taxes
- Tax liens
- Community preservation surcharges

Intergovernmental receivables are considered 100% collectible.

H. Inventories

Government-Wide and Fund Financial Statements

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

I. Restricted Assets

Government-Wide and Fund Financial Statements

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

J. Capital Assets

Government-Wide Financial Statements

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

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

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Government-Wide Financial Statements (Continued)

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
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 fiscal year of the purchase.

K. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Interfund Transfers

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

Government-Wide Financial Statements

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Transfers (Continued)

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. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

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

N. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The government has unavailable revenue that is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

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

O. Net Position and Fund Balances

Government-Wide Financial Statements (Net Position)

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

Net position has been “restricted” for the following:

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

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position and Fund Balances (Continued)

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

“Loans” represents outstanding septic loans receivable.

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

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

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

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

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

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

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

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Long-Term Debt

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

Q. Investment Income

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

R. Compensated Absences

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

S. Pensions

Government-Wide and Fund Financial Statements

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Postretirement Benefits

Government-Wide and Fund Financial Statements

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

U. Use of Estimates

Government-Wide and Fund Financial Statements

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

V. Total Column

Fund Financial Statements

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2018 approved budget for the general fund authorized \$29,765,812 in appropriations and other amounts to be raised. During the fiscal year, appropriations were increased by \$466,865.

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

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

B. Fund Deficits

At June 30, 2018, the following governmental fund deficits exist:

Fund	Amount	Funding Source
Tri-Town Septage Demo	\$ 425,127	Proceeds of Bonds and Notes
Land Purchase Dyer Prince Road	200,000	Proceeds of Bonds and Notes
FY18 Coastal Resilience	53,846	Grant
FY18 Navigator Service	25,000	Available Funds
Police Private Duty	10,844	Available Funds
SAFER Grant FY18-FY21	10,146	Grant

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, expenditures exceeded appropriations for claims and judgements. This over-expenditure will be funded by taxes during fiscal year 2019.

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits – Custodial Credit Risk

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

As of June 30, 2018, \$870,477 of the Town's bank balance of \$11,396,247 was uninsured and exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2018 totaled \$806,762 and consisted entirely of MMDT and PCOT.

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town's policy for interest rate risk is to manage duration of investments consistent with the municipal finance laws of the Commonwealth. As of June 30, 2018, the Town was not exposed to interest rate risk.

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's policy for custodial credit risk of investments is to limit the Town's investment to financial institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry. In addition, all securities not held directly by the Town will be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. As of June 30, 2018, the Town's investments were not exposed to custodial credit risk.

Investments – Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town's policy for credit risk of debt securities is to allow for unlimited investments in United State treasury and agency obligations which carry an AAA rating. In regards to other investment, the Town will only purchase investment grade securities with a high concentration in securities rated A and above. In addition, the Town may invest in MMDT and PCOT with no limit to the amount of funds placed in the trust. As of June 30, 2018, the Town's investments in MMDT and PCOT were unrated by a national credit rating organization.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2018, receivables for the individual major governmental funds, nonmajor governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real Estate and Personal Property Taxes	\$ 493,203	\$ -	\$ 493,203
Tax and Utility Liens	291,156	-	291,156
Motor Vehicle and Other Excise Taxes	102,012	-	102,012
Community Preservation Surcharges	12,047	-	12,047
Intergovernmental	9,558,352	-	9,558,352
Departmental and Other	523,666	(300,826)	222,840
Loans	249,513	-	249,513
Total	<u>\$ 11,229,949</u>	<u>\$ (300,826)</u>	<u>\$ 10,929,123</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 11,665,861	\$ -	\$ -	\$ 11,665,861
Construction in Progress	42,539,268	9,810,747	(11,982)	52,338,033
Total Capital Assets not being Depreciated	<u>54,205,129</u>	<u>9,810,747</u>	<u>(11,982)</u>	<u>64,003,894</u>
<u>Capital assets being depreciated:</u>				
Land Improvements	30,253	83,087	-	113,340
Buildings and Improvements	31,251,656	-	-	31,251,656
Machinery, Vehicles and Equipment	6,492,577	74,417	-	6,566,994
Infrastructure	9,376,156	356,611	-	9,732,767
Total Capital Assets being Depreciated	<u>47,150,642</u>	<u>514,115</u>	<u>-</u>	<u>47,664,757</u>
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(14,677)	(1,207)	-	(15,884)
Buildings and Improvements	(8,040,273)	(775,809)	-	(8,816,082)
Machinery, Vehicles and Equipment	(4,145,439)	(409,193)	-	(4,554,632)
Infrastructure	(5,766,131)	(328,648)	-	(6,094,779)
Total Accumulated Depreciation	<u>(17,966,520)</u>	<u>(1,514,857)</u>	<u>-</u>	<u>(19,481,377)</u>
Total Capital Assets being Depreciated, Net	<u>29,184,122</u>	<u>(1,000,742)</u>	<u>-</u>	<u>28,183,380</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 83,389,251</u>	<u>\$ 8,810,005</u>	<u>\$ (11,982)</u>	<u>\$ 92,187,274</u>

