

TOWN OF YARMOUTH, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018

Powers & Sullivan, LLC

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To the Honorable Board of Selectmen
Town of Yarmouth, Massachusetts:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Yarmouth, Massachusetts (Town) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

However, during our audit we became aware of matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated January 10, 2018, on the financial statements of the Town.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of the Town of Yarmouth, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan, LLC

January 14, 2019

TOWN OF YARMOUTH, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018

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Informational Comment

Future Government Accounting Standards Board (GASB) Statements for Pensions and OPEB

Comment

The GASB has issued GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for Fiscal 2018. This new pronouncement will significantly affect the accounting and reporting requirements for Other Postemployment Benefits (OPEB).

The significant change is that in the entire OPEB liability will be immediately recognized as an expense or reported as deferred outflows/inflows of resources depending on the nature of the changes.

Employers will report in their financial statements a *net OPEB liability (asset)* determined annually as of the fiscal year end. The *net OPEB liability (asset)* equals the total OPEB liability for the OPEB plan net of the OPEB plan's fiduciary net position. The OPEB liability is the actuarial present value of projected benefits attributed to for each plan member individually, from the period when the plan member first provides service under the benefit terms through the period in which the member is assumed to exit service. The OPEB plan's fiduciary net position is the accumulated plan assets net of any financial statement liabilities of the plan.

Status

This GASB was successfully implemented in 2018.

Documentation of Internal Controls

Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

The Uniform Guidance supersedes and streamlines requirements from eight different federal grant circulars (including OMB Circular A-133) into one set of guidance. Local governments are required to implement the new administrative requirements and cost principles for all new federal awards and to additional funding to existing awards made after December 26, 2014 (fiscal year 2015).

In conformance with Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States (the Green Book) and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The COSO internal control framework is generally accepted as a best practice within the industry including the best practices prescribed by the Government Finance Officers Association (GFOA). COSO is a joint initiative of 5 private sector organizations dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The original COSO framework was published in 1992 and has been revised several times for changes in operations, technology, and audit risk. The most recent updates to the COSO Internal Control - Integrated Framework were issued in 2013 and are available at www.coso.org.

Management should evaluate and assess the government's internal control system to determine whether: each of the five essential elements of a comprehensive framework of internal control is present throughout the organization; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

Recommendation

We recommend management follow the best practice for establishing and documenting their internal control system using the COSO Internal Control Framework.

Framework for Assessing and Improving Cybersecurity

Current Year Comment

Throughout an organization's normal course of business comes the need to collect, transmit, and store extensive amounts of personal and financial information, both in paper and electronic form, relating to residents, vendors and employees. The use of technology has become a driver in helping organizations stay current and succeed. However, the sharing and compilation of this information lends itself to increasing the organization's vulnerability to either a cyber computer attack, ransomware attack, or a security breach, all are considered cybersecurity attacks.

Management must be aware of the risks associated with the collection of this information and be diligent in implementing the proper policies and procedures to help to expose these risks. While impossible for an organization to eliminate all risks associated with a cybersecurity attack, an organization can take a variety of steps to mitigate its exposure, satisfy its governance responsibilities and help to minimize the impact of any attack that may occur.

Because management is ultimately responsible for developing, implementing and operating an organization's cybersecurity risk management program, management is also responsible for developing, and presenting to the organization an overview of the entity's cybersecurity risk management program.

The first step in understanding an organization's risks and working to develop and implement an effective cybersecurity plan, is to conduct a risk assessment and understand where its greatest exposure and vulnerabilities lie. This can be completed internally if the organization has an experienced information technology team, or there are many organizations that employ experienced professionals in the information technology arena to assist in the risk assessment and implementation if desired.

Once a risk assessment is completed, the next step is to develop and implement a cybersecurity risk program which needs to be continually reviewed and updated as technology changes. This response program should be tested to determine if the proper policies and procedures have been implemented to minimize the potential costs of a cyber-attack.

The obvious benefit to conducting a risk assessment is having the knowledge and an objective identification of the organization's areas where exposure to risks is more prevalent and allows for the development of a roadmap to address the remediation of these risks.

Some of the main areas of review that should be incorporated into the risk assessment are as follows:

- Electronic Records, Paper Records (Human Resource Records, Bank Statements, Payroll Records), Resident Data, Employee Data, Physical Security of hardware and software, Any Third Party or Vendor exposure, Password Security, E-Mail Security (Understanding the risks of malware and ransomware), Mobile phones and Portable Storage Devices, System Backup Procedures, Virus Protection Software, Data Encryption, Document Retention and Destruction Policies, Use of Unauthorized Software, Ongoing Employee Training.

Risk management is the ongoing process of identifying, assessing the risk, and developing a plan to address the risks. In order to manage their risk, organizations should understand what the likelihood is that an event will occur and assess the resulting impact of the event. This will assist the organization in developing their own acceptable level of risk tolerance and help to prioritize the areas in which internal controls should be strengthened.

Recommendation

We recommend that management take a pro-active approach and assess their risk exposure to a cyber-attack. An internal team with the proper information technology experience can be used or a third party vendor that specializes in this type of assessment can be used.

Once a review is completed, we recommend that policies and procedures be developed to mitigate each identified risk to an acceptable level that fits with the organization's determined risk tolerance.

We also recommend that the community look into obtaining Cyber Liability Insurance which will help to mitigate the costs associated with a breach in information technology security.

Finally, we want to make management aware that technology is constantly changing and that this is not a one-time static process, this will require additional risk assessments and the updating of policies and procedures with the changing technological landscape.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Yarmouth, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Yarmouth, 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 Yarmouth, Massachusetts' basic financial statements, and have issued our report thereon dated January 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Yarmouth, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Yarmouth, Massachusetts', internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Yarmouth, Massachusetts' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Yarmouth, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Powers & Sullivan LLC

January 14, 2019

TOWN OF YARMOUTH, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2018

TOWN OF YARMOUTH, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Yarmouth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Yarmouth, 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 Yarmouth, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 14, 2019, on our consideration of the Town of Yarmouth, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Yarmouth, Massachusetts' internal control over financial reporting and compliance.



January 14, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Yarmouth (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2018. We encourage readers to consider the information presented in this report in conjunction with the Town's financial statements. All amounts, unless otherwise noted, are presented in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$97 million (net position).
- Governmental net position increased by \$5.6 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$35.5 million, an increase of \$3.6 million in comparison with the prior year.
- The Town's other postemployment (OPEB) benefit liability increased \$745,000 and totals \$17.6 million as of June 30, 2018.
- The Town's net pension liability and deferred outflows/inflows increased by \$41,000 and totals \$46.8 million as of June 30, 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Yarmouth's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

In accordance with accounting standards, the Town reports fund balance components as nonspendable, restricted, committed, assigned and unassigned. Additionally, the Town's stabilization funds are reported within the general fund.

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

Proprietary funds. The Town of Yarmouth maintains only one type of proprietary fund:

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its septage, water and golf course operations.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains two different fiduciary funds. The private purpose trust fund is used to account for resources held in trust which principal and investment income exclusively benefit individuals, private organizations, or other governments. The agency fund is used to account for assets held in a purely custodial capacity.

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

Government-wide Financial Analysis

As noted earlier net position may serve, over time, as a useful indicator of a government’s financial position. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$50.5 million at the close of 2018. Key components of the Town’s governmental and business-type financial position follow.

A significant portion of the Town’s net position, \$70.3 million, reflects its investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens: consequently these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position, \$11.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$31.8 million and may be used to meet the government’s ongoing obligations to citizens and creditors.

Governmental Activities.

For the Town’s governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50.5 million at the close of 2018.

	2018	2017 (As Revised)
Assets:		
Current assets.....	\$ 42,340,318	\$ 38,505,676
Noncurrent assets (excluding capital).....	9,721	103,042
Capital assets, non depreciable.....	34,826,384	34,826,384
Capital assets, net of accumulated depreciation.....	40,355,970	41,534,977
Total assets.....	117,532,393	114,970,079
Deferred outflows of resources.....	5,728,134	5,733,065
Liabilities:		
Current liabilities (excluding debt).....	2,236,328	2,676,519
Noncurrent liabilities (excluding debt).....	60,438,088	64,636,115
Current debt.....	1,264,100	1,665,100
Noncurrent debt.....	3,588,600	4,852,700
Total liabilities.....	67,527,116	73,830,434
Deferred inflows of resources.....	5,265,968	2,029,407
Net position:		
Net investment in capital assets.....	70,329,654	69,803,060
Restricted.....	11,941,853	12,828,192
Unrestricted.....	(31,804,064)	(37,787,949)
Total net position.....	\$ 50,467,443	\$ 44,843,303

	2018	2017 (As Revised)
Program Revenues:		
Charges for services.....	\$ 11,137,421	\$ 9,770,263
Operating grants and contributions.....	1,329,174	1,135,986
Capital grants and contributions.....	883,999	1,851,080
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	59,782,369	57,544,458
Motor vehicle and other excise taxes.....	3,756,674	3,663,808
Hotel/motel tax.....	3,513,372	3,529,757
Penalties and interest on taxes.....	216,677	254,948
Grants and contributions not restricted to specific programs.....	1,874,697	2,085,693
Unrestricted investment income.....	343,239	160,296
Miscellaneous.....	205,582	187,236
Total revenues.....	83,043,204	80,183,525
Expenses:		
General government.....	5,557,581	6,173,983
Public safety.....	22,027,935	23,848,945
Education.....	34,726,957	33,342,462
Public works.....	8,374,028	9,581,311
Community development.....	180,045	606,599
Health and human services.....	3,748,585	3,023,680
Culture and recreation.....	3,029,981	3,121,327
Interest.....	171,441	222,797
Total expenses.....	77,816,553	79,921,104
Excess (Deficiency) before transfers.....	5,226,651	262,421
Transfers.....	397,499	458,499
Change in net position.....	5,624,150	720,920
Net position, beginning of year (as revised).....	44,843,293	44,122,373
Net position, end of year.....	\$ 50,467,443	\$ 44,843,293

The governmental activities net position increased by \$5.6 million during the current year. The increase was due to the receipt of \$884,000 in capital grants, positive results in most of the major funds of \$3.6 million and debt service principal payments exceeding net change in capital assets by \$526,000.

