

TOWN OF WELLFLEET, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2014

TOWN OF WELLFLEET, MASSACHUSETTS

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JUNE 30, 2014

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Wellfleet, Massachusetts

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellfleet, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Wellfleet, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellfleet, Massachusetts, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of the Town of Wellfleet's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wellfleet's internal control over financial reporting and compliance.



December 2, 2014

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wellfleet (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

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

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

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

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 Town uses enterprise funds to account for the Marina and Water activities.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town’s budgetary basis of accounting.

Financial Highlights. 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 of Wellfleet, governmental assets exceeded liabilities by \$20.9 million at the close of 2014. Key components of the Town’s governmental financial position are listed below.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 12,348,447	\$ 11,910,248
Capital assets.....	23,629,125	23,712,090
Total assets.....	<u>35,977,572</u>	<u>35,622,338</u>
Liabilities:		
Current liabilities (excluding debt).....	1,159,154	1,462,690
Noncurrent liabilities (excluding debt).....	3,452,302	3,163,487
Current debt.....	1,986,332	2,316,494
Noncurrent debt.....	8,430,000	8,930,000
Total liabilities.....	<u>15,027,788</u>	<u>15,872,671</u>
Net Position:		
Net investment in capital assets.....	13,945,440	14,182,381
Restricted.....	1,890,650	1,748,071
Unrestricted.....	5,113,694	3,819,215
Total net position.....	<u>\$ 20,949,784</u>	<u>\$ 19,749,667</u>

Net position of \$13.9 million (67%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$1.9 million (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5.1 million (24%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the Town is able to report positive balances in all three categories of net position.

The governmental activities net position increased by \$1.2 million during the current year. This increase was primarily from favorable budgetary results and \$739,000 of capital grants for road construction and land acquisition offset by the increase in the other postemployment benefits liability.

The following table provides a summary of the financial highlights of the Town's governmental activities for 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Program Revenues:		
Charges for services.....	\$ 1,469,911	\$ 1,349,919
Operating grants and contributions.....	2,035,255	1,829,923
Capital grants and contributions.....	739,194	1,078,369
Total program revenues.....	<u>4,244,360</u>	<u>4,258,211</u>
General Revenues:		
Real estate and personal property taxes.....	14,449,349	13,812,307
Motor vehicle and other excise taxes.....	443,224	655,763
Hotel/motel tax.....	325,396	119,673
Penalties and interest on taxes.....	102,633	106,443
Grants and contributions not restricted to specific programs.....	66,937	7,097
Unrestricted investment income.....	11,753	12,250
Miscellaneous.....	20,322	38,046
Total general revenues.....	<u>15,419,614</u>	<u>14,751,579</u>
Expenses:		
General government.....	3,025,211	2,838,725
Public safety.....	4,404,354	4,373,978
Education.....	5,918,714	5,750,276
Public works.....	2,525,510	2,830,400
Human services.....	763,409	883,220
Culture and recreation.....	1,366,367	1,159,049
Interest.....	474,917	489,535
Total expenses.....	<u>18,478,482</u>	<u>18,325,183</u>
Transfers, net.....	<u>14,625</u>	<u>(65,330)</u>
Change in net position.....	1,200,117	619,277
Net position, beginning of year.....	<u>19,749,667</u>	<u>19,130,390</u>
Net position, end of year.....	<u>\$ 20,949,784</u>	<u>\$ 19,749,667</u>

There was a decrease of \$348,000 in net position reported in connection with the Marina and Water enterprise business-type activities.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 1,393,750	\$ 1,380,478
Capital assets.....	12,390,255	11,414,392
Total assets.....	<u>13,784,005</u>	<u>12,794,870</u>
Liabilities:		
Current liabilities (excluding debt).....	453,564	116,677
Noncurrent liabilities (excluding debt).....	41,123	37,296
Current debt.....	1,126,139	125,532
Noncurrent debt.....	<u>2,600,786</u>	<u>2,641,110</u>
Total liabilities.....	<u>4,221,612</u>	<u>2,920,615</u>
Net Position:		
Net investment in capital assets.....	8,663,330	8,647,750
Unrestricted.....	863,063	1,226,505
Total net position.....	<u>\$ 9,526,393</u>	<u>\$ 9,874,255</u>
Operating Revenues:		
Charges for services.....	\$ 870,103	\$ 1,144,876
Operating grants and contributions.....	8,500	58,500
Total program revenues.....	<u>878,603</u>	<u>1,203,376</u>
Nonoperating Revenues (Expenses):		
Unrestricted investment income.....	1,947	2,201
Interest expense.....	<u>(102,349)</u>	<u>(105,431)</u>
Total general revenues.....	<u>(100,402)</u>	<u>(103,230)</u>
Operating Expenses:		
Costs of services and administration.....	702,209	592,037
Depreciation.....	<u>409,229</u>	<u>377,081</u>
Total expenses.....	<u>1,111,438</u>	<u>969,118</u>
Transfers, net.....	<u>(14,625)</u>	<u>65,330</u>
Change in net position.....	(347,862)	196,358
Net position, beginning of year.....	<u>9,874,255</u>	<u>9,677,897</u>
Net position, end of year.....	<u>\$ 9,526,393</u>	<u>\$ 9,874,255</u>

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, governmental funds reported combined ending fund balances of \$9.2 million comprised of \$4.2 million in the general fund, \$1.5 million in the community preservation fund, a (\$610,942) and (\$283,307) deficit in the stormwater remediation capital project and wastewater capital project funds, respectively; and \$4.5 million in the nonmajor governmental funds.

The *general fund* is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$3.1 million, while total fund balance equaled \$4.2 million. The general fund increased by \$551,000. The increase was due to better than expected revenue collections and expenditures coming in slightly less than appropriations. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.2% of total general fund expenditures, while total fund balance represents 24.2% of that same amount.

With the implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011, the Town's general and OPEB stabilization funds are now included as part of the general fund. As of June 30, 2014 the balance in these funds totaled \$556,000 and \$441,000, respectively.

The *community preservation fund* is used to account for financial resources to purchase land for open space conservation land primarily through land bank surtax, intergovernmental revenue, and bond proceeds. This major fund experienced an increase of \$172,000 in 2014.

The *highway fund* is used to account for financial resources required for the maintenance and construction of the Town's roads. This major fund experienced an increase of \$11,000 in 2014.

The *stormwater remediation fund* is used to account for the financial resources needed for stormwater treatment along Duck Creek. The work is part of the Cape Cod Water Resources Restoration Project, spearheaded by the USDA Natural Resources Conservation Service in partnership with the Cape Cod Conservation District and Barnstable County Commissioners.

The *wastewater fund* is used to account for resources needed to address the Town's ongoing wastewater treatment and disposal issues for the next 40 years and for the foreseeable build out conditions in the Town of Wellfleet

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was primarily due to increases in general government, public safety and public works appropriations and a decrease in employee benefit appropriations.