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General Government	\$ 114,920
Public Safety	375,889
Education	300,308
Public Works	439,089
Health and Human Services	15,672
Culture and Recreation	<u>268,979</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,514,857</u></u>

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2018, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 12,000	\$ 12,000 (1)
Community Preservation	-	341,000	341,000 (2)
Nonmajor Governmental Funds	<u>641,920</u>	<u>-</u>	<u>641,920 (3)</u>
	<u><u>\$ 641,920</u></u>	<u><u>\$ 353,000</u></u>	<u><u>\$ 994,920</u></u>

- (1) Represents a budgeted transfer from the Visitors Tourism & Promotion Services Board special revenue fund to the general fund.
- (2) Represents a budgeted transfer from the Community Preservation fund to the Dyer Prince capital project fund.
- (3) Represents budgeted transfers to the general fund from Ambulance Receipts (\$518,570), Government Media Access (\$90,000), Title V Betterment (\$20,400), Windmill Receipts (\$1,000), and Waterway Improvements (\$5,000) special revenue funds. Also represents transfers to the general fund from various special revenue funds to close out old grant funds (\$5,950).

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 SHORT-TERM FINANCING

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

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

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

Details related to short-term debt activity for the fiscal year ended June 30, 2018, is as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
BAN	Land Acquisition	8/12/2016	8/11/2017	0.95%	\$ 541,000	\$ -	\$ (541,000)	\$ -
BAN	Land Acquisition	8/11/2017	8/10/2018	1.30%	-	200,000	-	200,000
BAN	Sewer Loan	11/10/2017	11/9/2018	1.30%	-	700,000	-	700,000
Total					<u>\$ 541,000</u>	<u>\$ 900,000</u>	<u>\$ (541,000)</u>	<u>\$ 900,000</u>

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term liabilities during the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 52,070,441	\$ 13,364,870	\$ (2,190,167)	\$ 63,245,144	\$ 2,309,341
Capital Lease Obligations	479,189	202,311	(415,845)	265,655	107,456
Compensated Absences	342,940	22,897	-	365,837	212,292
Net OPEB Obligation	32,177,990	-	(2,310,116)	29,867,874	-
Net Pension Liability	17,835,831	-	(879,588)	16,956,243	-
Total	<u>\$ 102,906,391</u>	<u>\$ 13,590,078</u>	<u>\$ (5,795,716)</u>	<u>\$ 110,700,753</u>	<u>\$ 2,629,089</u>

