

TOWN OF FALMOUTH, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year
July 1, 2017 – June 30, 2018

On the cover: Sunset on Quisset Harbor. Named after the Native American equivalent of the “Star of the Sea” due to the five points of indentation on the shore, this is one of several active harbors in Falmouth. (Photo credit: Slack12)



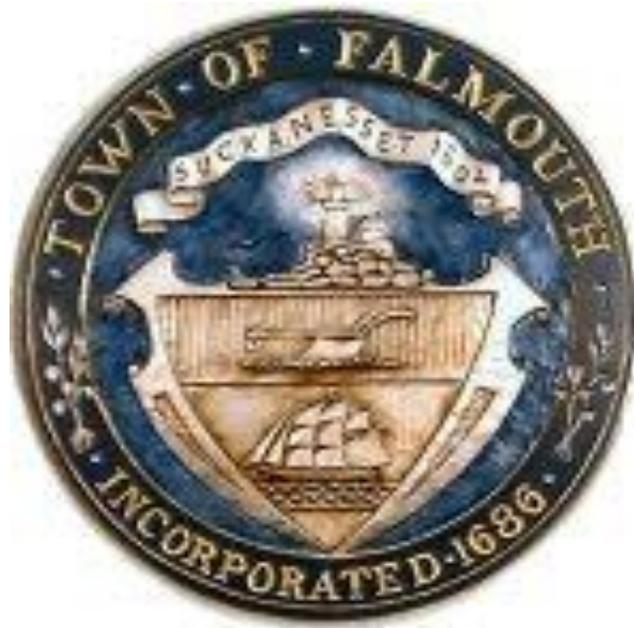
Above: A tranquil beach scene which includes a lonely kayak on a West Falmouth beach. (Photo credit: Slack12)

TOWN OF FALMOUTH, MASSACHUSETTS

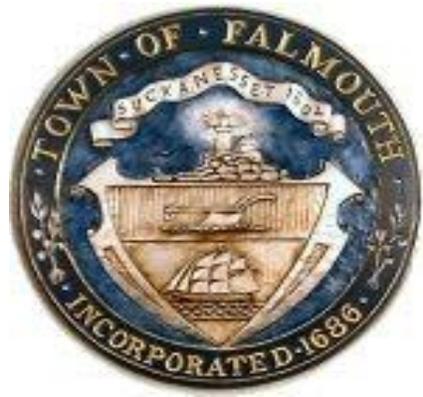
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

Julian M. Suso, Town Manager



*Prepared by the Finance Department
Jennifer Petit, Director of Finance*

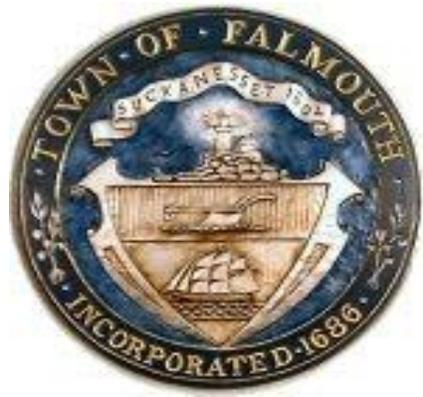


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INTRODUCTORY SECTION



Placed in service during fiscal 2018, the Fire Department added a new mechanics truck to its large fleet of vehicles and equipment. The Ford 350 4x4 which carries 50 gallons of gasoline and 50 gallons of diesel in its tanks cost approximately \$60,000.



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**TOWN OF FALMOUTH, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2018**

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Susan L. Moran, Chairperson
Megan English Braga, Vice Chairperson
Doug Jones
Samuel H. Patterson
Douglas C. Brown



59 Town Hall Square
Falmouth, Massachusetts 02540

Telephone (508) 548-7611
Facimile (508) 457-2573

www.falmouthmass.us

Julian M. Suso
Town Manager

Letter of Transmittal

December 4, 2018

Honorable Board of Selectmen and Citizens of the Town of Falmouth, Massachusetts:

We are pleased to acknowledge that the Town of Falmouth has completed its third *Comprehensive Annual Financial Report (CAFR)*. The report, which was prepared by the Town's Department of Municipal Finance, is for the fiscal year ended June 30, 2018 and we are proud to be one of only about 40 communities in Massachusetts to accomplish this. This transmission is the continuation of what we are confident will continue to be an annual endeavor.

The Town is responsible for the accuracy, completeness and fairness of the data presented in the CAFR. This letter of transmittal and the **management's discussion and analysis**, located in the financial section of the CAFR, provide a comprehensive financial overview of the Town and ensure that the financial and general operations of Town government remain transparent, and therefore open for easy viewing.

The CAFR represents a complete set of financial statements prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America, that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This CAFR meets and exceeds those requirements and presents itself as an informative resource for all those interested in the financial activities of the Town.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and rating agencies as well as its citizens and taxpayers. Since the report consists of management's representations concerning the finances of the Town, management assumes full responsibility for the completeness and reliability of all of the information presented. In addition, management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Falmouth's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. *Throughout this report the Town's water utility services are identified as an Enterprise Fund. The Town has not formally authorized its water utility services as an Enterprise Fund; however these activities meet the guidelines for such treatment under GASB 34.*

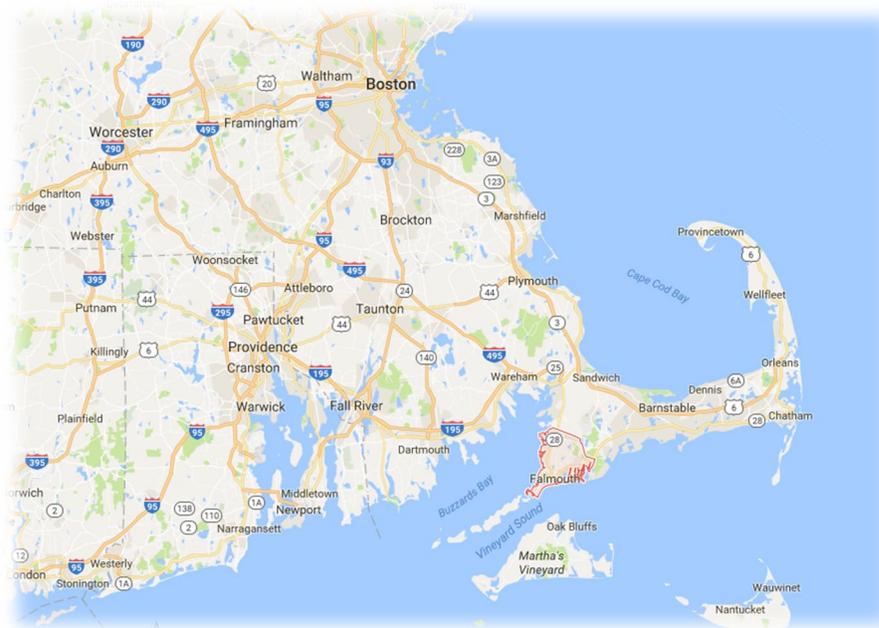
The Town of Falmouth’s financial statements have been audited by Roselli, Clark and Associates, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town’s financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town is part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town’s separately issued Single Audit Reports Pursuant to Title 2 of the US “Code of Federal Regulations” (CFR) Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

Falmouth is situated on Cape Cod, 72 miles southeast of Boston and 239 miles northeast of New York



City. Located in Barnstable County on the southwest end of Cape Cod, it is bordered on the south by both Vineyard and Nantucket Sounds and on the west by Buzzards Bay. The Towns of Bourne and Sandwich border Falmouth to the North and the Town of Mashpee borders it on the East. It occupies a total area of 54 square miles of which 45 square miles is land and is broken up into eight villages consisting of East Falmouth, Falmouth

Village, North Falmouth, Teaticket, West Falmouth, Woods Hole, Hatchville and Waquoit.



The principal highways serving the Town include State routes 28, 28A and 151. Route 28 provides a direct connection to Interstate highway 495 to Worcester, Interstate 195 to Providence and State route 3 directly to Boston. Local transportation is available through the Cape Cod Regional Transit Authority which provides bus service to fourteen towns on Cape Cod including Falmouth. Private bus companies are available for transportation off Cape Cod, primarily to Providence, Boston and New York City. The Hyannis Municipal Airport,

which is located in Barnstable, provides daily air service to Boston's Logan Airport and New York City's John F. Kennedy International Airport. Transportation is also available via ferry service on the Woods Hole Martha's Vineyard and Nantucket Steamship Authority which provides water transportation to the nearby islands of Nantucket and Martha's Vineyard.

Falmouth is primarily a residential resort community with a high stable summer population. A substantial portion of its summer residents either own property in Falmouth or are perennial visitors. The population of the Town increases from about 32,000 year round to approximately 100,000 in the summer.

Falmouth was first settled by English colonists in 1660 and was officially incorporated in 1686. The settlement was named by explorer Bartholomew Gosnold after Falmouth, Cornwall, England his home port. Early principal activities were farming, salt works, shipping, whaling, and sheep husbandry, which was very popular due to the introduction of Merino sheep. The beginnings of water-powered mills could process the wool thus making the process efficient for its time. In 1837, Falmouth averaged about 50 sheep per square mile.

By the 1870s train travel had been introduced to Falmouth, and some of the first summer homes were constructed. Shortly thereafter, cranberries were grown in commercial quantity and strawberries were raised for the Boston market. By the 20th century the beginning of large scale dairying in interior regions became popular and continued to be a significant industry until after World War II. Improvements in highways combined with the heavy use of neighboring Otis Air National Guard Base during World War II, led to significant population growth (400% from 1950 to 2000). Homebuilding booms which began in the 1970s and 1980s continue today. In fact, the Town's aggregate equalized valuation is consistently ranked amongst the top ten in Massachusetts behind communities like Boston, Cambridge and Brookline.

The Town provides a full range of traditional municipal services including police and fire protection, education, ambulance, maintenance of streets, residential curbside trash, recycling, water and sewer services, marine environmental services, senior center, parks and recreational facilities and three libraries.

There are currently seven Town administered schools in Falmouth:

1. Falmouth High School (grades 9 – 12)
2. Lawrence School (grades 7 – 8)
3. Morse Pond (grades 5 – 6)
4. East Falmouth Elementary (grades Pre K – 4)
5. Mullen-Hall (grades K – 4)
6. North Falmouth Elementary (grades K – 4)
7. Teaticket Elementary (grades Pre K – 4)



Falmouth High School



Lawrence Middle School



Morse Pond



Teaticket Elementary



Mullen-Hall Elementary



North Falmouth Elementary



East Falmouth Elementary

Falmouth prides itself on the quality of its school system. The Mission of the Falmouth Public Schools is “to educate students so that they are engaged in their education in a way which develops their capacity to pursue their goals and fosters life-long learning”.

Since 1999, Falmouth has built or completely renovated four of its seven schools. These are state-of-the-art technology-infused schools aimed at preparing its students for the jobs of the new economy. The capstone of the school rebuilding effort was the \$80 million renovation of Falmouth High School, a multi-phased project completed in 2011. Total school construction costs were over \$100 million and were made possible through a partnership with the Commonwealth of Massachusetts which reimbursed the Town about 60% of eligible construction costs through the Massachusetts School Building Authority.

The executive branch of the public schools consists of a nine-member School Committee elected to three-year terms on a staggered basis. The School Committee is the policy setting board. The Superintendent of Schools acts as the Chief Executive Officer responsible for enforcing the policies of the School Committee, and the Director of Finance and Facilities acts as the Chief Financial Officer.



School enrollment for fiscal year 2018 was over 3,400 and funding for schools is provided via taxation and governmental revenues based on a minimum net school spending formula established by the Massachusetts Department of Elementary and Secondary Education (ESE). The Town currently spends above the minimum legal requirement on each student.

The Town operates under the Selectmen, Town Manager and an elected representative Town Meeting form of government. Each of the Town’s 9 precincts elects 27 members. The five elected Selectmen

make policy decisions and the Town Manager is responsible for carrying out and enforcing the policies of the Selectmen and for managing the day to day operations of the Town. The Finance Director acts as the Town’s Chief Financial Officer.



An annual operating budget is approved by Town Meeting in April. This annual budget serves as the foundation for the Town’s financial planning and control. The budget is prepared by fund, function (e.g. general government), department (e.g. finance) and category (e.g. Personnel Services, Purchase of Services, Supplies, Other Charges & Expenses) allowing the department heads to allocate resources within the department. Transfers between categories need approval from Town Meeting unless specifically exempted by State Statute.

Factors Affecting Economic Condition

Property Taxes

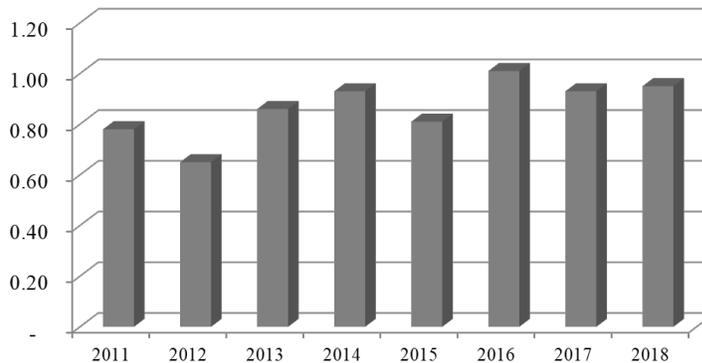
The growth of the Town’s main source of revenues, property taxes, is capped by Proposition 2 ½ and can only be overridden through a vote of Town Meeting and a ballot vote by the voters. While revenue increases have been limited in recent years, fixed costs, including health insurance and pension costs, have increased more proportionally. As a result, balancing the annual budget can be a challenge. Given its geographical location on Cape Cod, the Town does not have a large commercial and industrial property tax base so it relies heavily on residential property taxes. Approximately 92% of the Town’s property taxes are derived from residential taxes therefore new growth is essential to revenue growth and the ability to sustain the Town’s annual costs.

The following tables summarize the Town’s building activity growth in assessed values and tax dollars over the prior several calendar years:

Calendar Year	Building Permits						Totals	
	Residential		Non-residential		Additions			
	Number	Value	Number	Value	Number	Value	Number	Value
2017	85	\$ 25,604,952	6	\$ 1,095,000	1,929	\$ 94,306,811	2,020	\$121,006,763
2016	71	27,769,500	7	3,454,063	2,759	65,840,769	2,837	97,064,332
2015	82	34,557,243	16	137,760,225	2,981	58,236,725	3,079	230,554,193
2014	85	41,408,041	6	3,892,941	2,785	73,345,636	2,876	118,646,618
2013	59	17,451,000	1	3,000,000	2,244	50,224,978	2,304	70,675,978
2012	69	26,628,430	3	5,309,500	2,404	50,544,530	2,476	82,482,460
2011	87	39,480,682	5	17,397,000	2,226	44,678,622	2,318	101,556,304
Total	538	\$212,899,848	44	\$ 171,908,729	17,328	\$437,178,071	17,910	\$821,986,648

2015 increase in non-residential is attributable to water filtration, ozone building, and wastewater treatment plant

New Growth (in millions - tax dollars)



While property taxes are capped under proposition 2 ½ the Town’s voters have periodically elected to exceed the cap and provide additional taxes to be used to offset the Town’s debt burden related to its capital projects. For fiscal year 2018, the voters provided additional taxes in the amount of \$10.3 million in that regard, and total revenues provided from taxes during fiscal year 2018 were almost \$99.7 million.

Tourism

Tourism represents a significant portion of the Town’s private employment as almost 2,500 jobs are devoted to leisure and hospitality, which is, the second largest industry group representing 17% of the Town’s employment base. A significant portion of the Town’s local revenues are directly tied to tourism; these include hotel and room occupancy excise, meals excise, beach charges and marine fees which in aggregate provided the Town with almost \$4 million in revenues during both fiscal years 2017 and 2016.

To that end the Town has a number of attractions and events designed with entertainment, recreation and tourism as the driving factors.



Falmouth Road Race (46 straight years)



Christmas Parade (55 straight years)



Independence Day Fireworks (38 straight years)



Beaches



Cape Cod Summer League Baseball

Economic Development

The Town has been very active on the economic development front. Completing industrial and technological projects that produce a positive and sustainable economic impact for the Town has been a goal for a number of years.

To that end the Town's economic development mission is to:

- Maintain strong residential values.
- Sustain four season community and promote continued investment.
- Maintain low vacancy rate and turnover in commercial property.
- Aggressively compete with other family destinations.
- Improve the appearance of property and the Town.
- Stimulate future investment in the community.

The Falmouth Economic Development Industrial Corporation (Falmouth EDIC) is the Town of Falmouth's primary agency responsible for creating and developing increased economic opportunities for both the present and the future.

The EDIC's goal is a clean, diverse, economic climate that maintains and enhances Falmouth's intellectual and creative capacities, work place opportunities, and natural resources.

With the support of the Town, the Falmouth EDIC has generated new, quality jobs by improving the infrastructure supporting industry in Falmouth. Its accomplishments began with the creation and development of the Falmouth Technology Park two decades ago. Currently, more than a dozen companies in the 106 acre park provide approximately 400 jobs in Falmouth.

There are currently several projects in process related to economic development:

Solar Array

In early October 2014, the Falmouth EDIC started plans to develop a solar array on the old Town landfill site off Thomas Landers Road. The initial steps of completing a feasibility study and obtaining a long-term ground lease for the site were accomplished during fiscal years 2015 and 2016. After an



RFP process, Citizens Energy was selected as the developer. As a bonus, Citizens Energy agreed to develop an additional solar array to generate electricity for 200 homes in Falmouth that qualified with low to moderate incomes.

The first phase of the solar array was completed in fiscal year 2017 producing 4.3 megawatts of clean and renewable energy saving the Town over \$500,000 per year in energy costs. The second phase when developed will generate two more megawatts. It is anticipated that once operational, this will save millions of dollars in electricity costs over the next 20 years.

Falmouth Station

The Falmouth Station is a former railroad station that is currently being used by the Cape Cod Transit Authority and Peter Pan Bus line as a bus depot.



Originally built in 1872 it had undergone significant wear and tear with little renovation over the years and to the left, took on this appearance by fiscal 2015.

In 2015, the Falmouth EDIC entered into a long-term ground lease with Mass DOT to acquire and renovate the historic facility located at 59 Depot Avenue. In conjunction with the lease, Mass DOT provided the Falmouth EDIC with a \$1.4 million grant to renovate the

Station. With the help of its members, local representatives, local business leaders and Mass DOT, the project was completed in the spring of 2017; below is the completed facility.



In fiscal 2018, the Station Grill, a short-order restaurant was added to the facility and is available for dining.



Raymond Park

In the fall of 2003, the EDIC invested \$3 million to acquire twenty acres (including a 10,000 square-foot building) in North Falmouth. The EDIC acquired the site because it is one of the last Light-Industrial zoned properties in Falmouth. Also, a consideration was that the owner, Benthos



Corporation, needed capital to restructure to avoid moving its operation or shutting its doors. The loss of Benthos Corporation operations in North Falmouth would have resulted in the loss of over 100 jobs in the area. Since the EDIC acquired the site, Benthos Corporation has been able to reverse its fortunes and was acquired recently by Teledyne Corporation. Benthos Corporation is now expanding operations on its existing campus and plans to double employment over the next few years.

The Falmouth EDIC subdivided the aforementioned site, now known as Raymond Business and Technology Park, into ten lots and constructed a system of interior roadways and utilities. Six lots have been sold and are being developed. The EDIC has retained ownership of three lots, which are being reconfigured for maximum density prior to being marketed for sale.

Route 28 Master Plan

The Town also initiates projects outside the Falmouth EDIC through its own Planning Department in collaboration with the Department of Public Works. Most recently the Town has undertaken a Transportation Master Plan (TMP) focusing on the development of long and short-term improvements for Route 28. Route 28 is a major arterial that travels in the north/south direction through eastern Massachusetts that provides connections to Boston and Orleans. Route 28 generally runs in the east-west direction through Falmouth and provides access to a variety of land uses including residential, commercial, and the downtown area. A portion of Route 28 also runs in the north-south direction towards the Town of Bourne.



As a primary route in the Town of Falmouth, Route 28 serves both through traffic and local traffic and the efficiency of this route is critical to commerce, tourism and residents and their connectivity to the downtown.

The TMP will summarize the existing amenities available for all modes of transportation traveling through the corridor, determine deficiencies, and provide recommendations and alternatives to improve traffic operations, circulation, signage, parking and pedestrian and bicycle amenities.

This report was developed in coordination with the Town of Falmouth Planning Department and Engineering division of public works, as well as the Planning Board and Board of Selectmen, and will serve as a guide for capital planning and budgeting needs for potential future short term and long term transportation improvement projects on Route 28.

Water and Wastewater System

The Town has currently completed major improvements to its water and wastewater systems.

The Little Pond Sewer Service Area (LPSSA) Project is complete. The goal of this project is to improve water quality in Little Pond. The project includes connection of approximately 1,400 properties on the Maravista peninsula and the eastern portion of Falmouth Heights to the existing Town sewer system, construction of approximately 16 miles of sewer pipe (gravity main, low pressure main, and force main), and construction of two new sewer lift stations, one at the end of Alphonse Street and one on Spring Bars Road.

The entire Little Pond Sewer Service Area is now available for sewer connection. Although all private sewer hookups were initially required to be completed by May of 2018, this has been extended into 2019 for a limited area.

In addition to the Little Pond Sewer Service Area Project, three other related projects are also completed: construction of two new treated wastewater recharge beds north of the existing recharge beds at the Town's main Wastewater Treatment Plant at 154 Blacksmith Shop Road, construction of upgrades to the Main Wastewater Treatment Plant, and construction of upgrades at the three existing wastewater lift stations affected by the Little Pond Sewer Service Area flow.

Improvements to the Town's wastewater system will result in increased property value and growth, expedite commercial redevelopment and expand footprints and bedrooms for homes previously restricted under Title V.

Town Meeting voted in strong support of this \$50 million project, including the establishment of a 70% betterment for the cost of the collection system to be recovered from abutters whose property is directly benefiting from this project.

The Town also recently set into operation a \$46.5 million water filtration system that will pump eight million of the 11 million gallons of water the Town uses daily. More specifically, in October 2017 the Long Pond Water Treatment Plant began pumping water into the distribution system. The plant takes water from Long Pond, removes the algae, ozonates the water, filters the water through activated carbon and disinfects it with sodium hypochlorite. In November Long Pond water turned over as the surface layer got colder. In past years users experienced discolored water when the pond turned over. After 60 days of operation, exceeding all performance parameters, the Town has begun to slowly reduce the amount of chlorine that is added as the system wide demand for disinfection is decreasing with the flow of water from the new plant.



The Long Pond Water Treatment Plant received an ENR New England 2017 Best Project Award in the Water/Environment category, and an Associated Builders & Contractors of Massachusetts Eagle Award in the Public Works – Environmental category.

These major improvements to these vital services are a critical step for the Town as it continues to strive to

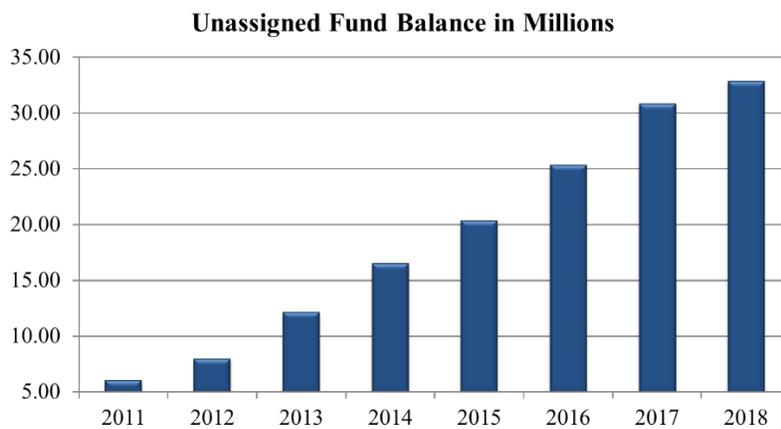
be on the cutting edge of the delivery of basic utility infrastructure services that are environmentally advanced with respect to other Cape Cod communities. A significant portion of the non-betterment

related funding for these projects is provided through loans from the Massachusetts Clean Water Trust at interest rates ranging from 0% to 2%.

Unassigned Fund Balances

One of the methods the Town uses to maintain reserves from year to year is to conservatively forecast revenues. This allows the Town to use free cash (surplus) for reserves, capital projects or other non-operating one-time expenses. In addition, spending controls such as monthly budget monitoring has resulted in turn-backs which also assisted the Town in this process. As a result, the Town has been able to responsibly maintain and/or increase reserves from year to year.

The Town’s unassigned fund balance trend since 2011 is illustrated below:



Long-term Financial Planning

The Town prepares rolling five-year operating budget projections. The Town believes this will (1) provide better insight when preparing annual budgets; (2) alert the Town to any potential budget issues far ahead of when these situations become real; and (3) allow the Town to determine when available financing for its capital needs can be provided or if a need for borrowing to finance projects is required.

The following represents the Town’s five-year revenue projections:

	2019	2020	2021	2022	2022
Real Estate and Personal Property Taxes	\$ 103,152,301	\$ 106,246,870	\$ 109,434,276	\$ 112,717,304	\$ 116,098,824
Intergovernmental Revenue - Local Aid	9,563,762	9,563,762	9,563,762	9,563,762	9,563,762
Intergovernmental Revenue - MSBA	962,492	685,368	685,368	685,368	685,368
Local Receipts	19,717,000	22,350,000	23,000,000	23,000,000	23,000,000
Recurring transfers from special revenue	4,756,056	3,195,479	3,125,848	2,974,922	2,750,000
Total Revenues	\$138,151,611	\$142,041,479	\$145,809,254	\$148,941,356	\$152,097,954

The Town expects that annual budget sources as forecasted will be sufficient to fund annual appropriations.

Capital Improvements

The Town continues to invest aggressively in capital improvements. Since 2005 the Town has invested approximately \$250 million in improving facilities and adding much needed infrastructure.

The following were key capital initiatives:

- Library renovation - \$10.0 million;
- Improvements to schools; almost \$80 million;
- Improvements to road infrastructure: almost \$11 million;
- Improvements to waste water infrastructure: over \$64 million;
- Improvements to water infrastructure: over \$48 million;
- Fire Department additions: almost \$4 million;
- Marina infrastructure; \$2.8 million;
- Land purchases almost \$4 million;
- Public Works buildings; \$6 million;
- Public Works equipment and machinery; \$3 million;
- Recreation improvements; \$1.1 million;
- Police equipment and vehicles; \$2 million.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting. This is a very prestigious award and in order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for this certificate.

The publication of this CAFR represents an important achievement in the ability of the Town of Falmouth to provide enhanced financial information and accountability to its citizens, elected and appointed officials, and investors. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Office. Special thanks also go to the certified public accounting firm of Roselli, Clark and Associates for their advice and assistance in the preparation of this report.

