

TOWN OF YARMOUTH, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2017

TOWN OF YARMOUTH, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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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, 2017, 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, 2017, 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 10, 2018, 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 10, 2018

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, 2017. 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 \$102 million (net position).
- Governmental net position increased by \$721,000.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$31.8 million, an increase of \$2.0 million in comparison with the prior year.
- The Town's other postemployment (OPEB) benefit liability decreased by \$826,000 and totals \$9.7 million as of June 30, 2017.
- The Town's net pension liability and deferred outflows/inflows increased by \$3.2 million and totals \$44.8 million as of June 30, 2017.

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 \$102 million at the close of 2017. Key components of the Town’s governmental and business-type financial position follow.

A significant portion of the Town’s net position, \$109.9 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, \$12.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals (\$29.6 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 \$53 million at the close of 2017.

	2017	2016
Assets:		
Current assets.....	\$ 38,505,676	\$ 36,666,557
Noncurrent assets (excluding capital).....	103,042	192,320
Capital assets.....	76,361,361	77,077,760
Total assets.....	114,970,079	113,936,637
Deferred Outflows of Resources.....	5,733,065	3,793,571
Liabilities:		
Current liabilities (excluding debt).....	2,676,519	2,740,238
Noncurrent liabilities (excluding debt).....	56,452,682	53,941,786
Current debt.....	1,665,100	1,834,300
Noncurrent debt.....	4,852,700	6,517,800
Total liabilities.....	65,647,001	65,034,124
Deferred Inflows of Resources.....	2,029,407	390,268
Net Position:		
Net investment in capital assets.....	69,803,060	68,646,076
Restricted.....	12,828,192	12,043,071
Unrestricted.....	(29,604,516)	(28,383,331)
Total net position.....	\$ 53,026,736	\$ 52,305,816

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services.....	\$ 9,770,263	\$ 9,738,252
Operating grants and contributions.....	1,135,986	1,200,824
Capital grants and contributions.....	1,851,080	1,443,954
General revenues:		
Real estate and personal property taxes.....	57,544,458	55,740,822
Motor vehicle and other excise taxes.....	7,193,565	6,974,491
Penalties and Interest.....	254,948	318,573
Nonrestricted grants.....	2,085,693	2,005,891
Unrestricted investment income (loss).....	160,296	190,319
Other revenues.....	187,236	101,496
Total revenues.....	<u>80,183,525</u>	<u>77,714,622</u>
Expenses:		
General government.....	6,173,983	6,222,381
Public safety.....	23,848,944	22,171,986
Education.....	33,342,462	32,346,019
Public works.....	9,581,311	7,812,952
Community preservation.....	606,599	517,769
Human services.....	3,023,681	2,843,982
Culture and recreation.....	3,121,327	3,118,671
Interest.....	222,797	235,767
Total expenses.....	<u>79,921,104</u>	<u>75,269,527</u>
Excess (deficiency) before transfers.....	262,421	2,445,095
Transfers.....	<u>458,499</u>	<u>320,273</u>
Change in net position.....	720,920	2,765,368
Net position at beginning of year.....	<u>52,305,816</u>	<u>49,540,448</u>
Net position at end of year.....	\$ <u>53,026,736</u>	\$ <u>52,305,816</u>

The governmental activities net position increased by \$721,000 during the current year. The increase was due to the receipt of capital grants of \$1.9 million, an increase in deferred outflows of \$1.9 million, positive budgetary results and an \$826,000 decrease in the OPEB liability. These gains were offset by a \$3.6 million increase in the net pension liability.

Governmental expenses totaled \$79.9 million, of which \$12.8 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$67.4 million, primarily coming from property taxes, excise taxes, and grants not restricted to specific programs.

Charges for services represent about 77% 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 9% 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 14% 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 71% of all revenues. Other taxes comprise 9% of the governmental activity's revenues.

Education is the largest governmental activity of the Town. A total of \$33.3 million was expended for education, mainly regional school district assessments. Education expenditures were funded by taxes and other revenue. Public safety is the second largest activity of the Town as \$23.8 million was expended, of which \$2.9 million was funded by program sources, and the balance was funded by taxes and other revenues.

Business-type Activities.

Business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49 million at June 30, 2017. Business-type net position of \$40.1 million (82%) represents its net investment in capital assets. The remaining \$8.9 million (18%) of unrestricted net position may be used to meet the enterprise funds' ongoing obligations.

There was an increase of \$851,000 in net position reported in connection with the septage, water, and golf course business-type activities. Condensed financial data for 2017 and 2016 is presented below:

	2017	2016
Assets:		
Current assets.....	\$ 12,609,965	\$ 10,262,425
Capital assets.....	45,154,935	46,064,608
Total assets.....	57,764,900	56,327,033
Deferred Outflows of Resources.....	338,264	223,829
Liabilities:		
Current liabilities (excluding debt).....	244,344	570,608
Noncurrent liabilities (excluding debt).....	3,722,356	3,962,655
Current debt.....	2,290,448	690,800
Noncurrent debt.....	2,742,582	3,157,900
Total liabilities.....	8,999,730	8,381,963
Deferred Inflows of Resources.....	119,869	36,641
Net Position:		
Net investment in capital assets.....	40,121,905	41,871,435
Unrestricted.....	8,861,660	6,260,823
Total net position.....	\$ 48,983,565	\$ 48,132,258

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services.....	\$ 10,880,209	\$ 9,964,545
Nonoperating grants and contributions.....	2,544	3,129
General revenues:		
Unrestricted investment income.....	1,189	2,332
Total revenues.....	10,883,942	9,970,006
Expenses.....		
Septage.....	1,344,528	1,466,026
Water.....	4,631,297	5,222,414
Golf course.....	3,598,311	3,625,086
Total expenses.....	9,574,136	10,313,526
Excess before transfers.....	1,309,806	(343,520)
Transfers.....	(458,499)	(320,273)
Change in net position.....	851,307	(663,793)
Net position at beginning of year.....	48,132,258	48,604,003
Net position at end of year.....	\$ 48,983,565	\$ 47,940,210

The septage enterprise net position increased by \$1.2 during the current year. The change is attributable to expanded capacity and new customers due to the closing of a nearby septage plant.

The water enterprise net position decreased by \$59,000 million during the current year. An increase in revenue due to an increase in consumption was offset by the cost of service and administration.

The golf course enterprise net position decreased by \$244,000 during the current year. The change is primarily due to increase in fees revenue offset by an increase in the cost of service and administration.

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 \$31.8 million. Of this amount \$12.2 million is for the general fund, \$6.4 million is for the community preservation fund, \$2.1 million is for the ambulance fund, \$6.8 million is for the Municipal Affordable Housing Trust, and \$4.4 million is for the nonmajor funds. Cumulatively there was an increase of \$2.0 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 \$8.8 million while total fund balance was \$12.2 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 11.9% of the total general fund budgetary expenditures, while total fund balance represents 16.5% of that same amount.

The general fund balance increased by \$1.2 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 \$3.6 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 \$6.4 million; this is an increase of \$991,000 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 \$2.1 million; this is an increase of \$133,000 from the prior year. This is mainly due to an increase in revenues, along with a decrease in transfers 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 \$6.8 million; this is an increase of \$69,000 from the prior year and was due to a \$289,000 transfer in from the community preservation fund.

The nonmajor funds decreased by \$340,000 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 \$72.5 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 \$2.7 million.

General fund revenues came in \$1.8 million more than budgeted while general fund expenditures plus encumbrances and continuing appropriations came in \$1.3 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, 2017, amounts to \$121.5 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, 2017, totaled \$6.5 million. During 2017, the Town paid down \$1.8 million in debt principal expense.

Bond anticipation notes totaled \$1.6 million at year end. These notes were related to Bass River Golf Course restaurant project.

The septage enterprise fund has outstanding long-term debt totaling \$2.3 million.

The golf enterprise fund has outstanding long-term debt totaling \$907,000.

