



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF WELLFLEET, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2022

TOWN OF WELLFLEET, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

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Independent Auditor's Report

To the Honorable Selectboard
Town of Wellfleet, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellfleet, Massachusetts, as of and for the year ended June 30, 2022, 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.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Wellfleet, Massachusetts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Wellfleet, Massachusetts' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Wellfleet, Massachusetts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Wellfleet, Massachusetts' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2023, on our consideration of the Town of Wellfleet, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Wellfleet, Massachusetts' 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, Massachusetts' internal control over financial reporting and compliance.



August 8, 2023

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, 2022. 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, health and human services, culture and recreation, and interest. The business-type activities include the activities of the Water and Marina 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 funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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 Water and Marina 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. The following fiduciary fund type is reported:

The *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

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.

Financial Highlights. 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 and deferred inflows of resources by \$13.1 million at the close of 2022. Key components of the Town’s governmental financial position are listed below.

	2022	2021
Assets:		
Current assets.....	\$ 23,195,453	\$ 19,748,852
Capital assets, non depreciable.....	9,798,724	9,158,255
Capital assets, net of accumulated depreciation....	20,907,852	20,816,755
Total assets.....	53,902,029	49,723,862
Deferred outflows of resources.....	2,459,496	2,681,910
Liabilities:		
Current liabilities (excluding debt).....	4,344,710	2,459,901
Noncurrent liabilities (excluding debt).....	20,783,223	22,742,337
Current debt.....	3,977,675	3,715,637
Noncurrent debt.....	9,362,267	10,555,598
Total liabilities.....	38,467,875	39,473,473
Deferred inflows of resources.....	4,762,164	3,031,325
Net position:		
Net investment in capital assets.....	17,537,833	15,963,424
Restricted.....	4,454,643	4,157,757
Unrestricted.....	(8,860,990)	(10,220,207)
Total net position.....	\$ 13,131,486	\$ 9,900,974

Net position of \$17.5 million reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, machinery and equipment, vehicles, drainage and water systems, infrastructure, software, and other improvements); 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, \$4.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$8.9 million. This deficit is mainly due to the recognition of a \$10.9 million net pension liability and a \$9.7 million net OPEB liability.

The governmental activities net position increased by \$3.2 million during the current year. This increase was primarily due to \$1.7 million in capital grant revenues as well as positive budgetary operations in the Town's general fund. The \$533,000 decrease in the net pension liability, net of related deferred outflows and inflows of resources was primarily offset by the \$522,000 increase in the other postemployment benefit liability, net of related deferred outflows and inflows of resources.

	2022	2021
Program Revenues:		
Charges for services.....	\$ 2,256,603	\$ 1,982,760
Operating grants and contributions.....	3,101,564	2,736,781
Capital grants and contributions.....	1,699,817	805,198
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	20,470,010	19,033,128
Tax and other liens.....	157,709	36,224
Motor vehicle, other excise, hotel/motel and meals taxes.....	2,231,154	1,643,454
Penalties and interest on taxes.....	106,221	92,031
Grants and contributions not restricted to specific programs.....	134,600	50,842
Unrestricted investment income.....	15,364	91,466
Miscellaneous.....	-	15,040
Total revenues.....	30,173,042	26,486,924
Expenses:		
General government.....	4,055,914	3,557,708
Public safety.....	7,489,838	7,486,128
Education.....	7,931,943	7,907,942
Public works.....	3,337,449	3,321,934
Health and human services.....	1,157,999	1,211,870
Culture and recreation.....	1,877,225	2,218,093
Interest.....	314,248	330,348
Total expenses.....	26,164,616	26,034,023
Excess (Deficiency) before transfers.....	4,008,426	452,901
Transfers.....	(777,914)	(161,713)
Change in net position.....	3,230,512	291,188
Net position, beginning of year.....	9,900,974	9,609,786
Net position, end of year.....	\$ 13,131,486	\$ 9,900,974

The increase in governmental capital grant revenue relates to the Herring River Restoration Project, which was funded from State grant receipts from the Municipal Vulnerability Preparedness program. The Town incurred \$590,000 of capitalized expenditures in 2022, and the Town reported a corresponding receivable at year end totaling \$590,000.

Key components of the Town’s business-type activities financial position are listed below. There was an increase of \$2.1 million in net position reported in connection with the Water and Marina enterprise business-type activities as compared to a decrease of \$678,000 in the prior year.

The Town’s water enterprise fund reported a decrease in net position totaling \$189,000. This was the result of an operating loss totaling \$302,000 and interest expense totaling \$77,000, offset by a transfer in from the general fund totaling \$189,000.