Respectfully submitted,



Julian M. Suso
Town Manager



Jennifer Petit
Municipal Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Falmouth
Massachusetts**

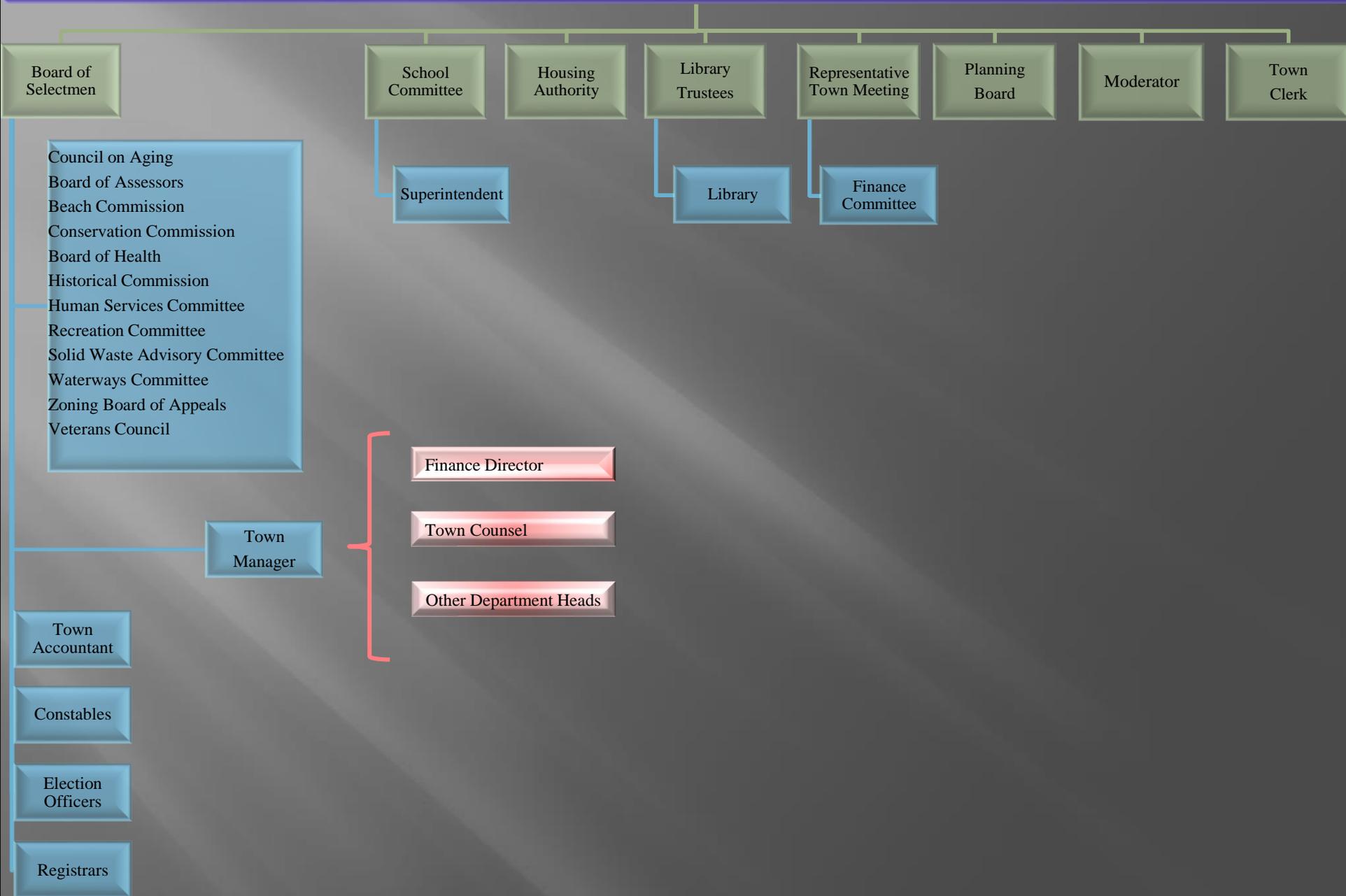
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Falmouth Voters



**PRINCIPAL TOWN OFFICIALS
As of June 30, 2018**

Elected Officials

Board of Selectmen	Susan L. Moran, Chairperson Megan English Braga, Vice-Chairperson Doug Jones Samuel H. Patterson Douglas C. Brown
--------------------	---

Moderator	David Vieira
Town Clerk	Michael Palmer

School Committee	Terri Medeiros, Chairperson Kelly Welch, Vice-Chairperson Melissa Keefe, Secretary Walter Crotty Meghan Cummings Fleck John Furnari William Rider Andrea Thorrold
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Appointed Officials

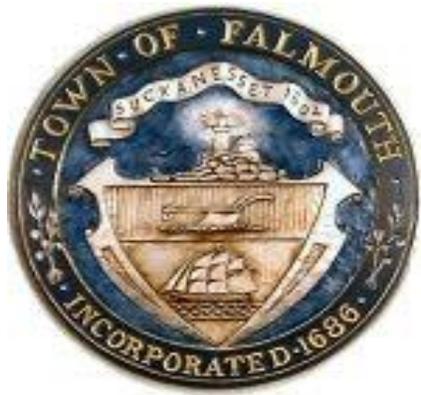
Finance Committee	Keith Schwegel, Chairperson Nick Lowell, Vice Chairperson Susan P. Smith, Secretary Kathleen Beriau Joseph L. Drolette Ron Dyer Peter Hargraves	Mary Harris Judith P. Magnani Deborah D. Maguire James Marnell Wendy Vogel
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Town Manager	Julian M. Suso
Assistant Town Manager	Peter Johnson-Staub
Superintendent of Schools	Lori S. Duerr
Director of Finance	Jennifer Petit
Town Counsel	Frank Duffy Jr.
School Director of Finance	Patrick Murphy
Town Accountant	Victoria Rose
Treasurer/Collector	Patricia O'Connell

FINANCIAL SECTION



The Fourth of July fireworks in Falmouth have been a tradition every year since 1980. Pictured above, a large crowd observes the 2018 event from one of the Town beaches.



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ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Falmouth, Massachusetts
Falmouth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Massachusetts, (the "Town") as of and for the year ended June 30, 2018, (except for the Pension Trust Fund and the Falmouth Economic Development Corporation which are as of December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town's 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town as of June 30, 2018, (except for the Town of Falmouth Contributory Retirement System and the Falmouth Economic Development Corporation, which are as of December 31, 2017) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As disclosed in the Note III to the financial statements, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year 2018. Our opinion was not modified with respect to this matter.

Restatement of Prior Year Ending Balances

As more fully described in Note IV, a restatement of prior year ending net position balances was made to the Town's governmental activities, business-type activities and the Water Enterprise Fund. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

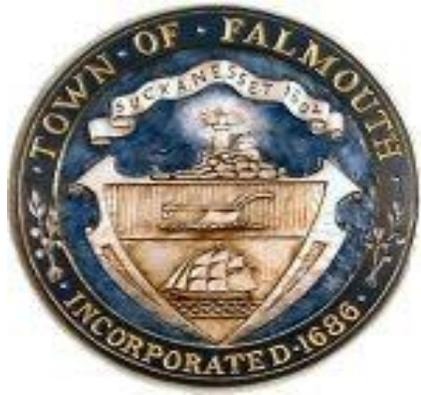
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, 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's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 4, 2018



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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Falmouth, Massachusetts (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

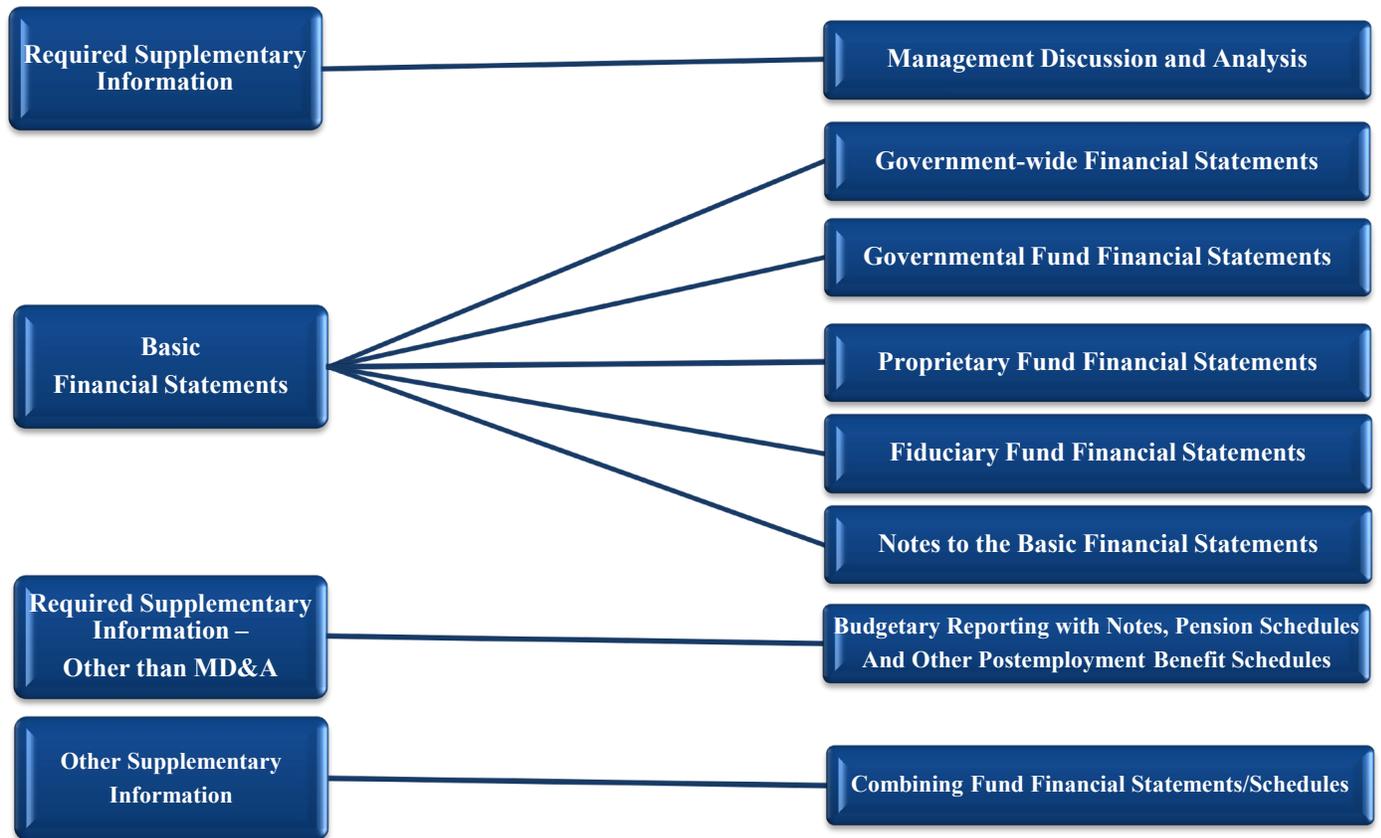
Financial Highlights

- During the year ended June 30, 2018 The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to record a prior period restatement to eliminate the net OPEB obligation recorded in the prior year Town financial statements and record the net OPEB liability at June 30, 2018.
- The assets and deferred outflows of financial resources of the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by almost \$152.9 million (*total net position*). About \$97.3 million represented net position of governmental activities and almost \$55.6 million represented net position of the business-type activities.
- The government's total net position increased by over \$32.4 million after taking into account the impact of the prior period restatement discussed above. The governmental activities increased net position by over \$31.4 million, while the business - type activities increased net position by almost \$1.0 million.
- The Town's Unassigned Fund Balance reported in the General Fund was nearly \$32.8 million (23.8% of General Fund expenditures), while total fund balance in the General Fund was over \$45.7 million (33.1% of General Fund expenditures). Furthermore, the Town reported restricted fund balances of approximately \$6.9 million, \$2.5 million, \$7.6 million and \$13.5 million in the Community Preservation Fund, Capital Projects Fund, Sewer Capital Project Fund, and the combined Nonmajor Governmental Funds, respectively.
- Total debt decreased almost \$5.1 million. Detail of the transactions that contributed to this change are summarized in the long-term debt section of this Management, Discussion and Analysis.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The layout and relationship of the financial statements and supplementary information is visually illustrated as follows:



Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town’s assets, deferred outflows, liabilities and deferred inflows, 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 of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include general government, public safety, highways and streets, education, health and human services, sewer services, debt service, fringe benefits and culture and

recreation. The business-type activities of the Town are comprised completely of the water utility services fund.

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

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund or in other major funds if negative

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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Preservation Fund, Capital Projects Fund and Sewer Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes after the footnotes to the financial statements.

Proprietary Funds – The Town 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 Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The Town uses a proprietary fund to account for its water utility services.

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 System is a Pension Trust that is a legally separate entity reported as a fiduciary fund. Because the System services almost entirely the Town, it is presented as if it were part of the primary government as a fiduciary fund due to the significance of its operations.

Notes to the 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s proportionate share of net pension liability, contributions to pension plan, the Commonwealth's collective share of net pension liability to the Massachusetts Teachers' Retirement System, funding progress and contribution funding of the Town’s other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by approximately \$152.9 million at the close of the most recent fiscal year.

Condensed net position data is presented as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Assets</u>						
Current and other assets	\$ 118,117,166	\$ 96,745,801	\$ 3,371,550	\$ 4,268,920	\$ 121,488,716	\$ 101,014,721
Capital assets, net	297,594,817	296,224,804	102,136,236	102,021,768	399,731,053	398,246,572
Total assets	415,711,983	392,970,605	105,507,786	106,290,688	521,219,769	499,261,293
<u>Deferred Outflows of Resources</u>	9,861,307	11,850,982	230,791	482,000	10,092,098	12,332,982
<u>Liabilities</u>						
Long-term liabilities	305,080,291	241,759,756	49,714,884	43,638,660	354,795,175	285,398,416
Other liabilities	7,191,123	7,594,449	35,043	6,807,412	7,226,166	14,401,861
Total liabilities	312,271,414	249,354,205	49,749,927	50,446,072	362,021,341	299,800,277
<u>Deferred Inflows of Resources</u>	16,000,508	937,000	420,899	42,000	16,421,407	979,000
<u>Net Position</u>						
Net investment in capital assets	186,811,470	177,614,636	57,486,346	56,579,087	244,297,816	234,193,723
Restricted	44,740,958	29,509,733	-	-	44,740,958	29,509,733
Unrestricted	(134,251,060)	(52,593,987)	(1,918,595)	(294,471)	(136,169,655)	(52,888,458)
Net position	\$ 97,301,368	\$ 154,530,382	\$ 55,567,751	\$ 56,284,616	\$ 152,869,119	\$ 210,814,998

By far, the largest portion (almost \$244.3 million) of the Town's net position reflects its investment in capital assets (e.g. 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 related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net position (over \$44.7 million) represents resources that are subject to external restriction on how they may be used.

Unrestricted net position is reported as a deficit, of almost \$136.2 million. This is due to the implementation of GASB 68 and GASB 75 related to the net pension and net OPEB liability of nearly \$59.9 million and over \$126.2 million respectively. This deficit is expected to increase from year to year until a time that the Town adopts an adequate funding schedule for the net OPEB liability. The net pension liability is funded by statute on an annual basis and is expected to be fully funded in less than 20 years.

The condensed statement of changes is as follows:

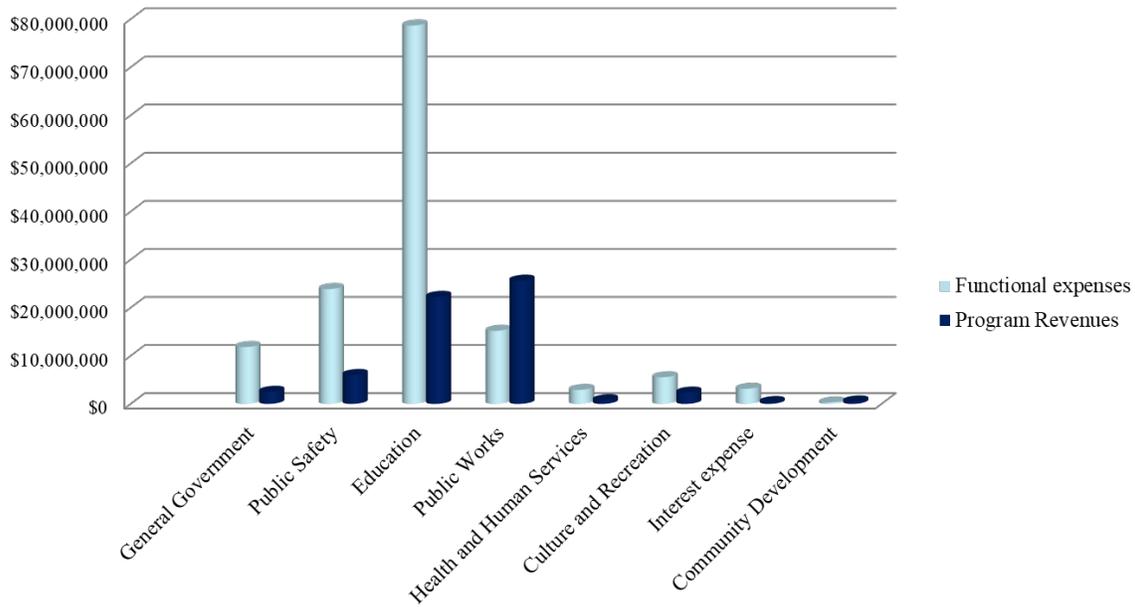
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 12,105,004	\$ 11,171,398	\$ 7,086,150	\$ 7,720,631	\$ 19,191,154	\$ 18,892,029
Operating grants and contributions	23,271,332	23,132,970	-	-	23,271,332	23,132,970
Capital grants and contributions	25,072,885	3,071,927	39,385	383,112	25,112,270	3,455,039
General revenues:						
Property taxes	102,520,551	99,217,665	-	-	102,520,551	99,217,665
Intergovernmental	2,123,564	2,072,280	-	-	2,123,564	2,072,280
Other	8,190,434	8,552,350	(6,033)	12,337	8,184,401	8,564,687
Total Revenues	173,283,770	147,218,590	7,119,502	8,116,080	180,403,272	155,334,670
<u>Expenses</u>						
General government	11,820,927	19,773,863	-	-	11,820,927	19,773,863
Public safety	23,870,579	22,810,827	-	-	23,870,579	22,810,827
Education	78,668,134	78,308,426	-	-	78,668,134	78,308,426
Public works	15,199,826	14,660,542	-	-	15,199,826	14,660,542
Health and human services	2,911,949	3,286,793	-	-	2,911,949	3,286,793
Culture and recreation	5,540,743	5,139,478	-	-	5,540,743	5,139,478
Debt service	3,143,954	3,444,397	-	-	3,143,954	3,444,397
Community preservation	303,282	1,739,406	-	-	303,282	1,739,406
Water	-	-	6,523,023	6,112,808	6,523,023	6,112,808
Total Expenses	141,459,394	149,163,732	6,523,023	6,112,808	147,982,417	155,276,540
Change in net position before transfers	31,824,376	(1,945,142)	596,479	2,003,272	32,420,855	58,130
Transfers	(356,817)	1,220,657	356,817	(1,220,657)	-	-
Change in net position	31,467,559	(724,485)	953,296	782,615	32,420,855	58,130
Net position, beginning of year	154,530,382	155,254,867	56,284,616	55,502,001	210,814,998	210,756,868
Restatement for net OPEB liability	(87,896,422)	-	(1,670,161)	-	(89,566,583)	-
Restatement for uncollectibles	(800,151)	-	-	-	(800,151)	-
Net position, beginning of year, as restated	65,833,809	155,254,867	54,614,455	55,502,001	120,448,264	210,756,868
Net position, end of year	\$ 97,301,368	\$ 154,530,382	\$ 55,567,751	\$ 56,284,616	\$ 152,869,119	\$ 210,814,998

Governmental Activities – The governmental activities increased net position by approximately \$31.5 million (48.3% of governmental activities’ net position).

While other postemployment benefits (\$8.9 million) and depreciation (\$8.4 million) are as expected, the Town does not include these in their budget as the budget is prepared under a statutory (cash) basis of accounting; similar but in reverse, the Town budgets for repayments of debt (\$10.2 million) but this is not included as an expense in the governmental activities’ net position. The net impact for the adjustment of these planned items is expense in excess of revenue by approximately \$7.1 million.

The offset is related to positive operations due to the continued economic expansion in the northeast United States. Revenues exceeded forecast in almost all categories and expenses remained under budget due to budget monitoring controls implemented. The net favorable budget was about \$10.8 million. This combined with special assessments and capital contributions which are being used to subsidize the debt related to the Town’s new wastewater treatment facility of almost \$25.1 million made up the majority of the difference to arrive at the final net operating result.

Fiscal Year 2018 Expenses and Program Revenues – governmental activities are graphically presented as follows:

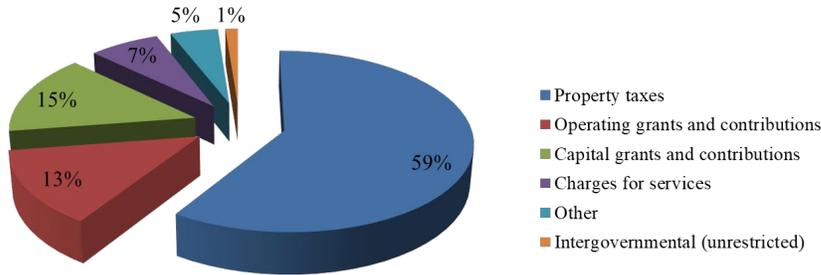


Major revenue sources of governmental activities consist of revenue from:

(1) Property taxes which represented 59.2% of total revenues. This was an increase of \$3.3 million over the prior year, which is reasonable under Massachusetts General Laws; communities are allowed to assess taxes at 2 ½% of the prior year plus any new growth. The Town experienced approximately \$0.9 million increase in new growth. Therefore, this increase met an increase that is expected from year to year.

(2) Operating grants which comprised approximately 13.4% of the total governmental activity revenues; the dollar amount is consistent with the prior year as the Town continues to be the beneficiary of

Revenues



operating grants from the Federal and State Government as well as pass through pension benefits for the Town's teachers who belong to the Massachusetts Teacher's Retirement System.

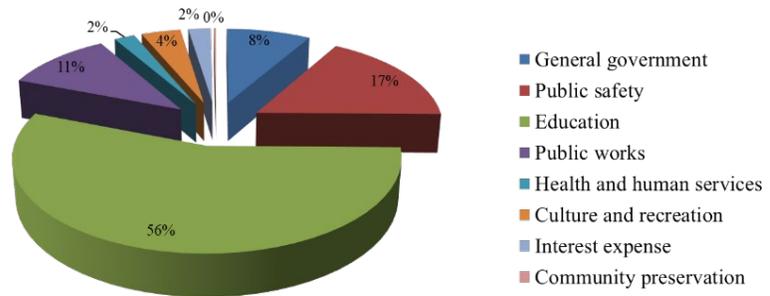
(3) Capital grants and contributions which represented 14.5% of total revenue and approximately \$22.0 million greater than the prior year. This was

due to the special assessments and capital contributions received to subsidize the Town's waste water treatment facility.

The Town's total expenses were \$7.7 million less than the prior year; this was directly related to the prior year amounts including a write-off of capital assets due to an impairment. This was recorded in the general government classification. All other expense amounts were either consistent with the prior year or not material to the overall expenses.

Major expenses consist of the following:

Expenses

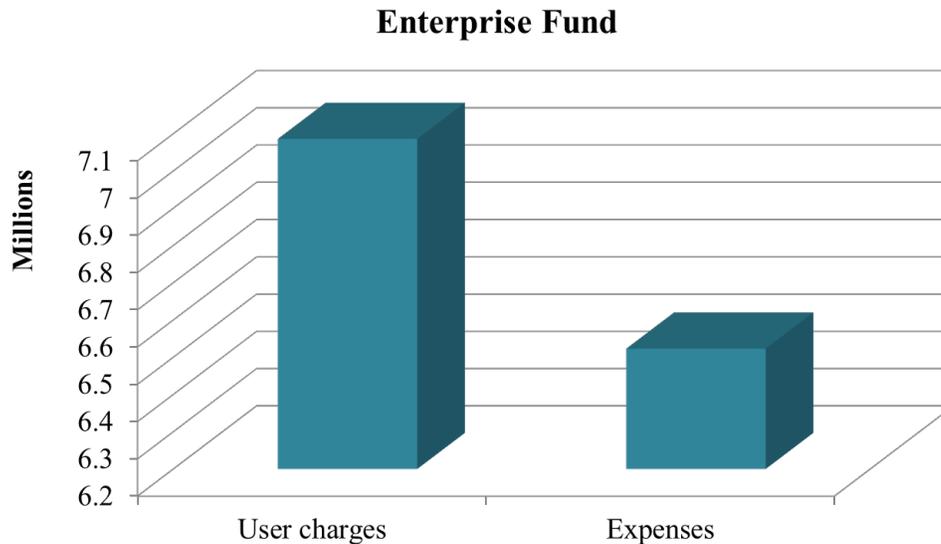


Education costs represent the Town's largest expense category as education continues to be an area in which the Town devotes substantial resources.

Approximately 55.6% of the Town's total disbursements related to education. Public Safety expenses represented approximately 16.9% of total expenses and Public Works expenses represented approximately 10.7% of total expenses. All were consistent in dollar amount with the prior year.

No other expense categories exceeded 10% of total expenses.

Business-type Activities – Net position of the business-type activities increased by almost \$1.0 million (1.7% of business-type activities’ net position) over the prior year balances. Slight increases in consumption led to modest increases in revenue and expenses. Water expenses represented 100% of total business-type expenses. These also include interest expense and depreciation.



Fund-wide Financial Analysis of the Governmental Funds

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of over \$76.1 million, an increase of over \$4.0 million over the prior year. This was primarily due to an increase in the general fund driven by continued positive operations of over \$4.0 million due to the continued expanding economy particularly in Barnstable County which was designated as a Metropolitan Statistical Area during the year. Sewer Capital Projects Funds decreased by almost \$2.0 million as the Town began spending against a prior year bond issuance. Each of the Community Preservation Fund and the aggregate Nonmajor Funds increased almost \$1.0 million and over \$0.8 million respectively due to the timing of revenues and expenditures. In the remainder of the funds, revenues closely approximated expenses.

The Town’s Unassigned Fund Balance reported in the General Fund was nearly \$32.8 million (23.8% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$45.8 million (33.1% of General Fund expenditures). These were both the beneficiary of the operating results discussed in the previous paragraph.