Governmental expenses totaled \$77.8 million, of which \$13.4 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$69.7 million, primarily coming from property taxes, excise taxes, and grants not restricted to specific programs.

Charges for services represent about 83.4% of governmental program revenues. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered are set by Town Meeting and Town boards.

Operating grants and contributions account for 10.0% of the governmental program revenues. Most of these resources apply to community preservation, human services and public safety operations. These resources offset costs of community preservation and the other departments over and above the general fund operating budget.

Capital grants and contributions account for the remaining 6.6% of the governmental program revenues and mostly related to state and federal grant revenues.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 72.0% of all revenues. Other taxes comprise 8.81% of the governmental activity's revenues.

Education is the largest governmental activity of the Town. A total of \$34.7 million was expended for education, and consists primarily of regional school district assessments all of which was funded by taxes and other revenue. Public safety is the second largest activity of the Town as \$22.0 million was expended, of which \$4.0 million was funded by program sources..

Business-type Activities.

Business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$46.8 million at June 30, 2018. Business-type net position of \$39.1 million (83.6%) represents its net investment in capital assets. The remaining \$7.6 million (16.4%) of unrestricted net position may be used to meet the enterprise funds' ongoing obligations.

There was an decrease of \$1.6 million in net position reported in connection with the water, septage and golf course business-type activities. Condensed financial data for 2018 and 2017 is presented below:

	<u>2018</u>	<u>2017</u> (As Revised)
Assets:		
Current assets.....	\$ 13,236,929	\$ 12,609,965
Capital assets, non depreciable.....	15,470,652	15,470,652
Capital assets, net of accumulated depreciation.....	<u>28,479,207</u>	<u>29,684,283</u>
Total assets.....	<u>57,186,788</u>	<u>57,764,900</u>
Deferred outflows of resources.....	492,203	338,264
Liabilities:		
Current liabilities (excluding debt).....	401,333	244,344
Noncurrent liabilities (excluding debt).....	5,210,798	4,302,721
Current debt.....	2,584,942	2,290,448
Noncurrent debt.....	<u>2,241,232</u>	<u>2,742,582</u>
Total liabilities.....	<u>10,438,305</u>	<u>9,580,095</u>
Deferred inflows of resources.....	436,733	119,869
Net position:		
Net investment in capital assets.....	39,123,685	40,121,905
Unrestricted.....	<u>7,680,268</u>	<u>8,281,295</u>
Total net position.....	<u>\$ 46,803,953</u>	<u>\$ 48,403,200</u>

	2018	2017 (As Revised)
Program Revenues:		
Charges for services.....	\$ 10,076,228	\$ 10,880,209
Operating grants and contributions.....	1,959	-
Capital grants and contributions.....	-	2,544
General Revenues:		
Unrestricted investment income.....	474	1,189
Total revenues.....	10,078,661	10,883,942
Expenses:		
Water.....	5,236,783	4,631,297
Sewer.....	1,821,157	1,344,528
Golf course.....	4,222,469	3,598,311
Total expenses.....	11,280,409	9,574,136
Excess (Deficiency) before transfers.....	(1,201,748)	1,309,806
Transfers.....	(397,499)	(458,499)
Change in net position.....	(1,599,247)	851,307
Net position, beginning of year (as revised).....	48,403,200	47,551,893
Net position, end of year.....	\$ 46,803,953	\$ 48,403,200

The water enterprise net position decreased by \$1.2 million during the current year. A decrease in revenue and an increase in the cost of service and administration contributed to this.

The septage enterprise net position increased by \$505,000 during the current year. The change is attributable to expanded capacity, new customers due to the closing of a nearby septage plant and the implementation of cost control measures.

The golf course enterprise net position decreased by \$914,000 during the current year. The change is primarily due to revenues remaining flat while the cost of service and administration increased \$640,000.

Financial Analysis of the Government's Funds

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

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances totaling \$35.5 million. Of this amount \$15.9 million is for the general fund, \$7.1 million is for the community preservation fund, \$2.0 million is for the ambulance fund, \$6.6 million is for the Municipal Affordable Housing Trust, and \$3.9 million is for the nonmajor funds. Cumulatively there was an increase of \$3.6 million in fund balances from the prior year.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$15.1 million while total fund balance was \$15.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 20.4% of the total general fund budgetary expenditures, while total fund balance represents 21.4% of that same amount.

The general fund balance increased by \$3.6 million during the current year. This was primarily due to better than expected revenue collections.

The Town has a general and capital stabilization fund that is classified as part of the general fund unassigned fund balance in the governmental funds financial statements. The total at year end in these funds was \$3.7 million. Please refer to Note 9 for additional information.

The community preservation fund is used to account for funds received in accordance with the Massachusetts Community Preservation Act. At the year end the fund had a balance of \$7.1 million; this is an increase of \$790,000 from the prior year and is due to the funding of current year projects via a transfer to the municipal affordable housing trust fund.

The ambulance fund is used to account for ambulance receipts reserved for appropriation. At the year end the fund had a balance of \$2.0 million; this is a decrease of \$104,000 from the prior year. This is mainly due to an transfer to the general fund.

The Municipal Affordable Housing Trust fund is used to account for affordable housing activities. At year end the fund had a balance of \$6.6 million; this is a decrease of \$201,000 from the prior year.

The nonmajor funds decreased by \$506,000 during the current year. This was due to the timing of grant expenditures and revenues.

General Fund Budgetary Highlights

The initial budget and the encumbrances and continuing appropriations (original budget) totaled \$78.6 million. Changes during the year consisted largely of allocations between and among departments and articles approved at the May Annual Town Meeting. The net change to the final budget totaled \$2.8 million.

Revenues came in \$2.1 million more than budgeted while expenditures plus encumbrances and continuing appropriations came in \$3.9 million less than budgeted.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the Town of Yarmouth annually prepares a capital budget for the upcoming year.

Capital assets. The Town of Yarmouth's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$119.1 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, equipment, machinery & vehicles, and infrastructure.

Debt Administration. Outstanding long-term debt of the general government, as of June 30, 2018, totaled \$7.4 million. During 2018, the Town paid down \$2.2 million in debt principal..

Bond anticipation notes totaled \$2.0 million at year end. These notes were related to Bay Berry course improvements.

The septage enterprise fund has outstanding long-term debt totaling \$2.0 million.

The golf enterprise fund has outstanding long-term debt totaling \$614,000.

The Town maintains an “AA+” bond rating from Standard & Poors.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Yarmouth’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 1146 Route 28, South Yarmouth, MA 02664-4492.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2018

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 35,789,834	\$ 10,257,573	\$ 46,047,407
Investments.....	964,799	-	964,799
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,072,274	-	1,072,274
Tax liens.....	351,561	-	351,561
Community preservation fund surtax.....	23,118	-	23,118
Motor vehicle and other excise taxes.....	301,214	-	301,214
User charges.....	-	3,081,986	3,081,986
Departmental and other.....	2,135,935	-	2,135,935
Intergovernmental - other.....	1,590,953	-	1,590,953
Special assessments.....	8,000	-	8,000
Internal balances.....	102,630	(102,630)	-
Total current assets.....	<u>42,340,318</u>	<u>13,236,929</u>	<u>55,577,247</u>
NONCURRENT:			
Special assessments.....	9,721	-	9,721
Capital assets, nondepreciable.....	34,826,384	15,470,652	50,297,036
Capital assets, net of accumulated depreciation.....	<u>40,355,970</u>	<u>28,479,207</u>	<u>68,835,177</u>
Total noncurrent assets.....	<u>75,192,075</u>	<u>43,949,859</u>	<u>119,141,934</u>
TOTAL ASSETS.....	<u>117,532,393</u>	<u>57,186,788</u>	<u>174,719,181</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	5,639,768	484,609	6,124,377
Deferred outflows related to other postemployment benefits.....	<u>88,366</u>	<u>7,594</u>	<u>95,960</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>5,728,134</u>	<u>492,203</u>	<u>6,220,337</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	1,242,337	296,550	1,538,887
Accrued payroll.....	415,214	69,043	484,257
Tax refunds payable.....	80,000	-	80,000
Accrued interest.....	15,759	4,619	20,378
Other liabilities.....	274,514	2,375	276,889
Capital lease obligations.....	-	126,368	126,368
Landfill closure.....	50,000	-	50,000
Compensated absences.....	158,504	28,746	187,250
Notes payable.....	-	1,985,574	1,985,574
Bonds payable.....	<u>1,264,100</u>	<u>473,000</u>	<u>1,737,100</u>
Total current liabilities.....	<u>3,500,428</u>	<u>2,986,275</u>	<u>6,486,703</u>
NONCURRENT:			
Capital lease obligations.....	-	124,232	124,232
Landfill closure.....	500,000	-	500,000
Compensated absences.....	634,018	114,983	749,001
Net pension liability.....	43,086,366	3,702,278	46,788,644
Net other postemployment benefits liability.....	16,217,704	1,393,537	17,611,241
Bonds payable.....	<u>3,588,600</u>	<u>2,117,000</u>	<u>5,705,600</u>
Total noncurrent liabilities.....	<u>64,026,688</u>	<u>7,452,030</u>	<u>71,478,718</u>
TOTAL LIABILITIES.....	<u>67,527,116</u>	<u>10,438,305</u>	<u>77,965,421</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	486,873	26,081	512,954
Deferred inflows related to pensions.....	<u>4,779,095</u>	<u>410,652</u>	<u>5,189,747</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>5,265,968</u>	<u>436,733</u>	<u>5,702,701</u>
NET POSITION			
Net investment in capital assets.....	70,329,654	39,123,685	109,453,339
Restricted for:			
Permanent funds:			
Expendable.....	468,198	-	468,198
Nonexpendable.....	693,369	-	693,369
Gifts and grants.....	3,404,246	-	3,404,246
Community preservation.....	7,376,040	-	7,376,040
Unrestricted.....	<u>(31,804,064)</u>	<u>7,680,268</u>	<u>(24,123,796)</u>
TOTAL NET POSITION.....	<u>\$ 50,467,443</u>	<u>\$ 46,803,953</u>	<u>\$ 97,271,396</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,557,581	\$ 1,643,538	\$ 105,989	\$ -	\$ (3,808,054)
Public safety.....	22,027,935	3,528,891	484,835	22,956	(17,991,253)
Education.....	34,726,957	-	-	-	(34,726,957)
Public works.....	8,374,028	4,959,064	133,353	861,043	(2,420,568)
Community development.....	180,045	-	307,641	-	127,596
Health and human services.....	3,748,585	275,337	257,567	-	(3,215,681)
Culture and recreation.....	3,029,981	730,591	39,789	-	(2,259,601)
Interest.....	171,441	-	-	-	(171,441)
Total Governmental Activities.....	77,816,553	11,137,421	1,329,174	883,999	(64,465,959)
<i>Business-Type Activities:</i>					
Water.....	5,236,783	4,391,739	-	-	(845,044)
Sewer.....	1,821,157	2,437,605	1,959	-	618,407
Golf course.....	4,222,469	3,246,884	-	-	(975,585)
Total Business-Type Activities.....	11,280,409	10,076,228	1,959	-	(1,202,222)
Total Primary Government.....	\$ 89,096,962	\$ 21,213,649	\$ 1,331,133	\$ 883,999	\$ (65,668,181)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(64,465,959)	(1,202,222)	(65,668,181)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	59,782,369	-	59,782,369
Motor vehicle and other excise taxes.....	3,756,674	-	3,756,674
Hotel/motel tax.....	3,513,372	-	3,513,372
Penalties and interest on taxes.....	216,677	-	216,677
Grants and contributions not restricted to specific programs.....	1,874,697	-	1,874,697
Unrestricted investment income.....	343,239	474	343,713
Miscellaneous.....	205,582	-	205,582
<i>Transfers, net</i>	397,499	(397,499)	-
Total general revenues and transfers.....	70,090,109	(397,025)	69,693,084
Change in net position.....	5,624,150	(1,599,247)	4,024,903
<i>Net position:</i>			
Beginning of year (as revised).....	44,843,293	48,403,200	93,246,493
End of year..... \$	<u>50,467,443</u>	<u>46,803,953</u>	<u>97,271,396</u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2018

