

TOWN OF WELLFLEET, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2015

TOWN OF WELLFLEET, MASSACHUSETTS

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JUNE 30, 2015

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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, 2015, 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, 2015, 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 October 23, 2015, 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.



October 23, 2015

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, 2015. 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 and deferred outflows of resources exceeded liabilities by \$12.2 million at the close of 2015. Key components of the Town's governmental financial position are listed below.

	<u>2015</u>	(As revised) <u>2014</u>
Assets:		
Current assets.....	\$ 13,840,509	\$ 12,348,447
Capital assets.....	24,193,037	23,629,125
Total assets.....	<u>38,033,546</u>	<u>35,977,572</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions.....	<u>17,740</u>	<u>-</u>
Liabilities:		
Current liabilities (excluding debt).....	1,311,312	1,159,154
Noncurrent liabilities (excluding debt).....	13,999,042	12,778,087
Current debt.....	2,775,090	1,986,332
Noncurrent debt.....	7,796,910	8,430,000
Total liabilities.....	<u>25,882,354</u>	<u>24,353,573</u>
Net Position:		
Net investment in capital assets.....	14,573,557	13,945,440
Restricted.....	1,984,286	1,890,650
Unrestricted.....	(4,388,911)	(4,212,091)
Total net position.....	<u>\$ 12,168,932</u>	<u>\$ 11,623,999</u>

Net position of \$14.6 million 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 net position, \$1.98 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, a deficit of \$4.4 million may be used to meet the government's ongoing obligations to citizens and creditors. This is due to the recognition of a \$10.4 million net pension liability related to the Town's proportionate share of the Barnstable County Retirement Association's unfunded liability. At the end of the current year, the Town is able to report positive balances in two out of three categories of net position.

The governmental activities net position increased by \$1.5 million during the current year. This increase was primarily from capital grants for road construction and land acquisition offset by an increase in the other postemployment benefits liability.

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71. To reflect this change, the Town has recorded a net pension liability and a deferred outflow of resources, which has resulted in the revision of the June 30, 2014, balance of the governmental activities by \$9,325,785. Previously reported net position of \$20,949,784 has been revised to \$11,623,999.

The following table provides a summary of the financial highlights of the Town's governmental activities for 2015 and 2014.

	<u>2015</u>	(As revised) <u>2014</u>
Program Revenues:		
Charges for services.....	\$ 1,455,992	\$ 1,469,911
Operating grants and contributions.....	1,757,358	2,035,255
Capital grants and contributions.....	<u>821,833</u>	<u>739,194</u>
Total program revenues.....	4,035,183	4,244,360
General Revenues:		
Real estate and personal property taxes.....	14,609,412	14,449,349
Motor vehicle and other excise taxes.....	513,150	443,224
Hotel/motel tax.....	355,864	325,396
Penalties and interest on taxes.....	112,859	102,633
Grants and contributions not restricted to specific programs.....	45,862	66,937
Unrestricted investment income.....	13,136	11,753
Miscellaneous.....	<u>37,512</u>	<u>20,322</u>
Total general revenues.....	15,687,795	15,419,614
Expenses:		
General government.....	2,522,296	3,025,211
Public safety.....	4,429,169	4,404,354
Education.....	5,679,365	5,918,714
Public works.....	3,198,765	2,525,510
Human services.....	826,053	763,409
Culture and recreation.....	1,326,558	1,366,367
Interest.....	<u>280,548</u>	<u>474,917</u>
Total expenses.....	18,262,754	18,478,482
Transfers, net.....	<u>40,300</u>	<u>14,625</u>
Change in net position.....	1,500,524	1,200,117
Net position, beginning of year (as revised).....	<u>11,623,999</u>	<u>10,423,882</u>
Net position, end of year.....	\$ <u>13,124,523</u>	\$ <u>11,623,999</u>

There was an increase of \$63,000 in net position reported in connection with the Marina and Water enterprise business-type activities.

The beginning net position of business-type activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71. To reflect this change, the Town has recorded a net pension liability and a deferred outflow of resources, which has resulted in the revision of the June 30, 2014 balance of the business-type activities by \$94,200. Previously reported net position of \$9,526,393 has been revised to \$9,432,193.

The following table provides a summary of the financial highlights of the Town's business type activities for 2015 and 2014.

	2015	(As revised) 2014
Assets:		
Current assets.....	\$ 1,502,278	\$ 1,393,750
Capital assets.....	11,838,345	12,390,255
Total assets.....	<u>13,340,623</u>	<u>13,784,005</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions....	179	-
Liabilities:		
Current liabilities (excluding debt).....	107,690	453,564
Noncurrent liabilities (excluding debt).....	146,627	135,323
Current debt.....	157,401	1,126,139
Noncurrent debt.....	3,443,385	2,600,786
Total liabilities.....	<u>3,855,103</u>	<u>4,315,812</u>
Net Position:		
Net investment in capital assets.....	8,237,559	8,663,330
Unrestricted.....	1,248,140	768,863
Total net position.....	<u>\$ 9,485,699</u>	<u>\$ 9,432,193</u>
Operating Revenues:		
Charges for services.....	\$ 868,641	\$ 870,103
Operating grants and contributions.....	8,500	8,500
Capital grants and contributions.....	478,599	-
Total program revenues.....	<u>1,355,740</u>	<u>878,603</u>
Nonoperating Revenues (Expenses):		
Unrestricted investment income.....	1,276	1,947
Interest expense.....	(101,181)	(102,349)
Total general revenues.....	<u>(99,905)</u>	<u>(100,402)</u>
Operating Expenses:		
Costs of services and administration.....	556,854	702,209
Depreciation.....	595,523	409,229
Total expenses.....	<u>1,152,377</u>	<u>1,111,438</u>
Transfers, net.....	<u>(40,300)</u>	<u>(14,625)</u>
Change in net position.....	63,158	(347,862)
Net position, beginning of year (as revised).....	<u>9,432,193</u>	<u>9,780,055</u>
Net position, end of year.....	<u>\$ 9,495,351</u>	<u>\$ 9,432,193</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 \$9.5 million comprised of \$4.3 million in the general fund, \$2.0 million in the community preservation fund, a (\$481,000) and (\$590,000) deficit in the stormwater remediation capital project and capital equipment funds, respectively; and \$4.3 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 \$4.3 million. The general fund increased by \$73,000. 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 17.5% of total general fund expenditures, while total fund balance represents 23.9% 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, 2015, the balance in these funds totaled \$1,248,000 and \$642,000, 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 \$500,000 in 2015.