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2018 are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Septic Repair Loan Program (MCWT)	08/01/20	5.05%	\$ 41,400	\$ -	\$ (10,400)	\$ 31,000
Land Acquisition	08/15/20	4.62%	350,000	-	(110,000)	240,000
Septic Repair Loan Program (MCWT)	07/15/25	0.00%	90,000	-	(10,000)	80,000
Municipal Water Supply Project	01/15/21	1.25-2%	1,445,000	-	(395,000)	1,050,000
Eastham Library	06/15/35	3.01%	4,050,000	-	(225,000)	3,825,000
Municipal Water Supply Project (MCWT)	01/15/46	2.40%	24,423,776	-	(576,133)	23,847,643
Refunding	08/01/25	4.00%	3,430,000	-	(395,000)	3,035,000
GOB MPL 2017	06/15/45	3.00-4.00%	5,533,000	-	(183,000)	5,350,000
Municipal Water Supply Project (MCWT)	01/15/47	2.40%	2,304,545	-	(51,801)	2,252,744
Municipal Water Supply Project (MCWT)	01/16/47	2.40%	10,402,720	-	(233,833)	10,168,887
Municipal Water Supply Project (MCWT)	07/15/48	2.40%	-	4,000,000	-	4,000,000
Municipal Water Supply Project (MCWT)	01/15/49	2.40%	-	9,364,870	-	9,364,870
Total bonds and notes payable			<u>\$ 52,070,441</u>	<u>\$ 13,364,870</u>	<u>\$ (2,190,167)</u>	<u>\$ 63,245,144</u>

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

Fiscal Year	Principal	Interest	Total
2019	\$ 2,309,341	\$ 1,369,419	\$ 3,678,760
2020	2,545,003	1,766,076	4,311,079
2021	2,336,048	1,795,772	4,131,820
2022	2,102,896	1,720,628	3,823,524
2023	2,140,774	1,652,043	3,792,817
2024	2,174,502	1,270,587	3,445,089
2025	2,129,101	1,226,654	3,355,755
2026	2,159,592	1,183,584	3,343,176
2027	1,821,001	1,138,387	2,959,388
2028	1,863,350	1,092,466	2,955,816
2029	1,906,665	1,045,500	2,952,165
2030	1,950,968	997,464	2,948,432
2031	1,996,285	947,774	2,944,059
2032	2,042,646	896,967	2,939,613
2033	2,090,075	844,739	2,934,814
2034	2,138,601	790,892	2,929,493
2035	2,188,248	735,557	2,923,805
2036	2,014,050	678,989	2,693,039
2037	2,071,035	629,036	2,700,071
2038	2,124,233	577,633	2,701,866
2039	2,178,676	524,912	2,703,588
2040	2,239,396	470,840	2,710,236
2041	2,296,427	415,231	2,711,658
2042	2,359,802	357,914	2,717,716
2043	2,419,556	298,992	2,718,548
2044	2,485,723	238,586	2,724,309
2045	2,553,340	176,492	2,729,832
2046	2,347,447	112,682	2,460,129
2047	1,201,096	56,397	1,257,493
2048	618,264	27,626	645,890
2049	441,003	12,844	453,847
Total	<u>\$ 63,245,144</u>	<u>\$ 25,052,683</u>	<u>\$ 88,297,827</u>

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Governmental Funds (Continued)

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2018, the Town's subsidy totaled approximately \$2,000.

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, 2018, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water Supply & Distribution System	\$ 73,071,148
Tri-Town Septage Treatment Plant Demolition & Restoration	700,000
Salt Pond Wastewater Planning, Drainage & Pollution Remediation	470,000
Rock Harbor Marina Improvements - Phase 1	1,300,000
Police Station Renovations	600,000
Dredging Engineering Study for Nauset Estuary	<u>100,000</u>
Total	<u><u>\$ 76,241,148</u></u>

NOTE 10 CAPITAL LEASES

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

The following schedule presents future minimum lease payments as of June 30, 2018:

<u>Fiscal Years Ending June 30.</u>	<u>Amount</u>
2019	\$ 113,981
2020	113,984
2021	<u>49,118</u>
Less: Amounts Representing Interest	<u>(11,428)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 265,655</u></u>

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

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery, Vehicles and Equipment	\$ 1,492,412
Less: Accumulated Amortization	<u>(453,115)</u>
Total	<u><u>\$ 1,039,297</u></u>

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

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

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

OPEB TRUST REPORTING (GASB 74)

Plan Membership – Plan membership as of June 30, 2018 is as follows:

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

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

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

For the fiscal year ended June 30, 2018, the employer contributions totaled \$889,818. The Trust did not receive contributions from any other sources.