	General	Community Preservation Fund	Ambulance Fund	Municipal Affordable Housing Trust	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 17,208,138	\$ 7,216,175	\$ 1,980,324	\$ 5,952,092	\$ 3,433,105	\$ 35,789,834
Investments.....	-	-	-	-	964,799	964,799
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	1,072,156	118	-	-	-	1,072,274
Tax liens.....	342,182	9,379	-	-	-	351,561
Community preservation fund surtax.....	-	23,118	-	-	-	23,118
Motor vehicle and other excise taxes.....	301,214	-	-	-	-	301,214
Departmental and other.....	146,220	-	925,594	629,619	-	1,701,433
Intergovernmental - other.....	83,603	197,100	-	-	1,310,250	1,590,953
Special assessments.....	-	-	-	-	17,721	17,721
Due from other funds.....	102,630	-	-	-	-	102,630
TOTAL ASSETS.....	\$ 19,256,143	\$ 7,445,890	\$ 2,905,918	\$ 6,581,711	\$ 5,725,875	\$ 41,915,537
LIABILITIES						
Warrants payable.....	\$ 969,487	\$ 68,937	\$ -	\$ 3,773	\$ 200,140	\$ 1,242,337
Accrued payroll.....	377,707	913	-	898	35,696	415,214
Tax refunds payable.....	80,000	-	-	-	-	80,000
Other liabilities.....	159,203	-	-	-	115,311	274,514
TOTAL LIABILITIES.....	1,586,397	69,850	-	4,671	351,147	2,012,065
DEFERRED INFLOWS OF RESOURCES						
Taxes paid in advance.....	205,174	-	-	-	281,699	486,873
Unavailable revenue.....	1,587,489	229,714	925,594	-	1,212,493	3,955,290
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,792,663	229,714	925,594	-	1,494,192	4,442,163
FUND BALANCES						
Nonspendable.....	-	-	-	-	668,151	668,151
Restricted.....	-	7,146,326	1,980,324	6,577,040	3,476,713	19,180,403
Committed.....	670,670	-	-	-	-	670,670
Assigned.....	57,902	-	-	-	-	57,902
Unassigned.....	15,148,511	-	-	-	(264,328)	14,884,183
TOTAL FUND BALANCES.....	15,877,083	7,146,326	1,980,324	6,577,040	3,880,536	35,461,309
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 19,256,143	\$ 7,445,890	\$ 2,905,918	\$ 6,581,711	\$ 5,725,875	\$ 41,915,537

See notes to basic financial statements.

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

JUNE 30, 2018

Total governmental fund balances.....		\$ 35,461,309
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		75,182,354
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		4,389,792
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		949,039
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(15,759)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(4,852,700)	
Net pension liability.....	(43,086,366)	
Net other postemployment benefits liability.....	(16,217,704)	
Landfill closure.....	(550,000)	
Compensated absences.....	<u>(792,522)</u>	
Net effect of reporting long-term liabilities.....		<u>(65,499,292)</u>
Net position of governmental activities.....		<u>\$ 50,467,443</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	General	Community Preservation Fund	Ambulance Fund	Municipal Affordable Housing Trust	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 57,868,133	\$ 1,699,468	\$ -	\$ -	\$ -	\$ 59,567,601
Motor vehicle and other excise taxes.....	3,916,925	-	-	-	20,504	3,937,429
Hotel/motel tax.....	3,513,372	-	-	-	-	3,513,372
Charges for services.....	3,885,907	-	-	-	575,890	4,461,797
Penalties and interest on taxes.....	374,494	611	-	-	-	375,105
Fees and rentals.....	2,094,462	-	-	-	8,125	2,102,587
Licenses and permits.....	1,079,548	-	-	-	-	1,079,548
Fines and forfeitures.....	100	-	-	-	4,850	4,950
Intergovernmental - other.....	1,675,044	307,641	-	-	1,562,808	3,545,493
Departmental and other.....	979,524	-	1,670,567	6,167	105,539	2,761,797
Contributions and donations.....	-	-	-	-	328,687	328,687
Investment income.....	239,324	63,657	-	-	40,258	343,239
Miscellaneous.....	190,795	-	-	-	323,311	514,106
TOTAL REVENUES.....	75,817,628	2,071,377	1,670,567	6,167	2,969,972	82,535,711
EXPENDITURES:						
Current:						
General government.....	3,864,320	-	-	-	375,256	4,239,576
Public safety.....	16,607,923	-	-	-	598,695	17,206,618
Education.....	34,503,667	-	-	-	173,785	34,677,452
Public works.....	6,230,138	-	-	-	1,016,297	7,246,435
Community development.....	-	533,173	-	-	-	533,173
Health and human services.....	1,533,606	460,054	-	495,997	707,609	3,197,266
Culture and recreation.....	1,823,378	-	-	-	575,348	2,398,726
Pension benefits.....	3,677,434	-	-	-	-	3,677,434
Property and liability insurance.....	649,692	-	-	-	-	649,692
Employee benefits.....	2,833,535	-	-	-	-	2,833,535
State and county charges.....	818,362	-	-	-	-	818,362
Debt service:						
Principal.....	1,665,100	-	-	-	-	1,665,100
Interest.....	174,701	-	-	-	-	174,701
TOTAL EXPENDITURES.....	74,381,856	993,227	-	495,997	3,446,990	79,318,070
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,435,772	1,078,150	1,670,567	(489,830)	(477,018)	3,217,641
OTHER FINANCING SOURCES (USES):						
Transfers in.....	2,647,655	-	101	288,500	389,200	3,325,456
Transfers out.....	(445,951)	(288,500)	(1,775,000)	-	(418,506)	(2,927,957)
TOTAL OTHER FINANCING SOURCES (USES)...	2,201,704	(288,500)	(1,774,899)	288,500	(29,306)	397,499
NET CHANGE IN FUND BALANCES.....	3,637,476	789,650	(104,332)	(201,330)	(506,324)	3,615,140
FUND BALANCES AT BEGINNING OF YEAR.....	12,239,607	6,356,676	2,084,656	6,778,370	4,386,860	31,846,169
FUND BALANCES AT END OF YEAR.....	\$ 15,877,083	\$ 7,146,326	\$ 1,980,324	\$ 6,577,040	\$ 3,880,536	\$ 35,461,309