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, 2014, amounts to \$36.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, bridges and the marina. The Town's current year acquisitions totaled \$2.3 million. The majority of which was for machinery and equipment, vehicles, infrastructure, and drainage and water systems.

Long-term debt. At the end of the current year, the Town had total bonded debt outstanding of \$12.1 million.

Standard and Poor revised the Town of Wellfleet's credit rating upward from "AA" to "AAA," which is Standard and Poor's highest credit rating. This upgraded rating is the result of the prudent fiscal management policies the Town has and continues to pursue.

Please refer to the Notes 4, 6 and 7 and for further discussion of capital asset and debt activity.

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 Town Accountant, Town Hall, 300 Main Street, Wellfleet, Massachusetts 02667.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 10,746,441	\$ 1,039,434	\$ 11,785,875
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	550,429	-	550,429
Tax liens.....	47,815	-	47,815
Motor vehicle excise taxes.....	27,546	-	27,546
Water fees.....	-	21,460	21,460
Departmental and other.....	439,077	18,094	457,171
Intergovernmental.....	509,621	-	509,621
Community preservation fund state share.....	15,175	-	15,175
Loans.....	12,343	314,762	327,105
NONCURRENT:			
Capital assets, nondepreciable.....	7,445,911	-	7,445,911
Capital assets, net of accumulated depreciation.....	16,183,214	12,390,255	28,573,469
TOTAL ASSETS.....	35,977,572	13,784,005	49,761,577
LIABILITIES			
CURRENT:			
Warrants payable.....	225,166	431,606	656,772
Accrued payroll.....	307,882	3,050	310,932
Accrued interest.....	122,936	18,908	141,844
Customer deposits payable.....	8,170	-	8,170
Compensated absences.....	495,000	36,000	531,000
Notes payable.....	1,091,332	1,000,000	2,091,332
Bonds payable.....	895,000	126,139	1,021,139
NONCURRENT:			
Compensated absences.....	140,000	8,000	148,000
Other postemployment benefits.....	3,312,302	33,123	3,345,425
Bonds payable.....	8,430,000	2,600,786	11,030,786
TOTAL LIABILITIES.....	15,027,788	4,257,612	19,285,400
NET ASSETS			
Net investment in capital assets.....	13,945,440	8,663,330	22,608,770
Restricted for:			
Loans.....	12,343	-	12,343
Permanent funds:			
Expendable.....	885,816	-	885,816
Nonexpendable.....	6,563	-	6,563
Other purposes.....	985,928	-	985,928
Unrestricted.....	5,113,694	863,063	5,976,757
TOTAL NET POSITION.....	\$ 20,949,784	\$ 9,526,393	\$ 30,476,177

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 3,025,211	\$ 220,659	\$ 552,531	\$ 429,184	\$ (1,822,837)
Public safety.....	4,404,354	208,177	340,886	-	(3,855,291)
Education.....	5,918,714	33,666	537,224	-	(5,347,824)
Public works.....	2,525,510	29,750	430,122	310,010	(1,755,628)
Human services.....	763,409	46,824	54,029	-	(662,556)
Culture and recreation.....	1,366,367	930,835	120,463	-	(315,069)
Interest.....	474,917	-	-	-	(474,917)
Total Governmental Activities.....	18,478,482	1,469,911	2,035,255	739,194	(14,234,122)
<i>Business-Type Activities:</i>					
Marina.....	796,305	613,166	8,500	-	(174,639)
Water.....	417,482	256,937	-	-	(160,545)
Total Business-Type Activities.....	1,213,787	870,103	8,500	-	(335,184)
Total Primary Government.....	\$ 19,692,269	\$ 2,340,014	\$ 2,043,755	\$ 739,194	\$ (14,569,306)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (14,234,122)	\$ (335,184)	\$ (14,569,306)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	14,449,349	-	14,449,349
Motor vehicle and other excise taxes.....	443,224	-	443,224
Hotel/motel tax.....	325,396	-	325,396
Penalties and interest on taxes.....	102,633	-	102,633
Grants and contributions not restricted to specific programs.....	66,937	-	66,937
Unrestricted investment income.....	11,753	1,947	13,700
Miscellaneous.....	20,322	-	20,322
<i>Transfers, net</i>	14,625	(14,625)	-
Total general revenues and transfers.....	<u>15,434,239</u>	<u>(12,678)</u>	<u>15,421,561</u>
Change in net position.....	1,200,117	(347,862)	852,255
<i>Net Position:</i>			
Beginning of year.....	<u>19,749,667</u>	<u>9,874,255</u>	<u>29,623,922</u>
End of year.....	\$ <u><u>20,949,784</u></u>	\$ <u><u>9,526,393</u></u>	\$ <u><u>30,476,177</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	Community Preservation	Highway	Stromwater Remediation	Wastewater	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 4,535,777	\$ 1,489,234	\$ -	\$ 29,058	\$ 169,645	\$ 4,522,727	\$ 10,746,441
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	550,429	-	-	-	-	-	550,429
Tax liens.....	47,470	345	-	-	-	-	47,815
Motor vehicle excise taxes.....	27,546	-	-	-	-	-	27,546
Departmental and other.....	256,584	-	-	-	-	182,493	439,077
Intergovernmental.....	9,269	-	500,352	-	-	-	509,621
Community preservation.....	-	15,175	-	-	-	-	15,175
Loans.....	-	-	-	-	-	12,343	12,343
TOTAL ASSETS.....	\$ 5,427,075	\$ 1,504,754	\$ 500,352	\$ 29,058	\$ 169,645	\$ 4,717,563	\$ 12,348,447
LIABILITIES							
Warrants payable.....	\$ 155,195	\$ -	\$ -	\$ -	\$ 1,620	\$ 68,351	\$ 225,166
Accrued payroll.....	307,452	175	-	-	-	255	307,882
Liabilities due depositors.....	8,170	-	-	-	-	-	8,170
Notes payable.....	-	-	-	640,000	451,332	-	1,091,332
TOTAL LIABILITIES.....	470,817	175	-	640,000	452,952	68,606	1,632,550
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues.....	760,084	15,520	500,352	-	-	194,836	1,470,792
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	232,779	232,779
Restricted.....	-	1,489,059	-	-	-	4,221,342	5,710,401
Committed.....	547,251	-	-	-	-	-	547,251
Assigned.....	501,882	-	-	-	-	-	501,882
Unassigned.....	3,147,041	-	-	(610,942)	(283,307)	-	2,252,792
TOTAL FUND BALANCES.....	4,196,174	1,489,059	-	(610,942)	(283,307)	4,454,121	9,245,105
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 5,427,075	\$ 1,504,754	\$ 500,352	\$ 29,058	\$ 169,645	\$ 4,717,563	\$ 12,348,447