Net Other Postemployment Benefits Liability – The components of the net OPEB liability of the Plan as of June 30, 2018, were as follows:

Total OPEB liability	\$ 29,877,447
Plan fiduciary net position	<u>(147,158)</u>
Town's Net OPEB Liability	<u><u>\$ 29,730,289</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.49%

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB TRUST REPORTING (GASB 74) (CONTINUED)

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

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

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

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

Valuation date:	June 30, 2016
Actuarial cost method:	Individual Entry Age Normal
Amortization method:	Amortized as level percentage over 30 years at the last valuation
Remaining amortization period:	30 years at June 30, 2016
Asset Valuation Method:	Market Value
Investment Rate of Return:	7.0%, net of OPEB plan investment expense, including inflation
Single Equivalent Discount Rate:	3.87%, net of OPEB plan investment expense, including inflation. Using a blend of the Municipal Bond Index Rate for unfunded periods and the Investment Rate of Return for funded periods
Inflation:	3.5% annually
Healthcare/Medical Cost Trend Rate:	7.0% decreasing by 0.5% each year to an ultimate level of 4.5%
Salary Increases:	4.25% - 7.00%, depending on employee type
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB2D from 2009
Post-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB2D from 2009
Disabled Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB2D from 2015

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB TRUST REPORTING (GASB 74) (CONTINUED)

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

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.4%. The money-weighted rate of return expresses investment performance, net of investment expense.

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

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

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

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability calculated using the discount rate of 3.87%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.87%) or one-percentage-point higher (4.87%) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Net OPEB Liability	\$ 34,614,319	\$ 29,730,289	\$ 25,829,469

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB TRUST REPORTING (GASB 74) (CONTINUED)

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

	1% Decrease (6.00%) decreasing to <u>3.5%</u>	Current Trend Rate (7.00%) decreasing to <u>4.5%</u>	1% Increase (8.00%) decreasing to <u>5.5%</u>
Net OPEB Liability	\$ 25,223,318	\$ 29,730,289	\$ 35,489,560

TOWN OPEB REPORTING (GASB 75)

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2017 for the year ended June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

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, 2016	\$ 32,203,415	\$ 25,425	\$ 32,177,990
Changes for the year:			
Service cost	1,219,897	-	1,219,897
Interest	941,192	-	941,192
Changes of assumptions	(3,606,951)	-	(3,606,951)
Benefits payments	(803,654)	(803,654)	-
Contributions - employer	-	853,654	(853,654)
Net investment income	-	10,600	(10,600)
Net Changes	<u>(2,249,516)</u>	<u>60,600</u>	<u>(2,310,116)</u>
Balances at June 30, 2017	<u>\$ 29,953,899</u>	<u>\$ 86,025</u>	<u>\$ 29,867,874</u>

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

TOWN OPEB REPORTING (GASB 75) (CONTINUED)

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

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$1,434,755. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ -
Net difference between projected and actual earnings on OPEB Trust investments	<u>-</u>	<u>5,656</u>
Total	<u>\$ -</u>	<u>\$ 2,891,217</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30.</u>	<u>Amount</u>
2019	\$ 722,804
2020	722,804
2021	722,804
2022	<u>722,805</u>
Total	<u>\$ 2,891,217</u>