The Town reported a restricted fund balance of approximately \$6.9 million in the Community Preservation Major Fund, up almost \$1.0 million from the prior year due to the timing of revenues and expenditures, and \$2.5 million in the Capital Projects Fund, which was consistent with the prior year.

The Sewer Capital Project Fund reports a restricted fund balance of approximately \$7.6 million a decrease of almost \$2.0 million as discussed above.

The Nonmajor Governmental Funds restricted balance increased slightly to approximately \$13.5 million as revenues exceeded expenditures and transfers by approximately \$0.8 million.

Proprietary Funds – The Town’s proprietary funds consist completely of the Water Utility Services Fund which provides the same type of information found in the government-wide financial statements under Business-type activities. At the end of the year, net position of the Water Fund was approximately \$55.6 million, which represents an almost \$1.0 million increase from the prior year due to an increase in water rates and the capital grant previously discussed.

Fiduciary Funds – The Town’s fiduciary funds are comprised of the Town’s Private Purpose Trust Funds, its Other Postemployment Benefits Trust and its Pension Trust Fund. Total Net Position of these funds is almost \$146.5 million.

The Pension Fund is used to pay pension benefits to retirees. The net position at the end of the year was almost \$144.4 million or about \$17.3 million greater than the prior year. This was primarily due to better than expected market conditions during the year ended December 31, 2017.

The Private Purpose Trust Funds make up almost \$1.6 million of the net position balance at year-end; These assets are used strictly for purposes outside of the public domain such as scholarships and public assistance and increased by a diminimus amount due to earnings from investments exceeding distributions.

In addition, the Town has elected to establish a trust under Chapter 32B Section 20 of the MGL whose sole purpose will be to accumulate funds to reduce the Town’s unfunded net Postemployment liability. This fund increased by approximately \$0.1 million to almost \$0.6 million due to a contribution made by the Town in excess of premiums paid for retirees. The Town anticipates the use of an annual dedicated budget source to fund a portion of the annually determined contribution in future years.

General Fund Budgetary Highlights

The final amended budget was consistent with the original budget as amendments were not significant and in total were less than 1% of total budget.

Major budget to actual differences on the revenue side included Excise, which exceeded forecast by over \$2.3 million, Real estate and personal property which exceeded forecast by approximately \$0.5 million, intergovernmental which exceeded forecast by about \$0.6 million and departmental, user charges and other which exceeded forecast by approximately \$4.3 million. As previously discussed these were a byproduct of the continued economic expansion in the Northeast.

The Town also experienced favorable variances in almost all budget categories as budget monitoring controls implemented in the prior year were very effective.

Further detail of budget to actual comparisons may be reviewed as part of the Required Supplementary Information following the footnotes to this report.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business type activities as of June 30, 2018 amounts to approximately \$399.7 million (net of accumulated depreciation) an increase from the previous year’s balance of approximately \$1.5 million. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, and equipment. The total increase is primarily due to two projects related to infrastructure improvement for water and sewer capital offset by depreciation.

The Town has undergone significant capital improvements over the past several years. These include major improvements and additions to infrastructure assets, more specifically roads, water distribution components and sewer infrastructure; along with vehicles and major purchases to preserve open space.

Additional information on the Town capital assets can be found in Note II. Subsection D, of this report.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding, inclusive of unamortized premiums, of approximately \$166.6 million (\$121.9 million Governmental activities and \$44.8 million Business-type activities). The entire amount comprises debt backed by the full faith and credit of the government.

The Town’s credit rating from Standard and Poor increased to “AAA”. This is the highest investment grade issued by this agency.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation. The current debt limitation for the Town is approximately \$594.6 million, which is significantly in excess of the Town’s outstanding general obligation debt classified as inside the debt limit. The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

The decrease in long-term debt from the prior year to the current year is summarized as follows:

Additions:	
Governmental Activities	\$ -
Business-Type Activities	7,281,031
Regular Scheduled Maturities:	
Governmental Activities	(10,184,535)
Business-Type Activities	(2,216,200)
Amortization of Bond Premium	
Governmental Activities	(244,632)
Business-Type Activities	(105,104)
	<u>\$ (5,058,852)</u>

Bond anticipation note payable balances outstanding at year-end amount to approximately \$7.5 million and relate mostly to water infrastructure improvements.

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

Economic Factors and Next Year's Budgets and Rates

- Consistent with both State and National work force trends, the Town's unemployment rates have continued to improve. Rates are currently lower than pre-recession levels and the best they have been in decades.
- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 91.7% of the Town's real estate tax base. The Town also relies to a lesser but moderate extent on its commercial and industrial real estate tax base, which in aggregate comprise 6.1% of the Town's real estate tax base. The remainder of the Town's tax base is made up of personal property taxes. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- The Town's housing market has stabilized and housing prices in this area of the country on average rose significantly from the downward trend that ended several years ago.
- Tourism in the area remains robust and contributes to the Town operations; valuation growth engenders a strong tax base for which the Town ranks in the top 10 in the Commonwealth.
- In fiscal year 2019, the Town anticipates receiving local aid of approximately \$9.6 million from the Commonwealth of Massachusetts, which consistent with the amount received by the Town in fiscal year 2018.

All of the above items were considered when the Town developed its budget for fiscal year 2019. The budget was adopted in April 2018 and the tax rate was approved on November 21, 2018.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in 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 Office of the Finance Director, 59 Town Hall Square, Falmouth, Massachusetts 02540; or via email at jpetit@falmouthmass.us.

Complete standalone financial statements of the Falmouth Contributory Retirement System can be obtained from the Retirement Office, 80 Davis Straits Suite 102, Falmouth, Massachusetts 02540.

Basic Financial Statements

TOWN OF FALMOUTH, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			(December 31, 2017)
	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	\$ 58,115,385	\$ 1,228,102	\$ 59,343,487	\$ 502,080
Investments	17,803,317	549,324	18,352,641	-
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes	1,573,435	-	1,573,435	-
Tax liens and deferrals	1,863,576	-	1,863,576	-
Excise	1,302,636	-	1,302,636	-
User fees	-	1,191,616	1,191,616	-
Special assessments	23,805,689	187,563	23,993,252	-
Departmental and other	1,035,438	-	1,035,438	16,667
Notes receivable	-	-	-	51,057
Intergovernmental	12,617,690	214,945	12,832,635	-
Prepaid items	-	-	-	1,033
Property held for sale	-	-	-	85,763
Capital assets, not being depreciated	86,675,644	50,110,854	136,786,498	-
Capital assets, net of accumulated depreciation	210,919,173	52,025,382	262,944,555	-
Total Assets	415,711,983	105,507,786	521,219,769	656,600
Deferred Outflows of Resources				
Related to net other postemployment benefits liability	3,704,682	262	3,704,944	-
Related to net pension liability	5,178,266	230,529	5,408,795	-
Related to charge on refunding	978,359	-	978,359	-
Total Deferred Outflows of Resources	9,861,307	230,791	10,092,098	-
Liabilities				
Warrants and accounts payable	2,934,937	35,043	2,969,980	8,503
Accrued payroll	3,303,742	-	3,303,742	-
Other liabilities	7,196	-	7,196	-
Interest expense	945,248	-	945,248	-
Long-term liabilities:				
Due within one year	10,992,475	2,364,756	13,357,231	-
Due in more than one year	294,087,816	47,350,128	341,437,944	-
Total Liabilities	312,271,414	49,749,927	362,021,341	8,503
Deferred Inflows of Resources				
Related to net other postemployment benefits liability	11,083,895	202,018	11,285,913	-
Related to net pension liability	4,916,613	218,881	5,135,494	-
Total Deferred Inflows of Resources	16,000,508	420,899	16,421,407	-
Net Position				
Net investment in capital assets	186,811,470	57,486,346	244,297,816	-
Restricted:				
Nonexpendable permanent funds	25,000	-	25,000	-
Expendable permanent funds	2,747,797	-	2,747,797	-
Community preservation	6,970,039	-	6,970,039	-
Federal and State grants	3,608,722	-	3,608,722	-
Debt service	30,884,116	-	30,884,116	-
Gift funds	505,284	-	505,284	-
Property held for sale	-	-	-	85,763
Unrestricted	(134,251,060)	(1,918,595)	(136,169,655)	562,334
Total Net Position	\$ 97,301,368	\$ 55,567,751	\$ 152,869,119	\$ 648,097

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			(December 31, 2017) Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
<i>Governmental Activities:</i>								
General government	\$ 11,820,927	\$ 1,718,710	\$ 402,813	\$ 400,000	\$ (9,299,404)		\$ (9,299,404)	\$ -
Public safety	23,870,579	5,607,636	106,370	305,335	(17,851,238)		(17,851,238)	-
Education	78,668,134	1,274,973	20,957,575	26,049	(56,409,537)		(56,409,537)	-
Public works	15,199,826	1,778,774	19,494	23,832,654	10,431,096		10,431,096	-
Health and human services	2,911,949	141,775	627,792	-	(2,142,382)		(2,142,382)	-
Culture and recreation	5,540,743	1,583,136	774,013	-	(3,183,594)		(3,183,594)	-
Interest expense	3,143,954	-	383,275	-	(2,760,679)		(2,760,679)	-
Community development	303,282	-	-	508,847	205,565		205,565	-
Total Governmental Activities	141,459,394	12,105,004	23,271,332	25,072,885	(81,010,173)		(81,010,173)	-
<i>Business-Type Activities:</i>								
Water	6,523,023	7,086,150	-	39,385		\$ 602,512	602,512	-
Total Business-type Activities	6,523,023	7,086,150	-	39,385		602,512	602,512	-
Total Primary Government	\$ 147,982,417	\$ 19,191,154	\$ 23,271,332	\$ 25,112,270	(81,010,173)		(80,407,661)	-
Component Unit:								
Falmouth EDIC	\$ 1,079,895	\$ 183,260	\$ -	\$ 844,496				\$ (52,139)
Total Component Unit	\$ 1,079,895	\$ 183,260	\$ -	\$ 844,496				(52,139)
General Revenues:								
Real and personal property taxes					102,520,551	-	102,520,551	-
Motor vehicle and other excise					7,497,678	-	7,497,678	-
Grants and contributions not restricted to specific programs					2,123,564	-	2,123,564	-
Penalties and interest on taxes					621,244	-	621,244	-
Unrestricted investment income					71,512	(6,033)	65,479	155
Other					-	-	-	1,198
Transfers (net)					(356,817)	356,817	-	-
Total General Revenues and Transfers					112,477,732	350,784	112,828,516	1,353
Change in Net Position					31,467,559	953,296	32,420,855	(50,786)
Net Position:								
Beginning of year, as restated (see Note IV)					65,833,809	54,614,455	120,448,264	698,883
End of year					\$ 97,301,368	\$ 55,567,751	\$ 152,869,119	\$ 648,097

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	Community Preservation	Capital Projects	Sewer Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 36,069,535	\$ 6,927,150	\$ 2,366,175	\$ 2,442,105	\$ 10,310,420	\$ 58,115,385
Investments	15,050,347	-	-	-	2,752,970	17,803,317
Receivables, net of allowance for uncollectibles:						
Real estate and personal property taxes	1,530,423	43,012	-	-	-	1,573,435
Tax liens and deferrals	1,822,363	41,213	-	-	-	1,863,576
Excise	1,302,636	-	-	-	-	1,302,636
Special assessments	66,240	-	866,297	-	22,873,152	23,805,689
Other	934,452	-	3,972	-	97,014	1,035,438
Intergovernmental	6,442,325	-	100,047	5,385,517	689,801	12,617,690
Total Assets	63,218,321	7,011,375	3,336,491	7,827,622	36,723,357	118,117,166
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 63,218,321	\$ 7,011,375	\$ 3,336,491	\$ 7,827,622	\$ 36,723,357	\$ 118,117,166
Liabilities:						
Warrants and accounts payable	\$ 2,419,057	\$ 41,336	\$ -	\$ 114,490	\$ 360,054	\$ 2,934,937
Accrued payroll and withholdings	3,303,742	-	-	-	-	3,303,742
Other liabilities	7,196	-	-	-	-	7,196
Total Liabilities	5,729,995	41,336	-	114,490	360,054	6,245,875
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	3,014,061	84,225	3,972	-	-	3,102,258
Unavailable revenues - excise taxes	1,302,636	-	-	-	-	1,302,636
Unavailable revenues - special assessments	66,240	-	866,297	-	22,873,152	23,805,689
Unavailable revenues - other	934,452	-	-	-	-	934,452
Unavailable revenues - intergovernmental	6,442,325	-	-	138,093	-	6,580,418
Total Deferred Inflows of Resources	11,759,714	84,225	870,269	138,093	22,873,152	35,725,453
Fund Balances:						
Nonspendable	-	-	-	-	25,000	25,000
Restricted	872,359	6,885,814	2,466,222	7,575,039	13,465,151	31,264,585
Committed	10,936,681	-	-	-	-	10,936,681
Assigned	1,129,906	-	-	-	-	1,129,906
Unassigned	32,789,666	-	-	-	-	32,789,666
Total Fund Balances	45,728,612	6,885,814	2,466,222	7,575,039	13,490,151	76,145,838
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 63,218,321	\$ 7,011,375	\$ 3,336,491	\$ 7,827,622	\$ 36,723,357	\$ 118,117,166

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

Total Governmental Fund Balances		\$ 76,145,838
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		297,594,817
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		35,725,453
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds, interest is not reported until due.		(945,248)
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred charge on refunding transactions	978,359	
Deferred outflows related to other postemployment benefits	3,704,682	
Deferred outflows related to pensions	5,178,266	
Deferred inflows related to other postemployment benefits	(11,083,895)	
Deferred inflows related to pensions	<u>(4,916,613)</u>	
Net effect of reporting deferred outflows and inflows of resources		(6,139,201)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Bonds and notes payable	(120,641,390)	
Unamortized premiums on bonds	(1,243,796)	
Landfill monitoring	(390,000)	
Compensated absences	(1,484,050)	
Net pension liability	(57,344,967)	
Net other postemployment benefits liability	<u>(123,976,088)</u>	
Net effect of reporting long-term liabilities		<u>(305,080,291)</u>
Net Position of Governmental Activities		<u>\$ 97,301,368</u>

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

	General	Community Preservation	Capital Projects	Sewer Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real and personal property taxes	\$ 99,742,078	\$ 2,935,928	\$ -	\$ -	\$ -	\$ 102,678,006
Intergovernmental	21,198,000	908,847	1,573,043	-	5,660,120	29,340,010
Motor vehicle and other excises	7,567,368	-	-	-	-	7,567,368
Licenses and permits	1,902,911	-	-	-	-	1,902,911
Departmental and other	1,461,687	-	-	-	2,845,506	4,307,193
User charges	5,468,989	-	-	-	-	5,468,989
Special assessments	1,000,832	-	155,430	-	1,517,523	2,673,785
Penalties and interest on taxes	609,710	11,534	-	-	-	621,244
Fines and forfeitures	216,884	-	-	-	-	216,884
Investment income	75,756	29,827	-	-	(34,071)	71,512
Contributions and donations	-	-	-	-	93,293	93,293
Total Revenues	<u>139,244,215</u>	<u>3,886,136</u>	<u>1,728,473</u>	<u>-</u>	<u>10,082,371</u>	<u>154,941,195</u>
Expenditures:						
Current:						
General government	8,346,826	814,813	33,596	-	1,077,892	10,273,127
Public safety	15,713,774	-	67,230	-	507,193	16,288,197
Education	49,857,693	-	30,733	-	4,956,587	54,845,013
Public works	11,083,077	144,505	1,590,536	2,093,329	253,110	15,164,557
Health and human services	1,520,721	-	-	-	181,829	1,702,550
Culture and recreation	3,125,101	184,700	-	-	379,003	3,688,804
Pension and fringe benefits	31,480,427	-	-	-	-	31,480,427
Community development	-	303,282	-	-	-	303,282
State and county tax assessments	3,094,656	-	-	-	-	3,094,656
Debt service:						
Principal	10,184,535	-	-	-	-	10,184,535
Interest	3,544,488	-	-	-	-	3,544,488
Total Expenditures	<u>137,951,298</u>	<u>1,447,300</u>	<u>1,722,095</u>	<u>2,093,329</u>	<u>7,355,614</u>	<u>150,569,636</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,292,917</u>	<u>2,438,836</u>	<u>6,378</u>	<u>(2,093,329)</u>	<u>2,726,757</u>	<u>4,371,559</u>
Other Financing Sources (Uses)						
Transfers in	3,676,474	-	86,700	98,300	94,269	3,955,743
Transfers out	(636,086)	(1,481,164)	(212,282)	-	(1,983,028)	(4,312,560)
Total Other Financing Sources (Uses)	<u>3,040,388</u>	<u>(1,481,164)</u>	<u>(125,582)</u>	<u>98,300</u>	<u>(1,888,759)</u>	<u>(356,817)</u>
Net Change in Fund Balances	<u>4,333,305</u>	<u>957,672</u>	<u>(119,204)</u>	<u>(1,995,029)</u>	<u>837,998</u>	<u>4,014,742</u>
Fund Balances, Beginning	<u>41,395,307</u>	<u>5,928,142</u>	<u>2,585,426</u>	<u>9,570,068</u>	<u>12,652,153</u>	<u>72,131,096</u>
Fund Balances, Ending	<u>\$ 45,728,612</u>	<u>\$ 6,885,814</u>	<u>\$ 2,466,222</u>	<u>\$ 7,575,039</u>	<u>\$ 13,490,151</u>	<u>\$ 76,145,838</u>

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 4,014,742**

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. In addition, when a capital asset is disposed of, a gain or loss is calculated and reported in the Statement of Activities whereas in the governmental funds, proceeds are reported as revenues. The net amounts are reflected here as reconciling items:

Capital outlays	\$ 9,800,626	
Depreciation expense	(8,430,613)	
Net effect of reporting capital assets		1,370,013

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither 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 amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Amortization of deferred charge on refunding	(61,623)	
Amortization of premiums on bonds and notes payable	244,632	
Repayments of debt	10,184,535	
Net effect of reporting long-term debt		10,367,544

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.

18,342,575

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

217,525

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:

Compensated absences	(24,672)	
Other postemployment benefits	(2,152,854)	
Pension benefits	(697,314)	
Landfill liability	30,000	
Net effect of reporting long-term liabilities		(2,844,840)

Change in Net Position of Governmental Activities **\$ 31,467,559**

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Business-type Activities - <u>Enterprise Funds</u>
	Water <u>Enterprise</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 1,228,102
Investments	549,324
Receivables (net)	
User fees	1,191,616
Special assessments	2,187
Intergovernmental	151,997
Total Current Assets	<u>3,123,226</u>
Noncurrent Assets:	
Receivables (net):	
Special assessments	185,376
Intergovernmental	62,948
Capital assets, not being depreciated	50,110,854
Capital assets, net of accumulated depreciation	52,025,382
Total Noncurrent Assets	<u>102,384,560</u>
Total Assets	<u>105,507,786</u>
Deferred Outflows of Resources:	
Related to net other postemployment benefits liability	262
Related to net pension liability	230,529
Total Deferred Outflows of Resources	<u>230,791</u>
Liabilities:	
Current Liabilities:	
Warrants and accounts payable	35,043
Compensated absences	16,552
Bonds and notes payable	2,348,204
Total Current Liabilities	<u>2,399,799</u>
Noncurrent Liabilities:	
Compensated absences	49,655
Bonds and notes payable	42,487,941
Net pension liability	2,552,913
Net other postemployment benefits liability	2,259,619
Total Noncurrent Liabilities	<u>47,350,128</u>
Total Liabilities	<u>49,749,927</u>
Deferred Inflows of Resources:	
Related to net other postemployment benefits liability	202,018
Related to net pension liability	218,881
Total Deferred Inflows of Resources	<u>420,899</u>
Net Position:	
Net investment in capital assets	57,486,346
Unrestricted	(1,918,595)
Total Net Position	<u>\$ 55,567,751</u>

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018**

	Business-type Enterprise Funds
	Water Enterprise
Operating Revenues:	
Charges for services	\$ 7,086,150
Total Operating Revenues	7,086,150
Operating Expenses:	
Operating costs	3,373,023
Depreciation	2,188,980
Total Operating Expenses	5,562,003
Total Operating Income	1,524,147
Nonoperating Revenues (Expenses):	
Interest expense	(961,020)
Interest income	(6,033)
Total Nonoperating Revenues (Expenses)	(967,053)
Income Before Capital Contributions and Transfers	557,094
Capital contributions	39,385
Transfers in	356,817
Change in Net Position	953,296
Net Position at Beginning of Year, as restated (see Note IV)	54,614,455
Net Position at End of Year	\$ 55,567,751

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2018

	Business-type Activities - <u>Enterprise Funds</u> Water <u>Enterprise</u>
Cash Flows from Operating Activities:	
Receipts from users	\$ 7,079,802
Payments to vendors	(2,110,827)
Payments to employees	(1,346,933)
Net Cash Provided by Operating Activities	<u>3,622,042</u>
Cash Flows from Noncapital Financing Activities:	
Transfers in	356,817
Net Cash Used for Noncapital Financing Activities	<u>356,817</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of bond anticipation notes	1,883,622
Proceeds from capital grants	4,965
Proceeds from capital assessments	39,439
Acquisition and construction of capital assets	(2,974,719)
Principal payments on bonds and notes	(2,211,235)
Interest expense	(1,066,124)
Net Cash Used for Capital and Related Financing Activities	<u>(4,324,052)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment of operating cash, net	6,033
Investment income (loss)	(6,033)
Net Cash Provided by Investing Activities	<u>-</u>
Net Change in Cash and Cash Equivalents	(345,193)
Cash and Cash Equivalents:	
Beginning of Year	<u>1,573,295</u>
End of Year	<u>\$ 1,228,102</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income	\$ 1,524,147
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	2,188,980
Changes in assets, deferred outflows, liabilities and deferred inflows:	
User fees receivable	(6,348)
Deferred outflows of resources	251,209
Warrants and accounts payable	(161,181)
Compensated absences	6,940
Net pension liability	(398,087)
Net other postemployment benefits liability	(162,517)
Deferred inflows of resources	378,899
Net Cash Provided by Operating Activities	<u>\$ 3,622,042</u>
Noncash capital and related financing activities:	
Amortization of bond premium	\$ 105,104
Governmental debt subsidies	4,965
See accompanying notes to basic financial statements.	

TOWN OF FALMOUTH, MASSACHUSETTS

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and Cash Equivalents	\$ 6,513,645	\$ -	\$ 2,015,876
Investments (at fair value):			
Equity securities	28,346,947	1,574,810	-
Corporate fixed income securities	167,076	-	-
U.S. government securities	228,617	-	-
Pooled funds:			
Domestic equity	28,933,546	-	-
International equity	15,106,333	-	-
Fixed income	21,455,469	-	-
Private equity and venture capital	14,513,050	-	-
Real estate	11,643,069	-	-
PRIT	18,194,402	-	-
Total Investments	138,588,509	1,574,810	-
Total Assets	145,102,154	1,574,810	2,015,876
Liabilities:			
Warrants and accounts payable	168,329	-	382,052
Payroll liabilities	-	-	915,397
Performance bonds	-	-	629,720
Other	-	-	88,707
Total Liabilities	168,329	-	2,015,876
Net Position:			
Restricted for pensions	144,373,877	-	-
Restricted for other postemployment benefits	559,948	-	-
Held in trust for private purposes	-	1,574,810	-
Total Net Position	\$ 144,933,825	\$ 1,574,810	\$ -

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Additions		
Contributions:		
Employer	\$ 11,807,381	\$ -
Employee	3,009,593	-
Transfers from other systems	330,058	-
Reimbursements from other systems	296,877	-
From Commonwealth of Massachusetts	37,137	-
Total Contributions	<u>15,481,046</u>	<u>-</u>
Other income	10,647	-
Investment income:		
Interest and dividends	1,617,423	(16,375)
Net appreciation in fair value of investments	18,044,397	-
Less - investment management fees	(1,032,893)	-
Net investment earnings	<u>18,628,927</u>	<u>(16,375)</u>
Total Additions (net)	<u>34,120,620</u>	<u>(16,375)</u>
Deductions		
Benefit payments to pensioners and beneficiaries	15,403,161	-
Member refunds	197,506	-
Transfers to other systems	405,099	-
Reimbursements to other systems	379,088	-
Payroll expenses of the System	169,378	-
Other administrative expenses	149,449	-
Scholarships	-	2,800
Human services	-	20,878
Total Deductions	<u>16,703,681</u>	<u>23,678</u>
CHANGE IN NET POSITION	17,416,939	(40,053)
NET POSITION AT BEGINNING OF YEAR	<u>127,516,886</u>	<u>1,614,863</u>
NET POSITION AT END OF YEAR	<u>\$ 144,933,825</u>	<u>\$ 1,574,810</u>

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Falmouth is situated on 44.5 square miles, located in Barnstable County, Massachusetts. Falmouth was incorporated as a town in 1686. An elected five-member Board of Selectmen serves as the chief executive goal-setting and policy making authority of the Town and the Town Manager serves as the Chief Administrative Officer implementing policies and goals on behalf of the Board. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish, public education in grades K-12, water and sewer services, street maintenance, waterways oversight, parks and recreational facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria including: being financially accountable, and able to impose its will; appointing a voting majority of the component units' governing body and if the potential for the component unit to provide specific financial benefits or to impose specific financial burdens on the Town.

The following component unit is included in the Town's reporting entity because of the significance of its operations. Data is blended with the fiduciary funds of the primary government.

Falmouth Contributory Retirement System - The System was established to provide retirement benefits to Town employees, the Falmouth Housing Authority employees and their beneficiaries. While legally separate, the System provides services almost entirely to the Town and is reported as a pension trust fund in the fiduciary fund financial statements. A stand-alone audited financial report for the year ended December 31, 2017, was issued and is available at the Retirement Office, 80 Davis Straits, Suite 102, Falmouth, Massachusetts.

The following component unit is included in the Town's reporting entity because the Town is financially accountable for, and can impose its will on, the organization. Data is presented discretely in a separate column.

Discretely Presented Component Unit – The Falmouth Economic Development and Industrial Corporation (the EDIC) is a municipal corporation established on April 7, 1981, through Article 39 of the Annual Town Meeting called by the Town, in accordance with the provisions of Massachusetts General Law Chapter 121C. The Corporation’s purpose is to improve local economic conditions and promote private employment with Falmouth, Massachusetts. A Town appointed, volunteer Board of Directors (“the Board”) governs the Corporation. The Board may legally consist of up to seven members; currently, the Board has all seven-member positions filled. A stand-alone audit financial report for the year ended December 31, 2017, was issued and is available from the Board of Directors, Falmouth EDIC, 59 Town Hall Square, Falmouth, MA 02540.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
- 2) 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 five 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.