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Total governmental fund balances.....	\$	9,245,105
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		23,629,125
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		1,470,792
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(122,936)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(9,325,000)	
Other postemployment benefits.....	(3,312,302)	
Compensated absences.....	(635,000)	
Net effect of reporting long-term liabilities.....		<u>(13,272,302)</u>
Net position of governmental activities.....	\$	<u>20,949,784</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Community Preservation	Highway	Stromwater Remediation	Wastewater	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ 14,372,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,372,746
Motor vehicle and other excise taxes.....	446,770	-	-	-	-	-	446,770
Hotel/motel tax.....	325,396	-	-	-	-	-	325,396
Intergovernmental.....	825,445	319,521	268,650	-	140,205	111,848	1,665,669
Departmental and other.....	613,127	-	-	-	-	1,907,492	2,520,619
Community Preservation.....	-	427,825	-	-	-	-	427,825
Contributions.....	28,500	-	-	-	-	87,969	116,469
Investment income.....	7,596	2,829	-	-	-	1,328	11,753
TOTAL REVENUES.....	16,619,580	750,175	268,650	-	140,205	2,108,637	19,887,247
EXPENDITURES:							
Current:							
General government.....	1,446,482	353,092	-	-	-	170,574	1,970,148
Public safety.....	3,109,114	-	-	-	-	50,885	3,159,999
Education.....	4,893,930	-	-	-	-	96,273	4,990,203
Public works.....	1,870,587	-	257,736	59,668	141,736	107,651	2,437,378
Human services.....	471,702	-	-	-	-	64,331	536,033
Culture and recreation.....	945,946	-	-	-	-	63,210	1,009,156
Pension benefits.....	1,266,426	-	-	-	-	-	1,266,426
Property and liability insurance.....	252,735	-	-	-	-	-	252,735
Employee benefits.....	1,193,340	-	-	-	-	-	1,193,340
State and county charges.....	401,322	-	-	-	-	-	401,322
Debt service:							
Principal.....	1,001,294	-	-	-	-	-	1,001,294
Interest.....	452,060	-	-	-	-	-	452,060
TOTAL EXPENDITURES.....	17,304,938	353,092	257,736	59,668	141,736	552,924	18,670,094
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(685,358)	397,083	10,914	(59,668)	(1,531)	1,555,713	1,217,153
OTHER FINANCING SOURCES (USES):							
Proceeds from refunding bonds.....	6,500,000	-	-	-	-	-	6,500,000
Premium from issuance of refunding bonds.....	403,821	-	-	-	-	-	403,821
Bond issuance costs.....	(107,285)	-	-	-	-	-	(107,285)
Payments to refunded bond escrow agent.....	(6,781,581)	-	-	-	-	-	(6,781,581)
Transfers in.....	1,689,747	-	-	129,806	48,668	445,640	2,313,861
Transfers out.....	(468,114)	(225,322)	-	(81,000)	-	(1,524,800)	(2,299,236)
TOTAL OTHER FINANCING SOURCES (USES).....	1,236,588	(225,322)	-	48,806	48,668	(1,079,160)	29,580
NET CHANGE IN FUND BALANCES.....	551,230	171,761	10,914	(10,862)	47,137	476,553	1,246,733
FUND BALANCES AT BEGINNING OF YEAR.....	3,644,944	1,317,298	(10,914)	(600,080)	(330,444)	3,977,568	7,998,372
FUND BALANCES AT END OF YEAR.....	\$ 4,196,174	\$ 1,489,059	\$ -	\$ (610,942)	\$ (283,307)	\$ 4,454,121	\$ 9,245,105

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....	\$	1,246,733
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay.....	880,806	
Depreciation expense.....	<u>(963,771)</u>	
Net effect of reporting capital assets.....		(82,965)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows if resources.....</p>		
		(223,273)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>		
Proceeds from refunding bonds.....	(6,500,000)	
Premium from issuance of refunding bonds.....	(403,821)	
Bond issue costs.....	107,285	
Payments to refunding bond escrow agents.....	6,781,581	
Debt service principal payments.....	1,001,294	
Other changes in long-term debt.....	<u>(380,045)</u>	
Net effect of reporting long-term debt.....		606,294
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Net change in compensated absences accrual.....	(41,000)	
Net change in other postemployment benefits.....	(282,815)	
Net change in accrued interest on long-term debt.....	<u>(22,857)</u>	
Net effect of recording long-term liabilities.....		<u>(346,672)</u>
Change in net position of governmental activities.....	\$	<u>1,200,117</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Marina Enterprise	Water Enterprise	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 770,512	\$ 268,922	\$ 1,039,434
Receivables, net of allowance for uncollectibles:			
Water fees.....	-	21,460	21,460
Departmental and other.....	18,094	-	18,094
Loans.....	-	314,762	314,762
Total current assets.....	<u>788,606</u>	<u>605,144</u>	<u>1,393,750</u>
NONCURRENT:			
Capital assets, net of accumulated depreciation.....	<u>4,735,188</u>	<u>7,655,067</u>	<u>12,390,255</u>
TOTAL ASSETS.....	<u>5,523,794</u>	<u>8,260,211</u>	<u>13,784,005</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	25,669	405,937	431,606
Accrued payroll.....	3,050	-	3,050
Accrued interest.....	14,748	4,160	18,908
Compensated absences.....	36,000	-	36,000
Notes payable.....	-	1,000,000	1,000,000
Bonds payable.....	<u>100,000</u>	<u>26,139</u>	<u>126,139</u>
Total current liabilities.....	<u>179,467</u>	<u>1,436,236</u>	<u>1,615,703</u>
NONCURRENT:			
Compensated absences.....	8,000	-	8,000
Other postemployment benefits.....	33,123	-	33,123
Bonds payable.....	<u>1,225,000</u>	<u>1,375,786</u>	<u>2,600,786</u>
Total noncurrent liabilities.....	<u>1,266,123</u>	<u>1,375,786</u>	<u>2,641,909</u>
TOTAL LIABILITIES.....	<u>1,445,590</u>	<u>2,812,022</u>	<u>4,257,612</u>
NET POSITION			
Net investment in capital assets.....	3,410,188	5,253,142	8,663,330
Unrestricted.....	<u>668,016</u>	<u>195,047</u>	<u>863,063</u>
TOTAL NET POSITION.....	<u>\$ 4,078,204</u>	<u>\$ 5,448,189</u>	<u>\$ 9,526,393</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	Marina Enterprise	Water Enterprise	Total
OPERATING REVENUES:			
Charges for services	\$ 613,166	\$ 256,937	\$ 870,103
Intergovernmental.....	8,500	-	8,500
TOTAL OPERATING REVENUES	621,666	256,937	878,603
OPERATING EXPENSES:			
Cost of services and administration	546,921	155,288	702,209
Depreciation.....	181,657	227,572	409,229
TOTAL OPERATING EXPENSES	728,578	382,860	1,111,438
OPERATING INCOME (LOSS).....	(106,912)	(125,923)	(232,835)
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	1,722	225	1,947
Interest expense.....	(67,727)	(34,622)	(102,349)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(66,005)	(34,397)	(100,402)
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	(172,917)	(160,320)	(333,237)
OPERATING TRANSFERS:			
Transfers in.....	15,000	25,675	40,675
Transfers out.....	(55,300)	-	(55,300)
TOTAL OPERATING TRANSFERS.....	(40,300)	25,675	(14,625)
CHANGE IN NET POSITION.....	(213,217)	(134,645)	(347,862)
NET POSITION AT BEGINNING OF YEAR.....	4,291,421	5,582,834	9,874,255
NET POSITION AT END OF YEAR.....	\$ 4,078,204	\$ 5,448,189	\$ 9,526,393