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 *capital equipment fund* is used to account for financial resources needed to fund the purchase of departmental capital equipment.

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, 2015, 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 \$1.7 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 \$12.2 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, 2015

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 12,031,943	\$ 1,069,184	\$ 13,101,127
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	506,786	-	506,786
Tax liens.....	30,261	-	30,261
Motor vehicle excise taxes.....	31,272	-	31,272
Water fees.....	-	11,921	11,921
Departmental and other.....	458,716	27,222	485,938
Intergovernmental.....	759,128	-	759,128
Community preservation fund state share.....	14,143	-	14,143
Loans.....	8,260	393,951	402,211
NONCURRENT:			
Capital assets, nondepreciable.....	7,158,275	-	7,158,275
Capital assets, net of accumulated depreciation.....	17,034,762	11,838,345	28,873,107
TOTAL ASSETS.....	38,033,546	13,340,623	51,374,169
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	17,740	179	17,919
LIABILITIES			
CURRENT:			
Warrants payable.....	308,235	13,948	322,183
Accrued payroll.....	347,452	3,550	351,002
Accrued interest.....	130,445	48,192	178,637
Customer deposits payable.....	8,180	-	8,180
Compensated absences.....	517,000	42,000	559,000
Notes payable.....	1,942,000	-	1,942,000
Bonds payable.....	833,090	157,401	990,491
NONCURRENT:			
Compensated absences.....	141,000	7,000	148,000
Other postemployment benefits.....	3,499,250	34,993	3,534,243
Net pension liability.....	10,358,792	104,634	10,463,426
Bonds payable.....	7,796,910	3,443,385	11,240,295
TOTAL LIABILITIES.....	25,882,354	3,855,103	29,737,457
NET ASSETS			
Net investment in capital assets.....	14,573,557	8,237,559	22,811,116
Restricted for:			
Loans.....	8,260	-	8,260
Permanent funds:			
Expendable.....	816,886	-	816,886
Nonexpendable.....	2,744	-	2,744
Other purposes.....	1,156,396	-	1,156,396
Unrestricted.....	(4,388,911)	1,248,140	(3,140,771)
TOTAL NET POSITION.....	\$ 12,168,932	\$ 9,485,699	\$ 21,654,631

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

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.....	\$ 2,522,296	\$ 209,270	\$ 419,900	\$ 434,539	\$ (1,458,587)
Public safety.....	4,429,169	242,475	347,219	-	(3,839,475)
Education.....	5,679,365	24,561	257,509	113,612	(5,283,683)
Public works.....	3,198,765	16,688	457,544	273,682	(2,450,851)
Human services.....	826,053	67,194	169,044	-	(589,815)
Culture and recreation.....	1,326,558	895,804	106,142	-	(324,612)
Interest.....	280,548	-	-	-	(280,548)
Total Governmental Activities.....	18,262,754	1,455,992	1,757,358	821,833	(14,227,571)
<i>Business-Type Activities:</i>					
Marina.....	710,048	591,686	8,500	-	(109,862)
Water.....	543,510	276,955	-	478,599	212,044
Total Business-Type Activities.....	1,253,558	868,641	8,500	478,599	102,182
Total Primary Government.....	\$ 19,516,312	\$ 2,324,633	\$ 1,765,858	\$ 1,300,432	\$ (14,125,389)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ <u>(14,227,571)</u>	\$ <u>102,182</u>	\$ <u>(14,125,389)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	14,609,412	-	14,609,412
Motor vehicle and other excise taxes.....	513,150	-	513,150
Hotel/motel tax.....	355,864	-	355,864
Penalties and interest on taxes.....	112,859	-	112,859
Grants and contributions not restricted to specific programs.....	45,862	-	45,862
Unrestricted investment income.....	13,136	1,276	14,412
Miscellaneous.....	37,512	-	37,512
<i>Transfers, net</i>	<u>40,300</u>	<u>(40,300)</u>	<u>-</u>
Total general revenues and transfers.....	<u>15,728,095</u>	<u>(39,024)</u>	<u>15,689,071</u>
Change in net position.....	1,500,524	63,158	1,563,682
<i>Net Position:</i>			
Beginning of year (as revised).....	<u>10,668,408</u>	<u>9,422,541</u>	<u>20,090,949</u>
End of year.....	\$ <u><u>12,168,932</u></u>	\$ <u><u>9,485,699</u></u>	\$ <u><u>21,654,631</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	General	Community Preservation	Highway	Stromwater Remediation	Capital Equipment	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 4,753,558	\$ 1,988,740	\$ -	\$ 19,058	\$ -	\$ 5,270,587	\$ 12,031,943
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	506,786	-	-	-	-	-	506,786
Tax liens.....	29,922	339	-	-	-	-	30,261
Motor vehicle excise taxes.....	31,272	-	-	-	-	-	31,272
Departmental and other.....	272,378	-	-	-	-	186,338	458,716
Intergovernmental.....	9,269	-	749,859	-	-	-	759,128
Community preservation.....	-	14,143	-	-	-	-	14,143
Loans.....	-	-	-	-	-	8,260	8,260
TOTAL ASSETS.....	\$ 5,603,185	\$ 2,003,222	\$ 749,859	\$ 19,058	\$ -	\$ 5,465,185	\$ 13,840,509
LIABILITIES							
Warrants payable.....	\$ 238,046	\$ -	\$ -	\$ -	\$ -	\$ 70,189	\$ 308,235
Accrued payroll.....	347,317	135	-	-	-	-	347,452
Liabilities due depositors.....	8,180	-	-	-	-	-	8,180
Notes payable.....	-	-	-	500,000	590,000	852,000	1,942,000
TOTAL LIABILITIES.....	593,543	135	-	500,000	590,000	922,189	2,605,867
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues.....	740,898	14,483	749,859	-	-	194,598	1,699,838
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	239,341	239,341
Restricted.....	-	1,988,604	-	-	-	4,256,751	6,245,355
Committed.....	578,173	-	-	-	-	-	578,173
Assigned.....	559,272	-	-	-	-	-	559,272
Unassigned.....	3,131,299	-	-	(480,942)	(590,000)	(147,694)	1,912,663
TOTAL FUND BALANCES.....	4,268,744	1,988,604	-	(480,942)	(590,000)	4,348,398	9,534,804
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 5,603,185	\$ 2,003,222	\$ 749,859	\$ 19,058	\$ -	\$ 5,465,185	\$ 13,840,509