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 FUND BALANCES

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

	General	Community Preservation	Municipal Water Supply	Tri-Town Septage Demo	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -	\$ 136,817	\$ 136,817
Subtotal - Nonspendable	-	-	-	-	136,817	136,817
Restricted						
Community Preservation	-	2,062,838	-	-	-	2,062,838
Municipal Water Supply	-	-	9,036,297	-	-	9,036,297
Debt Service	53,949	-	-	-	-	53,949
Affordable Housing	-	-	-	-	923,143	923,143
Ambulance Receipts Reserved	-	-	-	-	761,442	761,442
Library Trustees Permanent Fund	-	-	-	-	281,191	281,191
General Government	-	-	-	-	684,052	684,052
Public Safety	-	-	-	-	53,658	53,658
Education	-	-	-	-	156,251	156,251
Public Works	-	-	-	-	419,834	419,834
Health and Human Services	-	-	-	-	43,144	43,144
Culture and Recreation	-	-	-	-	436,579	436,579
Community Development	-	-	-	-	214,010	214,010
Subtotal - Restricted	53,949	2,062,838	9,036,297	-	3,973,304	15,126,388
Committed						
Subsequent Year's Expenditures	721,000	-	-	-	-	721,000
Continuing Appropriations	1,166,575	-	-	-	-	1,166,575
Subtotal - Committed	1,887,575	-	-	-	-	1,887,575
Assigned						
Encumbrances	167,578	-	-	-	-	167,578
Unassigned						
	2,132,932	-	-	(425,127)	(299,836)	1,407,969
	<u>\$ 4,242,034</u>	<u>\$ 2,062,838</u>	<u>\$ 9,036,297</u>	<u>\$ (425,127)</u>	<u>\$ 3,810,285</u>	<u>\$ 18,726,327</u>

NOTE 13 STABILIZATION FUNDS

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

The balance of the stabilization fund at June 30, 2018 totals \$408,223 and is reported as unassigned fund balance in the general fund.

NOTE 14 RISK FINANCING

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 RISK FINANCING (CONTINUED)

Health Insurance

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

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

Workers. Compensation

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

NOTE 15 PENSION PLAN

General Information about the Pension Plan

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

Benefits provided. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

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

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

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

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

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

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$1,487,129 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$16,956,243 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 for which update procedures were used to roll back the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives, and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2017, the Town proportion was 2.492%.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2018, the Town recognized pension expense of \$1,941,724. At June 30, 2018, the Town reported deferred outflows of resources related to pensions of \$2,470,959; which included changes of assumptions (\$2,113,045), and changes in proportion and differences between employer contributions and proportionate share of contributions (\$357,914). At June 30, 2018, the Town reported deferred inflows of resources related to pensions of \$1,806,289; which included differences between expected and actual experience (\$242,915), net difference between projected and actual investment earnings on pension plan investments (\$1,106,632), and changes in proportion and differences between employer contributions and proportionate share of contributions (\$456,742).

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 261,654
2020	255,631
2021	(51,133)
2022	2,176
2023	196,342
Totals	<u>\$ 664,670</u>

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

- Inflation Rate: 3.25%
- Salary Increases: Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
- Mortality Rates: Pre-Retirement - The RP-2014 Blue Collar Employee Mortality Table projected generationally with a Scale MP-2017.
 Healthy Retiree - The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with a Scale MP-2017.
 Disabled Retiree - The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.
- Investment Rate of Return: 7.375%, net of pension plan investment expense, including inflation.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.50%	6.15%
International Equity - Developed Markets	15.50%	7.11%
International Equity - Emerging Markets	6.00%	9.41%
Core Fixed Income	12.00%	1.68%
High-Yield Fixed Income	10.00%	4.13%
Real Estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge Fund, GTAA, Risk Parity	13.00%	3.94%
Private Equity	12.00%	10.28%
Totals	<u>100.00%</u>	

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.375%, as well as what the Town proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.375%) or one-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
Town of Eastham's Proportionate Share of the Net Pension Liability	\$ 22,240,975	\$ 16,956,243	\$ 12,512,821

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

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

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

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

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

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2018. The Commonwealth's net pension liability associated with the Town was \$7,049,749.