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

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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are 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, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Fund – is used to account for specific activities that engender development of community housing, and recreation land as well as preservation of historic resources and open space acquisitions.

Capital Projects Fund – is used to account for all financial resources that are restricted, committed or assigned for the acquisition or construction of capital facilities and other capital assets of the governmental funds.

Sewer Capital Project Fund – is used to account for financial resources to be used for the acquisition or construction of sewer facilities and infrastructure.

Nonmajor Governmental Funds – consist of other special revenue 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 Funds* are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *Permanent Funds* are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

Water Enterprise Fund – is used to account for the operation of the water department. Cost associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

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

The government reports the following fiduciary funds:

Pension Trust Fund – is used to account for the activities of the System, which accumulates resources for pension benefits to retired Town employees.

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees, such as health and life insurance.

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships and needy citizen benefit funds.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for private public safety details, developer deposits and student activities. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the Town are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are due in four installments on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. The Town is allowed to take delinquent taxes into tax title fourteen days subsequent to the mailing of a demand for payment of the delinquent taxes.

User fees consist of water fees. Water user fees are levied twice a year for residential user and quarterly for industrial users and are based on individual meter readings. They are subject to penalties and interest if they are not paid by the respective due date.

Real estate taxes and water and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental and other receivables primarily consist of ambulance receivables and are shown net of allowance for uncollectible balances based on historical trends and specific account analysis.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets which include land, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g. roads, water and sewer mains, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased and constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Net interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Infrastructure	40-50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

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 in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

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 state law. Investment income of the proprietary fund is retained in the fund.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – 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 three types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension and the net other postemployment benefit liabilities and outflows which related to debt refunding’s. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 three items that are reported as deferred inflows of resources. The first arises only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: property taxes, excise taxes, intergovernmental, special assessments and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to outflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

Net Position – In the government-wide financial statements, 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 related debt.

Net position are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Community preservation represents assets that are restricted by State Law for the purpose of acquiring or developing open space and recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act.

Federal and State grants represent assets that have restrictions placed on them from federal and state granting agencies.

Debt service represents capital grants and contributions used to fund a portion of debt service on outstanding capital related debt of various Town functions.

Gift funds represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the General Fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

As part of the Town’s financial policies and procedures, the Board of Selectmen annually vote to establish minimum fund balance amounts for the general and stabilization funds.

Stabilization Funds – The Town maintains a general stabilization fund which was authorized by a two-thirds vote of the Town Meeting. It may be used for any municipal purpose upon the condition of a two-thirds vote of the Town Meeting. The balance of the fund totals \$5,781,137 at June 30, 2018 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a health insurance stabilization fund which was authorized by a two-thirds vote of the Town Meeting and which may be used for employee health insurance costs upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$394,061 at June 30, 2018

and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a capital improvement stabilization fund which was authorized by a two-thirds vote of the Town Meeting and which may be used for capital outlays upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$4,794,575 at June 30, 2018 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a renewable energy stabilization fund which was authorized by a two-thirds vote of the Town Meeting and which may be used for constructing wind energy facilities or other renewable energy facilities upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$6,578 at June 30, 2018 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a special education stabilization fund which was authorized by a two-thirds vote of the Town Meeting and which may be used for providing special education services upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$881,169 at June 30, 2018 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a debt stabilization fund which was authorized by a two-thirds vote of the Town Meeting and which may be used for debt related activity upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$2,976,833 at June 30, 2018 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

Encumbrances – The Town’s encumbrance policy regarding the General Fund is to (1) classify encumbrances that arise from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$1,129,906 of encumbrances from normal purchasing activity in the General Fund as assigned and \$10,936,681 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

The following table reflects the Town's fund equity categorizations:

	General	Community Preservation	Capital Projects	Sewer Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Restricted:						
Ferry fee receipts	-	-	-	-	1,183,962	1,183,962
Title V program	-	-	-	-	276,438	276,438
Other town federal and state grants	-	-	-	-	694,510	694,510
School federal and state grants	-	-	-	-	1,462,313	1,462,313
Golf course	-	-	-	-	826,471	826,471
Waterways	-	-	-	-	768,785	768,785
Energy revolving	-	-	-	-	1,342,674	1,342,674
Parking meter receipts	-	-	-	-	327,055	327,055
Transfer station revolving fund	-	-	-	-	265,310	265,310
Other town revolving funds	-	-	-	-	437,761	437,761
School revolving funds	-	-	-	-	1,109,268	1,109,268
Town gift funds	-	-	-	-	465,968	465,968
School gift funds	-	-	-	-	39,316	39,316
Capital outlay - special assessments	-	-	942,239	-	1,517,523	2,459,762
Capital outlay - schools	-	-	261,854	-	-	261,854
Capital outlay - library renovation	-	-	226,465	-	-	226,465
Capital outlay - energy management	-	-	926,029	-	-	926,029
Capital outlay - sewer	-	-	-	7,575,039	-	7,575,039
Capital outlay - other purposes	-	-	109,635	-	-	109,635
Community preservation	-	6,885,814	-	-	-	6,885,814
Employee benefits	166,112	-	-	-	-	166,112
Debt service	706,247	-	-	-	-	706,247
Affordable housing trust	-	-	-	-	2,262,717	2,262,717
Conservation trust	-	-	-	-	274,100	274,100
Other trust funds	-	-	-	-	210,980	210,980
Committed:						
Consolidated dispatch center	172,545	-	-	-	-	172,545
Skateboard park	299,650	-	-	-	-	299,650
Building improvements	625,957	-	-	-	-	625,957
Facilities maintenance	589,366	-	-	-	-	589,366
Information technology	406,576	-	-	-	-	406,576
Other general government articles	1,969,613	-	-	-	-	1,969,613
Police equipment	75,913	-	-	-	-	75,913
Police site improvements	540,143	-	-	-	-	540,143
Fire equipment	796,365	-	-	-	-	796,365
Marine services	629,588	-	-	-	-	629,588
Other public safety articles	169,882	-	-	-	-	169,882
Public works infrastructure	2,373,950	-	-	-	-	2,373,950
Public works equipment	741,709	-	-	-	-	741,709
Other purposes	1,545,424	-	-	-	-	1,545,424
Assigned:						
Information technology	87,727	-	-	-	-	87,727
Education	719,023	-	-	-	-	719,023
Solid waste	70,857	-	-	-	-	70,857
Wastewater	36,195	-	-	-	-	36,195
Insurance	49,739	-	-	-	-	49,739
Other purposes	166,365	-	-	-	-	166,365
Unassigned	32,789,666	-	-	-	-	32,789,666
Total Fund Balances	\$ 45,728,612	\$6,885,814	\$2,466,222	\$ 7,575,039	\$13,490,151	\$ 76,145,838

E. Excess of Expenditures Over Appropriations and Deficits

During fiscal year 2018, expenditures exceeded appropriations for state and county charges by \$103,271 which were funded with available funds.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits 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 trust funds are held separately from those of other funds.

State laws and regulations require the Town and System to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the 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 government's deposits may not be returned to it. The Town maintains a deposit policy for custodial credit risk relative to cash holdings which includes the assessment of the financial stability of the institutions where deposits are held. At year-end, the carrying amount of the Town's deposits was \$54,971,542 and the bank balance was \$56,771,944. Of the Town's bank balance, \$13,942,920 was covered by either federal depository insurance or by the Depositors' Insurance Fund (DIF), and the remainder was collateralized. The carrying amount of cash includes \$25,000 of bank certificates of deposit with maturities of less than one year that are considered cash and cash equivalents.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town maintains investment policies related to custodial credit risk which includes the assessment of the financial stability of the institutions where investments are held.

The Town's investments in the MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town's investments in United States governmental obligations, corporate bond holdings, equity securities, and bond mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town's investments in negotiable certificates of deposit are fully insured by federal depository insurance.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2018:

	6/30/18	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 6,830,953	\$ 1,945,333	\$ 4,885,620	\$ -
Corporate bonds	5,010,890	-	5,010,890	-
Negotiable certificates of deposit	3,829,155	-	3,829,155	-
Repurchase agreements	6,241,831	-	6,241,831	-
Total debt securities	21,912,829	1,945,333	19,967,496	-
Equity securities:				
Common stock	4,812,968	4,812,968	-	-
Total equity securities	4,812,968	4,812,968	-	-
Total investments by fair value level	\$ 26,725,797	\$ 6,758,301	\$ 19,967,496	\$ -
Investments measured at amortized cost				
MMDT	149,423			
Total investments	\$ 26,875,220			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. Government obligations, corporate bonds, negotiable certificates of deposit and repurchase agreements classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. The State Treasurer's investment pool (MMDT) is valued at amortized cost. The MMDT's investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Such securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments, through fair value losses arising from increasing interest rates. The Town does not have formal investment policies related to interest rate risk.

At June 30, 2018, the Town's investments had the following maturities:

Investments	6/30/2018	Time Until Maturity (Years)		
		< 1	1-5	6 - 10 Years
U.S. Government obligations	\$ 6,830,953	\$ 1,945,333	\$ 4,885,620	\$ -
Corporate bonds	5,010,890	-	5,010,890	-
Negotiable certificates of deposit	3,829,155	1,584,675	2,244,480	-
Repurchase agreements	6,241,831	6,241,831	-	-
MMDT	149,423	149,423	-	-
Total Town Investments with Maturities	<u>\$ 22,062,252</u>	<u>\$ 9,921,262</u>	<u>\$ 12,140,990</u>	<u>\$ -</u>

The time until maturity for repurchase agreements and MMDT is based on the weighted average maturity of the underlying investments.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. The Town has 49% of its investments in U.S. Government or US. Government agency securities.

At June 30, 2018, the credit quality ratings of the Town's investments were as follows:

Investments	Quality Ratings (Moody's)						
	Aaa	Aa3	A2	A3	Baa1	Baa2	Unrated
U.S. Government obligations	\$ 6,830,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	-	944,442	300,673	1,647,577	1,158,837	959,361	-
Negotiable certificates of deposit	-	-	-	-	-	-	3,829,155
Repurchase agreements	6,241,831	-	-	-	-	-	-
MMDT	-	-	-	-	-	-	149,423
Total	<u>\$ 13,072,784</u>	<u>\$ 944,442</u>	<u>\$ 300,673</u>	<u>\$ 1,647,577</u>	<u>\$ 1,158,837</u>	<u>\$ 959,361</u>	<u>\$ 3,978,578</u>

The System

Massachusetts General Laws Chapter 32 and PERAC regulations require the System to invest funds only in pre-approved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System’s policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation (“FDIC”) insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2017, \$97,567 of the System’s cash deposits were uninsured; all of which was held with State Street Bank and Trust.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2017, the System was not exposed to custodial credit risk on its investments.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. Such risk is reduced by the fact that the System maintains its excess funds in highly liquid bank accounts; thereby, allowing for timely reallocation should the need arise.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event of an invested party will be unable to fulfill its obligations, such as to provide required payments to investors, to meet current or future performance expectations, to abide by industry regulations and proper operational practices, ceasing to exist, or filing for bankruptcy. In those instances, the System may not be able to recover the full amount of its principal investment and/or investment earnings. As previously noted, PERAC and Massachusetts statutory regulations have been enacted to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by Moody’s and Standard and Poor’s. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board’s discretion. The System does maintain a significant portion (approximately 95%) of its monetary assets as investment holdings.

None of the System’s investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2017, uninsured short-term investment funds with fair values of \$6,310,324 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Concentration of Credit Risk: Investments – The following investments held by the System at December 31, 2017 represent approximately 64.5% of the System’s total investments:

SSGA Passive Bond Market Index SL Fund	13.5%
Rhumblin Russell 1000 Funds	12.9%
PRIT Hedge Fund	10.5%
LMCG Mid-Cap Core Fund	8.1%
HGK Trinity Street International Equity Fund GP, LLC	7.3%
Dimensional Fund Advisors International Core Equity Portfolio	7.2%
Dimensional Fund Advisors Global Real Estate Securities Portfolio	5.0%

Discretely Presented Component Unit – Falmouth EDIC

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk relative to cash withholdings. At year-end, the carrying amount of the Corporation’s deposits was \$502,080 and the bank balance was \$497,503. The Corporation carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), as well as the Depositors Insurance Fund (DIF).

Fair Value of Investments – The Corporation reports its investments at fair value. When actively quoted observable prices are not available, the Corporation generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Corporation categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. As of December 31, 2017, the Corporation carried no investments which required categorization.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. The Corporation does not have a formal investment policy that limits investment maturity periods as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk – The Corporation maintains no financial holdings that classified as investments at December 31, 2017; therefore, no concentration credit risk existed at that time.

Credit Risk –The Corporation has not adopted a formal policy related to credit risk. As of December 31, 2017, none of the Corporations monetary assets were invested in or subject to credit quality ratings or risk.

B. Receivables

Receivables as of year-end for the Town’s individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Real estate and personal property taxes	\$ 1,530,423	\$ -	\$ 1,530,423
Tax liens and deferrals	1,867,548	-	1,867,548
Motor vehicle and boat excise	1,302,636	-	1,302,636
Ambulance user charges	1,863,968	(1,124,587)	739,381
Sewer user charges	195,071	-	195,071
Sewer assessments	22,869,247	-	22,869,247
Street assessments	866,297	-	866,297
Title V	70,145	-	70,145
Community Preservation tax	43,012	-	43,012
Solar revenues	97,014	-	97,014
Intergovernmental	12,617,690	-	12,617,690
Total	<u>\$ 43,323,051</u>	<u>\$ (1,124,587)</u>	<u>\$ 42,198,464</u>

Receivables as of year-end for the Town’s proprietary funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Water user fees	\$ 1,191,616	\$ -	\$ 1,191,616
Water assessments	187,563	-	187,563
Intergovernmental	214,945	-	214,945
Total	<u>\$ 1,594,124</u>	<u>\$ -</u>	<u>\$ 1,594,124</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

Receivable type:	General	Other	Total
	Fund	Governmental Funds	
Real estate and personal property taxes	\$ 1,191,698	\$ 43,012	\$ 1,234,710
Tax liens	1,822,363	45,185	1,867,548
Motor vehicle and boat excise	1,302,636	-	1,302,636
Ambulance user charges	739,381	-	739,381
Sewer user charges	195,071	-	195,071
Sewer assessments	66,240	22,803,007	22,869,247
Street assessments	-	866,297	866,297
Title V	-	70,145	70,145
Intergovernmental	6,442,325	138,093	6,580,418
Total	<u>\$ 11,759,714</u>	<u>\$ 23,965,739</u>	<u>\$ 35,725,453</u>

Massachusetts School Building Authority – As of June 30, 2018, the Town expects to receive from the Commonwealth of Massachusetts \$2,770,835 in principal and \$247,760 in interest applicable to approved school construction projects completed between 1994 and 2003. Such costs are reimbursed to the Town in equal installments over the life currently estimated at fifteen years of the related bond issues and are subject to appropriation only by the State Legislature. A receivable is recorded in the general fund for the principal portion due as of June 30, 2018 and additionally, \$59,888 related to school window replacements was recorded as a receivable in the capital projects major fund.

Massachusetts Clean Water Trust – The Town has entered into various loan agreements with the Massachusetts Clean Water Trust (MCWT). Under these agreements, it is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$3,877,596 (\$3,809,583 for governmental activities and \$68,013 for business-type activities) and interest in the amount of \$1,168,497 until the maturities of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, a receivable totaling \$3,671,490 has been reported in the General Fund of the Town, a receivable of \$138,093 has been reported in the Sewer Capital Project Major Fund and a receivable totaling \$68,013 has been reported in the Water Enterprise Fund.

Also, as of June 30, 2018 the Town had yet to receive undrawn loan proceeds totaling \$5,394,356 (\$5,247,424 in the Sewer Capital Project Major Fund and \$146,932 in the Water Enterprise Fund); however, since the Town is legally obligated for the total amount of the debt, which has been recorded as bond proceeds in the current and prior fiscal years, the amount not yet received has been recorded as a receivable in the accompanying basic financial statements within the Sewer Capital Projects Fund and the Water Enterprise Fund.

Discretely Presented Component Unit – Falmouth EDIC

The Corporation carries its notes receivables at the principal amount due reduced by the loan loss allowance. Interest rates charged on these notes are 1%. The notes are primarily secured by each security agreement and a UCC-1 Financing statement given by each borrower on its fixtures. This document is filed with Commonwealth of Massachusetts. The Corporation evaluates these notes based on the past payment history and credit worthiness of the borrower’s and establishes a note loss allowance if it determines that contractual payments of interest and principal on the note will not be collected in accordance with the terms of the note agreement. Amounts receivable are charged off against the allowance only if reasonable attempts at collection fail.

The following reflect the receivables for the Corporation as of December 31, 2017:

Receivable Type	Gross Amount	Allowance for Uncollectibles	Net Amount
Notes receivable	\$ 51,057	\$ -	\$ 51,057
Rental income	16,667	-	16,667
Totals	\$ 67,724	\$ -	\$ 67,724

The notes receivable portion above is scheduled to mature as follows:

Year Ending December 31,	Amount
2018	\$ 51,057
Total	\$ 51,057

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2018, was as follows:

Transfers Out	Transfers In					Total
	General Fund	Capital Projects	Sewer Capital Projects	Nonmajor Governmental Funds	Water Enterprise Fund	
General Fund	\$ -	\$ 86,700	\$ 98,300	\$ 94,269	\$ 356,817	\$ 636,086 (1)
Community Preservation Fund	1,481,164	-	-	-	-	1,481,164 (2)
Capital Projects	212,282	-	-	-	-	212,282 (3)
Nonmajor Governmental Funds	1,983,028	-	-	-	-	1,983,028 (4)
Total	\$ 3,676,474	\$ 86,700	\$ 98,300	\$ 94,269	\$ 356,817	\$ 4,312,560

- (1) Transfers to capital projects major fund for BAN paydowns, transfers to nonmajor funds for waterways projects, and transfers to water enterprise to supplement operations
- (2) Transfers to general fund for debt service
- (3) Transfers to general fund for capital outlays for roads
- (4) Transfers to general fund to supplement operating budgets and for capital project outlays

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 84,933,383	\$ 1,582,404	\$ -	\$ 86,515,787
Construction in process	34,439,980	159,857	(34,439,980)	159,857
Total capital assets not being depreciated	<u>119,373,363</u>	<u>1,742,261</u>	<u>(34,439,980)</u>	<u>86,675,644</u>
Capital assets being depreciated:				
Buildings and improvements	162,637,421	3,897,336	-	166,534,757
Improvements other than buildings	21,346,578	391,624	-	21,738,202
Infrastructure	113,237,316	34,412,969	-	147,650,285
Machinery and equipment	17,128,545	2,904,010	-	20,032,555
Vehicles	14,297,871	892,406	-	15,190,277
Total capital assets being depreciated	<u>328,647,731</u>	<u>42,498,345</u>	<u>-</u>	<u>371,146,076</u>
Less accumulated depreciation for:				
Buildings and improvements	(60,464,709)	(3,536,116)	-	(64,000,825)
Improvements other than buildings	(8,607,164)	(675,504)	-	(9,282,668)
Infrastructure	(57,667,809)	(2,526,549)	-	(60,194,358)
Machinery and equipment	(12,723,822)	(1,154,796)	-	(13,878,618)
Vehicles	(12,332,786)	(537,648)	-	(12,870,434)
Total accumulated depreciation	<u>(151,796,290)</u>	<u>(8,430,613)</u>	<u>-</u>	<u>(160,226,903)</u>
Total capital assets being depreciated, net	<u>176,851,441</u>	<u>34,067,732</u>	<u>-</u>	<u>210,919,173</u>
Governmental activities capital assets, net	<u><u>\$ 296,224,804</u></u>	<u><u>\$ 35,809,993</u></u>	<u><u>\$ (34,439,980)</u></u>	<u><u>\$ 297,594,817</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities: Water</i>				
Capital assets not being depreciated:				
Land	\$ 1,486,126	\$ -	\$ -	\$ 1,486,126
Construction in process	47,128,587	1,496,141	-	48,624,728
Total capital assets not being depreciated	48,614,713	1,496,141	-	50,110,854
Capital assets being depreciated:				
Buildings and improvements	163,824	-	-	163,824
Improvements other than buildings	239,301	-	-	239,301
Infrastructure	95,180,427	799,582	-	95,980,009
Machinery and equipment	832,492	7,725	-	840,217
Vehicles	318,869	-	(318,869)	-
Total capital assets being depreciated	96,734,913	807,307	(318,869)	97,223,351
Less accumulated depreciation for:				
Buildings and improvements	(163,824)	-	-	(163,824)
Improvements other than buildings	(3,203)	(6,406)	-	(9,609)
Infrastructure	(42,415,180)	(2,146,522)	-	(44,561,702)
Machinery and equipment	(426,782)	(36,052)	-	(462,834)
Vehicles	(318,869)	-	318,869	-
Total accumulated depreciation	(43,327,858)	(2,188,980)	318,869	(45,197,969)
Total capital assets being depreciated, net	53,407,055	(1,381,673)	-	52,025,382
Business-type activities capital assets, net	\$ 102,021,768	\$ 114,468	\$ -	\$ 102,136,236

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 292,798
Public safety	1,304,639
Education	2,942,707
Public works	2,889,349
Health and human services	1,845
Culture and recreation	999,275
Total Governmental Activities	<u>\$ 8,430,613</u>

Business-Type Activities:

Water	\$ 2,188,980
Total Business-Type Activities	<u>\$ 2,188,980</u>

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes (RANS or TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2018, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	1.00%	8/18/17	\$ 185,000	\$ -	\$ (185,000)	\$ -
Total Governmental Notes			185,000	-	(185,000)	-
MCWT	0.13%	9/12/18	5,939,917	1,341,114	(7,281,031)	-
Total Business-Type Notes			5,939,917	1,341,114	(7,281,031)	-
Total Notes Payable			\$ 6,124,917	\$ 1,341,114	\$ (7,466,031)	\$ -

The Town is eligible for interim loan financing from the MCWT in anticipation of permanent financing through MCWT for costs related to the Town’s water activities. The interim loan outstanding at June 30, 2018 was permanently financed subsequent to year-end on September 12, 2018 and is reported as long-term debt in these financial statements in the Water Enterprise Fund.

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bond and note debt	\$ 130,825,925	\$ -	\$ (10,184,535)	\$ 120,641,390	\$ 10,393,255
Unamortized bond premium	1,488,428	-	(244,632)	1,243,796	198,207
Landfill closure	420,000	-	(30,000)	390,000	30,000
Compensated absences	1,459,378	389,517	(364,845)	1,484,050	371,013
Net pension liability	66,260,000	13,012,714	(21,927,747)	57,344,967	-
Net other postemployment benefits liability *	132,892,717	6,068,290	(14,984,919)	123,976,088	-
Total Governmental Activities	\$ 140,852,319	\$ 19,470,521	\$ (47,736,678)	\$ 305,080,291	\$ 10,992,475
<i>Business-type Activities: Water</i>					
Bond and note debt	\$ 39,257,537	\$ 7,281,031	\$ (2,216,200)	\$ 44,322,368	\$ 2,262,255
Unamortized bond premium	618,881	-	(105,104)	513,777	85,949
Compensated absences	59,267	21,757	(14,817)	66,207	16,552
Net pension liability	2,951,000	579,307	(977,394)	2,552,913	-
Net other postemployment benefits liability *	2,422,136	110,602	(273,119)	2,259,619	-
Total Business-type Activities	\$ 9,153,886	\$ 7,992,697	\$ (3,586,634)	\$ 49,714,884	\$ 2,364,756
Total Long-term Obligations	\$ 150,006,205	\$ 27,463,218	\$ (51,323,312)	\$ 354,795,175	\$ 13,357,231

*As restated (see Note IV)

The governmental activities liabilities will be liquidated by the General Fund. The business-type liabilities will be liquidated by the Water Enterprise Fund.

The following is a summary of outstanding long-term debt obligations as of June 30, 2018:

<i>Governmental Activities</i>					
General obligation bonds	2.00 - 6.00%	\$ 48,560,000	\$ -	\$ (3,550,000)	\$ 45,010,000
Refunding bonds	2.00 - 5.00%	4,007,300	-	(765,000)	3,242,300
Advanced refunding bonds	2.00 - 5.00%	26,827,700	-	(3,210,000)	23,617,700
MCWT notes	0% - 5.5%	51,430,925	-	(2,659,535)	48,771,390
Total Governmental Activities		130,825,925	-	(10,184,535)	120,641,390
Add: Unamortized bond premium		1,488,428	-	(244,632)	1,243,796
Total Governmental Activities, net		132,314,353	-	(10,429,167)	121,885,186
<i>Business-type Activities - Water</i>					
General obligation bonds	2.00 - 6.00%	3,420,000	-	(190,000)	3,230,000
Refunding bonds	1.00 - 4.00%	2,249,000	-	(366,000)	1,883,000
Advanced refunding bonds	2.00 - 5.00%	2,721,000	-	(369,000)	2,352,000
MCWT notes	0% - 2.0%	30,867,537	7,281,031	(1,291,200)	36,857,368
Total Business-type Activities		39,257,537	7,281,031	(2,216,200)	44,322,368
Add: Unamortized bond premium		618,881	-	(105,104)	513,777
Total Business-Type Activities		39,876,418	7,281,031	(2,321,304)	44,836,145
Total Bond and Note Debt		\$ 172,190,771	\$ 7,281,031	\$ (12,750,471)	\$ 166,721,331

Payments on outstanding bonds and note balances due in future years consist of the following:

June 30,	Principal			Interest			Total
	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	
<i>Governmental Activities</i>							
2019	\$ 10,393,255	\$ (258,639)	\$ 10,134,616	\$ 2,905,674	\$ (233,161)	\$ 2,672,513	\$ 12,807,129
2020	9,787,210	(265,410)	9,521,801	2,591,132	(216,771)	2,374,361	11,896,161
2021	9,817,357	(282,931)	9,534,426	2,285,558	(187,894)	2,097,664	11,632,090
2022	9,745,342	(302,880)	9,442,462	1,947,759	(156,391)	1,791,368	11,233,830
2023	8,742,484	(387,236)	8,355,248	1,575,260	(82,852)	1,492,408	9,847,656
2024-2028	33,718,237	(1,636,072)	32,082,165	4,850,155	(231,108)	4,619,047	36,701,212
2029-2033	18,551,783	(676,415)	17,875,368	1,583,221	(59,175)	1,524,046	19,399,414
2034-2038	9,344,393	-	9,344,393	183,897	(1,145)	182,752	9,527,145
2039-2043	6,130,197	-	6,130,197	-	-	-	6,130,197
2044-2047	4,411,132	-	4,411,132	-	-	-	4,411,132
Total	<u>\$ 120,641,390</u>	<u>\$ (3,809,583)</u>	<u>\$ 116,831,807</u>	<u>\$ 17,922,656</u>	<u>\$ (1,168,497)</u>	<u>\$ 16,754,159</u>	<u>\$ 133,585,965</u>
<i>Business-type Activities: Water</i>							
2019	\$ 2,262,255	\$ (5,065)	\$ 2,257,190	\$ 966,141	\$ -	\$ 966,141	\$ 3,223,331
2020	2,567,445	(5,168)	2,562,277	989,350	-	989,350	3,551,627
2021	2,370,133	(5,272)	2,364,861	918,233	-	918,233	3,283,094
2022	2,399,597	(5,379)	2,394,218	850,175	-	850,175	3,244,393
2023	2,351,853	(5,487)	2,346,366	781,175	-	781,175	3,127,541
2024-2028	11,637,065	(29,143)	11,607,922	2,940,879	-	2,940,879	14,548,801
2029-2033	11,337,962	(12,499)	11,325,463	1,651,548	-	1,651,548	12,977,011
2034-2038	8,962,921	-	8,962,921	461,398	-	461,398	9,424,319
2039	433,137	-	433,137	4,431	-	4,431	437,568
Total	<u>\$ 44,322,368</u>	<u>\$ (68,013)</u>	<u>\$ 44,254,355</u>	<u>\$ 9,563,330</u>	<u>\$ -</u>	<u>\$ 9,563,330</u>	<u>\$ 53,817,685</u>

MCWT Loan Subsidies – As previously noted in Note I. B., the Town has entered into loan agreements with the MCWT. It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$3,877,596 and interest in the amount of \$1,168,497 until the maturity of these agreements.