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, 2015

Total governmental fund balances.....		\$ 9,534,804
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		24,193,037
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		1,699,838
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(130,445)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(8,630,000)	
Net pension liability.....	(10,358,792)	
Other postemployment benefits.....	(3,499,250)	
Compensated absences.....	<u>(658,000)</u>	
Net effect of reporting long-term liabilities.....		(23,146,042)
In the statement of activities, deferred outflows of resources related to pensions are reported for the net difference between projected and actual investment earnings on pension plan investments, which are amortized over four years.....		<u>17,740</u>
Net position of governmental activities.....		<u>\$ 12,168,932</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	General	Community Preservation	Highway	Stromwater Remediation	Capital Equipment	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ 14,637,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,637,592
Motor vehicle and other excise taxes.....	509,424	-	-	-	-	-	509,424
Hotel/motel tax.....	355,864	-	-	-	-	-	355,864
Intergovernmental.....	276,500	201,054	22,175	-	-	425,123	924,852
Departmental and other.....	668,114	-	-	-	-	1,843,215	2,511,329
Community Preservation.....	-	435,576	-	-	-	-	435,576
Contributions.....	-	-	-	-	-	93,127	93,127
Investment income.....	8,708	3,222	-	-	-	1,206	13,136
Miscellaneous.....	-	-	-	-	-	13,032	13,032
TOTAL REVENUES.....	16,456,202	639,852	22,175	-	-	2,375,703	19,493,932
EXPENDITURES:							
Current:							
General government.....	1,487,526	73,134	-	-	-	197,622	1,758,282
Public safety.....	3,766,092	-	-	-	250,000	10,893	4,026,985
Education.....	4,941,802	-	-	-	-	363,671	5,305,473
Public works.....	2,109,830	-	22,175	10,000	340,000	175,095	2,657,100
Human services.....	531,547	-	-	-	-	95,941	627,488
Culture and recreation.....	988,594	-	-	-	-	49,049	1,037,643
Pension benefits.....	965,243	-	-	-	-	-	965,243
Property and liability insurance.....	280,113	-	-	-	-	-	280,113
Employee benefits.....	1,147,617	-	-	-	-	-	1,147,617
State and county charges.....	470,550	-	-	-	-	-	470,550
Debt service:							
Principal.....	895,000	-	-	-	-	-	895,000
Interest.....	270,839	-	-	-	-	2,200	273,039
TOTAL EXPENDITURES.....	17,854,753	73,134	22,175	10,000	590,000	894,471	19,444,533
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,398,551)	566,718	-	(10,000)	(590,000)	1,481,232	49,399
OTHER FINANCING SOURCES (USES):							
Proceeds from bonds and notes.....	-	-	-	-	-	200,000	200,000
Transfers in.....	1,670,953	-	-	140,000	-	59,832	1,870,785
Transfers out.....	(199,832)	(67,173)	-	-	-	(1,563,480)	(1,830,485)
TOTAL OTHER FINANCING SOURCES (USES).....	1,471,121	(67,173)	-	140,000	-	(1,303,648)	240,300
NET CHANGE IN FUND BALANCES.....	72,570	499,545	-	130,000	(590,000)	177,584	289,699
FUND BALANCES AT BEGINNING OF YEAR.....	4,196,174	1,489,059	-	(610,942)	-	4,170,814	9,245,105
FUND BALANCES AT END OF YEAR.....	\$ 4,268,744	\$ 1,988,604	\$ -	\$ (480,942)	\$ (590,000)	\$ 4,348,398	\$ 9,534,804

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, 2015

Net change in fund balances - total governmental funds.....	\$	289,699
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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:

Capital outlay.....	1,347,545	
Depreciation expense.....	<u>(783,633)</u>	
Net effect of reporting capital assets.....		563,912

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold or disposed.....

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 of resources.....		229,046
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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:

Proceeds from bonds and notes.....	(200,000)	
Debt service principal payments.....	<u>895,000</u>	
Net effect of reporting long-term debt.....		695,000

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:

Net change in compensated absences accrual.....	(23,000)	
Net change in other postemployment benefits.....	(186,948)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	17,740	
Net change in accrued interest on long-term debt.....	(7,509)	
Net change in pension liability.....	<u>(77,416)</u>	
Net effect of recording expenditures.....		<u>(277,133)</u>

Change in net position of governmental activities.....	\$	<u>1,500,524</u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2015

	Marina Enterprise	Water Enterprise	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 733,751	\$ 335,433	\$ 1,069,184
Receivables, net of allowance for uncollectibles:			
Water fees.....	-	11,921	11,921
Departmental and other.....	27,222	-	27,222
Loans.....	-	393,951	393,951
Total current assets.....	<u>760,973</u>	<u>741,305</u>	<u>1,502,278</u>
NONCURRENT:			
Capital assets, net of accumulated depreciation.....	<u>4,513,800</u>	<u>7,324,545</u>	<u>11,838,345</u>
TOTAL ASSETS.....	<u>5,274,773</u>	<u>8,065,850</u>	<u>13,340,623</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	<u>179</u>	<u>-</u>	<u>179</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	13,897	51	13,948
Accrued payroll.....	3,290	260	3,550
Accrued interest.....	18,901	29,291	48,192
Compensated absences.....	42,000	-	42,000
Bonds payable.....	<u>105,000</u>	<u>52,401</u>	<u>157,401</u>
Total current liabilities.....	<u>183,088</u>	<u>82,003</u>	<u>265,091</u>
NONCURRENT:			
Compensated absences.....	7,000	-	7,000
Other postemployment benefits.....	34,993	-	34,993
Net pension liability.....	104,634	-	104,634
Bonds payable.....	<u>1,120,000</u>	<u>2,323,385</u>	<u>3,443,385</u>
Total noncurrent liabilities.....	<u>1,266,627</u>	<u>2,323,385</u>	<u>3,590,012</u>
TOTAL LIABILITIES.....	<u>1,449,715</u>	<u>2,405,388</u>	<u>3,855,103</u>
NET POSITION			
Net investment in capital assets.....	3,288,800	4,948,759	8,237,559
Unrestricted.....	<u>536,437</u>	<u>711,703</u>	<u>1,248,140</u>
TOTAL NET POSITION.....	<u>\$ 3,825,237</u>	<u>\$ 5,660,462</u>	<u>\$ 9,485,699</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	Marina Enterprise	Water Enterprise	Total
OPERATING REVENUES:			
Charges for services	\$ 591,686	\$ 276,955	\$ 868,641
Intergovernmental.....	8,500	478,599	487,099
TOTAL OPERATING REVENUES	600,186	755,554	1,355,740
OPERATING EXPENSES:			
Cost of services and administration	490,323	66,531	556,854
Depreciation.....	179,924	415,599	595,523
TOTAL OPERATING EXPENSES	670,247	482,130	1,152,377
OPERATING INCOME (LOSS).....	(70,061)	273,424	203,363
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	1,047	229	1,276
Interest expense.....	(39,801)	(61,380)	(101,181)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(38,754)	(61,151)	(99,905)
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	(108,815)	212,273	103,458
OPERATING TRANSFERS:			
Transfers in.....	15,000	-	15,000
Transfers out.....	(55,300)	-	(55,300)
TOTAL OPERATING TRANSFERS.....	(40,300)	-	(40,300)
CHANGE IN NET POSITION.....	(149,115)	212,273	63,158
NET POSITION AT BEGINNING OF YEAR.....	3,974,352	5,448,189	9,422,541
NET POSITION AT END OF YEAR.....	\$ 3,825,237	\$ 5,660,462	\$ 9,485,699