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Marina Enterprise	Water Enterprise	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 629,199	\$ 239,962	\$ 869,161
Receipts from other governments.....	8,500	-	8,500
Payments to vendors.....	(407,541)	244,165	(163,376)
Payments to employees.....	(164,968)	(1,227)	(166,195)
NET CASH FROM OPERATING ACTIVITIES.....	65,190	482,900	548,090
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	15,000	25,675	40,675
Transfers out.....	(55,300)	-	(55,300)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(40,300)	25,675	(14,625)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Proceeds from the issuance of bonds and notes.....	940,000	1,000,000	1,940,000
Acquisition and construction of capital assets.....	-	(1,385,092)	(1,385,092)
Principal payments on bonds and notes.....	(955,000)	(24,717)	(979,717)
Interest expense.....	(63,575)	(34,698)	(98,273)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(78,575)	(444,507)	(523,082)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment income.....	1,722	225	1,947
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(51,963)	64,293	12,330
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	822,475	204,629	1,027,104
CASH AND EQUIVALENTS AT END OF YEAR.....	\$ 770,512	\$ 268,922	\$ 1,039,434
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (106,912)	\$ (125,923)	\$ (232,835)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	181,657	227,572	409,229
Changes in assets and liabilities:			
Water fees.....	-	(9,250)	(9,250)
Departmental and other.....	16,033	-	16,033
Loans.....	-	(7,725)	(7,725)
Warrants payable.....	(27,414)	399,453	372,039
Accrued payroll.....	(7,001)	(1,227)	(8,228)
Accrued compensated absences.....	6,000	-	6,000
Other postemployment benefits.....	2,827	-	2,827
Total adjustments.....	172,102	608,823	780,925
NET CASH FROM OPERATING ACTIVITIES.....	\$ 65,190	\$ 482,900	\$ 548,090

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

		Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	20,630
LIABILITIES		
Warrants payable.....		15
Liabilities due depositors.....		20,615
TOTAL LIABILITIES.....		20,630
NET POSITION		
Held in trust for other purposes.....	\$	-

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. It has been determined that the Town has no component units that require inclusion in these basic financial statements.

B. Joint Ventures

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

The Town participates in two joint ventures with other municipalities, the Nauset Regional School District and the Cape Cod Regional Technical High School. These joint ventures are designed to pool resources and share the costs, risks and rewards of providing educational services. The 2014 assessment to the Town by the District was \$2,360,388 for the Nauset Regional School District and \$66,914 for the Cape Cod Regional Technical High School.

The Town is indirectly liable for the Districts' debt and other expenditures and is assessed annually for its share of operating and capital costs.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *land acquisition fund* is used to account for financial resources to purchase land for open space conservation land under the Community Preservation Act.

The *highway fund* is used to account for financial resources required for the maintenance and construction of the Town's roads.

The *stormwater remediation fund* is used to account for the financial resources needed for stormwater treatment along Duck Creek. The work is part of the Cape Cod Water Resources Restoration Project, spearheaded by the USDA Natural Resources Conservation Service in partnership with the Cape Cod Conservation District and Barnstable County Commissioners.

The *wastewater fund* is used to account for resources needed to address the Town's ongoing wastewater treatment and disposal issues for the next 40 years and for the foreseeable build out conditions in the Town of Wellfleet.

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

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

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

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

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

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

The *marina enterprise fund*, which is used to account for the marina activities, is reported as a proprietary fund.

The *water enterprise fund* is used to account for financial resources required for the construction and operation of the Town's water system.

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

The following fiduciary fund type is reported:

The *agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

E. Cash and Investments

Government-Wide and Fund Financial Statements

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

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

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Community Preservation

Community Preservation surcharges are billed with the real estate and personal property tax levy and are 3% of the total real estate tax bill. These surcharges are due on November 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. The surcharges are recorded as receivables in the year of the levy.

Community Preservation surcharge liens are processed by the fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

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

Departmental and Other

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

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Town administers septic loans to qualifying residents in relation to septic system repairs. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings and facilities, building improvements, machinery and equipment, vehicles, drainage and water systems, infrastructure (e.g., roads, water mains, sewer mains, and similar items), and software, are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements.

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	5-50
Buildings and facilities.....	5-50
Building improvements.....	5-50
Machinery and equipment.....	3-20
Vehicles.....	5
Drainage and water systems.....	20-40
Infrastructure.....	10-50
Software.....	3

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has no items that qualify for reporting in this category.

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

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

L. Net position and Fund Equity

Government-Wide Financial Statements (Net position)

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

Net position has been "restricted for" the following:

"Loans" represents the Town's septic loan program's outstanding loans receivable balance.

"Permanent funds - expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds - nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties and consists primarily of gifts and grants.

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

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town meeting is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen has by resolution authorized the Town Accountant to assign fund balance. The Board 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 budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Investment Income

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

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Fund Deficits

Several individual fund deficits exist at June 30, 2014, within the nonmajor governmental funds. These deficits will be funded through bond proceeds, grants and other available funds in 2015.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool. In addition, there are various restrictions limiting the amount and length of deposits and investments.

It is the Town's policy to invest public funds in a manner which will provide the maximum security with the highest investment return while meeting the daily cash flow demands of the Town. The Town follows the policies established under Massachusetts General Laws. The Commonwealth's statutes authorize the investment in

obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool).

The Town maintains a cash and investment pool that is available for use by all funds, except the Trust Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents". The deposits and investments of the Trust Funds are held separately from those of other Town funds.

Custodial credit risk for deposits is the risk that in event of a bank failure, the government's deposits may not be returned to it. The Town's deposit and investment policy allows for unlimited investments in MMDT, U.S. Treasuries and Agencies that will be held to maturity with maturities up to one year from the date of purchase, and bank accounts and Certificates of Deposit with maturities up to one year which are fully collateralized or fully insured. At year-end, the carrying amount of deposits totaled \$11,806,505 and the bank balance totaled \$12,077,800. Of the bank balance, \$767,443 was covered by Federal Depository Insurance, \$10,560,461 was covered by the Depositors Insurance Fund, and \$749,896 was uninsured and uncollateralized.