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds.....	\$	3,615,140
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		1,430,416
Depreciation expense.....		<u>(2,609,423)</u>
Net effect of reporting capital assets.....		(1,179,007)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		507,493
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....		40,501
Debt service principal payments.....		<u>1,665,100</u>
Net effect of reporting long-term debt.....		1,705,601
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		47,620
Net change in accrued interest on long-term debt.....		3,260
Net change in deferred outflow/(inflow) of resources related to pensions.....		(3,324,264)
Net change in net pension liability.....		3,365,037
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		88,366
Net change in net other postemployment benefits liability.....		744,904
Net change in landfill closure.....		<u>50,000</u>
Net effect of recording long-term liabilities.....		<u>974,923</u>
Change in net position of governmental activities.....	\$	<u><u>5,624,150</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Septage	Golf Course	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 6,759,953	\$ 3,114,849	\$ 382,771	\$ 10,257,573
Receivables, net of allowance for uncollectibles:				
User charges.....	2,465,317	616,669	-	3,081,986
Total current assets.....	9,225,270	3,731,518	382,771	13,339,559
NONCURRENT:				
Capital assets, non depreciable.....	4,231,306	1,265,046	9,974,300	15,470,652
Capital assets, net of accumulated depreciation.....	20,485,478	2,019,376	5,974,353	28,479,207
Total noncurrent assets.....	24,716,784	3,284,422	15,948,653	43,949,859
TOTAL ASSETS.....	33,942,054	7,015,940	16,331,424	57,289,418
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	246,902	-	237,707	484,609
Deferred outflows related to other postemployment benefits.....	3,869	-	3,725	7,594
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	250,771	-	241,432	492,203
LIABILITIES				
CURRENT:				
Warrants payable.....	105,266	145,059	46,225	296,550
Accrued payroll.....	26,116	908	42,019	69,043
Due to other funds.....	-	-	102,630	102,630
Accrued interest.....	-	2,910	1,709	4,619
Other liabilities.....	-	-	2,375	2,375
Fees collected in advance.....	-	-	26,081	26,081
Capital lease obligations.....	-	-	126,368	126,368
Compensated absences.....	11,413	-	17,333	28,746
Notes payable.....	-	-	1,985,574	1,985,574
Bonds payable.....	-	254,000	219,000	473,000
Total current liabilities.....	142,795	402,877	2,569,314	3,114,986
NONCURRENT:				
Capital lease obligations.....	-	-	124,232	124,232
Compensated absences.....	45,651	-	69,332	114,983
Net pension liability.....	1,886,263	-	1,816,015	3,702,278
Net other postemployment benefits liability.....	709,989	-	683,548	1,393,537
Bonds payable.....	-	1,722,000	395,000	2,117,000
Total noncurrent liabilities.....	2,641,903	1,722,000	3,088,127	7,452,030
TOTAL LIABILITIES.....	2,784,698	2,124,877	5,657,441	10,567,016
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	209,222	-	201,430	410,652
NET POSITION				
Net investment in capital assets.....	24,716,784	1,308,422	13,098,479	39,123,685
Restricted for:				
Unrestricted.....	6,482,121	3,582,641	(2,384,494)	7,680,268
TOTAL NET POSITION.....	\$ 31,198,905	\$ 4,891,063	\$ 10,713,985	\$ 46,803,953

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Septage	Golf Course	Total
OPERATING REVENUES:				
Charges for services.....	\$ 4,391,739	\$ 2,437,605	\$ 3,246,884	\$ 10,076,228
OPERATING EXPENSES:				
Cost of services and administration.....	2,402,089	1,550,037	2,271,975	6,224,101
Salaries and wages.....	1,281,139	-	1,419,087	2,700,226
Depreciation.....	1,553,555	194,363	477,751	2,225,669
TOTAL OPERATING EXPENSES.....	5,236,783	1,744,400	4,168,813	11,149,996
OPERATING INCOME (LOSS).....	(845,044)	693,205	(921,929)	(1,073,768)
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	267	207	474
Interest expense.....	-	(76,757)	(53,656)	(130,413)
Intergovernmental - subsidy.....	-	1,959	-	1,959
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	-	(74,531)	(53,449)	(127,980)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(845,044)	618,674	(975,378)	(1,201,748)
TRANSFERS:				
Transfers in.....	-	-	61,000	61,000
Transfers out.....	(344,398)	(114,101)	-	(458,499)
TOTAL TRANSFERS.....	(344,398)	(114,101)	61,000	(397,499)
CHANGE IN NET POSITION.....	(1,189,442)	504,573	(914,378)	(1,599,247)
NET POSITION AT BEGINNING OF YEAR (as revised).....	32,388,347	4,386,490	11,628,363	48,403,200
NET POSITION AT END OF YEAR.....	\$ 31,198,905	\$ 4,891,063	\$ 10,713,985	\$ 46,803,953

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 4,540,515	\$ 2,202,501	\$ 3,244,438	\$ 9,987,454
Payments to vendors.....	(1,657,681)	(1,455,504)	(1,276,804)	(4,389,989)
Payments to employees.....	(1,248,490)	-	(1,370,431)	(2,618,921)
NET CASH FROM OPERATING ACTIVITIES.....	1,634,344	746,997	597,203	2,978,544
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	-	-	61,000	61,000
Transfers out.....	(344,398)	(114,101)	-	(458,499)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(344,398)	(114,101)	61,000	(397,499)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets.....	(231,402)	-	(973,324)	(1,204,726)
Principal payments on bonds and notes.....	-	(275,000)	(292,900)	(567,900)
Principal payments on capital lease obligations.....	-	-	(470)	(470)
Interest expense.....	-	(75,256)	(9,742)	(84,998)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(231,402)	(350,256)	(1,276,436)	(1,858,094)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income.....	-	267	207	474
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,058,544	282,907	(618,026)	723,425
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	5,701,409	2,831,942	1,000,797	9,534,148
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 6,759,953	\$ 3,114,849	\$ 382,771	\$ 10,257,573
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH				
FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ (845,044)	\$ 693,205	\$ (921,929)	\$ (1,073,768)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	1,553,555	194,363	477,751	2,225,669
Deferred (outflows)/inflows related to pensions.....	96,975	-	75,990	172,965
Deferred (outflows)/inflows related to other postemployment benefits.....	(3,869)	-	(3,725)	(7,594)
Changes in assets and liabilities:				
User charges.....	148,776	(235,104)	-	(86,328)
Warrants payable.....	27,980	94,533	(35,210)	87,303
Accrued payroll.....	26,116	-	42,019	68,135
Due to other funds.....	-	-	102,630	102,630
Fees collected in advance.....	-	-	(2,446)	(2,446)
Other liabilities.....	-	-	432	432
Capital lease obligations.....	-	-	470	470
Compensated absences.....	6,533	-	6,637	13,170
Net pension liability.....	391,639	-	569,909	961,548
Other postemployment benefits.....	231,683	-	284,675	516,358
Total adjustments.....	2,479,388	53,792	1,519,132	4,052,312
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,634,344	\$ 746,997	\$ 597,203	\$ 2,978,544

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 35,610	\$ 84,181	\$ 660,243
Investments:			
Equity securities.....	725,975	288,925	-
Equity mutual funds.....	2,115,004	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	-	88,053
TOTAL ASSETS	<u>2,876,589</u>	<u>373,106</u>	<u>748,296</u>
LIABILITIES			
Warrants payable.....	-	-	13,818
Accrued payroll.....	-	-	12,515
Liabilities due depositors.....	-	-	634,181
Other liabilities.....	-	-	87,782
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>748,296</u>
NET POSITION			
Restricted for other postemployment benefits.....	2,876,589	-	-
Held in trust for other purposes.....	-	373,106	-
TOTAL NET POSITION	<u>\$ 2,876,589</u>	<u>\$ 373,106</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2018

	<u>Other Postemployment Benefit Trust Fund</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 824,352	\$ -
Employer contributions for other postemployment benefit payments.....	2,674,019	-
Private donations.....	-	5,302
Total contributions.....	<u>3,498,371</u>	<u>5,302</u>
Net investment income:		
Investment income.....	95,582	8,214
Less: investment expense.....	-	(804)
Net investment income (loss).....	<u>95,582</u>	<u>7,410</u>
TOTAL ADDITIONS.....	<u>3,593,953</u>	<u>12,712</u>
DEDUCTIONS:		
Other postemployment benefit payments.....	2,674,019	-
Educational scholarships.....	-	26,506
TOTAL DEDUCTIONS.....	<u>2,674,019</u>	<u>26,506</u>
NET INCREASE (DECREASE) IN NET POSITION.....	919,934	(13,794)
NET POSITION AT BEGINNING OF YEAR.....	<u>1,956,655</u>	<u>386,900</u>
NET POSITION AT END OF YEAR.....	<u>\$ 2,876,589</u>	<u>\$ 373,106</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a Massachusetts municipal corporation that is governed by an elected 5 member Board of Selectmen and an appointed Town Administrator.

The Town of Yarmouth was incorporated in 1639. The Town operates under a Town Meeting form of government. The Town’s major operations include police and fire protection, parks, library and recreation, public works and general administration services. In addition, the Town owns and operates a water system, two golf courses, and septage facility.

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

Joint Venture

The Town has entered into a joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing education and services to venture participants directly, for the benefit of the general public or specific recipients. The following is a list of the Town’s joint ventures, their purpose, and the annual assessment paid by the Town in 2018 Financial statements may be obtained from each joint venture by contacting them directly. The Town does not have an equity interest in any joint venture.

<u>Joint Venture and Address</u>	<u>Purpose</u>	<u>2018 Assessment</u>
Dennis Yarmouth Regional School District Station Avenue, South Yarmouth, MA 02664	To provide K-12 Education	\$ 31,857,992
Cape Cod Municipal Health Group 15 Midstate Drive, Auburn, MA 01501	To provide employee health benefits	2,256,139.00
Cape Cod Regional Technical High School Route 124, Harwich, MA 02645	To provide vocational education to students 9 - 12 grade	2,645,675.00
Cape Cod Regional Transit Authority 585 Main Street, Dennis, MA 02638	Provider of regional transportation	150,250.00
District Department of Veterans Services PO Box 429, Hyannis, MA 02601	To provide services to veterans	39,755.00
Old King's Highway Regional Historic District Commission 1146 Route 28, South Yarmouth, MA 02664	Historical and cultural preservation	9,950.00

Related Organizations

The Yarmouth Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four of whom are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

- If total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *community preservation fund* is a special revenue fund used to account for and report funds collected in accordance with the Community Preservation Act. The funds may be used for acquiring land and interests in land for the protection of public drinking water supplies, open space and conservation and the creation of walking trails, bicycling trails, and recreation areas.

The *ambulance fund* is used to account for ambulance receipts reserved for appropriation.

The *municipal affordable housing trust* is used to account for the Town's efforts to meet States Ch40B affordable housing goal. It is funded by community preservation, CDBG and HOME funds.

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

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

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

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

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

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

The following proprietary fund types are reported:

The *sewage enterprise fund* accounts for the Town's sewage activities.

The *water enterprise fund* accounts for the Town's water activities.