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

	Marina Enterprise	Water Enterprise	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 582,379	\$ 207,305	\$ 789,684
Receipts from other governments.....	8,500	478,599	487,099
Payments to vendors.....	(335,859)	(472,417)	(808,276)
Payments to employees.....	(158,344)	260	(158,084)
NET CASH FROM OPERATING ACTIVITIES.....	96,676	213,747	310,423
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	15,000	-	15,000
Transfers out.....	(55,300)	-	(55,300)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(40,300)	-	(40,300)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition and construction of capital assets.....	41,464	(85,077)	(43,613)
Principal payments on bonds and notes.....	(100,000)	(26,139)	(126,139)
Interest expense.....	(35,648)	(36,249)	(71,897)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(94,184)	(147,465)	(241,649)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment income.....	1,047	229	1,276
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(36,761)	66,511	29,750
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	770,512	268,922	1,039,434
CASH AND EQUIVALENTS AT END OF YEAR.....	\$ 733,751	\$ 335,433	\$ 1,069,184
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (70,061)	\$ 273,424	\$ 203,363
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	179,924	415,599	595,523
Changes in assets and liabilities:			
Water fees.....	-	9,539	9,539
Departmental and other.....	(9,128)	-	(9,128)
Loans.....	-	(79,189)	(79,189)
Warrants payable.....	(11,772)	(405,886)	(417,658)
Accrued payroll.....	240	260	500
Deferred outflows of resources related to pensions.....	(179)	-	(179)
Accrued compensated absences.....	5,000	-	5,000
Other postemployment benefits.....	1,870	-	1,870
Net pension liability.....	782	-	782
Total adjustments.....	166,737	(59,677)	107,060
NET CASH FROM OPERATING ACTIVITIES.....	\$ 96,676	\$ 213,747	\$ 310,423

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 2015 assessment to the Town by the District was \$2,245,000 for the Nauset Regional School District and \$105,000 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 *capital equipment fund* is used to account for financial resources needed to fund the purchase of departmental capital equipment.

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 reports deferred outflows related to pensions in this category.

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

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

N. 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.

O. 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).

P. 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.

Q. Fund Deficits

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

R. Use of Estimates

Government-Wide and Fund Financial Statements

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

S. 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.

T. Beginning Balance Reclassification - Change in Accounting Principle

Adjustments to beginning fund balance in the governmental funds and enterprise funds of \$9,325,785 and \$94,200, respectively, relate to the recognition of the Net Pension Liability in accordance with GASB 68.

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 (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 \$13,101,127 and the bank balance totaled \$12,868,482. Of the bank balance, \$750,000 was covered by Federal Depository Insurance, \$11,167,525 was covered by the Depositors Insurance Fund, and \$950,957 was uninsured and uncollateralized.

NOTE 3 - RECEIVABLES

At June 30, 2015, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 507,986	\$ (1,200)	\$ 506,786
Tax liens.....	30,261	-	30,261
Motor vehicle and other excise taxes.....	43,872	(12,600)	31,272
Community preservation fund - state share....	14,143	-	14,143
Departmental and other.....	570,916	(112,200)	458,716
Intergovernmental.....	759,128	-	759,128
Loans.....	8,260	-	8,260
Total.....	<u>\$ 1,934,566</u>	<u>\$ (126,000)</u>	<u>\$ 1,808,566</u>