The Town’s marina enterprise fund reported an increase in net position totaling \$2.3 million. This was the result of a transfer in from the general fund totaling \$589,000, as well a capital contribution totaling \$2.4 million. These increases were offset by an operating loss of \$475,000 and \$153,000 in interest expense.

The \$2.4 million capital contribution relates to the Town’s Harbor Maintenance Dredging Project, in which State funding was received to offset project related capitalized costs.

	2022	2021
Assets:		
Current assets.....	\$ 5,692,062	\$ 8,378,277
Capital assets, net of accumulated depreciation....	15,034,595	10,861,991
Total assets.....	20,726,657	19,240,268
Deferred outflows of resources.....	53,743	57,612
Liabilities:		
Current liabilities (excluding debt).....	176,093	170,280
Noncurrent liabilities (excluding debt).....	383,864	432,800
Current debt.....	656,706	663,251
Noncurrent debt.....	10,160,017	10,816,723
Total liabilities.....	11,376,680	12,083,054
Deferred inflows of resources.....	102,008	60,417
Net position:		
Net investment in capital assets.....	7,706,534	7,532,017
Restricted.....	67,107	179,075
Unrestricted.....	1,528,071	(556,683)
Total net position.....	\$ 9,301,712	\$ 7,154,409

	2022	2021
Program Revenues:		
Charges for services.....	\$ 701,915	\$ 685,471
Operating grants and contributions.....	-	8,500
Capital grants and contributions.....	2,375,000	-
General Revenues:		
Unrestricted investment income.....	444	2,502
Total revenues.....	3,077,359	696,473
Expenses:		
Water.....	538,312	665,613
Marina.....	1,169,658	870,767
Total expenses.....	1,707,970	1,536,380
Excess (Deficiency) before transfers.....	1,369,389	(839,907)
Transfers.....	777,914	161,713
Change in net position.....	2,147,303	(678,194)
Net position, beginning of year.....	7,154,409	7,832,603
Net position, end of year.....	\$ 9,301,712	\$ 7,154,409

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 \$14.1 million comprised of \$6.3 million in the general fund, \$3.2 million in the Community Preservation fund, a \$690,000 deficit in the gifts and grants fund, \$2.8 million in the receipts reserved fund, a deficit of \$27,000 in the major capital projects funds, and \$2.6 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 \$5.3 million, while total fund balance equaled \$6.3 million. 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 21.7% of total general fund expenditures, while total fund balance represents 25.7% of that same amount. The general fund increased by \$318,000. This increase was primarily the result of positive budgetary operations offset with a use of stabilization funds.

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 \$353,000 in 2022.

The *gifts and grants fund* is used to account for financial resources related to intergovernmental and departmental grants, various contributions and donations, and investment income. This fund experienced a decrease of \$110,000, which is due to the timing of state and federal grant expenditures and when revenues are received.

The *receipts reserved fund* is used to account for financial resources reserved for specific purposes including ambulance, Bakers field, beach, and shellfish receipts. This fund experienced an increase of \$545,000.

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

The *major capital projects fund* is used to account for the acquisition or construction of capital facilities and other capital assets of the governmental funds. This fund experienced a decrease of \$4,000, which is due to the timing difference between capital expenditures and the financing of those capital costs.

General Fund Budgetary Highlights

The initial budget and the encumbrances carried forward from the previous year (original budget) totaled \$27.3 million. There were no material net changes between the original and final budget.

General fund revenues came in \$527,000 more than budgeted, mainly from hotel/motel and meals taxes as well as departmental and other revenue, while general fund expenditures came in \$785,000 less than budgeted, mainly from culture and recreation, public works, and employee benefits.

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, 2022, amounts to \$45.7 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, building improvements, machinery and equipment, vehicles, drainage and water systems, infrastructure, and software and other improvements. The Town's current year acquisitions totaled \$7.4 million.

Long-term debt. At the end of the current year, the Town had total bonded debt outstanding of \$21.4 million. The Town did not issue any new long-term debt in the current year, and the Town paid \$1.9 million in principal in 2022. Of the total issued, \$10.8 million was for the Town's business-type activities, and \$10.6 million was for the Town's governmental funds activities.