The *golf course enterprise fund* is used to account for and report the Bass River Golf Course and the Bayberry Hills Golf Course activities.

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

The following fiduciary fund types are reported:

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

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

The *agency fund* is used to account for assets held in a purely custodial capacity, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 95% of the estimated fair market value. Taxes are due on November 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed during the second and fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

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

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis. The Town classifies outstanding personal property taxes three or more years old as uncollectible for financial reporting purposes.

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

The allowance for uncollectibles is estimated based on historical trends and specific account analysis. The Town classifies outstanding motor vehicle and boat excise taxes three or more years old as uncollectible for financial reporting purposes.

Septage

Septage is pumped from Title V systems at residential and business locations by private haulers. The same is done for Grease traps related to food preparation facilities. The septage is weight fully loaded and empty after pumping out the waste. Fees and penalties are assessed for late payment. For haulers on account they agree to pay fees to a 3rd party collection agency if amounts are seriously delinquent. For those that do not want to sign such an agreement they can pay as they go with a credit card. These payments are not secured via a lien process. Since these agreements and procedures have been put in place there have been no write offs for unpaid fees.

Water

Water user fees are levied quarterly for water services and once annually when meters are read for usage. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in the second quarter of every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

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

Departmental and Other

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

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Special Assessments

Special Assessments in the wastewater fund consist of apportioned and unapportioned sewer betterments assessed to homeowners whose properties were improved through Town-run sewer construction projects.

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

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

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July, 1, 1980) have been valued at estimated historical cost.

All purchases and construction costs in excess of \$30,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Unavailable Revenue

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

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program and the Massachusetts Clean Water Trust’s loan subsidy program is not considered to be capital related debt.

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

Net position has been “restricted for” the following:

“Permanent funds – expendable” represents the endowment and the amount of realized and unrealized investment earnings of donor restricted trusts that support governmental programs.

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

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

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

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

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

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

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

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

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Barnstable County Retirement Association (BCRA) and additions to/deductions from the BCRA’s fiduciary net position have been determined on the same basis as they are reported by the 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.

O. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Investment Income

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

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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

S. Fund Deficits

Deficits were noted in individual nonmajor funds and will be funded through state grants and bonding in 2019.

T. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

U. Restatement of Beginning Fund Balance and Net Position*Government-Wide and Fund Financial Statements*

The beginning fund balance and net position in the general fund was restated by \$823,508 due to the breakout of the Other Postemployment Benefit Fund. The Town voted at the May 6, 2017, Annual Town Meeting to formally establish an OPEB Trust Fund, therefore this activity will now be shown separately in the Fiduciary Funds financial statements, and will no longer be included in the general fund.

NOTE 2 – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town has adopted a formal policy to limit custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$46,368,750 and the bank balance totaled \$46,537,540. Of the bank balance, \$864,400 was covered by Federal Depository Insurance, \$6,228 was covered by Depositor’s Insurance Fund, \$45,639,375 was collateralized, and \$27,137 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2018, the Town of Yarmouth had the following investments:

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months. The Town’s policy related to Credit Risk places no limit on investments in MMDT. At June 30, 2018, the Town of Yarmouth has \$104,574 invested in MMDT which is unrated.

All of the Town’s OPEB Trust assets are invested in equity mutual funds. As of June 30, 2018, the value of these investments totaled \$1,937,087. These investments are included in the totals above.

Custodial Credit Risk – Investments

In the case of investments, this is the risk that in the event of a failure by a counter party to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. None of the Town’s investments are subject to custodial credit risk since none of the Town’s investments are held in the possession of another party. The Town Treasurer retains custody of the Town’s investments in equity securities with a market value of \$725,975 as of June 30, 2018.

The investment ratings are as follows:

<u>Quality Rating</u>	<u>U.S. Treasury Bonds</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AA+.....	\$ 509,282	\$ 459,006	\$ 34,893
AA-.....	-	-	34,631
A+.....	-	-	94,836
A.....	-	-	102,637
A-.....	-	-	35,815
BAA.....	-	-	34,789
BBB.....	-	-	34,470
Total.....	\$ <u>509,282</u>	\$ <u>459,006</u>	\$ <u>372,071</u>

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issue.

Fair Market Value of Investments

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

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

The Town has the following recurring fair value measurements as of June 30, 2018:

Investment Type	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 509,282	\$ 509,282	\$ -	\$ -
Government sponsored enterprises.....	459,006	459,006	-	-
Corporate bonds.....	372,071	-	372,071	-
Total debt securities.....	1,340,359	968,288	372,071	-
<u>Other investments:</u>				
Equity securities.....	1,567,009	1,567,009	-	-
Equity mutual funds.....	715,224	715,224	-	-
Fixed income.....	472,111	472,111	-	-
Money market mutual funds.....	352,458	352,458	-	-
Total other investments.....	3,106,802	3,106,802	-	-
Total investments measured at fair value.....	4,447,161	\$ 4,075,090	\$ 372,071	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	106,233			
Total investments.....	\$ 4,553,394			

U.S. government treasuries and government sponsored enterprises are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds are classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Pooled alternative investments classified in level 3 are valued using either a discounted cash flow or market comparable companies’ technique.

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

NOTE 3 – RECEIVABLES

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,072,274	\$ -	\$ 1,072,274
Tax liens.....	351,561	-	351,561
Community preservation fund surtax.....	23,118	-	23,118
Motor vehicle and other excise taxes.....	301,214	-	301,214
Departmental and other.....	2,570,437	(434,502)	2,135,935
Intergovernmental - other.....	1,590,953	-	1,590,953
Special assessments.....	17,721	-	17,721
Total.....	<u>\$ 5,927,278</u>	<u>\$ (434,502)</u>	<u>\$ 5,492,776</u>

At June 30, 2018, receivables for the enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 2,535,668	\$ (70,351)	\$ 2,465,317
Sewer user charges.....	616,669	-	616,669
Total.....	<u>\$ 3,152,337</u>	<u>\$ (70,351)</u>	<u>\$ 3,081,986</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ (575,414)	\$ 23,235	\$ (552,179)
Tax liens.....	342,182	9,379	351,561
Motor vehicle and other excise taxes.....	301,214	-	301,214
User charges.....	-	17,720	17,720
Departmental and other.....	146,220	925,594	1,071,814
Intergovernmental - other.....	83,603	1,391,873	1,475,476
Total.....	<u>\$ 1,587,489</u>	<u>\$ 2,367,801</u>	<u>\$ 3,955,290</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 34,826,384	\$ -	\$ -	\$ 34,826,384
<u>Capital assets being depreciated:</u>				
Land improvements.....	14,209,005	-	-	14,209,005
Buildings and improvements.....	33,880,505	485,386	-	34,365,891
Equipment, machinery and vehicles.....	17,311,060	846,631	-	18,157,691
Infrastructure.....	41,993,057	98,400	-	42,091,457
Total capital assets being depreciated.....	<u>107,393,627</u>	<u>1,430,417</u>	<u>-</u>	<u>108,824,044</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(5,451,767)	(284,325)	-	(5,736,092)
Buildings and improvements.....	(18,717,262)	(746,296)	-	(19,463,558)
Equipment, machinery and vehicles.....	(11,809,500)	(1,127,113)	-	(12,936,613)
Infrastructure.....	(29,880,122)	(451,689)	-	(30,331,811)
Total accumulated depreciation.....	<u>(65,858,651)</u>	<u>(2,609,423)</u>	<u>-</u>	<u>(68,468,074)</u>
Total capital assets being depreciated, net.....	<u>41,534,976</u>	<u>(1,179,006)</u>	<u>-</u>	<u>40,355,970</u>
Total governmental activities capital assets, net.....	<u>\$ 76,361,360</u>	<u>\$ (1,179,006)</u>	<u>\$ -</u>	<u>\$ 75,182,354</u>

Capital asset activity for the business-type activities for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,231,306	\$ -	\$ -	\$ 4,231,306
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,338,036	-	-	2,338,036
Buildings and improvements.....	2,150,544	-	-	2,150,544
Equipment, machinery and vehicles.....	3,892,775	47,269	-	3,940,044
Infrastructure.....	48,887,024	-	-	48,887,024
Total capital assets being depreciated.....	<u>57,268,379</u>	<u>47,269</u>	<u>-</u>	<u>57,315,648</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,320,900)	(109,345)	-	(1,430,245)
Buildings and improvements.....	(821,794)	(57,066)	-	(878,860)
Equipment, machinery and vehicles.....	(2,921,689)	(325,330)	-	(3,247,019)
Infrastructure.....	(30,212,232)	(1,061,814)	-	(31,274,046)
Total accumulated depreciation.....	<u>(35,276,615)</u>	<u>(1,553,555)</u>	<u>-</u>	<u>(36,830,170)</u>
Total capital assets being depreciated, net.....	<u>21,991,764</u>	<u>(1,506,286)</u>	<u>-</u>	<u>20,485,478</u>
Total water activities capital assets, net.....	<u>\$ 26,223,070</u>	<u>\$ (1,506,286)</u>	<u>\$ -</u>	<u>\$ 24,716,784</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Septage:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,265,046	\$ -	\$ -	\$ 1,265,046
<u>Capital assets being depreciated:</u>				
Land improvements.....	111,500	-	-	111,500
Buildings and improvements.....	40,466,489	-	-	40,466,489
Equipment, machinery and vehicles.....	530,865	-	-	530,865
Total capital assets being depreciated.....	41,108,854	-	-	41,108,854
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(72,475)	(11,150)	-	(83,625)
Buildings and improvements.....	(38,367,523)	(183,213)	-	(38,550,736)
Equipment, machinery and vehicles.....	(455,117)	-	-	(455,117)
Total accumulated depreciation.....	(38,895,115)	(194,363)	-	(39,089,478)
Total capital assets being depreciated, net.....	2,213,739	(194,363)	-	2,019,376
Total sewer activities capital assets, net.....	\$ 3,478,785	\$ (194,363)	\$ -	\$ 3,284,422
	Beginning Balance	Increases	Decreases	Ending Balance
Golf:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,974,300	\$ -	\$ -	\$ 9,974,300
<u>Capital assets being depreciated:</u>				
Land improvements.....	11,316,313	841,660	-	12,157,973
Buildings and improvements.....	1,293,947	-	-	1,293,947
Equipment, machinery and vehicles.....	1,850,791	131,664	-	1,982,455
Total capital assets being depreciated.....	14,461,051	973,324	-	15,434,375
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,203,563)	(426,491)	-	(7,630,054)
Buildings and improvements.....	(673,168)	(33,196)	-	(706,364)
Equipment, machinery and vehicles.....	(1,105,540)	(18,064)	-	(1,123,604)
Total accumulated depreciation.....	(8,982,271)	(477,751)	-	(9,460,022)
Total capital assets being depreciated, net.....	5,478,780	495,573	-	5,974,353
Total water and sewer activities capital assets, net.....	\$ 15,453,080	\$ 495,573	\$ -	\$ 15,948,653