At June 30, 2015, receivables for the marina and water enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Marina.....	\$ 27,222	\$ -	\$ 27,222
Water.....	11,921	-	11,921
Total.....	<u>\$ 39,143</u>	<u>\$ -</u>	<u>\$ 39,143</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.....	\$ 408,583	\$ -	\$ -	\$ -	\$ 408,583
Tax liens.....	29,922	339	-	-	30,261
Motor vehicle and other excise taxes.....	31,272	-	-	-	31,272
Community preservation fund state share.....	-	14,144	-	-	14,144
Departmental and other.....	261,852	-	-	186,338	448,190
Intergovernmental.....	9,269	-	749,859	-	759,128
Loans.....	-	-	-	8,260	8,260
Total.....	<u>\$ 740,898</u>	<u>\$ 14,483</u>	<u>\$ 749,859</u>	<u>\$ 194,598</u>	<u>\$ 1,699,838</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,158,255	\$ -	\$ -	\$ 7,158,255
Construction in progress.....	<u>287,636</u>	<u>-</u>	<u>(287,636)</u>	<u>-</u>
Total capital assets not being depreciated.....	<u>7,445,891</u>	<u>-</u>	<u>(287,636)</u>	<u>7,158,255</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	766,251	110,764	-	877,015
Buildings and facilities.....	18,072,513	-	-	18,072,513
Building improvements.....	587,896	342,016	-	929,912
Machinery and equipment.....	2,951,217	964,721	-	3,915,938
Vehicles.....	804,673	195,505	-	1,000,178
Drainage and water systems.....	836,153	-	-	836,153
Infrastructure.....	4,453,458	22,175	-	4,475,633
Software.....	<u>36,500</u>	<u>-</u>	<u>-</u>	<u>36,500</u>
Total capital assets being depreciated.....	<u>28,508,661</u>	<u>1,635,181</u>	<u>-</u>	<u>30,143,842</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(269,233)	(6,902)	-	(276,135)
Buildings and facilities.....	(6,337,661)	(368,488)	-	(6,706,149)
Building improvements.....	(198,852)	(36,078)	-	(234,930)
Machinery and equipment.....	(2,416,535)	(129,781)	-	(2,546,316)
Vehicles.....	(659,903)	(67,743)	-	(727,646)
Drainage and water systems.....	(63,815)	(19,550)	-	(83,365)
Infrastructure.....	(2,350,428)	(151,341)	-	(2,501,769)
Software.....	<u>(29,000)</u>	<u>(3,750)</u>	<u>-</u>	<u>(32,750)</u>
Total accumulated depreciation.....	<u>(12,325,427)</u>	<u>(783,633)</u>	<u>-</u>	<u>(13,109,060)</u>
Total capital assets being depreciated, net.....	<u>16,183,234</u>	<u>851,548</u>	<u>-</u>	<u>17,034,782</u>
Total governmental activities capital assets, net.....	<u>\$ 23,629,125</u>	<u>\$ 851,548</u>	<u>\$ (287,636)</u>	<u>\$ 24,193,037</u>
Marina Enterprise Activities:				
<u>Capital assets:</u>				
Land improvements.....	\$ 6,679,095	\$ -	\$ -	\$ 6,679,095
Buildings and facilities.....	114,201	-	-	114,201
Machinery and equipment.....	<u>87,268</u>	<u>8,000</u>	<u>-</u>	<u>95,268</u>
Total capital assets being depreciated.....	<u>6,880,564</u>	<u>8,000</u>	<u>-</u>	<u>6,888,564</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,037,541)	(174,962)	-	(2,212,503)
Buildings and facilities.....	(71,351)	(3,282)	-	(74,633)
Machinery and equipment.....	<u>(85,948)</u>	<u>(1,680)</u>	<u>-</u>	<u>(87,628)</u>
Total accumulated depreciation.....	<u>(2,194,840)</u>	<u>(179,924)</u>	<u>-</u>	<u>(2,374,764)</u>
Total marina enterprises capital assets, net.....	<u>\$ 4,685,724</u>	<u>\$ (171,924)</u>	<u>\$ -</u>	<u>\$ 4,513,800</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Activities:				
<u>Capital assets:</u>				
Infrastructure.....	\$ 8,507,798	\$ 85,077	\$ -	\$ 8,592,875
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(852,731)	(415,599)	-	(1,268,330)
Total water enterprise capital assets, net.....	<u>\$ 7,655,067</u>	<u>\$ (330,522)</u>	<u>\$ -</u>	<u>\$ 7,324,545</u>

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

Governmental Activities:	
General government.....	\$ 37,815
Public safety.....	193,441
Education.....	135,388
Public works.....	276,586
Human services.....	44,371
Culture and recreation.....	<u>96,032</u>
Total depreciation expense - governmental activities.....	<u>\$ 783,633</u>
Business-Type Activities:	
Marina.....	\$ 179,924
Water.....	<u>415,599</u>
Total depreciation expense - business-type activities.....	<u>\$ 595,523</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no receivables or payables between funds at June 30, 2015. Interfund transfers for the year ended June 30, 2015, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:					
	General Fund	Stormwater Remediation	Wastewater	Nonmajor Governmental Funds	Marina Enterprise Fund	Total
General Fund.....	\$ -	\$ 140,000	\$ -	\$ 59,832	\$ -	\$ 199,832 (1)
Community Preservation.....	67,173			-	-	67,173 (2)
Nonmajor Governmental Funds.....	1,548,480			-	15,000	1,563,480 (3)
Marina Enterprise Fund.....	55,300			-	-	55,300 (4)
Total.....	<u>\$ 1,670,953</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 59,832</u>	<u>\$ 15,000</u>	<u>\$ 1,885,785</u>

- (1) Represents budgeted transfers from the General Fund to the Stormwater Remediation and Wastewater Funds for the paydown of short-term notes and to various Nonmajor governmental funds.
- (2) Represents budgeted transfer to the General Fund to cover their portion of debt service costs.
- (3) Represents budgeted transfers from various Nonmajor governmental funds to the General Fund and Marina 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, 2015, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
Governmental Funds							
BAN	Wastewater Planning.....	0.60	11/18/2014	\$ 251,332	\$ -	\$ 251,332	\$ -
BAN	Stormwater Remediation.....	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	-
BAN	Stormwater Remediation.....	0.49	11/18/2015	-	500,000	-	500,000
BAN	Wastewater Planning.....	0.49	11/18/2015	-	200,000	-	200,000
BAN	Various projects.....	0.50	11/18/2015	-	1,242,000	-	1,242,000
Total governmental funds.....				<u>1,091,332</u>	<u>1,942,000</u>	<u>1,091,332</u>	<u>1,942,000</u>
Enterprise Funds							
BAN	Water Mains.....	0.50	11/18/2014	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
Total short-term debt.....				<u>\$ 2,091,332</u>	<u>\$ 1,942,000</u>	<u>\$ 2,091,332</u>	<u>\$ 1,942,000</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, 2015, and the debt service requirements are reported on the following page.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Municipal Purpose Bonds of 2001....	2015	\$ 2,050,000	5.13	\$ 135,000	\$ -	\$ 135,000	\$ -
Municipal Purpose Bonds of 2002....	2021	1,375,000	4.47	70,000	-	70,000	-
Municipal Purpose Bonds of 2004....	2023	2,012,500	4.14	105,000	-	105,000	-
MCWT Municipal Water System.....	2024	881,090	0.00	505,000	-	45,000	460,000
Municipal Purpose Bonds of 2006....	2026	2,360,000	3.75-5.00	200,000	-	100,000	100,000
MCWT Pool Program.....	2026	200,000	0.00	120,000	-	10,000	110,000
Municipal Purpose Bonds of 2009....	2028	8,411,523	4.58	1,690,000	-	430,000	1,260,000
Refunding Debt of 2014.....	2028	6,500,000	2.00-3.00	6,500,000	-	-	6,500,000
MCWT - Series 18 - CW-10-11	2035	200,000	2.00	-	200,000	-	200,000
Total.....				<u>\$ 9,325,000</u>	<u>\$ 200,000</u>	<u>\$ 895,000</u>	<u>\$ 8,630,000</u>