Standard and Poor has established the Town of Wellfleet's credit rating at "AAA," which is Standard and Poor's highest credit rating. This 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

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STATEMENT OF NET POSITION

JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 19,596,958	\$ 5,590,175	\$ 25,187,133
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	661,445	-	661,445
Tax liens.....	240,485	-	240,485
Community preservation fund surtax.....	16,415	-	16,415
Motor vehicle and other excise taxes.....	94,290	-	94,290
User charges.....	-	34,780	34,780
Departmental and other.....	294,796	-	294,796
Intergovernmental.....	2,290,194	-	2,290,194
Loans.....	870	67,107	67,977
Total current assets.....	<u>23,195,453</u>	<u>5,692,062</u>	<u>28,887,515</u>
NONCURRENT:			
Capital assets, nondepreciable.....	9,798,724	40,177	9,838,901
Capital assets, net of accumulated depreciation.....	<u>20,907,852</u>	<u>14,994,418</u>	<u>35,902,270</u>
Total noncurrent assets.....	<u>30,706,576</u>	<u>15,034,595</u>	<u>45,741,171</u>
TOTAL ASSETS.....	<u>53,902,029</u>	<u>20,726,657</u>	<u>74,628,686</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	2,338,885	52,037	2,390,922
Deferred outflows related to other postemployment benefits.....	<u>120,611</u>	<u>1,706</u>	<u>122,317</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>2,459,496</u>	<u>53,743</u>	<u>2,513,239</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	1,877,990	53,246	1,931,236
Accrued payroll.....	769,916	12,943	782,859
Other liabilities.....	906,837	-	906,837
Accrued interest.....	55,921	99,904	155,825
Unearned revenue.....	153,046	-	153,046
Compensated absences.....	581,000	10,000	591,000
Notes payable.....	2,784,344	-	2,784,344
Bonds payable.....	<u>1,193,331</u>	<u>656,706</u>	<u>1,850,037</u>
Total current liabilities.....	<u>8,322,385</u>	<u>832,799</u>	<u>9,155,184</u>
NONCURRENT:			
Compensated absences.....	190,000	4,000	194,000
Net pension liability.....	10,931,166	243,203	11,174,369
Net other postemployment benefits.....	9,662,057	136,661	9,798,718
Bonds payable.....	<u>9,362,267</u>	<u>10,160,017</u>	<u>19,522,284</u>
Total noncurrent liabilities.....	<u>30,145,490</u>	<u>10,543,881</u>	<u>40,689,371</u>
TOTAL LIABILITIES.....	<u>38,467,875</u>	<u>11,376,680</u>	<u>49,844,555</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	4,275,527	95,125	4,370,652
Deferred inflows related to other postemployment benefits.....	<u>486,637</u>	<u>6,883</u>	<u>493,520</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>4,762,164</u>	<u>102,008</u>	<u>4,864,172</u>
NET POSITION			
Net investment in capital assets.....	17,537,833	7,706,534	25,244,367
Restricted for:			
Loans.....	870	67,107	67,977
Permanent funds:			
Expendable.....	972,701	-	972,701
Nonexpendable.....	281,521	-	281,521
Community preservation.....	3,199,551	-	3,199,551
Unrestricted.....	<u>(8,860,990)</u>	<u>1,528,071</u>	<u>(7,332,919)</u>
TOTAL NET POSITION.....	<u>\$ 13,131,486</u>	<u>\$ 9,301,712</u>	<u>\$ 22,433,198</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

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.....	\$ 4,055,914	\$ 598,218	\$ 779,858	\$ 1,212,147	\$ (1,465,691)
Public safety.....	7,489,838	514,358	555,684	-	(6,419,796)
Education.....	7,931,943	66,446	734,240	-	(7,131,257)
Public works.....	3,337,449	42,154	891,567	487,670	(1,916,058)
Health and human services.....	1,157,999	54,575	51,600	-	(1,051,824)
Culture and recreation.....	1,877,225	980,852	88,615	-	(807,758)
Interest.....	314,248	-	-	-	(314,248)
Total Governmental Activities.....	26,164,616	2,256,603	3,101,564	1,699,817	(19,106,632)
<i>Business-Type Activities:</i>					
Water.....	538,312	159,859	-	-	(378,453)
Marina.....	1,169,658	542,056	-	2,375,000	1,747,398
Total Business-Type Activities.....	1,707,970	701,915	-	2,375,000	1,368,945
Total Primary Government.....	\$ 27,872,586	\$ 2,958,518	\$ 3,101,564	\$ 4,074,817	\$ (17,737,687)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (19,106,632)	\$ 1,368,945	\$ (17,737,687)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable and tax liens.....	20,470,010	-	20,470,010
Tax and other liens.....	157,709	-	157,709
Motor vehicle, other excise, hotel/motel and meals taxes....	2,231,154	-	2,231,154
Penalties and interest on taxes.....	106,221	-	106,221
Grants and contributions not restricted to specific programs.....	134,600	-	134,600
Unrestricted investment income.....	15,364	444	15,808
<i>Transfers, net</i>	(777,914)	777,914	-
Total general revenues and transfers.....	22,337,144	778,358	23,115,502
Change in net position.....	3,230,512	2,147,303	5,377,815
<i>Net position:</i>			
Beginning of year.....	9,900,974	7,154,409	17,055,383
End of year.....	\$ 13,131,486	\$ 9,301,712	\$ 22,433,198