The MTRS net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

For the year ended June 30, 2018, the Town recognized pension expense of \$735,803 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions. The MTRS total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

Investment Rate of Return: 7.5%

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

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

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

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

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.0%	5.0%
Portfolio Completion Strategies	13.0%	3.6%
Core Fixed Income	12.0%	1.1%
Private Equity	11.0%	6.6%
Real Estate	10.0%	3.8%
Value Added Fixed Income	10.0%	3.6%
Timber/Natural Resources	4.0%	3.2%
Hedge Funds	0.0%	3.6%
Total	<u>100.0%</u>	

**TOWN OF EASTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

Discount rate. The discount rate used to measure the MTRS. total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 17 COMMITMENTS

The Town has authorized and unissued borrowings for approximately \$63 million and has entered into related contracts or is planning to enter into related contracts totaling said amount, to install the town-wide municipal water supply and water distribution system, as well as other smaller capital projects.

NOTE 18 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2018.

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

**TOWN OF EASTHAM, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 23,561,624	\$ -	\$ 23,561,624
Motor Vehicle and Other Excise Taxes	-	869,557	-	869,557
Hotel/Motel Tax	-	320,000	-	320,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	8,300	-	8,300
Intergovernmental	-	575,800	-	575,800
Penalties and Interest on Taxes	-	80,000	-	80,000
Licenses and Permits	-	589,900	-	589,900
Fines and Forfeitures	-	37,500	-	37,500
Departmental and Other	-	2,046,770	-	2,046,770
Investment Income	-	15,000	-	15,000
Total Revenues	-	28,104,451	-	28,104,451
EXPENDITURES				
Current:				
General Government	997,461	3,811,208	140,000	4,948,669
Public Safety	27,113	4,985,317	76,865	5,089,295
Education	119,499	8,885,890	-	9,005,389
Public Works	20,000	1,862,943	-	1,882,943
Health and Human Services	1,574	577,927	-	579,501
Culture and Recreation	-	772,281	-	772,281
Pension Benefits	-	1,487,129	-	1,487,129
Employee Benefits	-	2,606,300	-	2,606,300
Property and Liability Insurance	-	365,900	-	365,900
Claims and Judgments	-	270,000	-	270,000
State and County Charges	-	622,966	-	622,966
Debt Service:				
Principal	-	2,125,167	-	2,125,167
Interest	-	1,280,784	-	1,280,784
Total Expenditures	1,165,647	29,653,812	216,865	31,036,324
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,165,647)	(1,549,361)	(216,865)	(2,931,873)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	635,970	-	635,970
Transfers Out	-	(112,000)	(250,000)	(362,000)
Total Other Financing Sources (Uses)	-	523,970	(250,000)	273,970
NET CHANGE IN FUND BALANCE	(1,165,647)	(1,025,391)	(466,865)	(2,657,903)
Fund Balance - Beginning of Year	3,562,804	3,562,804	3,562,804	3,562,804
FUND BALANCE - END OF YEAR	\$ 2,397,157	\$ 2,537,413	\$ 3,095,939	\$ 904,901

See accompanying Note to Required Supplementary Information.

**TOWN OF EASTHAM, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 23,475,614	\$ -	\$ 23,475,614	\$ (86,010)
889,882	-	889,882	20,325
268,857	-	268,857	(51,143)
47,589	-	47,589	47,589
8,618	-	8,618	318
550,012	-	550,012	(25,788)
93,297	-	93,297	13,297
607,427	-	607,427	17,527
34,618	-	34,618	(2,882)
1,961,437	-	1,961,437	(85,333)
40,250	-	40,250	25,250
<u>28,156,112</u>	<u>-</u>	<u>28,156,112</u>	<u>51,661</u>
3,427,170	1,224,234	4,651,404	297,265
4,860,888	14,613	4,875,501	213,794
8,632,648	57,562	8,690,210	315,179
1,539,624	26,009	1,565,633	317,310
564,128	11,735	575,863	3,638
755,707	-	755,707	16,574
1,475,637	-	1,475,637	11,492
2,511,066	-	2,511,066	95,234
304,806	-	304,806	61,094
350,000	-	350,000	(80,000)
571,683	-	571,683	51,283
2,125,167	-	2,125,167	-
1,280,784	-	1,280,784	-
<u>28,399,308</u>	<u>1,334,153</u>	<u>29,733,461</u>	<u>1,302,863</u>
<u>(243,196)</u>	<u>(1,334,153)</u>	<u>(1,577,349)</u>	<u>1,354,524</u>
641,920	-	641,920	5,950
(362,000)	-	(362,000)	-
<u>279,920</u>	<u>-</u>	<u>279,920</u>	<u>5,950</u>
36,724	(1,334,153)	(1,297,429)	1,360,474
<u>3,562,804</u>	<u>-</u>	<u>3,562,804</u>	<u>-</u>
<u>\$ 3,599,528</u>	<u>\$ (1,334,153)</u>	<u>\$ 2,265,375</u>	<u>\$ 1,360,474</u>