NOTE 3 - RECEIVABLES

At June 30, 2014, receivables for the 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>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 552,229	\$ (1,800)	\$ 550,429
Tax liens.....	47,815	-	47,815
Motor vehicle and other excise taxes.....	38,546	(11,000)	27,546
Community preservation fund - state share....	15,175	-	15,175
Departmental and other.....	539,577	(100,500)	439,077
Intergovernmental.....	509,621	-	509,621
Loans.....	12,343	-	12,343
Total.....	<u>\$ 1,715,306</u>	<u>\$ (113,300)</u>	<u>\$ 1,602,006</u>

At June 30, 2014, receivables for the marina and water enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Marina.....	\$ 18,094	\$ -	\$ 18,094
Water.....	21,460	-	21,460
Total.....	<u>\$ 39,554</u>	<u>\$ -</u>	<u>\$ 39,554</u>

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

	General Fund	Land Acquisition	Highway	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>					
Real estate and personal property taxes.....	\$ 419,215	\$ -	\$ -	\$ -	\$ 419,215
Tax liens.....	47,470	345	-	-	47,815
Motor vehicle and other excise taxes.....	27,546	-	-	-	27,546
Community preservation fund state share.....	-	15,175	-	-	15,175
Departmental and other.....	256,584	-	-	182,493	439,077
Intergovernmental.....	9,269	-	500,352	-	509,621
Loans.....	-	-	-	12,343	12,343
Total.....	<u>\$ 760,084</u>	<u>\$ 15,520</u>	<u>\$ 500,352</u>	<u>\$ 194,836</u>	<u>\$ 1,470,792</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,158,275	\$ -	\$ -	\$ 7,158,275
Construction in progress.....	-	287,636	-	287,636
Total capital assets not being depreciated.....	<u>7,158,275</u>	<u>287,636</u>	<u>-</u>	<u>7,445,911</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	734,183	-	-	734,183
Buildings and facilities.....	18,059,258	-	-	18,059,258
Building improvements.....	591,832	9,320	-	601,152
Machinery and equipment.....	2,884,702	63,641	-	2,948,343
Vehicles.....	1,134,652	127,948	(112,005)	1,150,595
Drainage and water systems.....	780,231	-	-	780,231
Infrastructure.....	4,213,133	392,261	-	4,605,394
Software.....	29,000	-	-	29,000
Total capital assets being depreciated.....	<u>28,426,991</u>	<u>593,170</u>	<u>(112,005)</u>	<u>28,908,156</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(225,098)	(44,135)	-	(269,233)
Buildings and facilities.....	(5,801,032)	(451,481)	-	(6,252,513)
Building improvements.....	(169,331)	(29,521)	-	(198,852)
Machinery and equipment.....	(2,468,344)	(150,715)	-	(2,619,059)
Vehicles.....	(956,907)	(97,140)	112,005	(942,042)
Drainage and water systems.....	(46,303)	(17,512)	-	(63,815)
Infrastructure.....	(2,179,161)	(171,267)	-	(2,350,428)
Software.....	(27,000)	(2,000)	-	(29,000)
Total accumulated depreciation.....	<u>(11,873,176)</u>	<u>(963,771)</u>	<u>112,005</u>	<u>(12,724,942)</u>
Total capital assets being depreciated, net.....	<u>16,553,815</u>	<u>(370,601)</u>	<u>-</u>	<u>16,183,214</u>
Total governmental activities capital assets, net.....	<u>\$ 23,712,090</u>	<u>\$ (82,965)</u>	<u>\$ -</u>	<u>\$ 23,629,125</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Marina Enterprise Activities:				
<u>Capital assets:</u>				
Land improvements.....	\$ 6,164,784	\$ -	\$ -	\$ 6,164,784
Buildings and facilities.....	128,124	-	-	128,124
Building improvements.....	17,060	-	-	17,060
Machinery and equipment.....	601,579	-	-	601,579
Vehicles.....	84,187	-	-	84,187
	<u>6,995,734</u>	<u>-</u>	<u>-</u>	<u>6,995,734</u>
Total capital assets being depreciated.....				
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,349,402)	(174,962)	-	(1,524,364)
Buildings and facilities.....	(65,134)	(2,429)	-	(67,563)
Building improvements.....	(3,714)	(853)	-	(4,567)
Machinery and equipment.....	(594,514)	(3,413)	-	(597,927)
Vehicles.....	(66,125)	-	-	(66,125)
	<u>(2,078,889)</u>	<u>(181,657)</u>	<u>-</u>	<u>(2,260,546)</u>
Total accumulated depreciation.....	<u>(2,078,889)</u>	<u>(181,657)</u>	<u>-</u>	<u>(2,260,546)</u>
Total marina enterprises capital assets, net.....	<u>\$ 4,916,845</u>	<u>\$ (181,657)</u>	<u>\$ -</u>	<u>\$ 4,735,188</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Activities:				
<u>Capital assets:</u>				
Machinery and equipment.....	\$ 13,945	\$ -	\$ -	\$ 13,945
Infrastructure.....	7,122,706	1,385,092	-	8,507,798
	<u>7,136,651</u>	<u>1,385,092</u>	<u>-</u>	<u>8,521,743</u>
Total capital assets being depreciated.....	<u>7,136,651</u>	<u>1,385,092</u>	<u>-</u>	<u>8,521,743</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(13,945)	-	-	(13,945)
Infrastructure.....	(625,159)	(227,572)	-	(852,731)
	<u>(639,104)</u>	<u>(227,572)</u>	<u>-</u>	<u>(866,676)</u>
Total accumulated depreciation.....	<u>(639,104)</u>	<u>(227,572)</u>	<u>-</u>	<u>(866,676)</u>
Total water enterprise capital assets, net.....	<u>\$ 6,497,547</u>	<u>\$ 1,157,520</u>	<u>\$ -</u>	<u>\$ 7,655,067</u>

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

Governmental Activities:	
General government.....	\$ 40,708
Public safety.....	279,760
Education.....	128,593
Public works.....	378,479
Human services.....	39,866
Culture and recreation.....	<u>96,365</u>
Total depreciation expense - governmental activities.....	\$ <u>963,771</u>
 Business-Type Activities:	
Marina.....	\$ 181,657
Water.....	<u>227,572</u>
Total depreciation expense - business-type activities.....	\$ <u>409,229</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no receivables or payables between funds at June 30, 2014. Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Operating Transfers In:							
Operating Transfers Out:	General Fund	Stormwater Remediation	Wastewater	Nonmajor Governmental Funds	Marina Enterprise Fund	Water Enterprise Fund	Total
General Fund.....	\$ -	\$ 129,806	\$ 48,668	\$ 289,640	\$ -	\$ -	\$ 468,114 (1)
Community Preservation.....	69,322			156,000			225,322 (2)
Stormwater Remediation.....	81,000		-				81,000 (3)
Nonmajor Governmental Funds.....	1,484,125				15,000	25,675	1,524,800 (3)
Marina Enterprise Fund.....	<u>55,300</u>						<u>55,300 (4)</u>
Total.....	<u>\$ 1,689,747</u>	<u>\$ 129,806</u>	<u>\$ 48,668</u>	<u>\$ 445,640</u>	<u>\$ 15,000</u>	<u>\$ 25,675</u>	<u>\$ 2,354,536</u>