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

Governmental Activities:	
General government.....	\$ 138,909
Public safety.....	1,050,163
Education.....	49,505
Public works.....	909,178
Community development.....	32,990
Health and human services.....	53,275
Culture and recreation.....	<u>375,403</u>
Total depreciation expense - governmental activities.....	\$ <u>2,609,423</u>
Business-Type Activities:	
Water.....	\$ 1,553,555
Sewer.....	194,363
Golf course.....	<u>477,751</u>
Total depreciation expense - business-type activities.....	\$ <u>2,225,669</u>

NOTE 5 – INTERFUND TRANSFERS

At June 30, 2018, the golf enterprise fund and general fund reported a due to/due from of \$102,630.

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

Transfers Out:	Transfers In:					Total
	General fund	Ambulance fund	Municipal Affordable Housing Trust	Nonmajor governmental funds	Golf Enterprise fund	
General fund.....	\$ -	\$ 101	\$ -	\$ 384,850	\$ 61,000	\$ 445,951 (1)
Community Preservation fund.....	-	-	288,500	-	-	288,500 (2)
Ambulance fund.....	1,775,000	-	-	-	-	1,775,000 (3)
Nonmajor governmental funds.....	414,156	-	-	4,350	-	418,506 (4)
Septage Enterprise fund.....	114,101	-	-	-	-	114,101 (5)
Water Enterprise fund.....	<u>344,398</u>	-	-	-	-	<u>344,398</u> (5)
Total.....	\$ <u>2,647,655</u>	\$ <u>101</u>	\$ <u>288,500</u>	\$ <u>389,200</u>	\$ <u>61,000</u>	\$ <u>3,386,456</u>

- (1) Represents a transfer from the general fund to the ambulance fees reserved for appropriation fund and to various special revenue funds.
- (2) Represents budgeted transfers from community preservation fund to the affordable housing trust and the sailing center capital projects fund.
- (3) Represents a budgeted transfer from the ambulance fees reserved for appropriation fund to the general fund.
- (4) Represents a transfer from nonmajor funds to the general fund and other nonmajor funds.
- (5) Represents a budgeted transfer from the septage and water enterprise funds to the general fund for indirect costs.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS) and capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the general fund. The Town had the following short-term debt activity during 2018:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2017	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2018
Golf Enterprise Fund:							
BAN	Municipal Purpose.....	1.20%	06/28/18	1,625,000	-	(1,625,000)	-
BAN	Municipal Purpose.....	2.30%	06/29/19	-	1,985,574	-	1,985,574
Total Enterprise Fund.....				\$ 1,625,000	\$ 1,985,574	\$ (1,625,000)	\$ 1,985,574

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The Golf Course has entered into various long-term capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Assets acquired through capital lease are as follows:

Asset:	Business-Type Activities
Machinery and equipment.....	\$ 568,190
Less: accumulated depreciation.....	(261,493)
Total.....	\$ 306,697

The following is a schedule of the future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments, as of June 30, 2018:

Years ending June 30:	Business-Type Activities
2019.....	\$ 132,841
2020.....	80,626
2021.....	28,400
2022.....	18,935
Total minimum lease payments.....	260,802
Less: amounts representing interest.....	(10,202)
Present value of minimum lease payments.....	\$ 250,600

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." Details related to the outstanding indebtedness at June 30, 2018, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
MCWT - Series 4 (97-46)	2019	\$ 4,936,700	0.00	\$ 321,700
MCWT - Title V Loans - 97-1155-1	2021	197,403	0.00	31,000
Municipal Purpose Bonds of 2005	2019	1,285,000	2.25-4.00	11,000
Municipal Purpose Bonds of 2008.....	2022	2,029,000	3.625-4.00	164,000
Municipal Purpose Bonds of 2009.....	2019	4,240,000	2.00-3.00	75,000
Municipal Purpose Bonds of 2012 - Series A.....	2025	4,405,926	2.00-2.8	1,600,000
Municipal Purpose Bonds of 2012 - Series B.....	2020	3,145,000	2.00-3.00	625,000
Municipal Purpose Bonds Flax Pond	2026	400,000	2.00-4.00	260,000
Municipal Purpose Bonds of 2014 - Refunding.....	2026	3,138,000	2.00-4.00	1,765,000
Total Bonds Payable.....				\$ 4,852,700

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

Year	Principal	Interest	Total
2019.....	\$ 1,264,100	\$ 134,710	\$ 1,398,810
2020.....	831,400	100,182	931,582
2021.....	531,200	73,153	604,353
2022.....	516,000	54,862	570,862
2023.....	465,000	77,542	542,542
2024.....	455,000	57,477	512,477
2025.....	450,000	37,016	487,016
2026.....	340,000	17,098	357,098
Total.....	\$ 4,852,700	\$ 552,040	\$ 5,404,740

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) for governmental debt on a periodic basis for principal in the amount of \$83,603 and interest costs for \$10,494. Thus, net MCWT loan repayments, including interest, are scheduled to be \$94,097. The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2018 principal and interest subsidies totaled \$83,086 and \$18,416, respectively.

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Septage Bonds 2016.....	2026	\$ 2,500,000	2.00-5.00	\$ 1,976,000
Golf Bonds of 2005.....	2000	1,275,000	2.25-4.00	89,000
Golf Bonds of 2008.....	2000	2,050,000	3.625-4.00	525,000
Total Bonds Payable.....				\$ 2,590,000

Debt service requirements for principal and interest for the septage enterprise fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2019.....	\$ 473,000	\$ 85,580	\$ 558,580
2020.....	384,000	65,325	449,325
2021.....	384,000	46,900	430,900
2022.....	384,000	28,500	412,500
2023.....	245,000	16,850	261,850
2024.....	240,000	12,000	252,000
2025.....	240,000	7,200	247,200
2026.....	240,000	2,400	242,400
Total.....	\$ 2,590,000	\$ 264,755	\$ 2,854,755

The Town is scheduled to be subsidized by the MCWT for septage debt on a periodic basis for principal in the amount of \$0 and interest costs for \$4,410. Thus, net MCWT loan repayments, including interest, are scheduled to be \$4,410. The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2018 principal and interest subsidies totaled \$0 and \$2,544, respectively.

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:

Purpose	Amount
DY School Improvements.....	\$ 272,000
Mattacheese Design Study.....	750,000
Total.....	\$ 1,022,000

Changes in Long-term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:						
Long-term bonds payable.....	\$ 6,517,800	\$ (1,665,100)	\$ -	\$ -	\$ 4,852,700	\$ 1,264,100
Capital lease obligations.....	40,501	-	-	(40,501)	-	-
Landfill closure.....	600,000	-	-	(50,000)	550,000	50,000
Compensated absences.....	840,142	-	120,408	(168,028)	792,522	158,504
Net pension liability.....	46,451,403	-	-	(3,365,037)	43,086,366	-
Other postemployment benefits.....	16,962,608	-	(744,904)	-	16,217,704	-
Total governmental activity long-term liabilities.....	\$ 71,412,454	\$ (1,665,100)	\$ (624,496)	\$ (3,623,566)	\$ 65,499,292	\$ 1,472,604
Business-Type Activities:						
Long-term bonds payable.....	\$ 3,157,900	\$ (567,900)	\$ -	\$ -	\$ 2,590,000	\$ 473,000
Capital lease obligations.....	250,130	-	98,018	(97,548)	250,600	126,368
Compensated absences.....	130,559	-	39,282	(26,112)	143,729	28,746
Net pension liability.....	2,740,730	-	961,548	-	3,702,278	-
Other postemployment benefits.....	1,457,544	-	(64,007)	-	1,393,537	-
Total business-type activity long-term liabilities.....	\$ 7,736,863	\$ (567,900)	\$ 1,034,841	\$ (123,660)	\$ 8,080,144	\$ 628,114

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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

The Town has classified its governmental fund balances with the following hierarchy:

	General	Community Preservation Fund	Ambulance Fund	Municipal Affordable Housing Trust	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	\$ 668,151	\$ 668,151
Restricted for:						
Community preservation fund.....	-	7,146,326	-	-	-	7,146,326
Ambulance fund.....	-	-	1,980,324	-	-	1,980,324
Municipal affordable housing trust.....	-	-	-	6,577,040	-	6,577,040
Town grant funds.....	-	-	-	-	435,896	435,896
Town revolving funds.....	-	-	-	-	1,812,871	1,812,871
Town gift funds.....	-	-	-	-	607,490	607,490
Insurance reimbursement funds.....	-	-	-	-	127,040	127,040
Permanent funds.....	-	-	-	-	468,198	468,198
Cemetery perpetual care funds.....	-	-	-	-	25,218	25,218
Committed to:						
Articles and continuing appropriations:						
General government.....	82,845	-	-	-	-	82,845
Public safety.....	2,600	-	-	-	-	2,600
Public works.....	489,301	-	-	-	-	489,301
Health and human services.....	15,757	-	-	-	-	15,757
Culture and recreation.....	80,167	-	-	-	-	80,167
Assigned to:						
Encumbrances:						
General government.....	38,179	-	-	-	-	38,179
Public safety.....	1,967	-	-	-	-	1,967
Public works.....	17,226	-	-	-	-	17,226
Health and human services.....	26	-	-	-	-	26
Employee benefits.....	504	-	-	-	-	504
Unassigned.....	15,148,511	-	-	-	(264,328)	14,884,183
Total Fund Balances.....	\$ 15,877,083	\$ 7,146,326	\$ 1,980,324	\$ 6,577,040	\$ 3,880,536	\$ 35,461,309

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The Town has two stabilization funds which are reported as part of the general fund.