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, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 33,165,853	\$ 9,534,146	\$ 42,699,999
Investments.....	943,467	-	943,467
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	979,583	-	979,583
Tax liens.....	330,863	-	330,863
Motor vehicle and other excise taxes.....	481,969	-	481,969
Water fees.....	-	2,694,254	2,694,254
Septage fees.....	-	381,565	381,565
Departmental and other.....	967,344	-	967,344
Special assessments.....	8,000	-	8,000
Intergovernmental.....	1,628,597	-	1,628,597
Total current assets.....	<u>38,505,676</u>	<u>12,609,965</u>	<u>51,115,641</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	83,603	-	83,603
Special assessments.....	19,439	-	19,439
Capital assets, nondepreciable.....	34,826,384	15,470,652	50,297,036
Capital assets, net of accumulated depreciation.....	<u>41,534,977</u>	<u>29,684,283</u>	<u>71,219,260</u>
Total noncurrent assets.....	<u>76,464,403</u>	<u>45,154,935</u>	<u>121,619,338</u>
TOTAL ASSETS.....	<u>114,970,079</u>	<u>57,764,900</u>	<u>172,734,979</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	5,733,065	338,264	6,071,329
LIABILITIES			
CURRENT:			
Warrants payable.....	962,900	210,154	1,173,054
Accrued payroll.....	553,338	-	553,338
Tax refunds payable.....	80,000	-	80,000
Accrued interest.....	19,019	6,136	25,155
Payroll withholdings.....	673,095	-	673,095
Other liabilities.....	129,638	1,942	131,580
Capital lease obligations.....	40,501	97,548	138,049
Landfill closure.....	50,000	-	50,000
Compensated absences.....	168,028	26,112	194,140
Notes payable.....	-	1,625,000	1,625,000
Bonds payable.....	1,665,100	567,900	2,233,000
Total current liabilities.....	<u>4,341,619</u>	<u>2,534,792</u>	<u>6,876,411</u>
NONCURRENT:			
Capital lease obligations.....	-	152,582	152,582
Landfill closure.....	550,000	-	550,000
Compensated absences.....	672,114	104,447	776,561
Other postemployment benefits obligation.....	8,779,165	877,179	9,656,344
Net pension liability.....	46,451,403	2,740,730	49,192,133
Bonds payable.....	4,852,700	2,590,000	7,442,700
Total noncurrent liabilities.....	<u>61,305,382</u>	<u>6,464,938</u>	<u>67,770,320</u>
TOTAL LIABILITIES.....	<u>65,647,001</u>	<u>8,999,730</u>	<u>74,646,731</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue.....	481,279	28,527	509,806
Deferred inflows of resources related to pensions.....	1,548,128	91,342	1,639,470
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>2,029,407</u>	<u>119,869</u>	<u>2,149,276</u>
NET POSITION			
Net investment in capital assets.....	69,803,060	40,121,905	109,924,965
Restricted for:			
Permanent funds:			
Expendable.....	488,209	-	488,209
Nonexpendable.....	679,218	-	679,218
Gifts, grants and other.....	5,304,089	-	5,304,089
Community preservation.....	6,356,676	-	6,356,676
Unrestricted.....	<u>(29,604,516)</u>	<u>8,861,660</u>	<u>(20,742,856)</u>
TOTAL NET POSITION.....	<u>\$ 53,026,736</u>	<u>\$ 48,983,565</u>	<u>\$ 102,010,301</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

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.....	\$ 6,173,983	\$ 1,518,737	\$ 46,872	\$ -	\$ (4,608,374)
Public safety.....	23,848,944	2,658,002	230,377	3,819	(20,956,746)
Education.....	33,342,462	-	-	-	(33,342,462)
Public works.....	9,581,311	4,611,402	279,749	1,702,262	(2,987,898)
Community preservation.....	606,599	-	356,924	-	(249,675)
Human services.....	3,023,681	308,898	191,402	-	(2,523,381)
Culture and recreation.....	3,121,327	673,224	25,662	144,999	(2,277,442)
Interest.....	222,797	-	-	-	(222,797)
Other.....	-	-	5,000	-	5,000
Total Governmental Activities.....	79,921,104	9,770,263	1,135,986	1,851,080	(67,163,775)
<i>Business-Type Activities:</i>					
Septage.....	1,344,528	2,609,799	2,544	-	1,267,815
Water.....	4,631,297	4,916,430	-	-	285,133
Golf course.....	3,598,311	3,353,980	-	-	(244,331)
Total Business-Type Activities.....	9,574,136	10,880,209	2,544	-	1,308,617
Total Primary Government.....	\$ 89,495,240	\$ 20,650,472	\$ 1,138,530	\$ 1,851,080	\$ (65,855,158)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (67,163,775)	\$ 1,308,617	\$ (65,855,158)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	57,544,458	-	57,544,458
Motor vehicle and other excise taxes.....	3,663,808	-	3,663,808
Hotel/motel tax.....	3,529,757	-	3,529,757
Penalties and interest on taxes.....	254,948	-	254,948
Grants and contributions not restricted to specific programs.....	2,085,693	-	2,085,693
Unrestricted investment income.....	160,296	1,189	161,485
Miscellaneous.....	187,236	-	187,236
<i>Transfers, net</i>	458,499	(458,499)	-
Total general revenues and transfers.....	<u>67,884,695</u>	<u>(457,310)</u>	<u>67,427,385</u>
Change in net position.....	720,920	851,307	1,572,227
<i>Net Position:</i>			
Beginning of year (as restated).....	<u>52,305,816</u>	<u>48,132,258</u>	<u>100,438,074</u>
End of year.....	\$ <u><u>53,026,736</u></u>	\$ <u><u>48,983,565</u></u>	\$ <u><u>102,010,301</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

ASSETS	General	Community Preservation Fund	Ambulance Fund	Municipal Affordable Housing Trust	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 14,145,499	\$ 6,380,512	\$ 2,084,656	\$ 6,778,370	\$ 3,776,816	\$ 33,165,853
Investments.....	-	-	-	-	943,467	943,467
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	959,256	20,327	-	-	-	979,583
Tax liens.....	322,478	8,385	-	-	-	330,863
Motor vehicle and other excise taxes.....	481,969	-	-	-	-	481,969
Departmental and other.....	142,861	-	824,483	-	-	967,344
Special assessments.....	-	-	-	-	27,439	27,439
Intergovernmental.....	166,689	247,300	-	-	1,298,211	1,712,200
TOTAL ASSETS.....	\$ 16,218,752	\$ 6,656,524	\$ 2,909,139	\$ 6,778,370	\$ 6,045,933	\$ 38,608,718
LIABILITIES:						
Warrants payable.....	\$ 700,539	\$ 23,836	-	-	\$ 238,525	\$ 962,900
Accrued payroll.....	553,338	-	-	-	-	553,338
Tax refunds payable.....	80,000	-	-	-	-	80,000
Payroll withholdings.....	673,095	-	-	-	-	673,095
Other liabilities.....	34,882	-	-	-	94,756	129,638
Unearned revenue.....	191,958	-	-	-	289,321	481,279
TOTAL LIABILITIES.....	2,233,812	23,836	-	-	622,602	2,880,250
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues.....	1,745,333	276,012	824,483	-	1,036,471	3,882,299
FUND BALANCES:						
Nonspendable.....	-	-	-	-	679,218	679,218
Restricted.....	-	6,356,676	2,084,656	6,778,370	3,785,092	19,004,794
Committed.....	100,259	-	-	-	-	100,259
Assigned.....	3,322,815	-	-	-	-	3,322,815
Unassigned.....	8,816,533	-	-	-	(77,450)	8,739,083
TOTAL FUND BALANCES.....	12,239,607	6,356,676	2,084,656	6,778,370	4,386,860	31,846,169
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 16,218,752	\$ 6,656,524	\$ 2,909,139	\$ 6,778,370	\$ 6,045,933	\$ 38,608,718