See accompanying Note to Required Supplementary Information.

**TOWN OF EASTHAM, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 654,924	\$ -	\$ 654,924
Intergovernmental	-	150,000	-	150,000
Investment Income	-	4,000	-	4,000
Total Revenues	<u>-</u>	<u>808,924</u>	<u>-</u>	<u>808,924</u>
EXPENDITURES				
Current:				
Administrative	-	38,000	-	38,000
Acquisitions and Projects	686,266	415,375	-	1,101,641
Debt Service:				
Principal	-	65,000	-	65,000
Interest	-	15,375	-	15,375
Total Expenditures	<u>686,266</u>	<u>-</u>	<u>-</u>	<u>1,220,016</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(686,266)</u>	<u>808,924</u>	<u>-</u>	<u>(411,092)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>(341,000)</u>	<u>-</u>	<u>(341,000)</u>
NET CHANGE IN FUND BALANCES	(686,266)	467,924	-	(752,092)
Fund Balances - Beginning of Year	<u>2,401,857</u>	<u>2,401,858</u>	<u>2,401,858</u>	<u>2,401,858</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,715,591</u>	<u>\$ 2,869,782</u>	<u>\$ 2,401,858</u>	<u>\$ 1,649,766</u>

See accompanying Note to Required Supplementary Information.

**TOWN OF EASTHAM, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 697,302	\$ -	\$ 697,302	\$ 42,378
147,616	-	147,616	(2,384)
14,283	-	14,283	10,283
<u>859,201</u>	<u>-</u>	<u>859,201</u>	<u>50,277</u>
38,000	-	38,000	-
738,845	338,580	1,077,425	24,216
65,000	-	65,000	-
15,375	-	15,375	-
<u>857,220</u>	<u>338,580</u>	<u>1,195,800</u>	<u>24,216</u>
<u>1,981</u>	<u>(338,580)</u>	<u>(336,599)</u>	<u>74,493</u>
<u>(341,000)</u>	<u>-</u>	<u>(341,000)</u>	<u>-</u>
(339,019)	(338,580)	(677,599)	74,493
<u>2,401,858</u>	<u>-</u>	<u>2,401,858</u>	<u>-</u>
<u>\$ 2,062,839</u>	<u>\$ (338,580)</u>	<u>\$ 1,724,259</u>	<u>\$ 74,493</u>

See accompanying Note to Required Supplementary Information.

**TOWN OF EASTHAM, MASSACHUSETTS
PENSION PLAN SCHEDULES
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

PENSION PLAN SCHEDULES

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

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

	2018	2017	2016	2015
Town's proportion of the net pension liability	2.492%	2.539%	2.451%	2.526%
Town's proportionate share of the net pension liability	\$ 16,956,243	\$ 17,835,831	\$ 15,433,200	\$ 14,262,018
Town's covered payroll	\$ 6,977,816	\$ 7,065,428	\$ 6,681,146	\$ 6,626,170
Town's proportionate share of the net pension liability as a percentage of covered payroll	243.00%	252.44%	231.00%	215.24%
Plan fiduciary net position as a percentage of the total pension liability	61.86%	57.28%	58.10%	60.43%