At year end the unassigned balance of the general fund includes \$3,178,528 in the general stabilization fund and \$1,098,779 capital stabilization fund.

NOTE 10 – RISK FINANCING

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

As discussed in Note 1, the Town participates in the Cape Cod Municipal Health Group (Group), a municipal joint-purchase group consisting of 52 governmental units, formed pursuant to Massachusetts General Law Chapter 32B, to provide employee insurance benefits. Employees and the Town both contribute to the Group based on a 50% (Town) and 50% (Employee) primary care premium formula. The Town budgets, annually, in the general fund for its estimated share of contributions. At June 30, 2018, the Group had a net position of \$31,881,410

NOTE 11 – PENSION PLAN*Plan Description*

The Town is a member of the Barnstable County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 50 member units. The Association is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

Benefits Provided

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

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the Association a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2017, was \$4,106,672, 21.48% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2018, the Town reported a liability of \$46,788,644 million 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 January 1, 2018.

Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2017, the Town’s proportion was 6.88%, which changed from its 7.00% proportion measured at December 31, 2016.

Pension Expense

For the year ended June 30, 2018, the Town recognized pension expense of \$5,200,412. At June 30, 2018, the Town reported deferred outflows and deferred inflows of resources related to pensions of \$6,124,377 and \$5,189,747, respectively.

The balances of deferred outflows at June 30, 2018 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (670,293)	\$ (670,293)
Difference between projected and actual earnings.....	-	(3,053,612)	(3,053,612)
Changes in assumptions.....	5,830,685	-	5,830,685
Changes in proportion and proportionate share of contributions.....	293,692	(1,465,842)	(1,172,150)
Total deferred outflows/(inflows) of resources.....	\$ 6,124,377	\$ (5,189,747)	\$ 934,630

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

Year ended June 30:

2019.....	\$ 564,477
2020.....	547,856
2021.....	(298,622)
2022.....	(424,901)
2023.....	545,820
	<u>\$ 934,630</u>

Actuarial Assumptions - The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2017:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Appropriations increase at 5.28% per year
Remaining amortization period.....	17 years from July 1, 2018 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability and remaining unfunded liability, and 4 years from July 1, 2018 for 2010 Early Retirement Incentive.
Asset valuation method.....	The net pension liability is calculated using the market value of assets. The Association also uses an actuarial value of assets that gradually reflects year-to-year changes in the market value of assets in determining contribution requirements.

Inflation rate.....	3.25%
Projected 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.
Cost of living adjustments.....	3.0% of the first \$18,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 55% of all disabilities are accidental disability. For police and fire employees, 90% of all disabilities are assumed to be accidental disability.
Mortality Rates:	
Pre-Retirement.....	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with 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/Discount rate.....	7.375%, net of pension plan investment expense, including inflation.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2018, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	17.50%	6.15%
International developed markets equity.....	15.50%	7.11%
International emerging markets equity.....	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%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 7.325%, formally 7.625%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate. The following presents the net pension liability, calculated using the discount rate of 7.375%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375) than the current rate:

	December 31, 2016 Measurement Date		
	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability.....	\$ 61,371,208	\$ 46,788,644	\$ 34,527,577

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Barnstable County Retirement Association’s financial report.

Changes in Assumptions and Plan Provisions - The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The mortality tables for non-disabled participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disable participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.
- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was lowered from 7.625% to 7.375%.

The following plan provision change was reflected in the January 1, 2018 actuarial valuation:

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment Base was increased from \$15,000 to \$16,000 as of July 1, 2015, to \$17,000 as of July 1, 2016, and to \$18,000 as of July 1, 2017.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Yarmouth provides a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retiree members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report. *The Town retirees and active employees can also elect dental and life insurance coverage, however, these coverages are 100% retiree and employee paid.*

Funding Policy – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% of their premium costs.

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

GASB Statement #74 – OPEB Plan Financial Reporting

Measurement Date – GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of 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, 2018.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2018:

Active members.....	170
Retired members currently receiving benefits.....	<u>194</u>
Total.....	<u><u>364</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2018:

Total OPEB liability.....	\$ 21,235,963
Less: OPEB plan's fiduciary net position.....	<u>(2,882,129)</u>
Net OPEB liability.....	<u><u>\$ 18,353,834</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	13.57%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2016, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement that was updated to June 30, 2018, to be in accordance with GASB #74:

Valuation date.....	June 30, 2016
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Remaining amortization period.....	30 years from July 1, 2016
Asset valuation method.....	Market Value
Investment rate of return.....	7.0%
Discount rate.....	7.00%
Inflation rate.....	3.50%
Health care trend rates.....	<p>CCMHG Under 65: 10.5% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year Over 65: 1.9% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate of 4.5% per year</p> <p>GIC Under 65: 6.8% for 1 year, then 8.5% decreasing by 0.5% each year to an ultimate level of 5.0% per year Over 65: 1.6% for 1 year, then 8.5% decreasing by 0.5% each year to an ultimate level of 5.0% per year</p>
Salary increases.....	<p>Service-related increases for Group 1 (excluding teachers) and Group 2 employees: 6.0% decreasing over 9 years to an ultimate level of 4.25%.</p> <p>Service-related increases for Group 4 employees: 7.0% decreasing over 5 years to an ultimate level of 4.75%.</p> <p>Service-related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%.</p>
Mortality rates.....	<p>Preretirement: RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB.</p> <p>Postretirement: RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB2D.</p>

Rate of return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 19.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	6.15%
International developed markets equity.....	7.11%
International emerging markets equity.....	9.41%
Core fixed income.....	1.68%
High-yield fixed income.....	4.13%
Real estate.....	4.90%
Commodities.....	4.71%
Hedge fund, GTAA, risk parity.....	3.94%
Private equity.....	10.28%

Discount rate – The discount rate used to measure the total OPEB liability was 7.0% as of June 30, 2018 and 7.0% as of June 30, 2017.

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 5.24%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.24%) or 1-percentage-point higher (4.24%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net OPEB liability.....	\$ 20,899,297	\$ 18,353,834	\$ 16,224,406

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rates, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	<u>1% Decrease (6.00%)</u>	<u>Current Trend (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net OPEB liability.....	\$ 15,650,558	\$ 18,353,834	\$ 21,715,778

Changes of Assumptions

The discount rate was increased from 5.08% as of June 30, 2017 to 5.24% as of June 30, 2018.

Changes in Plan Provisions – None.

GASB Statement #75 – OPEB Employer Financial Reporting

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

Measurement Date – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

Plan Membership – The following table represents the Plan’s membership at June 30, 2016:

Active members.....	170
Retired members of beneficiaries receiving benefits.....	<u>194</u>
 Total.....	 <u><u>364</u></u>

Significant Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2017, to be in accordance with GASB Statement #75:

Valuation date.....	Actuarially determined contribution for fiscal year ending June 30, 2017 was determined with the June 30, 2016 actuarial valuation
Actuarial cost method.....	Entry Age Normal- Level Percentage of Payroll
Inflation.....	3.50%
Salary increases.....	Service-related increases for Group 1 (excluding teachers) and Group 2 employees: 6.0% decreasing over 9 years to an ultimate level of 4.25%. Service-related increased for Group 4 employees: 7.0% decreasing over 5 years to an ultimate level of 4.75%. Service related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%

Investment rate of return.....	7.00%
Health care trend rates.....	CCMHG: Under 65: 10.5% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year. Over 65: 1.9% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year. GIC: Under 65: 6.8% for 1 year, then 8.5% decreasing by 0.5% each year to an ultimate level of 5.0% per year. Over 65: 1.6% for 1 year, then 8.5% decreasing by 0.5% each year to an ultimate level of 5.0% per year. Part B: 4.5%.
Mortality rates.....	Preretirement mortality rates: Healthy Non-Teachers: RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009. Healthy Teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016 Postretirement mortality rates: Healthy Non-Teachers: RP-2000 Healthy Annuitant Mortality Table projected generationally with Scaled BB2D from 2009. Healthy Teachers: RP-2014 White Collar Annuitant Mortality Table projected generationally with Scale MO-2016. Disabled Non-Teachers: RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015. Disabled Teachers: RP-2014 Healthy Annuitant Table set forward 4 years and projected generationally with Scale BB2D from 2014

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of 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 target allocation as of June 30, 2017 and projected arithmetic real rates of return for each major asset class, after deduction inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	6.44%
International developed markets equity.....	7.40%
International emerging markets equity.....	9.42%
Core fixed income.....	2.02%
High-yield fixed income.....	4.43%
Real estate.....	5.00%
Commodities.....	4.43%
Hedge fund, GTAA, Risk parity.....	3.75%
Private equity.....	10.47%

Discount rate – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2017 and 7.00% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members.

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, 2017.....	\$ 19,243,660	\$ 823,508	\$ 18,420,152
Changes for the year:			
Service cost.....	512,906	-	512,906
Interest.....	1,352,202	-	1,352,202
Contributions - employer.....	-	2,674,019	(2,674,019)
Benefit payments.....	(893,901)	(893,901)	-
Net change.....	<u>971,207</u>	<u>1,780,118</u>	<u>(808,911)</u>
Balances at June 30, 2018.....	<u>\$ 20,214,867</u>	<u>\$ 2,603,626</u>	<u>\$ 17,611,241</u>

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability.....	<u>\$ 20,072,880</u>	<u>\$ 17,611,241</u>	<u>\$ 15,553,455</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	<u>\$ 15,177,935</u>	<u>\$ 17,611,241</u>	<u>\$ 20,630,876</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2017, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$1,769,148. 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 Category</u>	<u>Deferred Outflows of Resources</u>
Difference between projected and actual earnings.....	\$ 95,960

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

Measurement date year ended June 30:	
2018.....	\$ 23,990
2019.....	23,990
2020.....	23,990
2021.....	<u>23,990</u>
	<u>\$ 95,960</u>

Changes of Assumptions and Plan Provisions– None.