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....	\$	31,846,169
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		76,361,361
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		3,882,299
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		4,184,937
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(19,019)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(6,517,800)	
Capital lease obligations.....	(40,501)	
Landfill liability.....	(600,000)	
Compensated absences.....	(840,142)	
Net pension liability.....	(46,451,403)	
Other postemployment benefits obligation.....	<u>(8,779,165)</u>	
Net effect of reporting long-term liabilities.....		<u>(63,229,011)</u>
Net position of governmental activities.....	\$	<u>53,026,736</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	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.....	\$ 55,892,298	\$ 1,642,586	\$ -	\$ -	\$ -	\$ 57,534,884
Motor vehicle and other excise taxes.....	3,561,619	-	-	-	21,188	3,582,807
Hotel/motel tax.....	3,529,757	-	-	-	-	3,529,757
Charges for services.....	3,451,150	-	-	-	-	3,451,150
Penalties and interest on taxes.....	459,121	779	-	-	-	459,900
Fees.....	1,623,825	-	-	-	537,789	2,161,614
Rentals.....	435,580	-	-	-	-	435,580
Licenses and permits.....	1,011,147	-	-	-	-	1,011,147
Fines and forfeitures.....	-	-	-	-	9,574	9,574
Intergovernmental.....	1,754,766	356,924	2,769	-	1,992,807	4,107,266
Departmental and other.....	1,013,255	-	1,804,634	16,567	108,257	2,942,713
Contributions.....	-	-	-	-	596,324	596,324
Investment income.....	119,172	5,925	-	-	35,199	160,296
Miscellaneous.....	154,765	-	-	-	213,927	368,692
TOTAL REVENUES.....	73,006,455	2,006,214	1,807,403	16,567	3,515,065	80,351,704
EXPENDITURES:						
Current:						
General government.....	3,878,702	-	-	-	441,541	4,320,243
Public safety.....	16,524,966	-	-	-	423,044	16,948,010
Education.....	33,269,068	-	-	-	10,243	33,279,311
Public works.....	6,826,712	-	-	-	1,876,068	8,702,780
Community preservation.....	-	726,431	-	-	-	726,431
Human services.....	1,499,782	-	-	236,069	505,171	2,241,022
Culture and recreation.....	1,715,276	-	-	-	547,028	2,262,304
Pension benefits.....	3,565,448	-	-	-	-	3,565,448
Property and liability insurance.....	610,066	-	-	-	-	610,066
Employee benefits.....	3,252,360	-	-	-	-	3,252,360
State and county charges.....	784,956	-	-	-	-	784,956
Debt service:						
Principal.....	1,834,300	-	-	-	-	1,834,300
Interest.....	237,058	-	-	-	-	237,058
TOTAL EXPENDITURES.....	73,998,694	726,431	-	236,069	3,803,095	78,764,289
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(992,239)	1,279,783	1,807,403	(219,502)	(288,030)	1,587,415
OTHER FINANCING SOURCES (USES):						
Transfers in.....	2,567,299	-	1,015	288,500	473,379	3,330,193
Transfers out.....	(383,265)	(288,500)	(1,675,000)	-	(524,929)	(2,871,694)
TOTAL OTHER FINANCING SOURCES (USES).....	2,184,034	(288,500)	(1,673,985)	288,500	(51,550)	458,499
NET CHANGE IN FUND BALANCES.....	1,191,795	991,283	133,418	68,998	(339,580)	2,045,914
FUND BALANCES AT BEGINNING OF YEAR (as restated)....	11,047,812	5,365,393	1,951,238	6,709,372	4,726,440	29,800,255
FUND BALANCES AT END OF YEAR.....	\$ 12,239,607	\$ 6,356,676	\$ 2,084,656	\$ 6,778,370	\$ 4,386,860	\$ 31,846,169

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, 2017

Net change in fund balances - total governmental funds.....	\$	2,045,914
<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.....		2,064,054
Depreciation expense.....		<u>(2,780,453)</u>
Net effect of reporting capital assets.....		(716,399)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(168,179)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any 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 deferred and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		1,834,300
Principal payments on capital leases.....		<u>39,083</u>
Net effect of reporting long-term debt.....		1,873,383
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(15,524)
Net change in landfill liability.....		50,000
Net change in accrued interest on long-term debt.....		14,261
Net change in deferred outflow/(inflow) of resources related to pensions.....		391,366
Net change in net pension liability.....		(3,579,778)
Net change in other postemployment benefits obligation.....		<u>825,876</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(2,313,799)</u>
Change in net position of governmental activities.....	\$	<u>720,920</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Septage Enterprise	Water Enterprise	Golf Enterprise	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 2,831,942	\$ 5,701,409	\$ 1,000,795	\$ 9,534,146
Receivables, net of allowance for uncollectibles:				
Water fees.....	-	2,694,254	-	2,694,254
Septage fees.....	381,565	-	-	381,565
Total current assets.....	<u>3,213,507</u>	<u>8,395,663</u>	<u>1,000,795</u>	<u>12,609,965</u>
NONCURRENT:				
Capital assets, nondepreciable.....	1,265,046	4,231,306	9,974,300	15,470,652
Capital assets, depreciable.....	2,213,739	21,991,764	5,478,780	29,684,283
Total noncurrent assets.....	<u>3,478,785</u>	<u>26,223,070</u>	<u>15,453,080</u>	<u>45,154,935</u>
TOTAL ASSETS.....	<u>6,692,292</u>	<u>34,618,733</u>	<u>16,453,875</u>	<u>57,764,900</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions.....	-	184,468	153,796	338,264
LIABILITIES				
CURRENT:				
Warrants payable.....	51,434	77,286	81,434	210,154
Accrued interest.....	3,368	-	2,768	6,136
Other liabilities.....	-	-	1,942	1,942
Unearned revenue.....	-	-	28,527	28,527
Capital lease obligations.....	-	-	97,548	97,548
Compensated absences.....	-	10,106	16,006	26,112
Notes payable.....	-	-	1,625,000	1,625,000
Bonds payable.....	275,000	-	292,900	567,900
Total current liabilities.....	<u>329,802</u>	<u>87,392</u>	<u>2,146,125</u>	<u>2,563,319</u>
NONCURRENT:				
Capital lease obligations.....	-	-	152,582	152,582
Compensated absences.....	-	40,425	64,022	104,447
Other postemployment benefits obligation.....	-	478,306	398,873	877,179
Net pension liability.....	-	1,494,624	1,246,106	2,740,730
Bonds payable.....	1,976,000	-	614,000	2,590,000
Total noncurrent liabilities.....	<u>1,976,000</u>	<u>2,013,355</u>	<u>2,475,583</u>	<u>6,464,938</u>
TOTAL LIABILITIES.....	<u>2,305,802</u>	<u>2,100,747</u>	<u>4,621,708</u>	<u>9,028,257</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions.....	-	49,813	41,529	91,342
NET POSITION				
Net investment in capital assets.....	1,227,785	26,223,070	14,296,050	41,746,905
Unrestricted.....	3,158,705	6,429,571	(2,351,616)	7,236,660
TOTAL NET POSITION.....	<u>\$ 4,386,490</u>	<u>\$ 32,652,641</u>	<u>\$ 11,944,434</u>	<u>\$ 48,983,565</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

	Septage Enterprise	Water Enterprise	Golf Enterprise	Total
OPERATING REVENUES:				
Charges for services	\$ 2,609,799	\$ 4,916,430	\$ 3,353,980	\$ 10,880,209
Intergovernmental.....	2,544	-	-	2,544
TOTAL OPERATING REVENUES	2,612,343	4,916,430	3,353,980	10,882,753
OPERATING EXPENSES:				
Cost of services and administration	1,039,771	3,079,012	3,025,019	7,143,802
Depreciation.....	206,625	1,552,285	503,772	2,262,682
TOTAL OPERATING EXPENSES	1,246,396	4,631,297	3,528,791	9,406,484
OPERATING INCOME (LOSS).....	1,365,947	285,133	(174,811)	1,476,269
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	582	-	607	1,189
Interest expense.....	(98,132)	-	(69,520)	(167,652)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(97,550)	-	(68,913)	(166,463)
INCOME (LOSS) BEFORE TRANSFERS.....	1,268,397	285,133	(243,724)	1,309,806
TRANSFERS:				
Transfers out.....	(114,101)	(344,398)	-	(458,499)
CHANGE IN NET POSITION.....	1,154,296	(59,265)	(243,724)	851,307
NET POSITION AT BEGINNING OF YEAR.....	3,232,194	32,711,906	12,188,158	48,132,258
NET POSITION AT END OF YEAR.....	\$ 4,386,490	\$ 32,652,641	\$ 11,944,434	\$ 48,983,565