- (1) Represents budgeted transfers from the General Fund to the Nonmajor Funds for the paydown of short-term notes.
- (2) Represents budgeted transfer to the General Fund to cover their portion of debt service costs and transfer to the Wellfleet Affordable Housing Trust Fund.
- (3) Represents budgeted transfers from various Nonmajor governmental funds to the General Fund, Marina Enterprise Fund, and the Water Enterprise Fund.
- (4) Represents transfers from the Marina Enterprise fund to the General Fund for employee benefits and shared employee costs.

NOTE 6 - SHORT-TERM FINANCING

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

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively. Details related to the short-term debt activity for the year ended June 30, 2014, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
Governmental Funds							
BAN	Various projects.....	0.50	9/20/2013	\$ 215,200	\$ -	\$ 215,200	\$ -
BAN	Wastewater Planning.....	0.55	11/29/2013	250,000	-	250,000	-
BAN	Stormwater Planning.....	0.55	11/29/2013	250,000	-	250,000	-
BAN	Various projects.....	0.55	11/29/2013	550,000	-	550,000	-
BAN	Wastewater Planning.....	0.55	11/29/2013	50,000	-	50,000	-
BAN	Wastewater Planning.....	0.60	11/18/2014	-	251,332	-	251,332
BAN	Stormwater Planning.....	0.60	11/18/2014	-	90,000	-	90,000
BAN	Various projects.....	0.60	11/18/2014	-	550,000	-	550,000
BAN	MCWT CW-10-11.....	0.02	1/23/2015	-	200,000	-	200,000
Total governmental funds.....				<u>1,315,200</u>	<u>1,091,332</u>	<u>1,315,200</u>	<u>1,091,332</u>
Enterprise Funds							
BAN	Water Mains.....	0.50	11/18/2014	-	1,000,000	-	1,000,000
Total short-term debt.....				<u>\$ 1,315,200</u>	<u>\$ 2,091,332</u>	<u>\$ 1,315,200</u>	<u>\$ 2,091,332</u>

NOTE 7 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit". Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Municipal Purpose Bonds of 2001....	2015	\$ 2,050,000	5.13	\$ 270,000	\$ -	\$ 135,000	\$ 135,000
Municipal Purpose Bonds of 2002....	2021	1,375,000	4.47	560,000	-	490,000	70,000
Municipal Purpose Bonds of 2004....	2023	2,012,500	4.14	965,000	-	860,000	105,000
MCWT Municipal Water System.....	2024	881,090	0.00	546,294	-	41,294	505,000
Municipal Purpose Bonds of 2006....	2026	2,360,000	3.75-5.00	1,300,000	-	1,100,000	200,000
MCWT Pool Program.....	2026	200,000	0.00	130,000	-	10,000	120,000
Municipal Purpose Bonds of 2009....	2028	8,411,523	4.58	6,160,000	-	4,470,000	1,690,000
Refunding Debt of 2014.....	2028	6,500,000	2.00-3.00	-	6,500,000	-	6,500,000
Total.....				\$ 9,931,294	\$ 6,500,000	\$ 7,106,294	\$ 9,325,000

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

Year	Principal	Interest	Total
2015.....	\$ 895,000	\$ 535,004	\$ 1,430,004
2016.....	825,000	487,150	1,312,150
2017.....	815,000	417,332	1,232,332
2018.....	810,000	388,939	1,198,939
2019.....	815,000	157,760	972,760
2020.....	795,000	140,662	935,662
2021.....	775,000	120,058	895,058
2022.....	705,000	97,231	802,231
2023.....	655,000	76,015	731,015
2024.....	600,000	56,400	656,400
2025.....	535,000	40,575	575,575
2026.....	480,000	25,650	505,650
2027.....	345,000	13,425	358,425
2028.....	275,000	4,125	279,125
Total.....	\$ 9,325,000	\$ 2,560,326	\$ 11,885,326

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Marina Bonds of 2009.....	2027	2,372,477	4.58	\$ 1,340,000	\$ -	\$ 955,000	\$ 385,000
Refunding Debt of 2014.....	2027	940,000	2.00-3.00	-	940,000	-	940,000
Sub-Total marina bonds payable.....				1,340,000	940,000	955,000	1,325,000
Water Bonds of 2010.....	2049	1,500,000	2.38	1,426,642	-	24,717	1,401,925
Total Enterprise.....				\$ 2,766,642	\$ 940,000	\$ 979,717	\$ 2,726,925

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

Marina Enterprise Fund

Year	Principal	Interest	Total
2015.....	\$ 100,000	\$ 78,851	\$ 178,851
2016.....	105,000	81,176	186,176
2017.....	105,000	77,176	182,176
2018.....	110,000	72,650	182,650
2019.....	110,000	23,900	133,900
2020.....	105,000	21,750	126,750
2021.....	105,000	19,125	124,125
2022.....	100,000	16,050	116,050
2023.....	100,000	13,050	113,050
2024.....	100,000	10,050	110,050
2025.....	95,000	7,125	102,125
2026.....	95,000	4,275	99,275
2027.....	95,000	1,425	96,425
Total.....	\$ <u>1,325,000</u>	\$ <u>426,603</u>	\$ <u>1,751,603</u>

Water Enterprise Fund

Year	Principal	Interest	Total
2015.....	\$ 26,139	\$ 33,283	\$ 59,422
2016.....	26,759	32,663	59,422
2017.....	27,395	32,027	59,422
2018.....	28,046	31,377	59,423
2019.....	28,712	30,711	59,423
2020.....	29,394	30,029	59,423
2021.....	30,092	29,331	59,423
2022.....	30,806	28,617	59,423
2023.....	31,538	27,885	59,423
2024.....	32,287	27,136	59,423
2025.....	33,054	26,370	59,424
2026.....	33,839	25,585	59,424
2027.....	34,642	24,781	59,423
2028.....	35,465	23,959	59,424
2029.....	36,308	23,117	59,425
2030.....	37,170	22,255	59,425
2031.....	38,053	21,372	59,425
2032.....	38,956	20,467	59,423
Thereafter.....	<u>823,270</u>	<u>186,813</u>	<u>1,010,083</u>
Total.....	\$ <u>1,401,925</u>	\$ <u>677,778</u>	\$ <u>2,079,703</u>

The Town is scheduled to be subsidized by the Massachusetts Water Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$9,269 and interest costs for \$72,425. Thus, net MCWT loan repayments, including interest, are scheduled to be \$541,691. The principal subsidies are guaranteed and therefore a \$9,269 intergovernmental receivable and corresponding deferred inflow have been reported in the General Fund. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2014 interest subsidy totaled approximately \$11,000.