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

Year	Principal	Interest	Total
2016.....	\$ 833,090	\$ 491,239	\$ 1,324,329
2017.....	823,266	421,170	1,244,436
2018.....	818,446	392,611	1,211,057
2019.....	823,629	161,264	984,893
2020.....	803,817	143,994	947,811
2021.....	784,008	123,214	907,222
2022.....	714,204	100,205	814,409
2023.....	664,404	78,805	743,209
2024.....	609,609	59,002	668,611
2025.....	544,817	42,985	587,802
2026.....	490,031	27,864	517,895
2027.....	355,249	15,439	370,688
2028.....	285,472	5,933	291,405
2029.....	10,699	1,600	12,299
2030.....	10,932	1,386	12,318
2031.....	11,169	1,166	12,335
2032.....	11,412	944	12,356
Thereafter.....	35,746	1,440	37,186
Total.....	\$ 8,630,000	\$ 2,070,261	\$ 10,700,261

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Marina Bonds of 2009.....	2027	1,772,477	4.58	\$ 385,000	\$ -	\$ 100,000	\$ 285,000
Refunding Debt of 2014.....	2027	940,000	2.00-3.00	940,000	-	-	940,000
Sub-Total marina bonds payable.....				1,325,000	-	100,000	1,225,000
Water Bonds of 2010.....	2049	1,500,000	2.38	1,401,925	-	26,139	1,375,786
Water Bonds of 2015.....	2054	1,000,000	2.75	-	1,000,000	-	1,000,000
Sub-Total water bonds payable.....				1,401,925	1,000,000	26,139	2,375,786
Total Enterprise.....				\$ 2,726,925	\$ 1,000,000	\$ 126,139	\$ 3,600,786

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

Marina Enterprise Fund

Year	Principal	Interest	Total
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>1,225,000</u>	\$ <u>347,752</u>	\$ <u>1,572,752</u>

Water Enterprise Fund

Year	Principal	Interest	Total
2016.....	\$ 52,401	\$ 60,163	\$ 112,564
2017.....	53,037	58,822	111,859
2018.....	53,688	57,467	111,155
2019.....	54,354	56,096	110,450
2020.....	55,036	54,708	109,744
2021.....	55,734	53,305	109,039
2022.....	56,448	51,886	108,334
2023.....	57,180	50,449	107,629
2024.....	57,929	48,995	106,924
2025.....	58,696	47,524	106,220
2026.....	59,481	46,033	105,514
2027.....	60,284	44,524	104,808
2028.....	61,107	42,997	104,104
2029.....	61,950	41,450	103,400
2030.....	62,812	39,883	102,695
2031.....	63,695	38,295	101,990
2032.....	64,598	36,685	101,283
Thereafter.....	<u>1,387,356</u>	<u>365,194</u>	<u>1,752,550</u>
Total.....	\$ <u>2,375,786</u>	\$ <u>1,194,476</u>	\$ <u>3,570,262</u>

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$9,269 and interest costs for \$61,123. Thus, net MCWT loan repayments, including interest, are scheduled to be \$485,002. 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 2015 interest subsidy totaled approximately \$11,000.

In prior years, the government defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government’s financial statements. At June 30, 2015, \$5,785,000 of defeased bonds remain outstanding.

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, 2015, the Town had the following authorized and unissued debt:

Purpose	Amount
Water Well, Tank and Mains.....	\$ 137,208
Harbor Improvements.....	144,000
Wastewater Management.....	200,000
HVAC Town Hall/Police Furnace.....	225,000
Repairing Roads.....	75,948
Bank Street & Commercial Street.....	40,000
Fire Engine.....	580,000
Elementary School Roofs.....	338,909
Bakers Field Drainage.....	160,000
Mayo Beach Parking Lot.....	67,000
Transfer Station Canopy.....	140,000
Police Station Design.....	<u>540,000</u>
Total.....	<u>\$ 2,648,065</u>

Changes in Long-term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-Term Bonds and Notes.....	\$ 9,325,000	\$ 200,000	\$ (895,000)	\$ 8,630,000	\$ 833,090
Compensated Absences.....	635,000	23,000	-	658,000	517,000
Other Postemployment Benefits....	<u>3,312,302</u>	<u>186,948</u>	<u>-</u>	<u>3,499,250</u>	<u>-</u>
Total.....	<u>\$ 13,272,302</u>	<u>\$ 409,948</u>	<u>\$ (895,000)</u>	<u>\$ 12,787,250</u>	<u>\$ 1,350,090</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-Term Bonds and Notes.....	\$ 2,726,925	\$ 1,000,000	\$ (126,139)	\$ 3,600,786	\$ 157,401
Compensated Absences.....	44,000	5,000	-	49,000	42,000
Other Postemployment Benefits....	<u>33,123</u>	<u>1,870</u>	<u>-</u>	<u>34,993</u>	<u>-</u>
Total.....	<u>\$ 2,804,048</u>	<u>\$ 1,006,870</u>	<u>\$ (126,139)</u>	<u>\$ 3,684,779</u>	<u>\$ 199,401</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 \$1,248,371 and \$641,507, 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	Stormwater Remediation	Capital Equipment	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable:						
Nonexpendable trust funds.....	\$ -	\$ -	\$ -	\$ -	239,341	\$ 239,341
Restricted for:						
Community preservation.....	-	1,988,604	-	-	-	1,988,604
Town gift and grant funds.....	-	-	-	-	1,072,487	1,072,487
Town insurance proceeds.....	-	-	-	-	22,953	22,953
Town receipts reserved.....	-	-	-	-	2,455,502	2,455,502
School lunch.....	-	-	-	-	40,000	40,000
School other special revenue funds.....	-	-	-	-	52,364	52,364
Town church building project.....	-	-	-	-	33,156	33,156
Expendable trust funds.....	-	-	-	-	580,289	580,289
Committed to:						
General government.....	260,543	-	-	-	-	260,543
Public safety.....	48,033	-	-	-	-	48,033
Education.....	17,597	-	-	-	-	17,597
Public works.....	252,000	-	-	-	-	252,000
Assigned to:						
General government.....	66,249	-	-	-	-	66,249
Public safety.....	31,632	-	-	-	-	31,632
Education.....	302,304	-	-	-	-	302,304
Public works.....	135,981	-	-	-	-	135,981
Human services.....	6,227	-	-	-	-	6,227
Culture and recreation.....	2,901	-	-	-	-	2,901
Debt service interest.....	13,978	-	-	-	-	13,978
Unassigned.....	<u>3,131,299</u>	<u>-</u>	<u>(480,942)</u>	<u>(590,000)</u>	<u>(147,694)</u>	<u>1,912,663</u>
TOTAL FUND BALANCES.....	\$ 4,268,744	\$ 1,988,604	\$ (480,942)	(590,000)	\$ 4,348,398	\$ 9,534,804

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, 2015, and therefore are not reported.