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Fund			
	Septage Enterprise	Water Enterprise	Golf Enterprise	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 2,672,236	\$ 5,000,876	\$ 3,353,980	\$ 11,027,092
Receipts from other governments.....	2,544	-	-	2,544
Payments to vendors.....	(1,177,948)	(1,919,854)	(1,803,349)	(4,901,151)
Payments to employees.....	-	(1,200,173)	(1,295,775)	(2,495,948)
NET CASH FROM OPERATING ACTIVITIES.....	1,496,832	1,880,849	254,856	3,632,537
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers out.....	(114,101)	(344,398)	-	(458,499)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	-	-	1,625,000	1,625,000
Acquisition and construction of capital assets.....	(4,530)	(306,926)	(1,041,553)	(1,353,009)
Principal payments on bonds and notes.....	(279,000)	-	(411,800)	(690,800)
Principal payments on capital lease obligations.....	-	-	(94,343)	(94,343)
Interest expense.....	(98,132)	-	(69,520)	(167,652)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(381,662)	(306,926)	7,784	(680,804)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	582	-	607	1,189
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,001,651	1,229,525	263,247	2,494,423
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,830,291	4,471,884	737,548	7,039,723
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,831,942	\$ 5,701,409	\$ 1,000,795	\$ 9,534,146
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 1,365,947	\$ 285,133	\$ (174,811)	\$ 1,476,269
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	206,625	1,552,285	503,772	2,262,682
Deferred (outflows)/inflows related to pensions.....	-	(12,593)	(10,500)	(23,093)
Changes in assets and liabilities:				
Water fees.....	-	84,446	-	84,446
Septage fees.....	62,437	-	-	62,437
Warrants payable.....	(135,409)	(34,372)	20,608	(149,173)
Accrued payroll.....	-	(40,451)	(63,446)	(103,897)
Accrued interest.....	(2,768)	-	(1,059)	(3,827)
Other liabilities.....	-	-	(1,136)	(1,136)
Unearned revenue.....	-	-	(8,114)	(8,114)
Accrued compensated absences.....	-	(8,548)	(32,033)	(40,581)
Net pension liability.....	-	115,183	96,032	211,215
Postemployment benefits obligation.....	-	(60,234)	(74,457)	(134,691)
Total adjustments.....	130,885	1,595,716	429,667	2,156,268
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,496,832	\$ 1,880,849	\$ 254,856	\$ 3,632,537

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefit Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 19,568	\$ 100,731	\$ 560,795
Investments.....	1,937,087	286,169	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	-	71,531
TOTAL ASSETS.....	1,956,655	386,900	632,326
LIABILITIES			
Liabilities due depositors.....	-	-	560,795
Deferred revenue.....	-	-	71,531
TOTAL LIABILITIES.....	-	-	632,326
NET POSITION			
Held in trust.....	\$ <u>1,956,655</u>	\$ <u>386,900</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefit Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions to the trust.....	\$ 1,084,234	\$ -
Employer contributions to pay for OPEB benefits.....	1,713,452	-
Private donations.....	-	29,220
Total contributions.....	<u>2,797,686</u>	<u>29,220</u>
Net investment income (loss):		
Interest.....	48,913	6,040
Less: investment expense.....	-	764
Net investment income (loss).....	<u>48,913</u>	<u>6,804</u>
TOTAL ADDITIONS.....	<u>2,846,599</u>	<u>36,024</u>
DEDUCTIONS:		
OPEB benefits.....	1,713,452	-
Educational scholarships.....	-	6,737
CHANGE IN NET POSITION.....	1,133,147	29,287
NET POSITION AT BEGINNING OF YEAR (as restated).....	<u>823,508</u>	<u>357,613</u>
NET POSITION AT END OF YEAR.....	<u>\$ 1,956,655</u>	<u>\$ 386,900</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 2017. 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>2017 Assessment</u>
Dennis Yarmouth Regional School District Station Avenue, South Yarmouth, MA 02664	To provide K-12 Education	\$ 30,574,191
Cape Cod Municipal Health Group 15 Midstate Drive, Auburn, MA 01501	To provide employee health benefits	2,358,783
Cape Cod Regional Technical High School Route 124, Harwich, MA 02645	To provide vocational education to students 9 - 12 grade	2,694,877
Cape Cod Regional Transit Authority 585 Main Street, Dennis, MA 02638	Provider of regional transportation	146,586

<u>Joint Venture and Address</u>	<u>Purpose</u>	<u>2017 Assessment</u>
District Department of Veterans Services PO Box 429, Hyannis, MA 02601	To provide services to veterans	\$ 39,130
Old King's Highway Regional Historic District Commission 1146 Route 28, South Yarmouth, MA 02664	Historical and cultural preservation	9,750

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 user fees are levied semi-annually for individual and small commercial meter reading and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Septage liens are processed in the second quarter of every year and included as a lien on the property owner's tax bill. Septage 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.

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
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 2017.

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 \$43,276,519 and the bank balance totaled \$43,612,382. Of the bank balance, \$945,898 was covered by Federal Depository Insurance, \$243,942 was covered by Depositor’s Insurance Fund, \$36,948,461 was collateralized, and \$5,474,081 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2017, the Town of Yarmouth had the following investments:

Investment Type	<u>Fair Value</u>	<u>Under 1 Year</u>	<u>Maturity 1-5 Years</u>	<u>5-10 Years</u>
<u>Debt Securities:</u>				
Federal Home Loan Mortgage Corp.... \$	75,222	\$ 75,222	\$ -	\$ -
Federal Home Loan Mortgage Asso....	50,236	-	50,236	-
United States Treasury.....	280,307	61,049	149,660	69,598
Corporate Bonds.....	97,901	-	-	-
Total Debt Securities.....	503,666	\$ 136,271	\$ 199,896	\$ 69,598
<u>Other Investments:</u>				
Equity Securities.....	725,975			
Equity Mutual Funds.....	1,937,087			
MMDT.....	104,574			
Total Investments.....	\$ 3,271,302			

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, 2017, 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, 2017, 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, 2017.

The investment ratings are as follows:

Investment Type	Fair Value	Quality Ratings	
		AAA	BAA
<u>Debt Securities:</u>			
Federal Home Loan Mortgage Corp....	\$ 75,222	\$ 75,222	\$ -
Federal Home Loan Mortgage Asso....	50,236	50,236	-
United States Treasury.....	280,307	280,307	-
Corporate Bonds.....	97,901	-	97,901
Total Debt Securities.....	\$ 503,666	405,765	97,901

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, 2017:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt Securities:</u>				
Corporate bonds.....	\$ 97,901	\$ -	\$ 97,901	\$ -
Federal Home Loan Mortgage Corp.....	75,222	75,222	-	-
Federal Home Loan Mortgage Asso.....	50,236	50,236	-	-
United States Treasury.....	280,307	280,307	-	-
Total debt securities.....	503,666	405,765	97,901	-
<u>Other investments:</u>				
Equity securities.....	725,975	725,975	-	-
Equity mutual funds.....	1,937,087	1,937,087	-	-
Total other investments.....	2,663,062	2,663,062	-	-
Total investments by fair value level.....	3,166,728	3,068,827	97,901	-
Investments measured at amortized cost				
MMDT.....	104,574			
Total Investments.....	\$ 3,271,302			

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, 2017, 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....	\$ 979,583	\$ -	\$ 979,583
Tax liens.....	330,863	-	330,863
Motor vehicle and other excise taxes.....	481,969	-	481,969
Departmental and other.....	967,344	-	967,344
Special assessments.....	27,439	-	27,439
Intergovernmental.....	1,712,200	-	1,712,200
Total.....	<u>\$ 4,499,398</u>	<u>\$ -</u>	<u>\$ 4,499,398</u>