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

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

SCHEDULE OF TOWN CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially Required Contribution	\$ 1,487,129	\$ 1,438,962	\$ 1,323,659	\$ 1,317,678
Contributions in Relation to the Actuarially Required Contribution	(1,487,129)	(1,438,962)	(1,323,659)	(1,317,678)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 6,977,816	\$ 7,065,428	6,681,146	6,626,170
Contributions as a Percentage of Covered Payroll	21.31%	20.37%	19.81%	19.89%

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

	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%	0.00%
Town's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -
Commonwealth's Proportionate Share of the Net Pension Liability Associated with the Town	7,049,749	7,645,289	6,930,327	5,337,042
Total	\$ 7,049,749	\$ 7,645,289	\$ 6,930,327	\$ 5,337,042
Town's Covered Payroll	\$ 2,091,804	\$ 2,249,229	\$ 2,144,065	\$ 2,058,588
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.25%	52.73%	55.38%	61.64%

See accompanying Note to Required Supplementary Information.

**TOWN OF EASTHAM, MASSACHUSETTS
PENSION PLAN SCHEDULES
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 2,091,804	\$ 2,249,229	\$ 2,144,065	\$ 2,058,588
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

See accompanying Note to Required Supplementary Information.

**TOWN OF EASTHAM, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS SCHEDULES
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

OPEB SCHEDULES

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

	2018	2017
Total OPEB Liability		
Service Cost	\$ 1,051,242	\$ 1,219,897
Interest	1,095,083	941,192
Changes of assumptions	(1,382,959)	(3,606,951)
Benefit Payments	(839,818)	(803,654)
Net Change in Total OPEB Liability	(76,452)	(2,249,516)
Total OPEB Liability - Beginning of Period	29,953,899	32,203,415
Total OPEB Liability - End of Period (a)	\$ 29,877,447	\$ 29,953,899
Plan Fiduciary Net Position		
Contributions - Employer	\$ 889,818	\$ 879,079
Net Investment Income	11,133	10,600
Benefit Payments	(839,818)	(803,654)
Net Change in Plan Fiduciary net Position	61,133	86,025
Plan Fiduciary Net Position - Beginning of Period	86,025	-
Plan Fiduciary Net Position - End of Period (b)	147,158	86,025
Town's Net OPEB Liability - Ending (a) - (b)	\$ 29,730,289	\$ 29,867,874
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.49%	0.29%
Covered Payroll	\$ 10,202,063	\$ 9,898,721
Net OPEB Liability as a Percentage of Covered Payroll	291.41%	301.73%

SCHEDULE OF CONTRIBUTIONS (PLAN)*

	2018	2017
Actuarially Required Contribution	\$ 1,537,886	\$ 1,485,880
Contributions in Relation to the Actuarially Required Contribution	(889,818)	(853,654)
Contribution Deficiency (Excess)	\$ 648,068	\$ 632,226
Town's Covered Payroll	\$ 10,202,063	\$ 9,898,721
Contributions as a Percentage of Covered Payroll	8.72%	8.62%

SCHEDULE OF INVESTMENT RETURNS (PLAN)*

	2018	2017
Annual money-weighted rate of return, net of investment expense	9.4%	15.2%

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

See accompanying Note to Required Supplementary Information.

**TOWN OF EASTHAM, MASSACHUSETTS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE A BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund and community preservation fund (CPA) for the fiscal year ended June 30, 2018 is presented below:

General Fund

	Revenues	Expenditures
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 28,156,112	\$ 29,733,461
<u>Reclassifications</u>		
Activity of stabilization fund recorded in the general fund for GAAP purposes	4,660	-
<u>Adjustments</u>		
Net change in recording 60-day receipts	99,101	-
To record capital leases	-	202,311
To record activity for MTRS on-behalf payments	735,803	735,803
To record encumbrances and continuing appropriations	-	(1,334,153)
	\$ 28,995,676	\$ 29,337,422

CPA Fund

	Expenditures
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 1,195,800
<u>Adjustments</u>	
To record encumbrances and continuing appropriations	(338,580)
GAAP basis as reported on the statement of revenues expenditures and changes in fund balances	\$ 857,220

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