As authorized by the Commonwealth of Massachusetts, the Town advance refunded \$6,960,000 of general obligation bonds through the issuance of \$7,440,000 of general obligation refunding bonds on May 15, 2014. Proceeds (net of bond premiums, issuance costs and other closing costs) were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities will be removed from the financial statements for the year ending June 30, 2014. Through this advance refunding, the Town has taken advantage of lower interest rates to realize a decrease in its aggregate debt service payments by \$773,000 over the next 13 years. The Town also realized an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of \$625,000. At year end \$5,785,000 of bonds outstanding from the refunding is considered defeased. The difference between the old bonds and the reacquisition price was immaterial.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the Town had the following authorized and unissued debt:

Purpose	Amount
Water Well, Tank and Mains.....	\$ 137,208
Storm Water Remediation.....	250,000
Wastewater Management.....	200,000
Repairing Roads.....	150,000
Bank Street & Commercial Street.....	40,000
Fire Pumper Truck.....	250,000
Baker's Field Restrooms.....	324,000
Total.....	<u>\$ 1,351,208</u>

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-Term Bonds and Notes.....	\$ 9,931,294	\$ 6,500,000	\$ (7,106,294)	\$ 9,325,000	\$ 895,000
Compensated Absences.....	594,000	501,000	(460,000)	635,000	495,000
Other Postemployment Benefits....	3,029,487	282,815	-	3,312,302	-
Total.....	<u>\$ 13,554,781</u>	<u>\$ 7,283,815</u>	<u>\$ (7,566,294)</u>	<u>\$ 13,272,302</u>	<u>\$ 1,390,000</u>

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-Term Bonds and Notes..... \$	2,766,642	\$ 940,000	\$ (979,717)	\$ 2,726,925	\$ 126,139
Compensated Absences.....	38,000	37,000	(31,000)	44,000	36,000
Other Postemployment Benefits....	<u>30,296</u>	<u>2,827</u>	<u>-</u>	<u>33,123</u>	<u>-</u>
Total..... \$	<u>2,834,938</u>	<u>\$ 979,827</u>	<u>\$ (1,010,717)</u>	<u>\$ 2,804,048</u>	<u>\$ 162,139</u>

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town adopted GASB 54 as part of its 2011 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

At year end the balance of the General and OPEB Stabilization Funds are \$556,307 and \$441,005, respectively and are reported as unassigned fund balance within the General Fund.

GASB 54 provides for two major types of fund balances, which are Nonspendable and Spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as Nonspendable.

In addition to the Nonspendable fund balance, GASB 54 has provided a hierarchy of Spendable fund balances, based on a hierarchy of spending constraints.

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

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

	General	Community Preservation	Water Distribution	Water Distribution	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable:						
Nonexpendable trust funds..... \$	-	-	-	-	232,779	232,779
Restricted for:						
Land acquisition fund.....	-	1,489,059	-	-	-	1,489,059
Town gift and grant funds.....	-	-	-	-	891,157	891,157
Town insurance proceeds.....	-	-	-	-	22,149	22,149
Town receipts reserved.....	-	-	-	-	2,353,014	2,353,014
School lunch.....	-	-	-	-	31,442	31,442
School other special revenue funds.....	-	-	-	-	20,416	20,416
Town construction projects.....	-	-	-	-	11,022	11,022
Town church building project.....	-	-	-	-	232,542	232,542
Expendable trust funds.....	-	-	-	-	659,600	659,600
Committed to:						
General government.....	122,357	-	-	-	-	122,357
Public safety.....	245,883	-	-	-	-	245,883
Education.....	29,011	-	-	-	-	29,011
Public works.....	150,000	-	-	-	-	150,000
Assigned to:						
General government.....	57,387	-	-	-	-	57,387
Public safety.....	44,871	-	-	-	-	44,871
Education.....	270,209	-	-	-	-	270,209
Public works.....	74,054	-	-	-	-	74,054
Human services.....	18,831	-	-	-	-	18,831
Culture and recreation.....	16,566	-	-	-	-	16,566
Property and liability insurance.....	800	-	-	-	-	800
Debt service interest.....	19,164	-	-	-	-	19,164
Unassigned.....	3,147,041	-	(610,942)	(283,307)	-	2,252,792
TOTAL FUND BALANCES..... \$	<u>4,196,174</u>	<u>\$ 1,489,059</u>	<u>\$ (610,942)</u>	<u>(283,307)</u>	<u>\$ 4,454,121</u>	<u>\$ 9,245,105</u>

NOTE 9 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town also participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's incurred but not reported claims for workers' compensation are not material at June 30, 2014, and therefore are not reported.

NOTE 10 - PENSION PLAN

Plan Description - The Town contributes to the Barnstable County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$338,000 for the year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Association and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 99 Willow Street, Yarmouth Port, Massachusetts, 02675.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Association its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll.

Annual Pension Cost - The Town contributions to the System for the years ended June 30, 2014, 2013 and 2012 were \$928,426, \$872,682, and \$871,477, respectively, which equaled its required contribution for each year.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Wellfleet administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For 2014, contributions to the Plan totaled approximately \$464,000.

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

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

Annual required contribution.....	\$ 699,781
Interest on net OPEB obligation.....	191,236
Adjustment to annual required contribution.....	<u>(140,959)</u>
Annual OPEB cost (expense).....	750,058
Contributions made.....	<u>(464,416)</u>
Increase/Decrease in net OPEB obligation.....	285,642
Net OPEB obligation - beginning of year.....	<u>3,059,783</u>
Net OPEB obligation - end of year.....	<u>\$ 3,345,425</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 750,058	62%	\$ 285,642
6/30/2013	714,284	59%	296,366
6/30/2012	1,066,872	32%	723,285

Funded Status and Funding Progress – As of June 30, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$8.6 million, of which \$8.4 million was unfunded. The covered payroll (annual payroll of active employees covered by the plan was \$4.6 million, and the ratio of UAAL to the covered payroll was 183.6 percent.

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

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

In the June 30, 2012, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 6.25% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8% initially, graded to 5% over 6 years and included a 4.0% inflation assumption. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.0% per year. The remaining amortization period at June 30, 2014 is 30 years.

NOTE 12 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts relating to various capital projects totaling approximately \$1.4 million.

NOTE 13 - CONTINGENCIES

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

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*. This statement introduced the concept of deferred outflows and deferred inflows to the financial statements.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans*. This statement did not impact the financial statements.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement did not impact the financial statements.