Authorized and Unissued Debt – At June 30, 2018, the Town had authorized and unissued debt as follows:

Project	Amount
Water treatment plant	\$ 741,100
Waste Water Management	10,022,768
Senior Center	9,500,000
Athletic Field	3,100,000
School Windows	947,636
Wild Harbor Bulkhead	300,000
Other	500,000
Total authorized and unissued	<u>\$ 25,111,504</u>

G. Operating Lease

In 2013 the System, as lessee, entered into a ten-year, non-cancellable facility lease with a third party for its office space. Future minimum annual rental expense obligations due under this facility lease which includes rent and common area maintenance fees as are as follows:

<u>Calendar Year</u>	<u>Lease Payments</u>
2018	\$ 40,176
2019	40,339
2020	41,155
2021	41,323
2022	42,165
2023	<u>32,762</u>
	<u>\$ 237,920</u>

III. Other Information

A. Retirement System

Retirement System Description – The Town contributes to the Town of Falmouth Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan for the Town and Falmouth Housing Authority. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. The System is administered by the Town of Falmouth and is part of the reporting entity. Standalone audited financial statements for the year ended December 31, 2017 were issued and are available at the Retirement Office, 80 Davis Straits, Suite 102, Falmouth, Massachusetts 02540. Disclosures applicable to the Falmouth Housing Authority are not material.

Membership – Membership in the System as of December 31, 2017, was as follows:

Retirees and beneficiaries currently receiving benefits	393
Active plan members	573
Inactive plan members	<u>141</u>
Total	<u>1,107</u>

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the Town’s school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age. The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$7,450,583 to the System in fiscal year 2018, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 26.9% in fiscal year 2018.

Net Pension Liability – At June 30, 2018, the Town reported a liability of \$59,897,880 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the

independent actuary to December 31, 2017. The system adopted a number of changes to its actuarial assumptions and methods including a decrease in the assumed investment rate of return, or discount rate, from 7.75% to 7.50% and changes in mortality rate for pre-retirement, post-retirement and disabilities in the most recent valuation. There were not any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 97.3% at December 31, 2017, which was consistent with the proportion measured at January 1, 2016.

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the fiduciary fund financial statements. The System's full financial statements as of and for the year ended December 31, 2017 can be obtained by contacting the Retirement Board.

The System's fiduciary net position was determined using the accrual basis of accounting. The System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$8,183,226 in pension expense in the statement of activities in fiscal year 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 4,377,527
Differences between expected and actual experience	-	757,967
Changes in assumptions	5,268,795	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	140,000	-
Total	<u>\$ 5,408,795</u>	<u>\$ 5,135,494</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ 1,280,764
2020	994,702
2021	(775,833)
2022	<u>(1,226,332)</u>
Total	<u>\$ 273,301</u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2016. The significant actuarial assumptions used in the January 1, 2016 actuarial valuation included:

Actuarial cost method:	Individual entry age normal
Amortization method:	Top payments increase 5.86% per year until FY 2032 with a final amortization payment in FY 2033.
Remaining amortization period:	16 years
Asset valuation method:	Actuarial value, 5-year smoothing
Investment rate of return:	7.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first \$12,000 of benefits. The funding schedule reflects a \$14,000 COLA base.
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
Disabled life mortality:	For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Health Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct). It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation. The target allocation and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Policy Range</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	33.0% to 43.0%	7.6% to 10.1%
International equity	10.0% to 20.0%	7.6%
Fixed income	14.5% to 24.5%	2.6% to 8.7%
Real Estate/ Real Assets	7.5% to 12.5%	7.5%
Private equity	5.0% to 10.0%	13.1%
Hedge funds	7.5% to 12.5%	7.3%
Cash	0.0% to 3.0%	nil

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2016 actuarial valuation report was 7.5%, which was a reduction from the previous discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’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 Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate (amounts in thousands):

	<u>1% Decrease (6.5%)</u>	<u>Current Discount (7.5%)</u>	<u>1% Increase (8.5%)</u>
Town's proportionate share of the net pension liability	\$ 82,328	\$ 59,898	\$ 40,888

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2018, the Commonwealth contributed \$5,295,256 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.428587%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town’s proportionate share of the following:

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town Portion
Net pension liability	\$ 98,083,792	\$ (98,083,792)	\$ —
Pension expense	10,237,291	(10,237,291)	—

The Town has recognized intergovernmental revenue and pension expense of \$10,237,291 associated with this arrangement.

C. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

With respect to OPEB plan reporting, GASB issued GASB Statement No.’s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and 75. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the measurement date under GASB 75 is the same as the plan year-end date under GASB 74. When a year earlier measurement date is used, differences in assumptions and calculations will result.

This footnote disclosure separately presents the required disclosures into two sections as the Town used a year earlier measurement date under GASB 75 in the Town’s fiscal 2018 reporting.

GASB Statement No. 75

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of June 30, 2017 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of the July 1, 2016 actuarial valuation date:

Active employees	804
Inactive employees	<u>656</u>
Total	<u><u>1,460</u></u>

Contributions – The contribution requirements of Plan members and the Town are established and may be amended by the Town, through negotiation with the Town employee unions. Retirees contribute 50-65 percent of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions which vary annually. The costs of administering the Plan are paid by the Town. For the year ended July 1, 2017, (the measurement date) the Town's average contribution rate was 6.1% of covered payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of July 1, 2017 using an actuarial valuation as of July 1, 2016. The components of the net OPEB liability of the Town were as follows:

Total OPEB Liability	\$ 126,702,181
Plan fiduciary net position	<u>(466,474)</u>
Net OPEB liability	<u><u>\$ 126,235,707</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.4%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	3.13% as of July 1, 2017
Discount Rate	3.58%, net of OPEB plan investment expense including inflation. Using a blend of the Municipal Bond Index Rate for unfunded periods and the Investment Rate of Return.
Inflation	3.5% annually as of July 1, 2017 and for future periods
Health Care Trend Rate	7.0% decreasing to 4.5% at a rate of 0.5% per year
Salary Increases	Group 1 and 2; 6.0% decreasing to 4.25% Group 4; 7.0% decreasing to 4.75% Teachers; 7.5% decreasing to 4.0%
Pre-Retirement Mortality	RP-2000 and RP-2014 Employees Mortality Table projected with scale BB and MP-2016; base year 2009 for males and females
Post-Retirement Mortality	RP-2000 and RP-2014 Employees Mortality Table projected with scale BB and MP-2016; base year 2009 for males and females
Disabled Mortality	RP-2000 and RP-2014 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females
Actuarial Cost Method	Individual entry age normal - level percentage of payroll

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58%. The only key change in assumptions from the prior year was the increase of this discount rate from 2.85%.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table and are part of the Town's OPEB investment policy:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	20.00%	6.44%
International developed markets equity	20.00%	7.40%
International emerging markets equity	5.00%	9.42%
Core fixed income	10.00%	2.02%
High yield fixed income	10.00%	4.43%
Real estate	10.00%	5.00%
Commodities	10.00%	4.43%
Hedge fund, GTAA, Risk parity	10.00%	3.75%
Private equity	5.00%	10.47%
	100.00%	
Real rate of return		3.75%
Inflation assumption		3.50%
Total nominal rate of return		7.25%
Investment expense		-0.25%
Net investment return		7.00%

Sensitivity Analyses – The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$ 146,176,512	\$ 126,235,707	\$ 110,195,584
	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 107,680,432	\$ 126,235,707	\$ 149,937,303

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2017	\$ 135,671,224	\$ 356,371	\$ 135,314,853
Changes for the year:			
Service cost	5,054,578	-	5,054,578
Interest	3,955,895	-	3,955,895
Difference between expected and actual experience	(14,107,391)	-	(14,107,391)
Net investment income	-	10,103	(10,103)
Employer contributions	-	3,972,125	(3,972,125)
Benefit payments withdrawn from trust	-	(3,872,125)	3,872,125
Benefit payments	(3,872,125)	-	(3,872,125)
Net changes	(8,969,043)	110,103	(9,079,146)
Balances at June 30, 2018	<u>\$ 126,702,181</u>	<u>\$ 466,474</u>	<u>\$ 126,235,707</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – The Town recognized OPEB expense of \$6,164,218. Deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,690,270	\$ -
Differences between expected and actual earnings	14,674	-
Differences between actual and expected experience	-	11,285,913
	<u>\$ 3,704,944</u>	<u>\$ 11,285,913</u>

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

June 30,	
2019	\$ 872,461
2020	(2,817,809)
2021	(2,817,809)
2022	(2,817,812)
2023	-
	<u>\$ (7,580,969)</u>

Employer contributions made subsequent to the measurement date are recognized as expense over one period.

GASB Statement No. 74

OPEB Plan disclosures that impact the Town’s net OPEB liability under GASB 74 as of June 30, 2018 are summarized in this section except disclosures under GASB 74 that are identical to GASB 75 are not repeated.

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Rate of Return – For the year ended June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense, was -1.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 145,264,460	\$ 126,081,246	\$ 110,546,907

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 107,121,817	\$ 126,081,246	\$ 150,261,164

Actuarial Assumptions – Actuarial assumptions are identical to those under GASB 75 except the Municipal Bond Rate is 3.45% and the Discount Rate is 3.87%.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2018 using an actuarial valuation as of July 1, 2016. The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

Total OPEB Liability	\$ 126,641,194
Plan fiduciary net position	<u>(559,948)</u>
Net OPEB liability	<u>\$ 126,081,246</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.4%

D. Pension and Other Employee Benefit Trust Funds

The Town reports two pension and other employee benefit trust funds in a single column in the Statement of Net Position and Statement of Changes in Net Position in the Fiduciary Funds. The Town's Other Postemployment Benefits Trust Fund does not issue stand-alone financial statements and must be reported separately.

The Statement of Net Position of the Town's pension and other employee benefit trust funds are as follows:

	Pension Trust Fund (December 31, 2017)	Other Postemployment Benefits Trust Fund	Total
Assets:			
Cash and Cash Equivalents	\$ 6,510,212	\$ 3,433	\$ 6,513,645
Investments (at fair value):			
Equity securities	28,186,125	160,822	28,346,947
Corporate fixed income securities	-	167,076	167,076
U.S. government securities	-	228,617	228,617
Pooled funds:			
Domestic equity	28,933,546	-	28,933,546
International equity	15,106,333	-	15,106,333
Fixed income	21,455,469	-	21,455,469
Private equity and venture capital	14,513,050	-	14,513,050
Real estate	11,643,069	-	11,643,069
PRIT	18,194,402	-	18,194,402
Total Investments	138,031,994	556,515	138,588,509
Total Assets	144,542,206	559,948	145,102,154
Liabilities:			
Warrants and accounts payable	168,329	-	168,329
Total Liabilities	168,329	-	168,329
Net Position:			
Restricted for pensions	144,373,877	-	144,373,877
Restricted for other postemployment benefits	-	559,948	559,948
Total Net Position	\$ 144,373,877	\$ 559,948	\$ 144,933,825

The Statement of Changes in Net Position of the Town's pension and other employee benefit trust funds are as follows:

	Pension Trust Fund (December 31, 2017)	Other Postemployment Benefits Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 7,661,010	\$ 4,146,371	\$ 11,807,381
Employee	3,009,593	-	3,009,593
Transfers from other systems	330,058	-	330,058
Reimbursements from other systems	296,877	-	296,877
From Commonwealth of Massachusetts	37,137	-	37,137
Total Contributions	<u>11,334,675</u>	<u>4,146,371</u>	<u>15,481,046</u>
Other income	10,647	-	10,647
Investment income:			
Interest and dividends	1,597,322	20,101	1,617,423
Net appreciation in fair value of investments	18,071,024	(26,627)	18,044,397
Less - investment management fees	(1,032,893)	-	(1,032,893)
Net investment earnings	<u>18,635,453</u>	<u>(6,526)</u>	<u>18,628,927</u>
Total Additions (net)	<u>29,980,775</u>	<u>4,139,845</u>	<u>34,120,620</u>
Deductions			
Benefit payments to pensioners and beneficiaries	11,356,790	4,046,371	15,403,161
Member refunds	197,506	-	197,506
Transfers to other systems	405,099	-	405,099
Reimbursements to other systems	379,088	-	379,088
Payroll expenses of the System	169,378	-	169,378
Other administrative expenses	149,449	-	149,449
Total Deductions	<u>12,657,310</u>	<u>4,046,371</u>	<u>16,703,681</u>
CHANGE IN NET POSITION	17,323,465	93,474	17,416,939
NET POSITION AT BEGINNING OF YEAR	<u>127,050,412</u>	<u>466,474</u>	<u>127,516,886</u>
NET POSITION AT END OF YEAR	<u>\$ 144,373,877</u>	<u>\$ 559,948</u>	<u>\$ 144,933,825</u>

E. 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; natural disasters and various employee benefits including health, workers' compensation and unemployment compensation. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is a part of a premium-based self-insurance group, which insures for worker's compensation, general and personal liability, through the Massachusetts Inter-local Insurance Association (MIIA). Additionally, the Town is part of a premium-based health insurance group, Cape Cod Municipal Health Group, which serves over sixty cities, towns, and school systems. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town's experience history.

F. Landfill Closure and Post-closure Care Costs

The Town's landfill was closed during fiscal year 2000 and a final cover was installed in accordance with Federal and State laws and regulations. Those laws and regulations require the Town to perform certain maintenance and monitoring functions (post-closure care) at the site for 30 years after the landfill cover is installed. The liability for closure and post-closure care is based on current costs which are subject to changes due to inflation, deflation, changes in technology or applicable laws and regulations. In accordance with generally accepted accounting principals, the estimated cost of closure and post-closure care costs of \$390,000 has been accrued in the liabilities of the Governmental Funds.

G. Commitments and Contingencies

A summary discussion of the Town's exposure to commitments and contingencies follows:

Wind Turbine Litigation –

In 2010 and 2011, the Town acquired and erected two wind turbines at its wastewater treatment plant. When the turbines began operations, homeowners in the immediate neighborhood began to complain that the noise and vibration of the turbines constituted a nuisance. There were several cases filed pertaining to both zoning and nuisance claims.

The following summarizes the most recent court decisions and the Town's current position regarding these cases:

Wind I: Plaintiffs allege Wind I, the first of the two wind turbines owned by the Town and installed at the wastewater treatment plant on Blacksmith Shop Road was built in violation of the Town's zoning-by-law. The litigation ended with a decision of the Massachusetts Appeals Court that the Town must obtain a special permit from the Zoning Board of Appeals to continue operation of Wind I. The Town applied for this special permit and it was denied. Initially the Town appealed the judgment but subsequently withdrew the appeal as Wind I was determined to be a nuisance under the zoning bylaw in a related court case. Accordingly, Wind I is not operating pursuant to this determination made by the Court. The Building Commissioner has ordered the Town to prepare a plan to dismantle and remove Wind I.

The following key issues either resolved or remaining include:

- The Town reached a settlement agreement with the Massachusetts Clean Energy Center in the amount of \$178,000 which was appropriated from a special fund specifically reserved for such a judgment at the April 2018 Town Meeting. This settlement relates to advanced energy credits received but not earned.
- Debt service for Wind I will be partially offset from revenue generated from a major solar array built at the Town Landfill site. The remaining debt service will be appropriated at the Annual Town Meeting in accordance with the annual amortization of the debt and interest. Outstanding debt is currently \$2,310,000 and remaining interest is \$513,449 and it is scheduled to mature in 2029.
- Wind I was determined to be impaired during fiscal year 2017 and net book value of \$4,054,247 was recorded as an impairment loss in the Statement of Activities in the general government function classification at that time since this is where the capital asset and depreciation were recorded.
- The decision to take down and decommission Wind I has been made. The ultimate deadline for take down is being determined by the Town's Building Commission which is required to have a plan in place by December 2019. No provision has been recorded for the potential cost to dismantle and remove Wind I as it is presently unknown what that cost will be or what the net recovery for salvage materials will generate on the secondary market.

Wind II: The second Town wind turbine was financed by a loan/grant from the Massachusetts Clean Water Trust "MCWT", formerly the Massachusetts Water Pollution Abatement Trust with funds that originated with the United States under the American Recovery and Reinvestment Act of 2009. The original loan amount was approximately \$4.9 million, and the interest rate is 0%. The loan qualifies for full principal forgiveness as long as the wind turbine continues to operate as an energy efficient project. Several neighbors of Wind II filed an application with the Town's Zoning Board of Appeals requesting a Cease and Desist Order for Wind II on the grounds it was built without a special permit from the Zoning Board of Appeals. This application was denied by the Board. The neighbors appealed this denial to Superior Court which affirmed the Zoning Board's decision. This case is presently under appeal in the Massachusetts Appeals Court. In a related court case the Court ruled Wind II as a nuisance under the zoning by-law and ordered it to cease operations. As a result, Wind II is currently not operating.

The following key issues either resolved or remaining include:

- The Town has fully informed the MCWT and will be able to continue to fund the financial obligation without a decrease of services.
- Wind II was determined to be impaired during fiscal year 2017 and net book value of \$4,854,799 was recorded as an impairment loss in the Statement of Activities in the general government function at that time since this is where the capital asset and depreciation were recorded.
- No provision has been recorded for the potential cost to dismantle and remove or move Wind II because plans are subject to review and discussion.

Regulatory Taking Claim –

The Town was sued as the result of a regulatory taking claim. Regulatory takings arise when a local regulatory body denies a permit to build or otherwise use private property and the owner claims a loss of all economic value of the property. A jury issued a verdict against the Town in December 2016 for \$660,000, which has been appealed to the Massachusetts Appeals Court, which heard oral arguments in September 2018. A liability for this judgement has not been reported in these financial statements.

The Town is also party to other certain legal claims that arise in the normal course of operations which are subject to many uncertainties. The outcome of individual litigation matters is not always predictable with assurance; although the amount of liability, if any, at June 30, 2018, cannot be ascertained, management believes that any resulting liability, if any for these other claims, should not materially affect the basic financial statements of the Town at June 30, 2018.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

H. Implementation of New GASB Pronouncements

Current Year Implementations –

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement became effective in fiscal year 2018. The adoption of GASB No. 75 resulted in a reduction in beginning net position of approximately \$91.5 million and \$1.7 million in the Town's governmental and business-type activities, respectively. Refer to Note IV.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

Future Implementations –

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

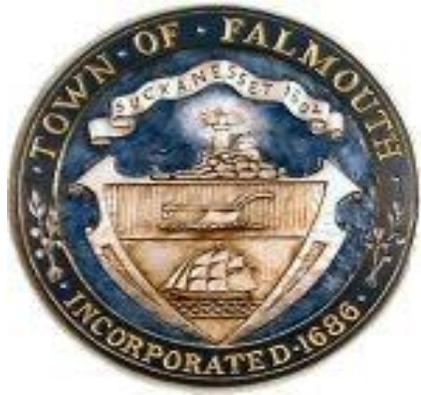
In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatements

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in the Town financial statements and record the net OPEB liability at June 30, 2017. The Town also reclassified a portion of its ambulance receivables as uncollectible. The impacts are illustrated as follows:

	Governmental Activities	Business-type Activities	Water Enterprise
Prior year as presented	\$ 154,530,382	\$ 56,284,616	\$ 56,284,616
Eliminate previously recorded OPEB obligation	41,306,025	751,975	751,975
Contributions received subsequent to the measurement date	3,690,270	-	-
Record net OPEB liability	(132,892,717)	(2,422,136)	(2,422,136)
Record uncollectible ambulance receivables	(800,151)	-	-
As restated	<u>\$ 65,833,809</u>	<u>\$ 54,614,455</u>	<u>\$ 54,614,455</u>



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Required Supplementary Information

TOWN OF FALMOUTH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2018

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

	<u>2018</u>	Year Ended June 30,		<u>2015</u>
		<u>2017</u>	<u>2016</u>	
Town's proportion of the net pension liability (asset)	97.3%	97.1%	97.1%	96.9%
Town's proportionate share of the net pension liability (asset)	\$ 59,898	\$ 69,211	\$ 64,484	\$ 56,559
Town's covered payroll	\$ 27,648	\$ 27,593	\$ 26,681	\$ 26,626
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	216.6%	250.8%	241.7%	212.4%
Plan fiduciary net position as a percentage of the total pension liability	70.1%	64.1%	63.8%	66.9%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN
(dollar amounts are in thousands)

	<u>2018</u>	Year Ended June 30,		<u>2015</u>
		<u>2017</u>	<u>2016</u>	
Actuarially determined contribution	\$ 7,451	\$ 7,082	\$ 6,748	\$ 6,416
Contributions in relation to the actuarially determined contribution	<u>7,451</u>	<u>7,082</u>	<u>6,748</u>	<u>6,416</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 27,648	\$ 27,593	\$ 26,681	\$ 26,626
Contributions as a percentage of covered payroll	26.9%	25.7%	25.3%	24.1%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF FALMOUTH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2018

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM

(dollar amounts are in thousands)

	2017	Year Ended June 30,		2014
	2017	2016	2015	2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF FALMOUTH, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2018**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 4,361,404	\$ 5,054,578
Interest	4,620,284	3,955,895
Changes in assumptions	(4,996,304)	(14,107,391)
Benefit payments	<u>(4,046,371)</u>	<u>(3,872,125)</u>
Net change in total OPEB liability	(60,987)	(8,969,043)
Total OPEB liability - beginning of year	<u>126,702,181</u>	<u>135,671,224</u>
Total OPEB liability - end of year (a)	<u>\$ 126,641,194</u>	<u>\$ 126,702,181</u>
Plan fiduciary net position:		
Contributions - employer	\$ 4,146,371	\$ 3,972,125
Net investment income	(6,526)	10,103
Benefit payments	(4,046,371)	(3,872,125)
Administrative expenses	-	-
Other	<u>-</u>	<u>-</u>
Net change in Plan fiduciary net position	93,474	110,103
Plan fiduciary net position - beginning of year	<u>466,474</u>	<u>356,371</u>
Plan fiduciary net position - end of year (b)	<u>\$ 559,948</u>	<u>\$ 466,474</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 126,081,246</u>	<u>\$ 126,235,707</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.44%	0.37%
Covered payroll	\$ 65,500,750	\$ 65,013,809
Net OPEB liability as a percentage of covered payroll	192.49%	194.17%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b.

See accompanying independent auditor's report.