NOTE 13 – LANDFILL

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town has reflected a \$550,000 post-closure care liability at June 30, 2018, as an obligation of the governmental activities. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 14 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 14, 2019, which is the date the financial statements were available to be issued.

NOTE 16 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of governmental activities, business-type activities and each applicable enterprise fund has been revised to reflect the implementation of GASB Statement #75. The revised balances are summarized in the following table.

	06/30/2017 Previously Reported Balances	Implementation of GASB #75	06/30/2017 Revised Balances
Government-Wide Financial Statements			
Governmental activities.....	\$ 53,026,736	\$ (8,183,443)	\$ 44,843,293
Business-type activities.....	<u>48,983,565</u>	<u>(580,365)</u>	<u>48,403,200</u>
Total.....	<u>\$ 102,010,301</u>	<u>\$ (8,763,808)</u>	<u>\$ 93,246,493</u>
Business-type Activities - Enterprise Funds			
Water Enterprise fund.....	\$ 32,652,641	\$ (264,294)	\$ 32,388,347
Golf Enterprise fund.....	<u>11,944,434</u>	<u>(316,071)</u>	<u>11,628,363</u>
Total.....	<u>\$ 44,597,075</u>	<u>\$ (580,365)</u>	<u>\$ 44,016,710</u>

NOTE 17 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.
- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2019.

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

Required Supplementary Information

General Fund Budgetary Schedule

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

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

YEAR ENDED JUNE 30, 2018

	Amounts Carried Forward From Prior Year	Budgeted Amounts		
		Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 58,069,976	\$ 58,069,976	\$ 58,069,976
Motor vehicle and other excise taxes.....	-	3,184,000	3,184,000	3,184,000
Hotel/motel tax.....	-	3,290,000	3,290,000	3,290,000
Charges for services.....	-	3,435,340	3,435,340	3,435,340
Penalties and interest on taxes.....	-	140,000	140,000	140,000
Fees and rentals.....	-	1,949,380	1,949,380	1,949,382
Licenses and permits.....	-	914,680	914,680	914,680
Fines and forfeitures.....	-	-	-	-
Intergovernmental - other.....	-	1,551,980	1,551,980	1,551,980
Departmental and other.....	-	983,393	983,393	983,393
Investment income.....	-	70,000	70,000	70,000
Miscellaneous.....	-	20,207	20,207	20,207
TOTAL REVENUES.....	-	73,608,956	73,608,956	73,608,958
EXPENDITURES:				
Current:				
General government.....	468,755	3,934,777	4,403,532	4,416,839
Public safety.....	1,645,679	15,564,100	17,209,779	17,310,855
Education.....	-	34,528,464	34,528,464	34,528,464
Public works.....	851,340	4,586,294	5,437,634	5,791,860
Health and human services.....	99,385	1,531,406	1,630,791	1,653,881
Culture and recreation.....	104,727	1,783,928	1,888,655	1,866,761
Pension benefits.....	-	3,815,030	3,815,030	3,696,792
Property and liability insurance.....	-	644,185	644,185	664,185
Employee benefits.....	36,050	3,129,025	3,165,075	3,054,067
State and county charges.....	-	807,761	807,761	818,362
Debt service:				
Principal.....	-	1,582,014	1,582,014	1,582,014
Interest.....	-	181,493	181,493	181,493
TOTAL EXPENDITURES.....	3,205,936	72,088,477	75,294,413	75,565,573
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,205,936)	1,520,479	(1,685,457)	(1,956,615)
OTHER FINANCING SOURCES (USES):				
Use of prior year reserves.....	3,205,936	-	3,205,936	3,205,936
Transfers in.....	-	1,775,499	1,775,499	1,797,767
Transfers out.....	-	(3,295,978)	(3,295,978)	(5,846,837)
TOTAL OTHER FINANCING SOURCES (USES).....	3,205,936	(1,520,479)	1,685,457	(843,134)
NET CHANGE IN FUND BALANCE.....	-	-	-	(2,799,749)
BUDGETARY FUND BALANCE, Beginning of year.....	-	4,534,356	4,534,356	4,534,356
BUDGETARY FUND BALANCE, End of year.....	\$ -	\$ 4,534,356	\$ 4,534,356	\$ 1,734,607

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	57,838,167	\$ -	\$ (231,809)
	3,916,925	-	732,925
	3,513,372	-	223,372
	3,885,907	-	450,567
	374,494	-	234,494
	2,094,462	-	145,080
	1,079,548	-	164,868
	100	-	100
	1,575,501	-	23,521
	979,524	-	(3,869)
	228,564	-	158,564
	190,795	-	170,588
	<u>75,677,359</u>	<u>-</u>	<u>2,068,401</u>
	3,511,060	121,024	784,755
	15,585,951	4,567	1,720,337
	34,503,667	-	24,797
	4,688,616	506,527	596,717
	1,466,528	15,783	171,570
	1,696,519	81,144	89,098
	3,677,434	-	19,358
	649,692	-	14,493
	2,641,535	504	412,028
	818,362	-	-
	1,582,014	-	-
	<u>158,244</u>	<u>-</u>	<u>23,249</u>
	<u>70,979,622</u>	<u>729,549</u>	<u>3,856,402</u>
	<u>4,697,737</u>	<u>(729,549)</u>	<u>5,924,803</u>
	-	-	(3,205,936)
	1,909,958	-	112,191
	<u>(5,849,814)</u>	<u>-</u>	<u>(2,977)</u>
	<u>(3,939,856)</u>	<u>-</u>	<u>(3,096,722)</u>
	757,881	(729,549)	2,828,081
	<u>4,534,356</u>	<u>-</u>	<u>-</u>
\$	<u>5,292,237</u>	<u>(729,549)</u>	<u>2,828,081</u>

Pension Plan Schedules

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

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

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

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Net pension liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2017.....	6.88%	\$ 46,788,644	\$ 19,114,328	244.78%	61.86%
December 31, 2016.....	7.00%	49,192,133	19,335,540	254.41%	57.28%
December 31, 2015.....	7.21%	45,401,140	19,515,284	232.64%	58.10%
December 31, 2014.....	7.13%	40,423,041	18,697,021	216.20%	60.43%

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

See notes to required supplementary information.

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

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
December 31, 2017.....	\$ 4,106,672	\$ (4,106,672)	-	\$ 19,114,328	21.48%
December 31, 2016.....	3,970,199	(3,970,199)	-	19,335,540	20.53%
December 31, 2015.....	3,899,969	(3,899,969)	-	19,515,284	19.98%
December 31, 2014.....	3,717,523	(3,717,523)	-	18,697,021	19.88%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

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

	June 30, 2017	June 30, 2018
Total OPEB Liability		
Service Cost.....	\$ 512,906	\$ 530,858
Interest.....	1,352,203	1,420,203
Changes of benefit terms.....	-	-
Differences between expected and actual experience....	-	-
Changes of assumptions.....	-	-
Benefit payments.....	<u>(893,901)</u>	<u>(929,965)</u>
Net change in total OPEB liability.....	971,208	1,021,096
Total OPEB liability - beginning.....	<u>19,243,660</u>	<u>20,214,868</u>
Total OPEB liability - ending (a).....	<u>\$ 20,214,868</u>	<u>\$ 21,235,964</u>
Plan fiduciary net position		
Employer contributions.....	\$ 2,674,019	\$ 1,754,317
Net investment income.....	-	(545,849)
Benefit payments.....	<u>(893,901)</u>	<u>(929,965)</u>
Net change in plan fiduciary net position.....	1,780,118	278,503
Plan fiduciary net position - beginning of year.....	<u>823,508</u>	<u>2,603,626</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 2,603,626</u>	<u>\$ 2,882,129</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 17,611,242</u>	<u>\$ 18,353,835</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	12.88%	13.57%
Covered-employee payroll.....	\$ 23,407,908	N/A
Net OPEB liability as a percentage of covered-employee payroll.....	75.24%	N/A

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

See notes to required supplementary information.

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

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2018.....	\$ 1,593,197	\$ (1,754,317)	\$ (161,120)	N/A	N/A
June 30, 2017.....	1,539,321	(1,780,118)	(240,797)	23,407,908	7.60%

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

See notes to required supplementary information.

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

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2018.....	1.35%
June 30, 2017.....	3.59%

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

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is reviewed by the Finance Committee (Committee). The Committee presents the annual budget to the open 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.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2018 approved budget, including amounts carried forward from prior years authorized approximately \$72.5 million in appropriations and other amounts to be raised. There was a \$2.7 million change from the original budget to the final amended budget.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2018, follows.

Net change in fund balance - budgetary basis.....	\$ 2,989,038
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	618,472
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	29,966
Net change in fund balance - GAAP basis.....	\$ 3,637,476

NOTE B – PENSION PLANSchedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of Town's Contributions

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

The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The mortality tables for non-disabled participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disable participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.
- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was lowered from 7.625% to 7.375%.

The following plan provision change was reflected in the January 1, 2018 actuarial valuation:

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment Base was increased from \$15,000 to \$16,000 as of July 1, 2015, to \$17,000 as of July 1, 2016, and to \$18,000 as of July 1, 2017.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit PlanSchedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Liability

The Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan's net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered payroll.

Schedule of the Town's Contributions

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

Schedule of Investment Return

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

Changes in Assumptions – the discount rate was increased from 2.85% to 3.58%.

Changes in Plan Provisions - none