Future implementation of GASB pronouncements:

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 14,399,293	\$ 14,399,293	\$ 14,399,293
Motor vehicle and other excise taxes.....	-	388,000	388,000	388,000
Hotel/motel/meals tax.....	-	317,815	317,815	317,815
Intergovernmental.....	-	445,113	445,113	445,113
Departmental and other.....	-	589,745	589,745	589,745
Investment income.....	-	7,090	7,090	7,090
TOTAL REVENUES.....	-	16,147,056	16,147,056	16,147,056
EXPENDITURES:				
Current:				
General government.....	176,504	1,718,281	1,894,785	1,801,295
Public safety.....	56,047	3,158,457	3,214,504	3,502,475
Education.....	326,958	4,897,767	5,224,725	5,188,081
Public works.....	113,156	2,065,333	2,178,489	2,319,040
Human services.....	10,206	475,137	485,343	499,037
Culture and recreation.....	29,795	911,215	941,010	993,894
Pension benefits.....	-	928,426	928,426	928,426
Property and liability insurance.....	800	252,000	252,800	252,735
Employee benefits.....	-	1,216,932	1,216,932	1,208,492
State and county charges.....	-	334,590	334,590	334,590
Debt service:				
Principal.....	-	1,001,294	1,001,294	1,001,294
Interest.....	20,689	462,310	482,999	482,999
TOTAL EXPENDITURES.....	734,155	17,421,742	18,155,897	18,512,358
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(734,155)	(1,274,686)	(2,008,841)	(2,365,302)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	1,658,422	1,658,422	1,689,747
Transfers out.....	-	(687,592)	(687,592)	(687,592)
TOTAL OTHER FINANCING SOURCES (USES).....	-	970,830	970,830	1,002,155
NET CHANGE IN FUND BALANCE.....	(734,155)	(303,856)	(1,038,011)	(1,363,147)
BUDGETARY FUND BALANCE, Beginning of year.....	2,852,873	2,852,873	2,852,873	2,852,873
BUDGETARY FUND BALANCE, End of year.....	\$ 2,118,718	\$ 2,549,017	\$ 1,814,862	\$ 1,489,726

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	14,402,118	\$ -	\$ 2,825
	446,770	-	58,770
	325,396	-	7,581
	476,143	-	31,030
	613,127	-	23,382
	6,617	-	(473)
	<u>16,270,171</u>	<u>-</u>	<u>123,115</u>
	1,446,482	179,744	175,069
	3,109,114	290,754	102,607
	4,888,316	299,220	545
	1,870,587	224,054	224,399
	471,702	18,831	8,504
	945,946	16,566	31,382
	928,426	-	-
	252,735	-	-
	1,193,232	800	14,460
	401,322	-	(66,732)
	1,001,294	-	-
	440,758	19,164	23,077
	<u>16,949,914</u>	<u>1,049,133</u>	<u>513,311</u>
	(679,743)	(1,049,133)	636,426
	1,689,747	-	-
	(668,114)	-	19,478
	<u>1,021,633</u>	<u>\$ -</u>	<u>\$ 19,478</u>
	341,890		
	<u>2,852,873</u>		
\$	<u><u>3,194,763</u></u>		

**Barnstable County Retirement System
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/12	\$ 651,063,981	\$ 1,173,483,848	\$ 522,419,867	55.5%	\$ 239,473,303	218.2%
01/01/10	554,876,554	1,030,210,321	475,333,767	53.9%	234,374,075	202.8%
01/01/09	520,089,855	966,564,614	446,474,759	53.8%	249,971,296	178.6%
01/01/07	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%
01/01/06	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%

The Town's share of the UAAL, as of January 1, 2012, is approximately 1.99%.

See notes to required supplementary information.

**Barnstable County Retirement System
Schedule of Employer Contributions**

Year Ended June 30	System Wide			Town of Wellfleet	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) District's Percentage of System Wide Actual Contributions
2014	\$ 49,504,212	\$ 49,504,212	100%	\$ 928,426	1.88%
2013	46,702,087	46,702,087	100%	872,682	1.87%
2012	43,807,158	43,807,158	100%	871,477	1.99%
2011	43,893,051	43,893,051	100%	806,277	1.84%
2010	39,899,392	39,899,392	100%	715,501	1.79%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2012	\$ 161,790	\$ 8,567,710	\$ 8,405,920	2%	\$ 4,577,145	183.6%
6/30/2010	50,196	12,506,705	12,456,509	0%	4,577,145	272.1%
6/30/2008	-	15,899,873	15,899,873	0%	4,667,422	340.7%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2014	\$ 750,058	\$ 464,416	62%
2013	714,284	417,918	59%
2012	1,066,872	343,587	32%

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2014

Actuarial Methods:

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Amortization payments increasing at 4.0%
Remaining amortization period	30 years open

Actuarial Assumptions:

Investment rate of return	6.25%, partially funded scenario
Medical/drug cost trend rate	8.0% graded to 5% over 6 years

Plan Membership:

Current retirees, beneficiaries, and dependents	61
Current active members	<u>94</u>
Total	<u><u>155</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Board of Selectmen and Finance Committee present an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2014 approved budget authorized \$18 million in appropriations and other amounts to be raised and \$823,000 in encumbrances and appropriations carried over from previous years. During 2014, Town Meeting approved an additional \$279,000 in appropriations.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is presented below:

Net change in fund balance - budgetary basis.....	\$ 341,890
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	229,371
<u>Basis of accounting differences:</u>	
decrease in revenues due to 60 day receipts.....	(29,372)
Increase in revenues due to pension gross-up.....	338,000
Increase in revenues due to MCWT subsidy gross-up.....	11,302
Recognition of expenditures due to modified accrual basis.....	9,341
Increase in expenditures due to pension gross-up.....	(338,000)
Increase in expenditures due to MCWT gross-up.....	<u>(11,302)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 551,230</u>

NOTE B – PENSION PLAN

The Town contributes to the Barnstable County Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Barnstable County Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Association’s most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2012
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 6.0% through fiscal 2015. Thereafter payments increase at 4.0% except for 2010 early retirement incentive, which is a level payment.
Remaining Amortization Period.....	26 years from July 1, 2012 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability and remaining unfunded liability.
Asset Valuation Method.....	Sum of actuarial value at beginning of year and increase in cost value during year excluding realized appreciation or losses plus 20% of market value at end of year in excess of that preliminary value, adjusted to be within 20% of their market value.

Actuarial Assumptions:

Investment rate of return.....	7.875%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.75% and 5.25% for groups 1 and 4, respectively.
Cost of living adjustments.....	3.0% for the first \$13,000 in fiscal year 2012, \$14,000 in fiscal year 2013, and \$15,000 in fiscal year 2014.

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,556
Inactive participants entitled to a return of their employee contributions.....	526
Inactive participants with a vested right to a deferred or immediate benefit.....	111
Active participants.....	<u>4,670</u>
Total.....	<u><u>7,863</u></u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Town currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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