TOWN OF FALMOUTH, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2018**

SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30,	
	2018	2017
Actuarially-determined contribution	\$ 6,560,565	\$ 8,695,228
Contributions in relation to the actuarially-determined contribution	(4,146,371)	(3,972,125)
Contribution deficiency (excess)	\$ 2,414,194	\$ 4,723,103
Covered payroll	\$ 65,500,750	\$65,013,809
Contribution as a percentage of covered payroll	6.33%	6.11%
Valuation date	June 30, 2016	June 30, 2016
Amortization period	30 years	30 years
Investment rate of return	7.00%	7.00%
Municipal bond rate	3.45%	3.13%
Single equivalent discount rate	3.87%	3.58%
Inflation	3.50%	3.50%
Healthcare cost trend rates	7.0% > 4.5%	7.0% > 4.5%
Salary increases	7.5% > 4.0%	7.5% > 4.0%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)	
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)	

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,	
	2018	2017
Annual money-weighted rate of return, net of investment expense	-1.40%	2.25%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF FALMOUTH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
<i>Taxes:</i>						
Real estate taxes	\$ 97,375,815	\$ 97,375,815	\$ 97,673,405	\$ -	\$ 97,673,405	\$ 297,590
Personal property taxes	2,031,590	2,031,590	2,083,947	-	2,083,947	52,357
Tax title	-	-	183,081	-	183,081	183,081
Motor vehicle excise	3,551,103	3,551,103	5,210,553	-	5,210,553	1,659,450
Boat excise	80,000	80,000	188,538	-	188,538	108,538
Meals excise	800,000	800,000	931,395	-	931,395	131,395
Room occupancy excise	805,000	805,000	1,236,882	-	1,236,882	431,882
	<u>104,643,508</u>	<u>104,643,508</u>	<u>107,507,801</u>	<u>-</u>	<u>107,507,801</u>	<u>2,864,293</u>
<i>Intergovernmental:</i>						
State aid - chapter 70	6,110,688	6,110,688	6,110,688	-	6,110,688	-
State aid - state owned land	738,580	738,580	738,580	-	738,580	-
State aid - unrestricted	1,384,984	1,384,984	1,384,984	-	1,384,984	-
State aid - veterans benefits	316,372	316,372	342,570	-	342,570	26,198
State aid - other	305,410	305,410	319,776	-	319,776	14,366
Federal revenue through State	40,000	40,000	599,638	-	599,638	559,638
MSBA school construction reimbursement	962,492	962,492	962,492	-	962,492	-
	<u>9,858,526</u>	<u>9,858,526</u>	<u>10,458,728</u>	<u>-</u>	<u>10,458,728</u>	<u>600,202</u>
<i>User charges:</i>						
Ambulance user charges	1,450,000	1,450,000	2,382,956	-	2,382,956	932,956
Town marina user charges	500,000	500,000	677,321	-	677,321	177,321
Solid waste disposal user charges	150,000	150,000	169,113	-	169,113	19,113
Sewer user charges	600,000	600,000	1,282,682	-	1,282,682	682,682
Water user charges	7,214,926	7,214,926	7,075,714	-	7,075,714	(139,212)
Beach user charges	700,000	700,000	956,917	-	956,917	256,917
	<u>10,614,926</u>	<u>10,614,926</u>	<u>12,544,703</u>	<u>-</u>	<u>12,544,703</u>	<u>1,929,777</u>
<i>Departmental fees and other:</i>						
Payments in lieu of taxes	150,000	150,000	171,537	-	171,537	21,537
Municipal lien fees	125,000	125,000	123,152	-	123,152	(1,848)
Recreation fees	120,000	120,000	147,236	-	147,236	27,236
Rental of municipal property	100,000	100,000	94,992	-	94,992	(5,008)
Police private detail charges	50,000	50,000	91,133	-	91,133	41,133
Fire inspection fees	50,000	50,000	50,080	-	50,080	80
Other fire revenue	100,000	100,000	135,099	-	135,099	35,099
Beach miscellaneous	-	-	91,547	-	91,547	91,547
Treasurer's miscellaneous	-	-	253,401	-	253,401	253,401
Other miscellaneous	-	-	307,598	-	307,598	307,598
	<u>695,000</u>	<u>695,000</u>	<u>1,465,775</u>	<u>-</u>	<u>1,465,775</u>	<u>770,775</u>
<i>Licenses and permits:</i>						
Liquor licenses	150,000	150,000	157,490	-	157,490	7,490
Building permits	1,109,000	1,109,000	1,438,938	-	1,438,938	329,938
Board of Health licenses and permits	50,000	50,000	88,365	-	88,365	38,365
Other licenses and permits	100,000	100,000	218,118	-	218,118	118,118
	<u>1,409,000</u>	<u>1,409,000</u>	<u>1,902,911</u>	<u>-</u>	<u>1,902,911</u>	<u>493,911</u>
<i>Fines and forfeitures:</i>						
Parking violations	60,000	60,000	163,412	-	163,412	103,412
Other fines	20,000	20,000	53,472	-	53,472	33,472
	<u>80,000</u>	<u>80,000</u>	<u>216,884</u>	<u>-</u>	<u>216,884</u>	<u>136,884</u>
<i>Special Assessments</i>	<u>400,000</u>	<u>400,000</u>	<u>1,040,271</u>	<u>-</u>	<u>1,040,271</u>	<u>640,271</u>
<i>Penalties and interest on taxes</i>	<u>575,000</u>	<u>575,000</u>	<u>609,710</u>	<u>-</u>	<u>609,710</u>	<u>34,710</u>
<i>Interest and investment income</i>	<u>40,000</u>	<u>40,000</u>	<u>231,248</u>	<u>-</u>	<u>231,248</u>	<u>191,248</u>
Total Revenues	<u>128,315,960</u>	<u>128,315,960</u>	<u>135,978,031</u>	<u>-</u>	<u>135,978,031</u>	<u>7,662,071</u>

TOWN OF FALMOUTH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Expenditures:						
<i>General Government:</i>						
Town Meeting:						
Salary and wages	2,000	2,000	1,811	-	1,811	189
Other expenses	34,500	34,500	32,233	-	32,233	2,267
	<u>36,500</u>	<u>36,500</u>	<u>34,044</u>	<u>-</u>	<u>34,044</u>	<u>2,456</u>
Town Moderator:						
Salary and wages	1,500	1,500	750	750	1,500	-
	<u>1,500</u>	<u>1,500</u>	<u>750</u>	<u>750</u>	<u>1,500</u>	<u>-</u>
Selectmen/Town Manager:						
Salary and wages	447,441	447,441	434,938	-	434,938	12,503
Specific departmental expenses	41,100	41,100	23,096	-	23,096	18,004
Other expenses	75,554	75,554	64,630	165	64,795	10,759
Article expenses	4,512,856	4,432,108	1,727,733	2,704,349	4,432,082	26
	<u>5,076,951</u>	<u>4,996,203</u>	<u>2,250,397</u>	<u>2,704,514</u>	<u>4,954,911</u>	<u>41,292</u>
Finance Department:						
Salary and wages	120,457	122,457	122,387	-	122,387	70
Other expenses	3,000	3,000	2,681	-	2,681	319
Article expenses	209,138	209,138	85,156	123,982	209,138	-
	<u>332,595</u>	<u>334,595</u>	<u>210,224</u>	<u>123,982</u>	<u>334,206</u>	<u>389</u>
Town Accountant:						
Salary and wages	156,748	159,848	159,831	-	159,831	17
Specific departmental expenses	50,000	50,000	50,000	-	50,000	-
Other expenses	2,787	2,787	2,669	-	2,669	118
	<u>209,535</u>	<u>212,635</u>	<u>212,500</u>	<u>-</u>	<u>212,500</u>	<u>135</u>
Assessing Department:						
Salary and wages	337,003	337,003	313,141	-	313,141	23,862
Other expenses	18,965	18,965	9,793	-	9,793	9,172
	<u>355,968</u>	<u>355,968</u>	<u>322,934</u>	<u>-</u>	<u>322,934</u>	<u>33,034</u>
Town Treasurer:						
Salary and wages	314,094	322,594	322,585	-	322,585	9
Other expenses	223,083	223,083	117,164	10,000	127,164	95,919
	<u>537,177</u>	<u>545,677</u>	<u>439,749</u>	<u>10,000</u>	<u>449,749</u>	<u>95,928</u>
Personnel Department:						
Salary and wages	221,640	243,842	234,142	-	234,142	9,700
Other expenses	65,374	65,374	44,113	700	44,813	20,561
	<u>287,014</u>	<u>309,216</u>	<u>278,255</u>	<u>700</u>	<u>278,955</u>	<u>30,261</u>
Legal Department:						
Salary and wages	300,098	305,098	302,890	-	302,890	2,208
Specific departmental expenses	246,993	366,993	354,074	1,680	355,754	11,239
Other expenses	59,782	59,782	54,038	771	54,809	4,973
	<u>606,873</u>	<u>731,873</u>	<u>711,002</u>	<u>2,451</u>	<u>713,453</u>	<u>18,420</u>
Finance Committee:						
Reserve fund	325,000	152,698	-	-	-	152,698
	<u>325,000</u>	<u>152,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,698</u>

(continued)

TOWN OF FALMOUTH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Information Technology:						
Salary and wages	539,914	539,914	421,271	77,879	499,150	40,764
Specific departmental expenses	20,000	106,000	36,309	-	36,309	69,691
Other expenses	321,183	321,183	301,411	9,848	311,259	9,924
Article expenses	323,412	472,972	66,396	406,576	472,972	-
	<u>1,204,509</u>	<u>1,440,069</u>	<u>825,387</u>	<u>494,303</u>	<u>1,319,690</u>	<u>120,379</u>
Geographical Information Systems:						
Salary and wages	80,325	81,625	81,619	-	81,619	6
Other expenses	17,500	17,500	16,685	-	16,685	815
Article expenses	97,012	12	-	-	-	12
	<u>194,837</u>	<u>99,137</u>	<u>98,304</u>	<u>-</u>	<u>98,304</u>	<u>833</u>
Town Clerk:						
Salary and wages	222,524	228,524	228,228	-	228,228	296
Other expenses	40,940	40,940	30,876	-	30,876	10,064
	<u>263,464</u>	<u>269,464</u>	<u>259,104</u>	<u>-</u>	<u>259,104</u>	<u>10,360</u>
Elections:						
Salary and wages	20,000	20,000	18,643	-	18,643	1,357
Other expenses	20,850	20,850	10,906	-	10,906	9,944
Article expenses	3,422	3,422	3,422	-	3,422	-
	<u>44,272</u>	<u>44,272</u>	<u>32,971</u>	<u>-</u>	<u>32,971</u>	<u>11,301</u>
Conservation Commission:						
Salary and wages	229,624	229,624	215,053	1,900	216,953	12,671
Specific departmental expenses	6,100	8,100	7,569	-	7,569	531
Other expenses	12,350	12,350	6,954	-	6,954	5,396
Article expenses	33,321	199,321	4,256	195,065	199,321	-
	<u>281,395</u>	<u>449,395</u>	<u>233,832</u>	<u>196,965</u>	<u>430,797</u>	<u>18,598</u>
Planning Department:						
Salary and wages	245,897	245,897	204,230	-	204,230	41,667
Other expenses	8,125	8,125	8,125	-	8,125	-
	<u>254,022</u>	<u>254,022</u>	<u>212,355</u>	<u>-</u>	<u>212,355</u>	<u>41,667</u>
Zoning Board of Appeals:						
Salary and wages	117,949	121,649	121,600	-	121,600	49
Specific departmental expenses	600	600	100	-	100	500
Other expenses	5,550	5,550	3,397	-	3,397	2,153
	<u>124,099</u>	<u>127,799</u>	<u>125,097</u>	<u>-</u>	<u>125,097</u>	<u>2,702</u>
Facilities Maintenance:						
Salary and wages	619,674	619,674	578,662	-	578,662	41,012
Specific departmental expenses	108,241	108,241	107,999	-	107,999	242
Capital expenses	116,892	116,892	111,501	5,391	116,892	-
Other expenses	140,539	140,539	125,399	-	125,399	15,140
Article expenses	495,301	707,781	94,227	589,366	683,593	24,188
	<u>1,480,647</u>	<u>1,693,127</u>	<u>1,017,788</u>	<u>594,757</u>	<u>1,612,545</u>	<u>80,582</u>
Court Judgments:						
Specific departmental expenses	500	500	500	-	500	-
	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Town Insurance:						
Other expenses	1,504,872	1,504,872	1,294,781	49,739	1,344,520	160,352
	<u>1,504,872</u>	<u>1,504,872</u>	<u>1,294,781</u>	<u>49,739</u>	<u>1,344,520</u>	<u>160,352</u>
<i>Total General Government</i>	<u>13,121,730</u>	<u>13,559,522</u>	<u>8,559,974</u>	<u>4,178,161</u>	<u>12,738,135</u>	<u>821,387</u>

TOWN OF FALMOUTH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<i>Public Safety:</i>						
Police Department:						
Salary and wages	5,360,032	5,411,482	5,376,328	-	5,376,328	35,154
Specific departmental expenses	7,000	7,000	7,000	-	7,000	-
Capital expenses	100,000	100,000	94,008	-	94,008	5,992
Other expenses	456,494	456,494	388,606	390	388,996	67,498
Article expenses	803,111	803,111	187,055	616,056	803,111	-
	<u>6,726,637</u>	<u>6,778,087</u>	<u>6,052,997</u>	<u>616,446</u>	<u>6,669,443</u>	<u>108,644</u>
Fire Department:						
Salary and wages	6,059,846	6,149,846	6,117,312	-	6,117,312	32,534
Specific departmental expenses	27,000	27,000	26,566	-	26,566	434
Other expenses	713,133	713,133	702,325	3,617	705,942	7,191
Article expenses	1,649,897	1,649,897	623,486	1,026,247	1,649,733	164
	<u>8,449,876</u>	<u>8,539,876</u>	<u>7,469,689</u>	<u>1,029,864</u>	<u>8,499,553</u>	<u>40,323</u>
Building Department:						
Salary and wages	538,909	538,909	514,896	-	514,896	24,013
Other expenses	43,150	43,150	33,015	-	33,015	10,135
	<u>582,059</u>	<u>582,059</u>	<u>547,911</u>	<u>-</u>	<u>547,911</u>	<u>34,148</u>
Consolidated Communication Department:						
Salary and wages	584,376	600,426	600,383	-	600,383	43
Other expenses	45,665	45,665	41,162	353	41,515	4,150
	<u>630,041</u>	<u>646,091</u>	<u>641,545</u>	<u>353</u>	<u>641,898</u>	<u>4,193</u>
Marine and Environmental Services:						
Salary and wages	669,294	669,294	635,675	-	635,675	33,619
Specific departmental expenses	67,000	67,000	62,814	-	62,814	4,186
Other expenses	168,386	168,386	143,815	8,968	152,783	15,603
Article expenses	867,654	869,270	159,328	709,879	869,207	63
	<u>1,772,334</u>	<u>1,773,950</u>	<u>1,001,632</u>	<u>718,847</u>	<u>1,720,479</u>	<u>53,471</u>
<i>Total Public Safety</i>	<u>18,160,947</u>	<u>18,320,063</u>	<u>15,713,774</u>	<u>2,365,510</u>	<u>18,079,284</u>	<u>240,779</u>
<i>Education:</i>						
School Department:						
Salary and other expenses	50,855,789	50,855,789	46,817,581	4,022,765	50,840,346	15,443
Article expenses	1,442,400	1,642,400	354,170	1,288,230	1,642,400	-
	<u>52,298,189</u>	<u>52,498,189</u>	<u>47,171,751</u>	<u>5,310,995</u>	<u>52,482,746</u>	<u>15,443</u>
Upper Cape Vocational School:						
Other expenses	2,623,592	2,623,592	2,623,592	-	2,623,592	-
	<u>2,623,592</u>	<u>2,623,592</u>	<u>2,623,592</u>	<u>-</u>	<u>2,623,592</u>	<u>-</u>
<i>Total Education</i>	<u>54,921,781</u>	<u>55,121,781</u>	<u>49,795,343</u>	<u>5,310,995</u>	<u>55,106,338</u>	<u>15,443</u>
<i>Public Works:</i>						
Admin/Engineering:						
Salary and wages	682,665	693,165	693,143	-	693,143	22
Specific departmental expenses	1,700	1,700	-	-	-	1,700
Other expenses	62,700	62,700	59,512	-	59,512	3,188
Article expenses	1,005,258	1,005,258	64,295	940,963	1,005,258	-
	<u>1,752,323</u>	<u>1,762,823</u>	<u>816,950</u>	<u>940,963</u>	<u>1,757,913</u>	<u>4,910</u>

(continued)

TOWN OF FALMOUTH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Highway:						
Salary and wages	1,241,606	1,241,606	1,209,071	-	1,209,071	32,535
Specific departmental expenses	35,120	35,120	33,168	-	33,168	1,952
Other expenses	480,185	530,185	496,220	-	496,220	33,965
Article expenses	2,915,078	2,915,078	1,406,675	1,508,403	2,915,078	-
	<u>4,671,989</u>	<u>4,721,989</u>	<u>3,145,134</u>	<u>1,508,403</u>	<u>4,653,537</u>	<u>68,452</u>
Snow and Ice Control:						
Salary and wages	80,000	85,000	72,978	-	72,978	12,022
Other expenses	95,000	540,000	539,902	-	539,902	98
	<u>175,000</u>	<u>625,000</u>	<u>612,880</u>	<u>-</u>	<u>612,880</u>	<u>12,120</u>
Street Lighting:						
Other expenses	106,847	106,847	95,586	5,892	101,478	5,369
	<u>106,847</u>	<u>106,847</u>	<u>95,586</u>	<u>5,892</u>	<u>101,478</u>	<u>5,369</u>
Vehicle Gasoline:						
Other expenses	350,000	350,000	270,140	17,186	287,326	62,674
	<u>350,000</u>	<u>350,000</u>	<u>270,140</u>	<u>17,186</u>	<u>287,326</u>	<u>62,674</u>
Waste Management Facility:						
Salary and wages	153,948	154,698	154,684	-	154,684	14
Other expenses	216,317	216,317	128,396	11,130	139,526	76,791
	<u>370,265</u>	<u>371,015</u>	<u>283,080</u>	<u>11,130</u>	<u>294,210</u>	<u>76,805</u>
Solid Waste Collection:						
Specific departmental expenses	3,564,071	3,564,071	3,266,195	70,857	3,337,052	227,019
	<u>3,564,071</u>	<u>3,564,071</u>	<u>3,266,195</u>	<u>70,857</u>	<u>3,337,052</u>	<u>227,019</u>
Wastewater Utilities:						
Salary and wages	600,779	600,779	503,246	-	503,246	97,533
Other expenses	849,792	849,792	790,657	36,195	826,852	22,940
Article expenses	693,548	693,548	144,663	548,885	693,548	-
	<u>2,144,119</u>	<u>2,144,119</u>	<u>1,438,566</u>	<u>585,080</u>	<u>2,023,646</u>	<u>120,473</u>
Water Utilities:						
Salary and wages	1,205,766	1,205,766	1,133,785	-	1,133,785	71,981
Specific departmental expenses	400,000	400,000	331,523	33,239	364,762	35,238
Other expenses	1,569,778	1,569,778	1,305,676	40,875	1,346,551	223,227
Article expenses	1,499,048	1,499,048	566,358	932,690	1,499,048	-
	<u>4,674,592</u>	<u>4,674,592</u>	<u>3,337,342</u>	<u>1,006,804</u>	<u>4,344,146</u>	<u>330,446</u>
Renewable Energy:						
Other expenses	206,307	206,307	6,242	978	7,220	199,087
	<u>206,307</u>	<u>206,307</u>	<u>6,242</u>	<u>978</u>	<u>7,220</u>	<u>199,087</u>
Parks:						
Salary and wages	849,301	849,301	800,908	-	800,908	48,393
Specific departmental expenses	11,900	11,900	11,200	-	11,200	700
Other expenses	232,000	237,000	225,139	2,936	228,075	8,925
Article expenses	228,465	228,465	111,057	117,408	228,465	-
	<u>1,321,666</u>	<u>1,326,666</u>	<u>1,148,304</u>	<u>120,344</u>	<u>1,268,648</u>	<u>58,018</u>
<i>Total Public Works</i>	<u>19,337,179</u>	<u>19,853,429</u>	<u>14,420,419</u>	<u>4,267,637</u>	<u>18,688,056</u>	<u>1,165,373</u>

TOWN OF FALMOUTH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<i>Health and Human Services:</i>						
Health Inspection:						
Salary and wages	208,778	233,778	228,297	-	228,297	5,481
Specific departmental expenses	43,400	43,400	26,698	12,587	39,285	4,115
Other expenses	10,050	10,050	8,579	-	8,579	1,471
	<u>262,228</u>	<u>287,228</u>	<u>263,574</u>	<u>12,587</u>	<u>276,161</u>	<u>11,067</u>
Clinics and Nurses:						
Specific departmental expenses	45,980	45,980	45,980	-	45,980	-
	<u>45,980</u>	<u>45,980</u>	<u>45,980</u>	<u>-</u>	<u>45,980</u>	<u>-</u>
Council on Aging:						
Salary and wages	219,979	219,979	212,234	-	212,234	7,745
Specific departmental expenses	16,000	16,000	-	-	-	16,000
Other expenses	20,800	20,800	19,568	-	19,568	1,232
	<u>256,779</u>	<u>256,779</u>	<u>231,802</u>	<u>-</u>	<u>231,802</u>	<u>24,977</u>
Veterans Services:						
Salary and wages	121,768	125,668	125,610	-	125,610	58
Specific departmental expenses	456,200	456,200	415,654	-	415,654	40,546
Other expenses	4,500	4,500	3,828	-	3,828	672
	<u>582,468</u>	<u>586,368</u>	<u>545,092</u>	<u>-</u>	<u>545,092</u>	<u>41,276</u>
Commission on Disabilities:						
Other expenses	250	250	211	-	211	39
	<u>250</u>	<u>250</u>	<u>211</u>	<u>-</u>	<u>211</u>	<u>39</u>
Human Services:						
Salary and wages	338,951	338,951	306,275	-	306,275	32,676
Specific departmental expenses	93,700	93,700	89,700	-	89,700	4,000
Other expenses	38,730	38,730	38,087	-	38,087	643
	<u>471,381</u>	<u>471,381</u>	<u>434,062</u>	<u>-</u>	<u>434,062</u>	<u>37,319</u>
<i>Total Health and Human Services</i>	<u>1,619,086</u>	<u>1,647,986</u>	<u>1,520,721</u>	<u>12,587</u>	<u>1,533,308</u>	<u>114,678</u>
<i>Culture and Recreation:</i>						
Falmouth Public Library:						
Salary and wages	1,482,293	1,482,293	1,469,070	-	1,469,070	13,223
Specific departmental expenses	297,723	297,723	297,723	-	297,723	-
Other expenses	213,033	213,033	211,571	-	211,571	1,462
Article expenses	160,084	160,084	89,377	70,707	160,084	-
	<u>2,153,133</u>	<u>2,153,133</u>	<u>2,067,741</u>	<u>70,707</u>	<u>2,138,448</u>	<u>14,685</u>
Recreation:						
Salary and wages	334,510	334,510	282,807	-	282,807	51,703
Specific departmental expenses	88,661	113,661	92,994	-	92,994	20,667
Other expenses	83,585	83,585	79,174	-	79,174	4,411
Article expenses	28,484	28,484	22,693	5,791	28,484	-
	<u>535,240</u>	<u>560,240</u>	<u>477,668</u>	<u>5,791</u>	<u>483,459</u>	<u>76,781</u>
Beach Department:						
Salary and wages	555,926	555,926	514,255	-	514,255	41,671
Capital expenses	50,000	50,000	6,855	18,145	25,000	25,000
Other expenses	49,333	49,333	46,787	1,375	48,162	1,171
Article expenses	81,905	81,905	9,995	71,905	81,900	5
	<u>737,164</u>	<u>737,164</u>	<u>577,892</u>	<u>91,425</u>	<u>669,317</u>	<u>67,847</u>
Bikeways Committee:						
Other expenses	1,860	1,860	1,800	-	1,800	60
	<u>1,860</u>	<u>1,860</u>	<u>1,800</u>	<u>-</u>	<u>1,800</u>	<u>60</u>
<i>Total Culture and Recreation</i>	<u>3,427,397</u>	<u>3,452,397</u>	<u>3,125,101</u>	<u>167,923</u>	<u>3,293,024</u>	<u>159,373</u>

(continued)

TOWN OF FALMOUTH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<i>State and County Assessments:</i>						
County assessments	968,724	968,724	969,625	-	969,625	(901)
State assessments and charges	378,681	378,681	378,681	-	378,681	-
Transportation authorities assessments	178,997	178,997	178,997	-	178,997	-
Annual charges against receipts	13,135	13,135	-	-	-	13,135
Tuition assessments	1,451,848	1,451,848	1,567,353	-	1,567,353	(115,505)
Total State and County Assessments	2,991,385	2,991,385	3,094,656	-	3,094,656	(103,271)
<i>Pension and Fringe Benefits:</i>						
Retirement:						
Non-contributory pension	15,000	15,600	12,465	-	12,465	3,135
Contributory pension	7,450,583	7,450,583	7,450,583	-	7,450,583	-
Article expenses	12,869	12,869	-	12,869	12,869	-
	7,478,452	7,479,052	7,463,048	12,869	7,475,917	3,135
Unemployment:						
Other expenses	153,000	203,000	165,426	9,085	174,511	28,489
	153,000	203,000	165,426	9,085	174,511	28,489
Health Insurance:						
Other expenses	14,326,039	13,616,039	12,958,291	-	12,958,291	657,748
	14,326,039	13,616,039	12,958,291	-	12,958,291	657,748
Life Insurance:						
Other expenses	9,232	9,232	7,832	-	7,832	1,400
	9,232	9,232	7,832	-	7,832	1,400
Medicare Insurance:						
Other expenses	850,000	867,500	865,608	-	865,608	1,892
	850,000	867,500	865,608	-	865,608	1,892
Other Employee Benefits:						
Specific departmental expenses	348,200	348,200	179,680	11,491	191,171	157,029
	348,200	348,200	179,680	11,491	191,171	157,029
Total Pension and Fringe Benefits	23,164,923	22,523,023	21,639,885	33,445	21,673,330	849,693
<i>Debt Service:</i>						
Long Term Excluded Debt:						
Principal payments	8,301,452	8,301,452	8,300,904	-	8,300,904	548
Interest payments	3,049,677	3,049,677	3,036,952	-	3,036,952	12,725
	11,351,129	11,351,129	11,337,856	-	11,337,856	13,273
Long Term Non-Excluded Debt:						
Principal payments	3,842,076	3,842,076	3,842,076	-	3,842,076	-
Interest payments	1,318,261	1,318,261	1,318,260	-	1,318,260	1
	5,160,337	5,160,337	5,160,336	-	5,160,336	1
Short Term Debt:						
Interest payments	1,244	1,244	1,244	-	1,244	-
	1,244	1,244	1,244	-	1,244	-
Total Debt Service	16,512,710	16,512,710	16,499,436	-	16,499,436	13,274
Total Expenditures	153,257,138	153,982,296	134,369,309	16,336,258	150,705,567	3,276,729

TOWN OF FALMOUTH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Other Financing Sources (Uses)						
Transfers in	6,512,755	6,512,755	6,512,755		6,512,755	-
Transfers out	(1,672,079)	(1,672,079)	(1,766,348)		(1,766,348)	(94,269)
Total Other Financing Sources (Uses)	<u>4,840,676</u>	<u>4,840,676</u>	<u>4,746,407</u>		<u>\$ 4,746,407</u>	<u>(94,269)</u>
<i>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Uses Of Prior Year Budgetary Fund Balance</i>	<u>(20,100,502)</u>	<u>(20,825,660)</u>	<u>\$ 6,355,129</u>			<u>\$ 10,844,531</u>
Other Budgetary Items						
Use of unassigned fund balance (free cash)	\$ 6,446,974	\$ 7,172,132				
Prior year encumbrances	<u>13,653,528</u>	<u>13,653,528</u>				
Total Other Budgetary Items	<u>20,100,502</u>	<u>20,825,660</u>				
Net budget and actual	<u>\$ -</u>	<u>\$ -</u>				

(Concluded)

The notes to the financial statements are an integral part of this statement.

The notes to the required supplementary information are and integral part of this statement.

TOWN OF FALMOUTH, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by the taxpayers at the Town’s annual meeting in May. Expenditures may legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town meeting however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance.