At June 30, 2017, receivables for the enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Septage fees.....	\$ 381,565	\$ -	\$ 381,565
Water fees.....	2,694,254	-	2,694,254
Total.....	<u>\$ 3,075,819</u>	<u>\$ -</u>	<u>\$ 3,075,819</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	Community Preservation Fund	Ambulance Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>					
Real estate and personal property taxes....	\$ 631,333	\$ 20,327	\$ -	\$ -	\$ 651,660
Tax liens, foreclosure and litigation.....	322,478	8,385	-	-	330,863
Motor vehicle and other excise taxes.....	481,971	-	-	-	481,971
Departmental and other.....	142,862	-	824,483	-	967,345
Special assessments.....	-	-	-	27,439	27,439
Intergovernmental.....	166,689	247,300	-	1,009,032	1,423,021
Total.....	<u>\$ 1,745,333</u>	<u>\$ 276,012</u>	<u>\$ 824,483</u>	<u>\$ 1,036,471</u>	<u>\$ 3,882,299</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2017, 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>				
Buildings and Improvements.....	33,798,507	81,998	-	33,880,505
Improvements other than buildings.....	14,205,267	3,738	-	14,209,005
Equipment, machinery & vehicles.....	15,622,981	1,688,079	-	17,311,060
Infrastructure.....	41,702,818	290,239	-	41,993,057
Total capital assets being depreciated.....	105,329,573	2,064,054	-	107,393,627
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements.....	(17,978,641)	(738,621)	-	(18,717,262)
Improvements other than buildings.....	(5,125,170)	(326,597)	-	(5,451,767)
Equipment, machinery & vehicles.....	(10,660,891)	(1,148,608)	-	(11,809,499)
Infrastructure.....	(29,313,495)	(566,627)	-	(29,880,122)
Total accumulated depreciation.....	(63,078,197)	(2,780,453)	-	(65,858,650)
Total capital assets being depreciated, net.....	42,251,376	(716,399)	-	41,534,977
Total governmental activities capital assets, net.....	\$ 77,077,760	\$ (716,399)	\$ -	\$ 76,361,361

Capital asset activity for the business-type activities for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Septage Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,265,046	\$ -	\$ -	\$ 1,265,046
Construction in progress.....	117,924	-	(117,924)	-
Total capital assets not being depreciated.....	1,382,970	-	(117,924)	1,265,046
<u>Capital assets being depreciated:</u>				
Buildings and Improvements.....	40,344,035	122,454	-	40,466,489
Improvements other than buildings.....	111,500	-	-	111,500
Equipment, machinery & vehicles.....	530,865	-	-	530,865
Total capital assets being depreciated.....	40,986,400	122,454	-	41,108,854
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements.....	(38,172,048)	(195,475)	-	(38,367,523)
Improvements other than buildings.....	(61,325)	(11,150)	-	(72,475)
Equipment, machinery & vehicles.....	(455,117)	-	-	(455,117)
Total accumulated depreciation.....	(38,688,490)	(206,625)	-	(38,895,115)
Total septage capital assets being depreciated, net.....	2,297,910	(84,171)	-	2,213,739
Total septage capital assets, net.....	\$ 3,680,880	\$ (84,171)	\$ (117,924)	\$ 3,478,785

Water Activities:

Capital assets not being depreciated:

Land.....	\$ 4,231,306	\$ -	\$ -	\$ 4,231,306
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Capital assets being depreciated:

Buildings and Improvements.....	2,150,544	-	-	2,150,544
Improvements other than buildings.....	2,338,036	-	-	2,338,036
Equipment, machinery & vehicles.....	3,585,849	306,926	-	3,892,775
Infrastructure.....	48,887,024	-	-	48,887,024

Total capital assets being depreciated.....	56,961,453	306,926	-	57,268,379
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Less accumulated depreciation for:

Buildings and Improvements.....	(764,728)	(57,066)	-	(821,794)
Improvements other than buildings.....	(1,211,555)	(109,345)	-	(1,320,900)
Equipment, machinery & vehicles.....	(2,597,629)	(324,060)	-	(2,921,689)
Infrastructure.....	(29,150,418)	(1,061,814)	-	(30,212,232)

Total accumulated depreciation.....	(33,724,330)	(1,552,285)	-	(35,276,615)
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Total water capital assets being depreciated, net.....	23,237,123	(1,245,359)	-	21,991,764
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Total water capital assets, net.....	\$ 27,468,429	\$ (1,245,359)	\$ -	\$ 26,223,070
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Beginning Balance	Increases	Decreases	Ending Balance
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Golf Course Activities:

Capital assets not being depreciated:

Land.....	\$ 9,974,300	\$ -	\$ -	\$ 9,974,300
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Capital assets being depreciated:

Buildings and Improvements.....	1,293,947	-	-	1,293,947
Improvements other than buildings.....	10,274,760	1,041,553	-	11,316,313
Equipment, machinery & vehicles.....	1,850,791	-	-	1,850,791

Total capital assets being depreciated.....	13,419,498	1,041,553	-	14,461,051
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Less accumulated depreciation for:

Buildings and Improvements.....	(639,972)	(33,196)	-	(673,168)
Improvements other than buildings.....	(6,782,479)	(421,084)	-	(7,203,563)
Equipment, machinery & vehicles.....	(1,056,048)	(49,492)	-	(1,105,540)

Total accumulated depreciation.....	(8,478,499)	(503,772)	-	(8,982,271)
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Total golf course capital assets being depreciated, net.....	4,940,999	537,781	-	5,478,780
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Total golf course capital assets, net.....	\$ 14,915,299	\$ 537,781	\$ -	\$ 15,453,080
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government.....	\$ 130,885
Public safety.....	1,072,181
Education.....	63,151
Public works.....	1,010,105
Health and human services.....	53,949
Culture and recreation.....	425,121
Community development.....	<u>25,061</u>
 Total depreciation expense - governmental activities.....	 \$ <u>2,780,453</u>
 Business-Type Activities:	
Septage.....	\$ 206,625
Water.....	1,552,285
Golf.....	<u>503,772</u>
 Total depreciation expense - business-type activities.....	 \$ <u>2,262,682</u>

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:				Total
	General Fund	Ambulance Fund	Municipal Affordable Housing Trust	Nonmajor Governmental Funds	
General Fund.....	\$ -	\$ 1,015	-	\$ 382,250	\$ 383,265 (1)
Community Preservation Fund.....	-	-	288,500	-	288,500 (2)
Ambulance Fund.....	1,675,000	-	-	-	1,675,000 (3)
Nonmajor Governmental Funds.....	433,800	-	-	91,129	524,929 (4)
Septage Fund.....	114,101	-	-	-	114,101 (5)
Water Fund.....	<u>344,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,398 (5)</u>
 Total.....	 \$ <u>2,567,299</u>	 \$ <u>1,015</u>	 <u>288,500</u>	 \$ <u>473,379</u>	 \$ <u>3,330,193</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 the golf enterprise fund.
- (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 2017:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
Governmental Funds							
BAN	Municipal Purpose.....	0.78%	06/29/17	\$ 125,000	\$ -	\$ (125,000)	\$ -
Enterprise Funds							
	Municipal Purpose.....	1.20%	6/28/2018	\$ -	\$ 1,625,000	\$ -	\$ 1,625,000

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The Town 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:	Governmental Activities	Business-Type Activities
Machinery and equipment.....	\$ 121,555	\$ 436,526
Less: accumulated depreciation.....	(48,622)	(147,855)
Total.....	\$ 72,933	\$ 288,671

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, 2017:

Years Ending June 30	Governmental Activities	Business-Type Activities
2018.....	\$ 41,971	\$ 104,441
2019.....	-	104,441
2020.....	-	52,223
Total minimum lease payments.....	41,971	261,105
Less: amounts representing interest.....	(1,470)	(10,975)
Present value of minimum lease payments.....	<u>\$ 40,501</u>	<u>\$ 250,130</u>

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, 2017, and the debt service requirements are as follows:

GOVERNMENTAL FUNDS							
Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2017
MCWT - Series 3 Title V Loan	2017	\$ 199,807	4.00	\$ 11,100	-	\$ (11,100)	-
MCWT - Series 4 (97-46).....	2019	3,660,500	0.00	937,900	-	(303,600)	634,300
MCWT - Title V Loan - 97-1155-1.....	2021	197,403	0.00	51,800	-	(10,400)	41,400
Municipal Purpose 2005.....	2019	1,285,000	2.25 - 4.00	33,000	-	(11,000)	22,000
Municipal Purpose 2008.....	2022	2,029,000	3.625 - 4.00	375,000	-	(166,000)	209,000
Municipal Purpose 2009.....	2019	4,240,000	2.00 - 3.00	455,000	-	(190,000)	265,000
Municipal Purpose 2009 - Refunding.....	2018	2,759,000	2.00 - 2.75	370,000	-	(190,000)	180,000
Municipal Purpose 2012 - Series A.....	2025	4,605,926	2.00 - 2.80	2,055,000	-	(240,000)	1,815,000
Municipal Purpose 2012 - Series B.....	2020	3,145,000	2.00 - 3.00	1,315,000	-	(350,000)	965,000
Municipal Purpose Flax Pond	2026	400,000	2.00 - 4.00	330,000	-	(35,000)	295,000
Municipal Purpose 2014 - Refunding.....	2018	366,500	2.00 - 4.00	2,234,300	-	(236,600)	1,997,700
Municipal Purpose 2014 - Refunding.....	2026	3,138,000	2.00 - 4.00	184,000	-	(90,600)	93,400
Total governmental bonds payable.....				<u>\$ 8,352,100</u>	<u>\$ -</u>	<u>\$ (1,834,300)</u>	<u>\$ 6,517,800</u>

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

Year	Principal	Interest	Total
2018.....	\$ 1,665,100	\$ 176,390	\$ 1,841,490
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.....	\$ <u>6,517,800</u>	\$ <u>728,430</u>	\$ <u>7,246,230</u>

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 \$166,689 and interest costs for \$24,500. Thus, net MCWT loan repayments, including interest, are scheduled to be \$467,609. 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 2017 principal and interest subsidies totaled \$76,198 and \$33,508 respectively.

Bonds Payable Schedule – Septage Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Septage Bonds 2009 - Refunding.....	2018	146,000	2.00 - 2.75	\$ 30,000	\$ -	\$ (15,000)	\$ 15,000
Sewer Bonds 2016.....	2026	2,500,000	2.00 - 5.00	2,500,000	-	(264,000)	2,236,000
Total septage enterprise bonds payable.....				\$ <u>2,530,000</u>	\$ -	\$ <u>(279,000)</u>	\$ <u>2,251,000</u>

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

Year	Principal	Interest	Total
2018.....	\$ 275,000	\$ 75,346	\$ 350,346
2019.....	254,000	63,500	317,500
2020.....	253,000	50,825	303,825
2021.....	252,000	38,200	290,200
2022.....	252,000	25,600	277,600
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.....	\$ <u>2,251,000</u>	\$ <u>291,921</u>	\$ <u>2,542,921</u>

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 2017 principal and interest subsidies totaled \$0 and \$2,544, respectively.

Bonds Payable Schedule – Golf Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Golf Bond of 2005.....	2019	1,275,000	2.25 - 4.00	\$ 267,000	\$ -	\$ (89,000)	\$ 178,000
Golf Bond of 2008.....	2022	2,050,000	3.625 - 4.00	775,000	-	(120,000)	655,000
Golf Bonds of 2009 - Refunding.....	2018	658,000	2.00 - 2.75	140,000	-	(70,000)	70,000
Golf Bonds of 2014 - Refunding.....	2018	29,900	2.00 - 4.00	11,700	-	(7,800)	3,900
Total golf enterprise bonds payable.....				\$ 1,193,700	\$ -	\$ (286,800)	\$ 906,900

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

Year	Principal	Interest	Total
2018.....	\$ 292,900	\$ 32,360	\$ 325,260
2019.....	219,000	22,080	241,080
2020.....	131,000	14,500	145,500
2021.....	132,000	8,700	140,700
2022.....	132,000	2,900	134,900
Total.....	\$ 906,900	\$ 80,540	\$ 987,440

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the Town had the following authorized and unissued debt:

Purpose	Amount
Bayberry Hills Golf Improvements.....	\$ 360,574
DY School Improvements.....	272,000
Mattacheese Design Study.....	750,000
Total.....	\$ 1,382,574

Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 8,352,100	\$ -	\$ (1,834,300)	\$ 6,517,800	\$ 1,665,100
Landfill Closure.....	650,000	-	(50,000)	600,000	50,000
Compensated Absences.....	824,618	15,524	-	840,142	168,028
Other Postemployment Benefits.....	9,605,041	(825,876)	-	8,779,165	-
Net Pension Liability.....	42,871,625	13,206,847	(9,627,069)	46,451,403	-
Capital Leases.....	79,584	-	(39,083)	40,501	40,501
Total governmental.....	<u>\$ 62,382,968</u>	<u>\$ 12,396,495</u>	<u>\$ (11,550,452)</u>	<u>\$ 63,229,011</u>	<u>\$ 1,923,629</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 3,723,700	\$ -	\$ (565,800)	\$ 3,157,900	\$ 567,900
Compensated Absences.....	171,140	-	(40,581)	130,559	26,112
Other Postemployment Benefits.....	1,011,870	(134,691)	-	877,179	-
Net Pension Liability.....	2,529,515	747,585	(536,370)	2,740,730	-
Capital Leases.....	344,473	-	(94,343)	250,130	97,548
Total business-type.....	<u>\$ 7,780,698</u>	<u>\$ 612,894</u>	<u>\$ (1,237,094)</u>	<u>\$ 7,156,498</u>	<u>\$ 691,560</u>

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	Non-Major Governmental
FUND BALANCES:					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	679,218
Restricted for:					
Community preservation fund.....	-	6,356,676	-	-	-
Ambulance fund.....	-	-	2,084,656	-	-
Massachusetts affordable housing trust.....	-	-	-	6,778,370	-
Town grant funds.....	-	-	-	-	533,795
Town revolving funds.....	-	-	-	-	2,011,198
Town Gift funds.....	-	-	-	-	624,443
Insurance reimbursement funds.....	-	-	-	-	127,447
Permanent funds.....	-	-	-	-	460,151
Cemetery perpetual care.....	-	-	-	-	28,058
Committed to:					
General government.....	60,167	-	-	-	-
Public safety.....	151	-	-	-	-
Public works.....	20,953	-	-	-	-
Human services.....	12,818	-	-	-	-
Culture and recreation.....	6,170	-	-	-	-
Assigned to:					
General government.....	63,951	-	-	-	-
Public safety.....	33,259	-	-	-	-
Public works.....	351,789	-	-	-	-
Human services.....	47,708	-	-	-	-
Balance the FY18 operating budget.....	2,826,108	-	-	-	-
Unassigned.....	8,816,533	-	-	-	(77,450)
TOTAL FUND BALANCES.....	\$ 12,239,607	\$ 6,356,676	\$ 2,084,656	\$ 6,778,370	\$ 4,386,860

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 \$3.0 million in the general stabilization fund and \$641,000 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, 2017, the Group had a net position of \$16.3 million.

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, 2016, was \$3,970,199, 20.53% 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, 2017, the Town reported a liability of \$49,192,133 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the Town’s proportion was 7.002%, which changed from its 7.211% proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the Town recognized pension expense of \$7,346,735. At June 30, 2017, the Town reported deferred outflows and deferred inflows of resources related to pensions of \$6,071,329 and \$1,639,470, respectively.