NOTE 10 - PENSION PLAN

Plan Descriptions

The Town is a member of the Barnstable County Retirement Association (the “Association”), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 50 member units. The Association is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The Association issues a publicly available financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). That report may be obtained by contacting the Association located at 750 Attucks Lane, Hyannis, Massachusetts, 02601.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$227,342 is reported in the general fund as intergovernmental revenue and employee benefits and other fixed charges in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$3,855,336 as of the measurement date.

Benefits Provided

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

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the Association a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2014, was \$965,243, 19.86% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2015, the Town reported a liability of \$10,463,426 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2014, the Town's proportion was 1.853%, which did not change from its proportion measured at December 31, 2013.

Pension Expense

For the year ended June 30, 2015, the Town recognized a pension expense of \$1,015,267. At June 30, 2015, the Town reported deferred outflows of resources related to pensions of \$17,919, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are not reported differences between expected and actual experience or a change of assumptions as of December 31, 2014.

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

Year ended June 30:	
2016.....	\$ 4,480
2017.....	4,480
2018.....	4,480
2019.....	<u>4,479</u>
Total.....	\$ <u>17,919</u>

Actuarial Assumptions

The total pension liability in the January 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Payments increased at 4.0%, except for 2010 Early Retirement Incentive, which is a level payment.
Remaining amortization period.....	22 years from July 1, 2014 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability and remaining unfunded liability, and 8 years from July 1, 2014 for 2010 Early Retirement Incentive.
Asset valuation method.....	Sum of actuarial value at beginning of the year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that the final actuarial value is within 20% of market value.
Inflation rate.....	4.00%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of living adjustments.....	3.0% of the first \$15,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected generationally with a Scale AA from 2010.
Healthy Retiree.....	The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale AA from 2010.
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally with Scale AA from 2010.
Investment rate of return/Discount rate.....	7.75%, net of pension plan investment expense, including inflation previously 7.875%

Investment Policy

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Domestic equity.....	6.60%	20.00%
International developed markets equity.....	7.10%	16.00%
International emerging markets equity.....	9.40%	7.00%
Core fixed income.....	2.20%	13.00%
High-yield fixed income.....	4.70%	10.00%
Real estate.....	4.40%	10.00%
Commodities.....	4.40%	4.00%
Hedge fund, GTAA, Risk parity.....	3.90%	10.00%
Private equity.....	11.70%	10.00%

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability.....	\$ 13,488,970	\$ 10,463,426	\$ 7,897,921

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 2015, contributions to the Plan totaled \$527,460.

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.....	\$ 644,760
Interest on net OPEB obligation.....	250,907
Adjustment to annual required contribution.....	<u>(179,389)</u>
Annual OPEB cost (expense).....	716,278
Contributions made.....	<u>(527,460)</u>
Increase/Decrease in net OPEB obligation.....	188,818
Net OPEB obligation - beginning of year.....	<u>3,345,425</u>
Net OPEB obligation - end of year.....	<u><u>\$ 3,534,243</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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>
6/30/2015	\$ 716,278	74%	\$ 188,818
6/30/2014	750,058	62%	285,642
6/30/2013	714,284	59%	296,366

Funded Status and Funding Progress – As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$8.9 million, of which \$8.5 million was unfunded. The covered payroll (annual payroll of active employees covered by the plan was approximately \$4.6 million, and the ratio of UAAL to the covered payroll was 184.1 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, 2015 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, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncement was implemented:

- The GASB Statement #68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement established accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*,.

The following GASB Pronouncements will be implemented in the future:

- The GASB issued Statement No. 72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for fiscal year 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal year 2017.
- The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

Management is currently assessing the impact the implementation of these standards will have on the Basic Financial Statements.

NOTE 15 – REVISION OF NET POSITION

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71. To reflect this change, the Town has recorded a net pension liability, which has resulted in the June 30, 2014 balance of the governmental activities and business type activities to be revised by \$9,325,785 and \$94,200, respectively. Previously reported governmental activities net position of \$20,949,784 has been revised to \$11,623,999. Previously reported business-type activities net position of \$9,526,393 has been revised to \$9,432,193.

Required Supplementary Information

General Fund Budgetary Schedule

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

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

YEAR ENDED JUNE 30, 2015

	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.....	\$ -	\$ 14,980,335	\$ 14,980,335	\$ 14,564,269
Motor vehicle and other excise taxes.....	-	715,010	715,010	715,010
Hotel/motel/meals tax.....	-	304,700	304,700	304,700
Intergovernmental.....	-	263,464	263,464	263,464
Departmental and other.....	-	587,075	587,075	587,075
Investment income.....	-	6,150	6,150	6,150
TOTAL REVENUES.....	-	16,856,734	16,856,734	16,440,668
EXPENDITURES:				
Current:				
General government.....	179,744	1,878,875	2,058,619	1,979,170
Public safety.....	290,754	3,488,746	3,779,500	3,864,922
Education.....	299,220	4,895,411	5,194,631	5,194,631
Public works.....	224,054	2,130,658	2,354,712	2,557,532
Human services.....	18,831	521,578	540,409	536,588
Culture and recreation.....	16,566	943,917	960,483	1,012,003
Pension benefits.....	-	965,243	965,243	965,243
Property and liability insurance.....	-	257,900	257,900	280,113
Employee benefits.....	800	1,232,270	1,233,070	1,177,706
State and county charges.....	-	440,163	440,163	440,163
Debt service:				
Principal.....	-	895,000	895,000	895,000
Interest.....	19,164	446,196	465,360	490,626
TOTAL EXPENDITURES.....	1,049,133	18,095,957	19,145,090	19,393,697
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,049,133)	(1,239,223)	(2,288,356)	(2,953,029)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	1,585,280	1,585,280	1,585,280
Transfers out.....	-	(441,332)	(441,332)	(441,332)
TOTAL OTHER FINANCING SOURCES (USES).....	-	1,143,948	1,143,948	1,143,948
NET CHANGE IN FUND BALANCE.....	(1,049,133)	(95,275)	(1,144,408)	(1,809,081)
BUDGETARY FUND BALANCE, Beginning of year.....	3,209,718	3,209,718	3,209,718	3,209,718
BUDGETARY FUND BALANCE, End of year.....	\$ 2,160,585	\$ 3,114,443	\$ 2,065,310	\$ 1,400,637