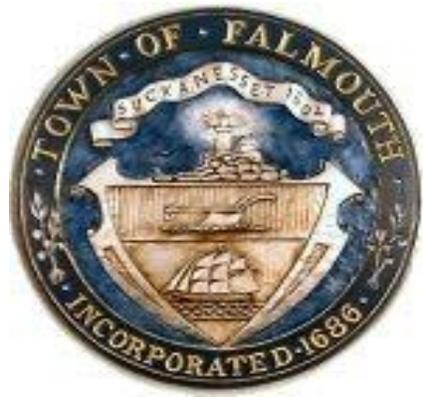
The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s General Fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2018, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenue on a budgetary basis			\$ 135,978,031
MTRS on-behalf pension payments	\$ 10,237,291	\$ -	10,237,291
Revenue recognition differences	(198,355)	-	(198,355)
Stabilization investment income	-	(152,616)	(152,616)
Workers' compensation investment income	-	(2,876)	(2,876)
MCWT debt subsidy recognition	506,946	-	506,946
Water revenues	-	(7,124,206)	(7,124,206)
Revenue on a GAAP basis	<u>\$ 10,545,882</u>	<u>\$ (7,279,698)</u>	<u>\$ 139,244,215</u>

	Basis of Accounting Differences	Fund Perspective Differences	Total
Expenditures on a budgetary basis			\$ 134,369,309
MTRS on-behalf pension payments	\$ 10,237,291	\$ -	10,237,291
Workers' compensation expenditures	-	56,647	56,647
OPEB funding contributions	-	100,000	100,000
Expenditure recognition differences	62,350	185,000	247,350
MCWT debt subsidy recognition	506,946	-	506,946
Debt service contribution to other funds	-	(185,000)	(185,000)
Water expenditures	-	(7,381,245)	(7,381,245)
Expenditures on a GAAP basis	<u>\$ 10,806,587</u>	<u>\$ (7,224,598)</u>	<u>\$ 137,951,298</u>
Other financing sources (uses) on a budgetary basis			\$ 4,746,407
Stabilization fund transfers	\$ -	\$ (1,265,649)	(1,265,649)
Debt premium fund transfers	-	(98,553)	(98,553)
Workers' compensation fund transfers	-	100,000	100,000
OPEB funding contributions	-	100,000	100,000
Debt service contribution to other funds	-	(185,000)	(185,000)
Water surplus (deficit) activity transfer	-	(356,817)	(356,817)
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ (1,706,019)</u>	<u>\$ 3,040,388</u>

Excess of Expenditures Over Appropriations – During fiscal year 2018, expenditures exceeded appropriations for state and county charges by \$103,271 which were funded with available funds.



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Combining Statements

Nonmajor Governmental Fund

Special Revenue Funds –

Special revenue funds are used to account for certain revenue generating activities that are legally and/or programmatically restricted to expenditures for a specific purpose. From the Town's financial ledgers, these activities can be distinctly categorized into the following groupings:

Town Federal Grants – This fund accounts for non-school grant programs received either directly from federal or indirectly through pass-through entities.

School Federal Grants – This fund accounts for educational-based grant programs received either directly from federal agencies or indirectly through pass-through entities.

Town State Grants – This fund accounts for non-school grant programs received directly from State agencies.

School State Grants – This fund accounts for educational-based grant programs received directly from State agencies.

School Lunch Fund – This segregated revolving fund accounts for the activities of the child nutrition programs; amounts collected from services include federal and state meal reimbursements and meal charges.

Receipts Reserved For Appropriation – This fund accounts for monies received by the Town from various specific purposes that may only be used subject to appropriation by Town Meeting.

Town Revolving Funds – This fund accounts for the non-school related activity within revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and other applicable statutes.

School Revolving Funds – This fund accounts for educational-based activities within revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and Chapter 71.

Donations – This fund accounts for donated monies which relate to all Town activities.

Other Municipal Funds – This fund accounts for miscellaneous other monies that are not specifically categorized in any of the previous accounts.

Permanent Funds –

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

Cemetery Trust Funds – This fund accounts for contributions earmarked for the perpetual care and maintenance of cemetery facilities and property.

Affordable Housing Trust – Created under the provisions of Massachusetts General Laws Chapter 44, Section 55C, this Trust provides for the creation and preservation of affordable housing.

Conservation Trust – This fund accounts for contributions earmarked for the preservation of conservation in the Town.

Other Trust Funds – This fund accounts for all contributions including: gifts, donations and bequests for which only earnings on the original trust corpus may be expended to benefit government approved programs, other than those associated with cemetery and library activities.

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2018

	Special Revenue Funds			
	Town Federal Grants	School Federal Grants	Town State Grants	School State Grants
Assets:				
Cash and short-term investments	\$ 67,240	\$ 51,660	\$ 689,393	\$ 62,438
Investments	-	-	-	-
Receivables, net of allowance for uncollectibles				
Special assessments	-	-	-	-
Departmental and other	-	-	-	-
Intergovernmental	2,101	78,464	175,714	-
Total Assets	<u>69,341</u>	<u>130,124</u>	<u>865,107</u>	<u>62,438</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 69,341</u>	<u>\$ 130,124</u>	<u>\$ 865,107</u>	<u>\$ 62,438</u>
Liabilities:				
Warrants and accounts payable	\$ 7,029	\$ 21,988	\$ 232,909	\$ 19,862
Total Liabilities	<u>7,029</u>	<u>21,988</u>	<u>232,909</u>	<u>19,862</u>
Deferred Inflows of Resources:				
Unavailable revenues - special assessments	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	62,312	108,136	632,198	42,576
Total Fund Balances	<u>62,312</u>	<u>108,136</u>	<u>632,198</u>	<u>42,576</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 69,341</u>	<u>\$ 130,124</u>	<u>\$ 865,107</u>	<u>\$ 62,438</u>

<u>School Lunch Fund</u>	<u>Receipts Reserved for Appropriation</u>	<u>Town Revolving Funds</u>	<u>School Revolving Funds</u>	<u>Donation Funds</u>	<u>Other Municipal Funds</u>	<u>Sub-total Special Revenue Funds</u>
\$ 119,314	\$ 6,255,680	\$ 229,021	\$ 2,037,221	\$ 509,296	\$ 266,150	\$ 10,287,413
-	-	-	-	-	-	-
-	22,873,152	-	-	-	-	22,873,152
-	97,014	-	-	-	-	97,014
40,917	104,992	-	287,613	-	-	689,801
<u>160,231</u>	<u>29,330,838</u>	<u>229,021</u>	<u>2,324,834</u>	<u>509,296</u>	<u>266,150</u>	<u>33,947,380</u>
-	-	-	-	-	-	-
<u>\$ 160,231</u>	<u>\$ 29,330,838</u>	<u>\$ 229,021</u>	<u>\$ 2,324,834</u>	<u>\$ 509,296</u>	<u>\$ 266,150</u>	<u>\$ 33,947,380</u>
<u>\$ 3,944</u>	<u>\$ -</u>	<u>\$ 6,038</u>	<u>\$ 60,252</u>	<u>\$ 4,012</u>	<u>\$ 840</u>	<u>\$ 356,874</u>
<u>3,944</u>	<u>-</u>	<u>6,038</u>	<u>60,252</u>	<u>4,012</u>	<u>840</u>	<u>356,874</u>
-	22,873,152	-	-	-	-	22,873,152
-	22,873,152	-	-	-	-	22,873,152
-	-	25,000	-	-	-	25,000
156,287	6,457,686	197,983	2,264,582	505,284	265,310	10,692,354
156,287	6,457,686	222,983	2,264,582	505,284	265,310	10,717,354
<u>\$ 160,231</u>	<u>\$ 29,330,838</u>	<u>\$ 229,021</u>	<u>\$ 2,324,834</u>	<u>\$ 509,296</u>	<u>\$ 266,150</u>	<u>\$ 33,947,380</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2018

	Permanent Funds			
	Cemetery Funds	Affordable Housing Trust	Conservation Trust	Other Trust Funds
Assets:				
Cash and short-term investments	\$ -	\$ 21,351	\$ -	\$ 1,656
Investments	144,797	2,242,890	274,100	91,183
Receivables, net of allowance for uncollectibles				
Special assessments	-	-	-	-
Departmental and other	-	-	-	-
Intergovernmental	-	-	-	-
Total Assets	<u>144,797</u>	<u>2,264,241</u>	<u>274,100</u>	<u>92,839</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 144,797</u>	<u>\$ 2,264,241</u>	<u>\$ 274,100</u>	<u>\$ 92,839</u>
Liabilities:				
Warrants and accounts payable	\$ -	\$ 1,524	\$ -	\$ 1,656
Total Liabilities	<u>-</u>	<u>1,524</u>	<u>-</u>	<u>1,656</u>
Deferred Inflows of Resources:				
Unavailable revenues - special assessments	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	144,797	2,262,717	274,100	91,183
Total Fund Balances	<u>144,797</u>	<u>2,262,717</u>	<u>274,100</u>	<u>91,183</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 144,797</u>	<u>\$ 2,264,241</u>	<u>\$ 274,100</u>	<u>\$ 92,839</u>

	Total
Sub-total Permanent Funds	Nonmajor Governmental Funds
\$ 23,007	\$ 10,310,420
2,752,970	2,752,970
-	22,873,152
-	97,014
-	689,801
<u>2,775,977</u>	<u>36,723,357</u>
-	-
<u>\$ 2,775,977</u>	<u>\$ 36,723,357</u>
\$ 3,180	\$ 360,054
<u>3,180</u>	<u>360,054</u>
-	22,873,152
-	22,873,152
-	25,000
<u>2,772,797</u>	<u>13,465,151</u>
<u>2,772,797</u>	<u>13,490,151</u>
<u>\$ 2,775,977</u>	<u>\$ 36,723,357</u>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Town Federal Grants	School Federal Grants	Town State Grants	School State Grants
Revenues:				
Intergovernmental	\$ 565,937	\$ 1,543,827	\$ 884,208	\$ 297,451
Departmental and other	17,373	-	-	-
Special assessments	-	-	-	-
Investment income	-	-	-	-
Contributions and donations	-	-	-	-
Total Revenues	<u>583,310</u>	<u>1,543,827</u>	<u>884,208</u>	<u>297,451</u>
Expenditures:				
General government	200,000	-	832,210	-
Public safety	65,314	-	326,953	-
Education	-	1,437,482	9,333	270,466
Public works	-	-	223,752	-
Health and human services	-	-	113,153	-
Culture and recreation	303,624	-	46,365	-
Total Expenditures	<u>568,938</u>	<u>1,437,482</u>	<u>1,551,766</u>	<u>270,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,372	106,345	(667,558)	26,985
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	14,372	106,345	(667,558)	26,985
Fund Balances - Beginning of Year	<u>47,940</u>	<u>1,791</u>	<u>1,299,756</u>	<u>15,591</u>
Fund Balances - End of Year	<u>\$ 62,312</u>	<u>\$ 108,136</u>	<u>\$ 632,198</u>	<u>\$ 42,576</u>

School Lunch Fund	Receipts Reserved for Appropriation	Town Revolving Funds	School Revolving Funds	Donation Funds	Other Municipal Funds	Sub-total Special Revenue Funds
\$ 472,581	\$ 415,877	\$ -	\$ 1,480,239	\$ -	\$ -	\$ 5,660,120
370,004	1,469,887	158,326	836,456	-	(6,540)	2,845,506
-	1,517,523	-	-	-	-	1,517,523
-	-	-	-	-	-	-
-	-	103	2,047	80,725	-	82,875
<u>842,585</u>	<u>3,403,287</u>	<u>158,429</u>	<u>2,318,742</u>	<u>80,725</u>	<u>(6,540)</u>	<u>10,106,024</u>
-	-	44,764	-	918	-	1,077,892
-	-	85,131	-	8,355	-	485,753
714,568	-	-	2,481,794	42,944	-	4,956,587
-	-	6,072	-	-	15,244	245,068
-	-	412	-	12,511	-	126,076
-	-	18,937	-	10,077	-	379,003
<u>714,568</u>	<u>-</u>	<u>155,316</u>	<u>2,481,794</u>	<u>74,805</u>	<u>15,244</u>	<u>7,270,379</u>
128,017	3,403,287	3,113	(163,052)	5,920	(21,784)	2,835,645
-	94,269	-	-	-	-	94,269
-	(1,983,028)	-	-	-	-	(1,983,028)
-	(1,888,759)	-	-	-	-	(1,888,759)
128,017	1,514,528	3,113	(163,052)	5,920	(21,784)	946,886
<u>28,270</u>	<u>4,943,158</u>	<u>219,870</u>	<u>2,427,634</u>	<u>499,364</u>	<u>287,094</u>	<u>9,770,468</u>
<u>\$ 156,287</u>	<u>\$ 6,457,686</u>	<u>\$ 222,983</u>	<u>\$ 2,264,582</u>	<u>\$ 505,284</u>	<u>\$ 265,310</u>	<u>\$ 10,717,354</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	Permanent Funds			
	Cemetery Funds	Affordable Housing Trust	Conservation Trust	Other Trust Funds
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Departmental and other	-	-	-	-
Special assessments	-	-	-	-
Investment income	(6,759)	(24,117)	(2,827)	(368)
Contributions and donations	5,201	-	-	5,217
Total Revenues	<u>(1,558)</u>	<u>(24,117)</u>	<u>(2,827)</u>	<u>4,849</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	21,440
Education	-	-	-	-
Public works	8,042	-	-	-
Health and human services	-	55,753	-	-
Culture and recreation	-	-	-	-
Total Expenditures	<u>8,042</u>	<u>55,753</u>	<u>-</u>	<u>21,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,600)	(79,870)	(2,827)	(16,591)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(9,600)	(79,870)	(2,827)	(16,591)
Fund Balances - Beginning of Year	154,397	2,342,587	276,927	107,774
Fund Balances - End of Year	<u>\$ 144,797</u>	<u>\$ 2,262,717</u>	<u>\$ 274,100</u>	<u>\$ 91,183</u>

	Total	
Sub-total Permanent Funds	Nonmajor Governmental Funds	
\$ -	\$ 5,660,120	
-	2,845,506	
-	1,517,523	
(34,071)	(34,071)	
10,418	93,293	
<u>(23,653)</u>	<u>10,082,371</u>	
-	1,077,892	
21,440	507,193	
-	4,956,587	
8,042	253,110	
55,753	181,829	
-	379,003	
<u>85,235</u>	<u>7,355,614</u>	
(108,888)	2,726,757	
-	94,269	
-	<u>(1,983,028)</u>	
-	<u>(1,888,759)</u>	
(108,888)	837,998	
<u>2,881,685</u>	<u>12,652,153</u>	
<u>\$ 2,772,797</u>	<u>\$ 13,490,151</u>	

(Concluded)

Fiduciary Funds

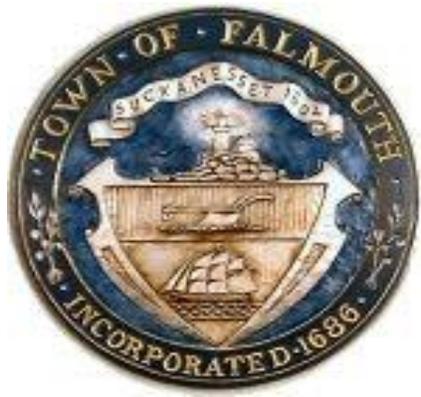
Agency Funds –

Agency funds are used to account for assets maintained in a custodial capacity. Such activities primarily consist of performance bonds and school deposits held, as well as, monies due to Town personnel for certain services rendered that were collected from external parties on their behalf.

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2018

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Assets:				
Cash and cash equivalents	<u>\$ 2,034,021</u>	<u>\$ 29,297,168</u>	<u>\$ (29,315,313)</u>	<u>\$ 2,015,876</u>
Liabilities:				
Warrants payable	\$ 370,239	\$ 382,052	\$ (370,239)	\$ 382,052
Payroll liabilities	979,405	27,168,109	(27,232,117)	915,397
Performance bonds	595,665	86,154	(52,099)	629,720
Other	<u>88,712</u>	<u>1,660,853</u>	<u>(1,660,858)</u>	<u>88,707</u>
Total Liabilities	<u>\$ 2,034,021</u>	<u>\$ 29,297,168</u>	<u>\$ (29,315,313)</u>	<u>\$ 2,015,876</u>

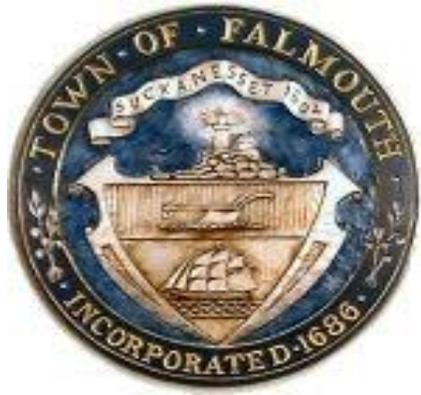


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STATISTICAL SECTION



Although Falmouth is known for its long shores, beaches, and spectacular water scenery many a visitor also enjoys the foliage in the fall. The mix of reds, oranges and yellows in the trees makes for spectacular views over the ponds nestled in the forest. **(Photo credit: Slack12)**



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Statistical Section

This part of the comprehensive annual financial report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt, and the Town's ability to issue additional debt in the future.

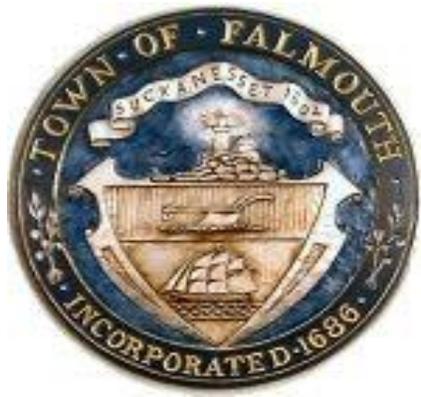
Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year.



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NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013 (1)	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets.....	\$ 136,686,969	\$ 141,103,283	\$ 145,047,349	\$ 144,280,809	\$ 155,546,100	\$ 163,497,623	\$ 165,150,084	\$ 176,245,491	\$ 177,614,636	\$ 186,811,470
Restricted.....	12,191,966	11,746,175	15,428,061	15,568,624	33,525,647	32,728,890	32,735,154	31,226,719	29,509,733	44,740,958
Unrestricted.....	(1,242,897)	2,018,469	(3,596,902)	(3,792,371)	155,627	1,019,477	(51,201,695)	(52,217,343)	(52,593,987)	(134,251,060)
Total governmental activities net position.....	\$ 147,636,038	\$ 154,867,927	\$ 156,878,508	\$ 156,057,062	\$ 189,227,374	\$ 197,245,990	\$ 146,683,543	\$ 155,254,867	\$ 154,530,382	\$ 97,301,368
Business-type activities:										
Net investment in capital assets.....	\$ 78,765,850	\$ 83,360,571	\$ 81,692,038	\$ 80,862,158	\$ 52,901,489	\$ 52,060,305	\$ 53,809,467	\$ 57,809,742	\$ 56,579,087	\$ 57,486,346
Restricted.....	550,250	1,336,914	-	-	-	-	-	-	-	-
Unrestricted.....	2,004,671	2,642,154	4,495,654	3,986,890	1,684,057	1,478,901	(637,681)	(2,307,741)	(294,471)	(1,918,595)
Total business-type activities net position.....	\$ 81,320,771	\$ 87,339,639	\$ 86,187,692	\$ 84,849,048	\$ 54,585,546	\$ 53,539,206	\$ 53,171,786	\$ 55,502,001	\$ 56,284,616	\$ 55,567,751
Primary government:										
Net investment in capital assets.....	\$ 215,452,819	\$ 224,463,854	\$ 226,739,387	\$ 225,142,967	\$ 208,447,589	\$ 215,557,928	\$ 218,959,551	\$ 234,055,233	\$ 234,193,723	\$ 244,297,816
Restricted.....	12,742,216	13,083,089	15,428,061	15,568,624	33,525,647	32,728,890	32,735,154	31,226,719	29,509,733	44,740,958
Unrestricted.....	761,774	4,660,623	898,752	194,519	1,839,684	2,498,378	(51,839,376)	(54,525,084)	(52,888,458)	(136,169,655)
Total primary government net position.....	\$ 228,956,809	\$ 242,207,566	\$ 243,066,200	\$ 240,906,110	\$ 243,812,920	\$ 250,785,196	\$ 199,855,329	\$ 210,756,868	\$ 210,814,998	\$ 152,869,119

(1) In fiscal year 2013, the Town reclassified its Sewer, Golf Course and Harbormaster and Waterways activities from the business-type activities to the governmental activities. This resulted in a prior period restatement increasing governmental activities beginning net position and reducing business-type activities beginning net position by \$29,345,366, as of July 1, 2012.

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013 (1)	2014	2015	2016	2017	2018
Expenses -										
Governmental activities:										
General government.....	\$ 8,058,264	\$ 7,802,502	\$ 8,383,929	\$ 11,418,924	\$ 11,390,720	\$ 10,641,274	\$ 10,301,494	\$ 11,462,941	\$ 19,773,863	\$ 11,820,927
Public safety.....	18,337,739	19,339,902	20,010,930	20,792,285	20,523,925	22,737,460	20,732,257	22,825,200	22,810,827	23,870,579
Education.....	71,754,105	67,017,849	69,831,819	72,055,697	72,805,060	74,538,906	70,537,645	74,932,839	78,308,426	78,668,134
Public works.....	10,214,883	10,266,260	10,897,155	10,626,495	13,649,198	13,796,034	15,631,092	14,355,349	14,660,542	15,199,826
Health and human services.....	2,521,467	1,905,443	1,913,830	1,937,502	2,046,004	2,140,234	3,217,921	3,348,856	3,286,793	2,911,949
Culture and recreation.....	4,801,440	4,783,910	5,596,460	5,336,969	5,219,806	4,619,398	5,017,085	5,060,356	5,139,478	5,540,743
Interest expense.....	3,571,857	3,652,327	3,689,160	3,981,806	4,593,289	4,193,741	3,993,134	3,612,355	3,444,397	3,143,954
Community development.....	2,064,029	2,637,258	1,426,546	1,860,257	510,508	400,016	506,772	1,500,974	1,739,406	303,282
Total government activities expenses.....	<u>121,323,784</u>	<u>117,405,451</u>	<u>121,749,829</u>	<u>128,009,935</u>	<u>130,738,510</u>	<u>133,067,063</u>	<u>129,937,400</u>	<u>137,098,870</u>	<u>149,163,732</u>	<u>141,459,394</u>
Business-type activities:										
Water.....	8,999,559	8,446,349	7,332,631	8,659,108	4,205,084	4,501,590	5,423,941	5,262,307	6,112,808	6,523,023
Golf course.....	628,160	923,045	912,556	901,787	-	-	-	-	-	-
Harbormaster and waterways.....	685,388	651,498	649,304	823,778	-	-	-	-	-	-
Total business-type activities expenses.....	<u>10,313,107</u>	<u>10,020,892</u>	<u>8,894,491</u>	<u>10,384,673</u>	<u>4,205,084</u>	<u>4,501,590</u>	<u>5,423,941</u>	<u>5,262,307</u>	<u>6,112,808</u>	<u>6,523,023</u>
Total primary government expenses.....	<u>\$ 131,636,891</u>	<u>\$ 127,426,343</u>	<u>\$ 130,644,320</u>	<u>\$ 138,394,608</u>	<u>\$ 134,943,594</u>	<u>\$ 137,568,653</u>	<u>\$ 135,361,341</u>	<u>\$ 142,361,177</u>	<u>\$ 155,276,540</u>	<u>\$ 147,982,417</u>
Program Revenues -										
Governmental activities:										
Charges for services:										
General government.....	\$ 1,078,097	\$ 2,045,072	\$ 1,637,090	\$ 1,575,032	\$ 1,379,373	\$ 1,964,321	\$ 2,438,643	\$ 1,758,955	\$ 1,323,350	\$ 1,718,710
Public safety.....	2,507,767	2,109,522	2,539,101	2,504,566	3,683,305	4,341,677	4,303,971	4,423,791	4,899,474	5,607,636
Education.....	1,727,321	1,015,438	2,375,648	1,876,307	1,607,491	1,634,502	1,486,248	1,551,504	1,533,283	1,274,973
Public works.....	717,029	2,506,404	1,224,544	1,181,632	1,757,322	1,779,913	1,753,055	1,319,977	1,559,807	1,778,774
Health and human services.....	27,510	129,339	126,745	106,930	109,490	120,266	112,970	108,510	126,900	141,775
Culture and recreation.....	786,543	1,179,178	194,573	1,036,320	1,404,386	1,583,277	1,531,051	1,574,057	1,728,584	1,583,136
Operating grants and contributions.....	25,193,553	21,105,892	21,735,252	24,102,519	23,988,487	24,511,821	18,310,318	21,664,218	23,132,970	23,271,332
Capital grants and contributions.....	6,634,144	8,915,691	3,304,485	2,632,114	3,047,080	3,783,806	2,383,721	4,581,385	3,071,927	25,072,885
Total government activities program revenues.....	<u>38,671,964</u>	<u>39,006,536</u>	<u>33,137,438</u>	<u>35,015,420</u>	<u>36,976,934</u>	<u>39,719,583</u>	<u>32,319,977</u>	<u>36,982,397</u>	<u>37,376,295</u>	<u>60,449,221</u>
Business-type activities:										
Charges for services.....	8,026,339	7,941,591	8,827,041	8,368,659	6,190,729	6,040,044	6,469,282	6,678,829	7,720,631	7,086,150
Operating grants and contributions.....	206,153	201,682	-	211,780	-	-	-	-	-	-
Capital grants and contributions.....	-	6,620,282	326,668	-	-	-	-	3,153,120	383,112	39,385
Total business-type activities program revenues.....	<u>8,232,492</u>	<u>14,763,555</u>	<u>9,153,709</u>	<u>8,580,439</u>	<u>6,190,729</u>	<u>6,040,044</u>	<u>6,469,282</u>	<u>9,831,949</u>	<u>8,103,743</u>	<u>7,125,535</u>
Total primary government program revenues.....	<u>\$ 46,904,456</u>	<u>\$ 53,770,091</u>	<u>\$ 42,291,147</u>	<u>\$ 43,595,859</u>	<u>\$ 43,167,663</u>	<u>\$ 45,759,627</u>	<u>\$ 38,789,259</u>	<u>\$ 46,814,346</u>	<u>\$ 45,480,038</u>	<u>\$ 67,574,756</u>
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (82,651,820)	\$ (78,398,915)	\$ (88,612,391)	\$ (92,994,515)	\$ (93,761,576)	\$ (93,347,480)	\$ (97,617,423)	\$ (100,116,473)	\$ (111,787,437)	\$ (81,010,173)
Business-type activities.....	(2,080,615)	4,742,663	259,218	(1,804,234)	1,985,645	1,538,454	1,045,341	4,569,642	1,990,935	602,512
Total primary government net (expense)/program revenue.....	<u>\$ (84,732,435)</u>	<u>\$ (73,656,252)</u>	<u>\$ (88,353,173)</u>	<u>\$ (94,798,749)</u>	<u>\$ (91,775,931)</u>	<u>\$ (91,809,026)</u>	<u>\$ (96,572,082)</u>	<u>\$ (95,546,831)</u>	<u>\$ (109,796,502)</u>	<u>\$ (80,407,661)</u>

(1) In fiscal year 2013, the Town reclassified its Sewer, Golf Course and Harbormaster and Waterways activities from the business-type activities to the governmental activities.