The balances of deferred outflows at June 30, 2017 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between projected and actual earnings.....	\$ 2,796,231	\$ -	\$ 2,796,231
Changes in assumptions.....	2,918,109	-	2,918,109
Changes in proportionate share of contributions.....	356,989	(1,009,170)	(652,181)
Differences between expected and actual experience.....	<u>-</u>	<u>(630,300)</u>	<u>(630,300)</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 6,071,329</u>	<u>\$ (1,639,470)</u>	<u>\$ 4,431,859</u>

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

Year ended June 30:

2018.....	\$ 1,266,708
2019.....	1,266,708
2020.....	1,249,784
2021.....	387,864
2022.....	<u>260,795</u>
Total.....	<u>\$ 4,431,859</u>

Actuarial Assumptions - The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Appropriations increase at 5.28% per year
Remaining amortization period.....	20 years from July 1, 2016 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability and remaining unfunded liability, and 6 years from July 1, 2016 for 2010 Early Retirement Incentive.
Asset valuation method.....	A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments and administrative expenses). Twenty percent of the difference between the market value of the assets as reported in the Association's Annual Statement and the preliminary actuarial value of assets is added to the preliminary actual value. In order for the actuarial value to not differ too significantly from the market value of assets, the final actuarial of assets must be within 20% of the market value of the assets.
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of living adjustments.....	3.0% of the first \$16,000 of retirement income as of July 1, 2015. 3.0% of the first \$17,000 of retirement income as of July 1, 2017.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected generationally with a Scale BB2D from 2009.
Healthy Retiree.....	The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB2D from 2009.
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally with Scale BB2D from 2009.
Investment rate of return/Discount rate.....	7.625%, net of pension plan investment expense, including inflation previously 7.75%

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, 2016, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Domestic equity.....	6.44%	18%
International developed markets equity.....	7.40%	16%
International emerging markets equity.....	9.42%	6%
Core fixed income.....	2.02%	13%
High-yield fixed income.....	4.43%	10%
Real estate.....	5.00%	10%
Commodities.....	4.43%	4%
Hedge fund, GTAA, Risk parity.....	3.75%	13%
Private equity.....	10.47%	10%
		100%

Rate of return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.4%. 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 7.625%. 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 position liability, calculated using the discount rate of 7.625%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.625%) or 1-percentage-point higher (8.625%) than the current rate:

	1% Decrease (6.625%)	Current Discount (7.625%)	1% Increase (8.625%)
The Town's proportionate share of the net pension liability.....	\$ 62,597,520	\$ 49,192,133	\$ 37,885,350

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Yarmouth administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired 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.

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. For 2017, the Town contributed \$2.7 million to the plan.

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.

During 2017, the Town pre-funded future OPEB liabilities totaling approximately \$1,084,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statement. As of June 30, 2017, the balance of this fund totaled \$2.6 million.

Plan Membership – The following table represents the Plan’s membership at June 30, 2017:

Active members.....	170
Inactive employees or beneficiaries currently receiving benefits.....	<u>194</u>
Total.....	<u><u>364</u></u>

Components of OPEB Liability – Components of the other postemployment benefits liability as of June 30, 2017, were as follows:

Total OPEB liability.....	\$ 20,214,868
Less: OPEB plan's fiduciary net position.....	<u>(2,603,626)</u>
Net OPEB liability.....	<u><u>\$ 17,611,242</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	12.88%

Significant Actuarial Assumptions – The total other postemployment benefit liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions:

Valuation date.....	Actuarially determined contribution for fiscal year ending June 30, 2017 was determined with the June 30, 2016 actuarial valuation.
Actuarial cost method.....	Individual Entry Age Normal - Level Percentage of Payroll.
Asset valuation method.....	Market Value of Assets as of the Reporting Date, June 30, 2017.
Discount Rate.....	7.00% as of June 30, 2017 and 7.00% as of June 30, 2016.
Investment rate of return.....	7.25% for assets invested in the State Retiree Benefits Trust Fund, 7.0% for all others.
Inflation.....	3.50%.
Salary increases.....	Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6.00% decreasing over 9 years to an ultimate 4.25%. Service-related increases for Group 4 members: 7.00% decreasing over 5 years to an ultimate level of 4.75%. Service-related increases for Teachers: 7.50% decreasing over 20 years to an ultimate level of 4.00%.

Healthcare trend rates:

Cape Cod Municipal Health Group.....	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. Dental: 2.1% for 1 year, then 4.5% per year.
Group Insurance Commission of the Commonwealth of Massachusetts.....	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 contributions.....	Retiree contributions are expected to increase with the respective trend shown above.

Pre-Retirement mortality:

Healthy non-teachers.....	RP-2000 Employee Mortality Table projected generationally with scale BB2D from 2009.
Healthy non-teachers (Falmouth).....	RP-2000 Employee Mortality Table projected generationally with scale BB from 2009.
Healthy teachers.....	RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016.

Post-Retirement mortality:

Healthy non-teachers.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB2D from 2009.
Healthy non-teachers (Falmouth).....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB from 2009.
Healthy teachers.....	RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.
Disabled non-teachers.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB2D from 2015.
Disabled non-teachers (Falmouth).....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB from 2012.
Disabled teachers.....	RP-2014 Healthy Annuitant Mortality Table set forward 4 years and projected generationally with Scale BB2B from 2014.

Investment Policy

The Town’s policy in regard to the allocation of invested assets is established and may be amended by the Town Council by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

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

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	18%	6.44%
International developed markets equity.....	16%	7.40%
International emerging markets equity.....	6%	9.42%
Core fixed income.....	13%	2.02%
High-yield fixed income.....	10%	4.43%
Real estate.....	10%	5.00%
Commodities.....	4%	4.43%
Hedge fund, GTAA, risk parity.....	13%	3.75%
Private equity.....	10%	10.47%
Total Asset Allocation.....	100.00%	

Sensitivity of the net position 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 rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability.....	\$ 20,072,880	\$ 17,611,242	\$ 15,553,455

Sensitivity of the net position liability to changes in the healthcare trend. The following table presents the net other postemployment benefit liability, calculated using the 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 than the current rate.

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB liability.....	\$ 15,177,935	\$ 17,611,242	\$ 20,630,876

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

The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 1,539,321
Interest on net OPEB obligation.....	743,184
Adjustments to annual required contribution.....	<u>(569,053)</u>
Annual OPEB cost (expense).....	1,713,452
Contributions made (including retired teachers).....	<u>(2,674,019)</u>
Increase in net OPEB obligation.....	(960,567)
Net OPEB obligation - beginning of year.....	<u>10,616,911</u>
Net OPEB obligation - end of year.....	<u>\$ 9,656,344</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the preceding three years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 1,713,452	156.1%	\$ 9,656,344
6/30/2016	2,349,621	43.0%	10,616,911
6/30/2015	2,214,553	41.7%	9,277,510

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	\$ 823,508	\$ 19,243,661	\$ 18,420,153	4.3%	\$ 23,407,908	78.69%
6/30/2014	200,000	28,187,452	27,987,452	0.7%	N/A	N/A
6/30/2012	-	24,258,510	24,258,510	0.0%	N/A	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2016, actuarial valuation, actuarial liabilities were determined using the projected unit credit method. The actuarial assumptions included a 7.00% investment return assumption, which is based on the expected yield of the assets of the Town, calculated based on the funded level of the plan at the valuation date, an annual medical/prescription drug cost trend rate of: 10.5% initially, then 7% decreasing 0.5% for six years to an ultimate level of 4.5% per year for members under age 65 and 1.9% initially, then 7.0% decreasing by 0.5% for ten years to an ultimate level of 4.5% per year for members over age 65, a GIC medical/prescription drug cost trend rate of 6.8% then 8.5% decreasing by 0.5% for eight years to an ultimate level of 5.0% per year for members under age 65 and 1.6% then 8.5% decreasing 0.5% for eight years to an ultimate rate of 5.0% per year for members over age 65, and included a 3.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized over a 30 year open period using a level percentage of projected payroll with amortization payments increasing at 3.5% per year. The asset valuation method being used is market value. The remaining amortization period at June 30, 2016 is 30 years.

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 \$600,000 post-closure care liability at June 30, 2017, 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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 10, 2018, which is the date the financial statements were available to be issued.

NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- 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 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER SOURCES AND USES
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 55,606,603	\$ 55,606,603	\$ 55,606,603
Motor vehicle and other excise taxes.....	-	3,215,000	3,215,000	3,215,000
Hotel/motel/meals tax.....	-	3,254,000	3,254,000	3,254,000
Charges for services.....	-	3,185,616	3,185,616	3,185,616
Penalties and interest on taxes.....	-	200,000	200,000	200,000
Fees, fines and forfeitures.....	-	1,050,000	1,050,000	1,050,000
Rentals.....	-	397,000	397,000	397,000
Licenses and permits.....	-	1,142,000	1,142,000	1,142,000
Intergovernmental.....	-	1,558,990	1,558,990	1,558,990
Departmental and other.....	-	1,338,000	1,338,000	1,338,000
Investment income.....	-	55,000	55,000	55,000
Other.....	-	-	-	-
TOTAL REVENUES.....	-	71,002,209	71,002,209	71,002,209
EXPENDITURES:				
Current:				
General Government.....	468,755	3,756,422	4,225,177	4,218,394
Public Safety.....	1,645,679	14,926,366	16,572,045	16,660,756
Education.....	-	33,269,068	33,269,068	33,269,068
Public Works.....	851,340	4,834,065	5,685,405	5,938,534
Human Services.....	99,385	1,509,891	1,609,276	1,657,581
Culture and Recreation.....	104,727	1,175,822	1,280,549	1,725,688
Pension benefits.....	-	3,565,449	3,565,449	3,565,448
Employee benefits.....	36,050	2,856,000	2,892,050	2,892,051
Property and liability insurance.....	-	598,593	598,593	611,150
Claims and judgements.....	-	-	-	-
State and county charges.....	-	788,649	788,649	788,649
Debt service:				
Principal.....	-	1,766,104	1,766,104	1,758,102
Interest.....	-	217,830	217,830	226,557
TOTAL EXPENDITURES.....	3,205,936	69,264,259	72,470,195	73,311,978
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,205,936)	1,737,950	(1,467,986)	(2,309,769)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	458,499	458,499	2,559,482
Transfers out.....	-	-	-	(1,862,250)
TOTAL OTHER FINANCING SOURCES (USES)...	-	458,499	458,499	697,232
NET CHANGE IN FUND BALANCE.....	(3,205,936)	2,196,449	(1,009,487)	(1,612,537)
BUDGETARY FUND BALANCE, Beginning of year.....	-	8,005,027	8,005,027	8,005,027
BUDGETARY FUND BALANCE, End of year.....	\$ (3,205,936)	\$ 10,201,476	\$ 6,995,540	\$ 6,392,490

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 55,756,589	\$ -	\$ 149,986
3,561,619	-	346,619
3,529,757	-	275,757
3,451,150	-	265,534
459,121	-	259,121
1,623,825	-	573,825
435,580	-	38,580
1,011,147	-	(130,853)
1,645,060	-	86,070
1,013,255	-	(324,745)
114,583	-	59,583
154,765	-	154,765
<u>72,756,451</u>	<u>-</u>	<u>1,754,242</u>
3,878,702	124,117	215,575
16,524,966	33,410	102,380
33,269,068	-	-
6,826,712	372,742	(1,260,920)
1,499,782	60,526	97,273
1,715,276	6,170	4,242
3,565,448	-	-
2,566,397	-	325,654
610,066	-	1,084
-	-	-
784,956	-	3,693
1,758,102	-	-
203,550	-	23,007
<u>73,203,025</u>	<u>596,965</u>	<u>(488,012)</u>
<u>(446,574)</u>	<u>(596,965)</u>	<u>1,266,230</u>
2,609,694	-	50,212
<u>(1,835,295)</u>	<u>-</u>	<u>(26,955)</u>
<u>774,399</u>	<u>-</u>	<u>23,257</u>
327,825	(596,965)	1,289,487
<u>8,005,027</u>	<u>-</u>	<u>-</u>
\$ <u><u>8,332,852</u></u>	\$ <u><u>(596,965)</u></u>	\$ <u><u>1,289,487</u></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 ASSOCIATION**

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	7.128%	7.211%	7.002%
Town's proportionate share of the net pension liability (asset)..... \$	40,423,041	\$ 45,401,140	\$ 49,192,133
Town's covered employee payroll..... \$	18,697,021	\$ 19,515,284	\$ 19,335,540
Net pension liability as a percentage of covered-employee payroll.....	216.20%	232.64%	254.41%
Plan fiduciary net position as a percentage of the total pension liability.....	60.43%	58.10%	57.28%

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 CONTRIBUTIONS

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

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 presents multi-year trend information on the Town's net other postemployment benefit liability and related ratios.

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

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

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

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

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 512,906
Interest.....	1,352,203
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	(893,901)
Net change in total OPEB liability.....	971,208
Total OPEB liability- beginning.....	19,243,660
Total OPEB liability- ending (a).....	\$ 20,214,868
Plan fiduciary net position	
Contributions- employer	\$ 2,674,019
Net investment income.....	-
Benefit payments.....	(893,901)
Net change in plan fiduciary net position.....	1,780,118
Plan fiduciary net position- beginning.....	823,508
Plan fiduciary net position- ending (b).....	\$ 2,603,626
Town's net OPEB liability- ending (a)-(b).....	\$ 17,611,242
Plan fiduciary net position as a percentage of the total OPEB liability.....	12.88%
Covered-employee payroll.....	\$ 23,407,908
Town's net OPEB liability as a percentage of covered-employee payroll.....	75.24%

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 TOWN CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Actuarially determined contribution.....	\$ 1,539,321
Contributions in relation to the actuarially determined contribution.....	(2,674,019)
Contribution deficiency (excess).....	\$ (1,134,698)
Covered-employee payroll.....	\$ 23,407,908
Contributions as a percentage of covered- employee payroll.....	11.42%

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

June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	3.59%
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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 BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	\$ 823,508	\$ 19,243,661	\$ 18,420,153	4.3%	\$ 23,407,908	78.69%
6/30/2014	200,000	28,187,452	27,987,452	0.7%	N/A	N/A
6/30/2012	-	24,258,510	24,258,510	0.0%	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 1,713,452	\$ 2,674,019	156.06%
6/30/2016	2,237,818	1,010,220	45.14%
6/30/2015	2,118,315	922,664	43.56%
6/30/2014	1,978,094	689,301	34.85%
6/30/2013	1,875,864	645,702	34.42%
6/30/2012	1,847,430	913,274	49.43%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	June 30, 2016
Actuarial cost method.....	Entry Age Normal - Level percentage of payroll
Amortization method.....	Amortization payments increasing at 3.5%
Remaining amortization period.....	30 years open
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	7.00%
Discount rate.....	7.00%
Inflation rate.....	3.5%
Projected salary increases.....	Service-related for Group 1 (excluding Teachers) and Group 2 employees: 6.00% decreasing over 9 years to an ultimate level of 4.25%. Service related increases for Group 4 members: 7.00% decreasing over 5 years to an ultimate level of 4.75%. Service related increases for Teachers: 7.50% decreasing over 20 years to an ultimate level of 4.00%
Medical/Prescription drug cost trend rate.....	Under 65: 10.5%, then 7.0% decreasing by 0.5% for 6 years to an ultimate rate of 4.5% per year Over 65: 1.9% then 7.0% decreasing by 0.5% for 10 years to an ultimate level of 4.5% per year
GIC Medical/Prescription drug cost trend rate.....	Under 65: 6.8% then 8.5% decreasing by 0.5% for 8 years to an ultimate rate of 5.0% per year Over 65: 1.6% then 8.5% decreasing by 0.5% for 8 years to an ultimate level of 5.5% per year
Dental.....	None

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 2017 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, 2017, follows.

Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - budgetary basis.....	\$ 327,825
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	129,589
Activity of the capital stabilization fund recorded in the general fund for GAAP.....	641,067
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts.....	15,709
Net change in revenues in recording tax refunds payable.....	120,000
Reclass of transfer station.....	<u>(42,395)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - GAAP basis.....	<u>\$ 1,191,795</u>

Appropriation Deficit – Public works experienced an appropriation deficit due to snow and ice. This deficit will be fund by available and future revenues.

NOTE B – PENSION PLAN

Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of 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.

Changes in Assumptions – The discount rate was change to 7.625% from 7.75%

Changes in Plan Provisions – The asset valuation method was changed.

NOTE C – OTHER POST EMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (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 Plan

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

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

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially required 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.

The Town

The Town currently pre-funded a portion of its OPEB liability. At June 30, 2017, the Town had set aside \$1,956,655 in an OPEB Trust. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 12.88%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

The Schedule of Funding Progress

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.