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	14,670,601	\$ -	\$ 106,332
	509,424	-	(205,586)
	355,864	-	51,164
	265,826	-	2,362
	668,114	-	81,039
	7,649	-	1,499
	<u>16,477,478</u>	<u>-</u>	<u>36,810</u>
	1,487,524	326,792	164,854
	3,766,092	79,665	19,165
	4,873,479	319,901	1,251
	2,109,830	387,981	59,721
	531,547	6,227	(1,186)
	988,594	2,901	20,508
	965,243	-	-
	280,113	-	-
	1,147,617	-	30,089
	470,550	-	(30,387)
	895,000	-	-
	<u>260,165</u>	<u>13,978</u>	<u>216,483</u>
	<u>17,775,754</u>	<u>1,137,445</u>	<u>480,498</u>
	<u>(1,298,276)</u>	<u>(1,137,445)</u>	<u>517,308</u>
	1,670,953	-	85,673
	<u>(449,832)</u>	<u>-</u>	<u>(8,500)</u>
	<u>1,221,121</u>	<u>\$ -</u>	<u>\$ 77,173</u>
	(77,155)		
	<u>3,209,718</u>		
\$	<u><u>3,132,563</u></u>		

Pension Plan Schedules

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

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

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

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

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

	December 31, 2014
Town's proportion of the net pension liability (asset).....	1.853%
Town's proportionate share of the net pension liability (asset)..... \$	10,463,426
Town's covered employee payroll (*)..... \$	4,861,336
Net pension liability as a percentage of covered-employee payroll.....	215.24%
Plan fiduciary net position as a percentage of the total pension liability.....	60.43%

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

*Covered employee payroll as reported in January 1, 2014 funding
valuation report.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

	December 31, 2014
Actuarially determined contribution (a).....	\$ 965,243
Contributions in relation to the actuarially determined contribtion.....	\$ (965,243)
Contribution deficiency (excess).....	\$ -
Covered-employee payroll (*).....	\$ 4,861,336
Contributions as a percentage of covered- employee payroll.....	19.86%

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

(a) Based on the results of the January 1, 2012 actuarial
valuation (including assumptions and methods) which
determined budgeted appropriations for fiscal 2015.

*Covered employee payroll as reported in January 1, 2014 funding

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by state actuarially determined employer contributions on behalf of the member employers which create the funding situation. Since the Town does not contribute directly to MTRS, there is no net pension expense recognized. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as allocated and pension expense recognized by the Town; and the Plan's fiduciary net position as a portion of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>
2015.....	\$ 3,855,336	\$ 227,342

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2015

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)
6/30/2014	\$ 441,005	\$ 8,911,002	\$ 8,469,997	5%	\$ 4,600,000	184.1%
6/30/2012	161,790	8,567,710	8,405,920	2%	4,600,000	182.7%
6/30/2010	50,196	12,506,705	12,456,509	0%	4,577,145	272.1%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2015	\$ 716,278	\$ 527,460	74%
2014	750,058	464,416	62%
2013	714,284	417,918	59%

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2015

Actuarial Methods:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Amortization payments increasing at 4.0%
Remaining amortization period	30 years, closed

Actuarial Assumptions:

Investment rate of return	7.5%, funded scenario
Medical/drug cost trend rate	10.0% graded to 5% over 6 years

Plan Membership:

Current retirees, beneficiaries, and dependents	76
Current active members	<u>81</u>
Total	<u><u>157</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 2015 approved budget authorized \$18.5 million in appropriations and other amounts to be raised and \$1.1 million in encumbrances and appropriations carried over from previous years. During 2015, Town Meeting approved an additional \$248,000 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, 2015, is presented below:

Net change in fund balance - budgetary basis.....	\$ (77,155)
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	251,059
<u>Basis of accounting differences:</u>	
decrease in revenues due to 60 day receipts.....	(33,009)
Increase in revenues due to pension gross-up.....	227,342
Increase in revenues due to MCWT subsidy gross-up.....	10,674
Recognition of expenditures due to modified accrual basis.....	(68,325)
Increase in expenditures due to pension gross-up.....	(227,342)
Increase in expenditures due to MCWT gross-up.....	(10,674)
Net change in fund balance - GAAP basis.....	<u>\$ 72,570</u>

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

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

Schedule of Town's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions:

The actuarial cost method was changed to better reflect the impact of the plan changes effective for employees hired on or after April 2, 2012.

The investment return assumption was decreased from 4.0% to 7.5%

The assumed rates of salary increases were revised to more accurately reflect recent experience and future expectations.

The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 12 years with Scale AA to the RP-2000 Employee Mortality Table projected generationally using Scale AA from 2010.

The post-retirement mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA from 2010.

The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally using Scale AA from 2010.

The assumed retirement age for inactive vested participants was changed from age 65 to age 55 for Group 1 and 2 members hired prior to April 2, 2012.

Changes in Plan Provisions:

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$15,000 as of July 1, 2013.

Members hired on or after April 2, 2012 are covered by the provisions of Chapter 32 as amended by Chapter 176 of the Acts of 2011 and Chapter 139 of the Acts of 2012.

As permitted by Section 63 of Chapter 139 of the Acts of 2012, the Board has increased the Section 1010 annual allowance from \$9,000 to \$12,000.

As permitted by Section 29 of Chapter 176 of the Acts of 2011, the Board has increased the Section 12 monthly allowance from \$250 to \$500.

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.