(continued)

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013 (1)	2014	2015	2016	2017	2018
General Revenues and other Changes in Net Position -										
Governmental activities:										
Real estate and personal property taxes,										
net of tax refunds payable.....	\$ 74,189,999	\$ 77,389,973	\$ 81,769,114	\$ 84,656,305	\$ 87,858,991	\$ 90,092,828	\$ 92,751,993	\$ 96,257,765	\$ 99,217,665	\$ 102,520,551
Motor vehicle and other excise taxes.....	4,770,772	4,636,140	5,069,096	5,686,495	6,025,371	6,171,230	6,533,319	7,077,239	7,296,890	7,497,678
Penalties and interest on taxes.....	403,425	453,662	622,102	495,965	669,442	630,497	869,751	938,734	731,749	621,244
Grants and contributions not restricted to specific programs.....	1,619,953	1,527,837	1,095,216	1,089,040	1,172,720	1,196,109	1,233,630	1,302,904	2,072,280	2,123,564
Unrestricted investment income.....	595,307	2,174,347	656,279	710,854	452,940	690,638	303,354	837,876	523,711	71,512
Transfers.....	(642,615)	(703,462)	1,411,165	(465,590)	2,903,781	2,584,794	(969,071)	2,273,279	1,220,657	(356,817)
Total governmental activities.....	80,936,841	85,478,497	90,622,972	92,173,069	99,083,245	101,366,096	100,722,976	108,687,797	111,062,952	112,477,732
Business-type activities:										
Unrestricted investment income.....	-	-	-	-	-	-	9,168	33,852	12,337	(6,033)
Transfers.....	642,615	703,462	(1,411,165)	465,590	(2,903,781)	(2,584,794)	969,071	(2,273,279)	(1,220,657)	356,817
Total business-type activities.....	642,615	703,462	(1,411,165)	465,590	(2,903,781)	(2,584,794)	978,239	(2,239,427)	(1,208,320)	350,784
Total primary government general revenues and other changes in net position.....	\$ 81,579,456	\$ 86,181,959	\$ 89,211,807	\$ 92,638,659	\$ 96,179,464	\$ 98,781,302	\$ 101,701,215	\$ 106,448,370	\$ 109,854,632	\$ 112,828,516
Changes in Net Position										
Governmental activities.....	\$ (1,714,979)	\$ 7,079,582	\$ 2,010,581	\$ (821,446)	\$ 5,321,669	\$ 8,018,616	\$ 3,105,553	\$ 8,571,324	\$ (724,485)	\$ 31,467,559
Business-type activities.....	(1,438,000)	5,446,125	(1,151,947)	(1,338,644)	(918,136)	(1,046,340)	2,023,580	2,330,215	782,615	953,296
Total primary government changes in net position.....	\$ (3,152,979)	\$ 12,525,707	\$ 858,634	\$ (2,160,090)	\$ 4,403,533	\$ 6,972,276	\$ 5,129,133	\$ 10,901,539	\$ 58,130	\$ 32,420,855

(concluded)

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 (1)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund:										
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	-	-	1,256,120	1,239,725	1,185,116	984,742	1,125,122	1,208,751	1,115,435	872,359
Committed.....	519,539	-	917,863	2,142,426	3,534,511	5,040,876	7,768,355	9,077,570	8,045,314	10,936,681
Assigned.....	1,863,711	1,478,625	483,699	444,267	990,687	2,288,500	1,074,035	761,367	1,459,796	1,129,906
Unassigned.....	<u>1,737,515</u>	<u>3,556,345</u>	<u>5,984,413</u>	<u>7,909,172</u>	<u>12,124,497</u>	<u>16,497,937</u>	<u>20,397,223</u>	<u>25,304,234</u>	<u>30,774,762</u>	<u>32,789,666</u>
Total general fund.....	<u>\$ 4,120,765</u>	<u>\$ 5,034,970</u>	<u>\$ 8,642,095</u>	<u>\$ 11,735,590</u>	<u>\$ 17,834,811</u>	<u>\$ 24,812,055</u>	<u>\$ 30,364,735</u>	<u>\$ 36,351,922</u>	<u>\$ 41,395,307</u>	<u>\$ 45,728,612</u>
All Other Governmental Funds:										
Nonspendable.....	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Restricted.....	12,016,966	11,571,175	13,996,941	15,994,844	17,909,959	19,744,510	20,671,283	20,892,447	30,710,789	30,392,226
Unassigned.....	<u>(17,902,001)</u>	<u>(11,941,244)</u>	<u>(1,727,559)</u>	<u>-</u>	<u>(237,619)</u>	<u>(1,168,247)</u>	<u>(1,580,820)</u>	<u>(6,423,618)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds.....	<u>\$ (5,710,035)</u>	<u>\$ (195,069)</u>	<u>\$ 12,444,382</u>	<u>\$ 16,169,844</u>	<u>\$ 17,697,340</u>	<u>\$ 18,601,263</u>	<u>\$ 19,115,463</u>	<u>\$ 14,493,829</u>	<u>\$ 30,735,789</u>	<u>\$ 30,417,226</u>

Note: The Town implemented GASB 54 in fiscal year 2011. All previous years (2009 - 2010) data presented were restated to conform to GASB 54 presentation.

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013 (1)	2014	2015	2016	2017	2018
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 73,035,670	\$ 77,077,234	\$ 81,481,045	\$ 83,902,790	\$ 87,516,351	\$ 90,338,338	\$ 93,207,932	\$ 96,483,363	\$ 99,341,261	\$ 102,678,006
Intergovernmental.....	34,062,883	27,691,325	27,832,805	28,264,776	29,442,086	30,501,985	22,552,993	28,309,281	29,494,958	29,340,010
Motor vehicle and boat excise.....	5,156,717	4,412,792	5,090,088	5,432,960	5,693,657	6,226,730	6,537,926	7,111,477	7,182,338	7,567,368
Licenses and permits.....	1,190,247	1,172,147	1,400,728	1,346,154	1,326,924	1,584,592	1,533,147	1,586,794	1,599,548	1,902,911
Departmental and other.....	5,544,096	8,301,663	6,528,294	6,953,249	7,092,173	5,027,671	5,370,356	4,476,309	4,103,869	4,307,193
User charges.....	-	-	-	-	1,252,472	4,432,147	4,454,984	4,368,924	4,981,417	5,468,989
Special assessments.....	-	-	-	-	537,047	614,815	676,290	595,922	574,957	2,673,785
Penalties and interest on taxes.....	403,425	453,662	622,102	495,965	669,442	630,497	869,751	938,734	731,749	621,244
Fines and forfeitures.....	184,383	166,161	157,549	180,815	167,681	200,551	182,135	149,664	173,772	216,884
Investment income.....	595,307	2174347	656,279	710,854	452,940	690,638	303,354	837,876	523,711	71,512
Contributions.....	321,708	94,452	95,891	389,347	51,477	170,668	188,013	124,845	130,466	93,293
Total Revenue.....	120,494,436	121,543,783	123,864,781	127,676,910	134,202,250	140,418,632	135,876,881	144,983,189	148,838,046	154,941,195
Expenditures:										
General government.....	5,415,951	4,198,976	4,536,346	7,124,797	7,323,139	6,440,941	7,157,171	7,903,574	8,568,812	8,413,665
Public safety.....	11,611,908	11,740,520	11,787,298	12,245,128	12,351,239	14,008,485	13,819,385	14,328,228	13,275,575	15,032,777
Education.....	51,041,808	48,509,077	48,587,890	48,799,262	49,585,452	50,369,634	50,703,445	52,834,990	52,907,941	53,841,918
Public works.....	7,149,510	7,180,438	7,627,289	7,225,393	8,824,072	9,477,696	11,735,478	10,112,969	9,755,016	10,171,488
Health and human services.....	1,474,984	1,424,349	1,380,348	1,375,662	1,540,919	1,594,344	2,018,716	2,018,065	1,888,921	1,570,920
Culture and recreation.....	3,012,783	2,808,150	2,989,253	3,179,105	2,885,551	2,172,736	2,884,538	2,673,272	2,581,246	3,130,854
Pension and fringe benefits.....	21,809,399	24,577,158	26,873,665	28,626,931	28,561,412	30,123,813	22,724,129	25,802,885	29,928,369	31,480,427
Community development.....	2,064,029	2,637,258	1,426,544	1,860,257	510,508	400,016	506,772	1,500,974	1,739,406	303,282
State and county charges.....	1,965,572	2,140,141	1,988,068	2,254,336	2,498,313	2,665,805	2,769,084	2,668,658	2,852,594	3,094,656
Capital outlay and other.....	16,967,695	23,039,817	11,116,998	1,461,500	3,188,075	4,811,266	6,720,713	29,025,155	22,711,719	9,800,626
Debt service:										
Principal.....	4,917,695	5,252,968	6,822,288	6,765,256	8,809,879	8,801,551	8,324,354	8,710,279	8,906,961	10,184,535
Interest.....	3,537,975	3,674,298	3,685,383	3,983,736	4,570,789	4,255,972	3,975,218	3,737,405	3,684,898	3,544,488
Total Expenditures.....	130,969,309	137,183,150	128,821,370	124,901,363	130,649,348	135,122,259	133,339,003	161,316,454	158,801,458	150,569,636
Excess of revenues over (under) expenditures.....	(10,474,873)	(15,639,367)	(4,956,589)	2,775,547	3,552,902	5,296,373	2,537,878	(16,333,265)	(9,963,412)	4,371,559
Other Financing Sources (Uses):										
Issuances from bonds and notes.....	5,831,000	22,772,000	19,792,000	4,509,000	-	-	3,975,000	15,425,539	29,684,482	-
Issuances from refunding bonds.....	-	-	-	5,430,800	-	-	21,441,445	-	3,025,000	-
Premiums from debt issuances.....	-	-	-	632,381	-	-	1,263,542	-	594,773	-
Payments to refunded bond escrow agent.....	-	-	-	(6,063,181)	-	-	(22,181,914)	-	(3,276,155)	-
Transfers in.....	231,950	4,990,855	5,003,013	2,759,432	7,363,968	8,632,799	6,062,887	9,815,137	7,620,345	3,955,743
Transfers out.....	(874,565)	(5,694,317)	(3,591,848)	(3,225,022)	(4,460,187)	(6,048,005)	(7,031,958)	(7,541,858)	(6,399,688)	(4,312,560)
Total other financing sources (uses).....	5,188,385	22,068,538	21,203,165	4,043,410	2,903,781	2,584,794	3,529,002	17,698,818	31,248,757	(356,817)
Net change in fund balance.....	\$ (5,286,488)	\$ 6,429,171	\$ 16,246,576	\$ 6,818,957	\$ 6,456,683	\$ 7,881,167	\$ 6,066,880	\$ 1,365,553	\$ 21,285,345	\$ 4,014,742
Debt service as a percentage of noncapital expenditures.....	7.42%	7.82%	8.93%	8.71%	10.50%	10.02%	9.71%	9.41%	9.25%	9.75%

(1) In fiscal year 2013, the Town reclassified its Sewer, Golf Course and Harbormaster and Waterways activities from the business-type activities to the governmental activities.

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY BY CLASSIFICATION AND TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value							State Equalized Value	Ratio of Assessed to Equalized Value	Tax Rates	
	Residential Value	Open Space Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Total Town Value			Residential Tax Rate	Commercial Tax Rate
2009	\$ 10,899,153,336	\$ 5,316,700	\$ 670,114,194	\$ 80,525,000	\$ 193,049,863	\$ 943,689,057	\$ 11,848,159,093	\$ 13,126,721,800	90.26%	6.08	6.08
2010	10,288,846,988	3,877,700	611,416,088	76,338,300	195,273,690	883,028,078	11,175,752,766	13,126,721,800	85.14%	6.75	6.75
2011	10,196,026,282	3,504,000	590,585,951	72,056,800	183,094,344	845,737,095	11,045,267,377	12,168,109,600	90.77%	7.20	7.20
2012	9,758,565,141	3,314,900	568,619,409	70,768,200	178,594,045	817,981,654	10,579,861,695	12,168,109,600	86.95%	7.78	7.78
2013	9,783,235,733	3,289,200	574,980,651	72,537,600	180,898,159	828,416,410	10,614,941,343	11,476,687,700	92.49%	8.04	8.04
2014	9,926,397,342	3,248,800	578,777,042	73,842,400	178,513,638	831,133,080	10,760,779,222	11,476,687,700	93.76%	8.15	8.15
2015	10,163,699,470	3,425,200	605,660,141	79,392,800	193,320,043	878,372,984	11,045,497,654	11,548,755,700	95.64%	8.19	8.19
2016	10,268,959,256	3,232,100	604,755,692	77,683,600	239,818,381	922,257,673	11,194,449,029	11,548,755,700	96.93%	8.37	8.37
2017	10,384,849,550	3,251,100	607,421,068	80,184,800	244,381,580	931,987,448	11,320,088,098	11,892,819,800	95.18%	8.53	8.53
2018	10,660,098,706	3,331,200	631,222,433	87,507,900	236,231,350	954,961,683	11,618,391,589	11,892,819,800	97.69%	8.60	8.60

Source: Official Statements, State Division of Local Services

Note: All property in the Commonwealth of Massachusetts is assessed at 100% of full and fair cash value. The State estimates this "equalized valuation" for all municipalities every two years. Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2% of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2%, subject to an exception for property added to the tax rolls and for certain valuation increases. This secondary limit may be exceeded in any fiscal year by majority approval of the voters, however, it cannot exceed the primary limitation.

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Tax Levy			Collections				Percent of Total Tax Collections to Net Tax Levy
	Total Tax Levy	Less Abatements & Exemptions	Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	
2009	\$ 72,036,807	\$ 522,730	\$ 71,514,077	\$ 70,033,166	97.93%	\$ 1,480,911	\$ 71,514,077	100.00%
2010	75,436,331	603,508	74,832,823	73,281,042	97.93%	1,551,781	74,832,823	100.00%
2011	79,525,925	665,148	78,860,777	76,764,485	97.34%	2,096,292	78,860,777	100.00%
2012	82,311,324	709,295	81,602,029	81,602,029	100.00%	-	81,602,029	100.00%
2013	85,344,128	695,223	84,648,905	81,815,349	96.65%	2,833,556	84,648,905	100.00%
2014	87,700,357	747,450	86,952,907	84,244,565	96.89%	2,708,342	86,952,907	100.00%
2015	90,462,626	788,916	89,673,710	87,309,039	97.36%	2,364,671	89,673,710	100.00%
2016	93,697,538	636,256	93,061,282	91,510,034	98.33%	1,256,434	92,766,468	99.68%
2017	96,560,351	689,371	95,870,980	94,710,332	98.79%	911,135	95,621,467	99.74%
2018	99,918,168	510,763	99,407,405	98,420,117	99.01%	-	98,420,117	99.01%

Source: Accounting Records and Official Statements

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities	Business-type Activities	Total Outstanding Debt	Personal Income	Percentage of Personal Income	U.S Census Population	Debt Per Capita
	General Obligation Bonds (1)	General Obligation Bonds (1)					
2009	\$ 68,442,745	\$ 42,812,214	\$ 111,254,959	\$ 858,696,720	13.0%	32,660	\$ 3,406
2010	85,960,777	40,771,875	126,732,652	1,208,709,354	10.5%	31,531	4,019
2011	98,930,489	40,462,699	139,393,188	1,208,709,354	11.5%	31,531	4,421
2012	96,405,033	38,169,816	134,574,849	1,208,709,354	11.1%	31,531	4,268
2013	116,223,204	8,661,374 (2)	124,884,578	1,208,709,354	10.3%	31,531	3,961
2014	107,421,653	7,785,691	115,207,344	1,208,709,354	9.5%	31,531	3,654
2015	104,806,686	11,155,053	115,961,739	1,208,709,354	9.6%	31,531	3,678
2016	111,322,031	26,199,403	137,521,434	1,208,709,354	11.4%	31,531	4,361
2017	132,314,353	39,876,418	172,190,771	1,208,709,354	14.2%	31,531	5,461
2018	121,885,186	44,836,145	166,721,331	1,208,709,354	13.8%	31,531	5,288

Source: U. S. Census, State Division of Local Services

(1) Presented net of original issuance discounts and premiums.

(2) The Town reclassified its Sewer, Golf Course and Harbormaster and Waterways activities from the business-type activities to the governmental activities in fiscal year 2013.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available (2)	Total	Assessed Value	Percentage of Assessed Value	U.S Census Population	Debt Per Capita
2009	\$ 111,254,959	\$ (13,499,918)	\$ 97,755,041	\$ 11,848,159,093	0.83%	32,660	\$ 2,993
2010	126,732,652	(17,398,069)	109,334,583	11,175,752,766	0.98%	31,531	3,468
2011	139,393,188	(16,860,446)	122,532,742	11,045,267,377	1.11%	31,531	3,886
2012	134,574,849	(15,607,264)	118,967,585	10,579,861,695	1.12%	31,531	3,773
2013	124,884,578	(13,228,618)	111,655,960	10,614,941,343	1.05%	31,531	3,541
2014	115,207,344	(11,906,335)	103,301,009	10,760,779,222	0.96%	31,531	3,276
2015	115,961,739	(11,449,923)	104,511,816	11,045,497,654	0.95%	31,531	3,315
2016	137,521,434	(10,260,358)	127,261,076	11,194,449,029	1.14%	31,531	4,036
2017	172,190,771	(8,651,416)	163,539,355	11,320,088,098	1.44%	31,531	5,187
2018	166,721,331	(30,884,116)	135,837,215	11,618,391,589	1.17%	31,531	4,308

COMPUTATION OF LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013 (1)	2014	2015	2016	2017	2018
Equalized Valuation.....	\$ 13,126,721,800	\$ 13,126,721,800	\$ 12,168,109,600	\$ 12,168,109,600	\$ 11,476,687,700	\$ 11,476,687,700	\$ 11,548,755,700	\$ 11,548,755,700	\$ 11,892,819,800	\$ 11,892,819,800
Debt Limit.....	656,336,090	656,336,090	608,405,480	608,405,480	573,834,385	573,834,385	577,437,785	577,437,785	594,640,990	594,640,990
Outstanding general obligation bonds..	111,254,959	126,732,652	139,393,188	134,574,849	124,884,578	115,207,344	115,961,739	137,521,434	172,190,771	166,721,331
Authorized and unissued debt.....	32,292,700	8,875,634	10,927,884	7,147,750	13,522,250	102,542,384	40,970,404	17,670,404	22,011,504	25,411,504
Debt not applicable to debt limit.....	(38,720,437)	(37,212,880)	(35,213,993)	(32,023,039)	(30,033,662)	(28,062,718)	(30,437,916)	(59,813,748)	(91,385,312)	(86,476,081)
Legal debt margin.....	<u>\$ 551,508,868</u>	<u>\$ 557,940,684</u>	<u>\$ 493,298,401</u>	<u>\$ 498,705,920</u>	<u>\$ 465,461,219</u>	<u>\$ 384,147,375</u>	<u>\$ 450,943,558</u>	<u>\$ 482,059,695</u>	<u>\$ 491,824,027</u>	<u>\$ 488,984,236</u>
Total debt applicable to the limit as a percentage of debt limit.....	15.97%	14.99%	18.92%	18.03%	18.89%	33.06%	21.91%	16.52%	17.29%	17.77%

Source: State Division of Local Services, Accounting Records

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2018

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Barnstable County.....	\$ 22,114,734 (a)	14.40% (b)	\$ 3,184,522
Subtotal, overlapping debt.....			3,184,522
Town direct debt.....			<u>121,885,186</u>
Total direct and overlapping debt.....			<u>\$ 125,069,708</u>

(a) Debt outstanding as of June 30, 2017.

(b) Based on the 2010 equalized valuations of Town's in the County.

Source: Official Statements, Accounting Records

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2009	32,660	\$ 858,696,720	\$ 26,292	45.0	3,590	7.20%
2010	31,531	1,208,709,354	38,334	50.8	3,550	7.90%
2011	31,531	1,208,709,354	38,334	50.8	3,425	8.10%
2012	31,531	1,208,709,354	38,334	50.8	3,558	7.00%
2013	31,531	1,208,709,354	38,334	50.8	3,554	6.60%
2014	31,531	1,208,709,354	38,334	50.8	3,554	7.00%
2015	31,531	1,208,709,354	38,334	50.8	3,547	5.40%
2016	31,531	1,208,709,354	38,334	50.8	3,515	4.20%
2017	31,531	1,208,709,354	38,334	50.8	3,414	3.70%
2018	31,531	1,208,709,354	38,334	50.8	3,414	3.20%

Source: U. S. Census, Division of Local Services, Massachusetts
Department of Elementary and Secondary Education

PRINCIPAL EMPLOYERS (EXCLUDING TOWN)

CURRENT YEAR AND NINE YEARS AGO

Employer	Nature of Business	2018			2009		
		Approximate Number of Employees	Rank	Percentage of Total Town Employment	Approximate Number of Employees	Rank	Percentage of Total Town Employment
Woods Hole Oceanographic Institute	Oceanographic Research	3,000	1	17.40%	1,396	2	7.22%
Joint Base Cape Cod (1)	Military Base	1,833	2	10.63%	1,849	1	9.57%
Woods Hole, Martha's Vineyard and Nantucket Steamship Authority	Ferry Service	750	3	4.35%	501	4	2.59%
Falmouth Hospital	General Hospital	800	4	4.64%	800	3	4.14%
Sea Crest Hotel & Motor Inn.	Convention Motel	350	5	2.03%	300	5	1.55%
Marine Biological Laboratory	Biological Research	350	5	2.03%	278	6	1.44%
Wal-Mart	Retail	350	5	2.03%	220	7	1.14%
Coonamessett, Flying Bridge, Red Horse Inn	Restaurant/Inn	200	8	1.16%	200	9	1.03%
United States Geological Survey	Oceanographic Research	175	9	1.01%	100	10	0.52%
Royal Nursing Center	Nursing Center	175	9	1.01%			
National Marine Fisheries	Marine Research				220	7	1.14%
	Totals	<u>7,983</u>		<u>46.29%</u>	<u>5,864</u>		<u>30.34%</u>

(1) The joint base is partially located in Falmouth and each of the towns of Mashpee, Bourne and Sandwich. Represents full-time positions only. The number of reserve personnel reporting on weekends ranges from 0 to 3,000. Approximately 80% of the full-time employees live on base and the balance are residents of Falmouth or the surrounding towns.

Source: Town records and Official Statements

FULL-TIME EQUIVALENT TOWN EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government.....	41	40	41	40	39	40	39	39	39	36
Public safety.....	150	150	153	150	153	151	151	151	162	152
Education.....	564	565	568	563	563	563	563	563	563	564
Public works.....	67	67	70	66	68	70	70	70	71	71
Health and human services.....	19	19	20	19	19	20	20	20	19	21
Culture and recreation.....	60	60	60	60	61	60	60	60	60	62
Sub-total governmental activities	901	901	912	898	903	904	903	903	914	906
Water.....	18	17	20	18	18	18	18	18	19	20
Sub-total business-type activities	18	17	20	18	18	18	18	18	19	20
Total Town employees.....	<u>919</u>	<u>918</u>	<u>932</u>	<u>916</u>	<u>921</u>	<u>922</u>	<u>921</u>	<u>921</u>	<u>933</u>	<u>926</u>

Source: Town personnel records

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
Town Clerk										
Registered voters.....	25,458	25,698	26,037	24,619	24,158	24,396	23,694	24,234	24,569	24,572
Public Safety:										
Police										
Criminal offenses										
Arrests.....	676	697	609	584	453	496	618	553	560	471
Reported crimes.....	5,581	5,575	4,975	4,797	3,970	3,804	3,741	3,876	4,350	3,835
Motor vehicle responses.....	41	29	31	35	27	28	18	26	29	30
Incident reports.....	4,077	3,917	3,564	3,288	3,115	2,911	3,160	3,318	3,167	2,954
Citations issued.....	3,472	2,302	2,036	2,216	1,459	1,667	1,462	1,494	1,428	1,433
Fire										
Incidents										
Fires.....	1,339	1,423	1,438	1,418	1,341	1,397	1,451	1,397	1,361	1,737
Non-fire incidents.....	4,355	4,716	4,268	4,627	4,607	4,939	5,078	5,569	6,138	6,348
Total fire calls.....	<u>5,694</u>	<u>6,139</u>	<u>5,706</u>	<u>6,045</u>	<u>5,948</u>	<u>6,336</u>	<u>6,529</u>	<u>6,966</u>	<u>7,499</u>	<u>8,085</u>
Inspectional Services										
Number of building permits.....	55,242	6,356	6,450	6,291	6,443	6,546	7,657	N/A	7,122	7,679
Education:										
Number of students.....	3,590	3,550	3,425	3,558	3,554	3,554	3,547	3,515	3,414	3,423
Public Works:										
Landfill										
Solid waste tonnage.....	10,576	11,577	11,509	10,987	11,398	10,988	10,478	9,935	10,898	11,127
Health and Human Services:										
Board of Health										
Inspections										
Food establishments.....	426	418	428	445	441	446	438	N/A	N/A	N/A
Other.....	501	424	613	614	611	586	543	N/A	N/A	N/A
Total inspections.....	<u>927</u>	<u>842</u>	<u>1,041</u>	<u>1,059</u>	<u>1,052</u>	<u>1,032</u>	<u>981</u>	<u>-</u>	<u>-</u>	<u>-</u>

N/A - Information not available

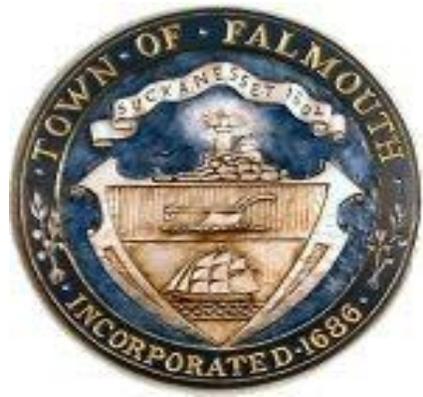
Source: Various Town Departments, State websites and annual Town Report.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government:										
Number of buildings.....	42	42	42	42	42	42	42	42	42	42
Public Safety:										
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	5	5	5	5	5	5	5	5	5	5
Education:										
Number of elementary schools.....	4	4	4	4	4	4	4	4	4	4
Number of middle schools.....	2	2	2	2	2	2	2	2	2	2
Number of high schools.....	2	2	2	2	2	2	2	2	2	2
Public Works:										
Road miles.....	425	425	425	425	425	425	425	425	430	430
Water main miles.....	383	383	383	383	383	383	383	383	383	383
Sewer main miles.....	21	21	21	21	21	21	21	21	37	37
Culture and Recreation:										
Number of public parks.....	24	24	24	24	24	24	24	24	24	24
Number of libraries.....	5	5	5	5	5	5	5	5	5	5
Number of beaches.....	12	12	12	12	12	12	12	12	12	12

Source: Various Town Departments and State websites.



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Above, a spectacular sunset on Eel Pond located in the Woods Hole area of Falmouth. (**Photo credit: Slack12**)