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2022

	General	Community Preservation Fund	Gifts and Grants	Receipts Reserved	Highway	Major Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents.....	\$ 7,901,706	\$ 3,180,900	\$ 548,219	\$ 2,778,221	\$ -	\$ 1,952,865	\$ 3,235,047	\$ 19,596,958
Receivables, net of uncollectibles:								
Real estate and personal property taxes.....	661,445	-	-	-	-	-	-	661,445
Tax liens.....	235,969	4,516	-	-	-	-	-	240,485
Community preservation fund surtax.....	-	16,415	-	-	-	-	-	16,415
Motor vehicle and other excise taxes.....	94,290	-	-	-	-	-	-	94,290
Departmental and other.....	-	-	-	294,796	-	-	-	294,796
Intergovernmental.....	-	-	589,960	-	1,700,234	-	-	2,290,194
Loans.....	-	-	-	-	-	-	870	870
Due from other funds.....	88,485	-	-	-	-	-	-	88,485
TOTAL ASSETS.....	\$ 8,981,895	\$ 3,201,831	\$ 1,138,179	\$ 3,073,017	\$ 1,700,234	\$ 1,952,865	\$ 3,235,917	\$ 23,283,938
LIABILITIES								
Warrants payable.....	\$ 761,227	\$ 1,800	\$ 939,196	\$ 1,028	\$ 6,450	\$ 83,974	\$ 84,315	\$ 1,877,990
Accrued payroll.....	758,342	480	581	-	-	-	10,513	769,916
Due to other funds.....	-	-	-	-	88,485	-	-	88,485
Other liabilities.....	491,623	-	-	-	-	-	415,214	906,837
Unearned revenue.....	-	-	-	-	-	-	153,046	153,046
Notes payable.....	-	-	888,889	-	-	1,895,455	-	2,784,344
TOTAL LIABILITIES.....	2,011,192	2,280	1,828,666	1,028	94,935	1,979,429	663,088	6,580,618
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue.....	687,978	20,931	-	294,796	1,605,299	-	870	2,609,874
FUND BALANCES								
Nonspendable.....	-	-	-	-	-	-	281,521	281,521
Restricted.....	-	3,178,620	198,402	2,777,193	-	455,523	2,290,438	8,900,176
Committed.....	759,720	-	-	-	-	-	-	759,720
Assigned.....	202,736	-	-	-	-	-	-	202,736
Unassigned.....	5,320,269	-	(888,889)	-	-	(482,087)	-	3,949,293
TOTAL FUND BALANCES.....	6,282,725	3,178,620	(690,487)	2,777,193	-	(26,564)	2,571,959	14,093,446
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 8,981,895	\$ 3,201,831	\$ 1,138,179	\$ 3,073,017	\$ 1,700,234	\$ 1,952,865	\$ 3,235,917	\$ 23,283,938

See notes to basic financial statements.

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

JUNE 30, 2022

Total governmental fund balances.....		\$ 14,093,446
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		30,706,576
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,609,874
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(2,302,668)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(55,921)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(10,555,598)	
Net pension liability.....	(10,931,166)	
Net other postemployment benefits.....	(9,662,057)	
Compensated absences.....	(771,000)	
Net effect of reporting long-term liabilities.....		<u>(31,919,821)</u>
Net position of governmental activities.....		<u>\$ 13,131,486</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	General	Community Preservation Fund	Gifts and Grants	Receipts Reserved	Highway	Major Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:								
Real estate and personal property taxes, net of tax refunds.....	\$ 20,576,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,576,033
Tax Liens.....	66,596	2,385	-	-	-	-	-	68,981
Motor vehicle and other excise taxes.....	815,251	-	-	-	-	-	-	815,251
Hotel/motel and meals tax.....	1,399,044	-	-	-	-	-	-	1,399,044
Penalties and interest on taxes.....	106,221	-	-	-	-	-	-	106,221
Intergovernmental.....	453,709	392,093	1,732,183	-	245,135	-	130,213	2,953,333
Intergovernmental - teachers retirement.....	353,218	-	-	-	-	-	-	353,218
Departmental and other.....	842,906	-	9,900	1,805,716	-	-	497,336	3,155,858
Community preservation tax.....	-	617,470	-	-	-	-	-	617,470
Contributions and donations.....	-	-	30,581	-	-	-	81,830	112,411
Investment income.....	6,424	2,061	113	-	-	-	6,766	15,364
Miscellaneous.....	-	-	22,261	-	-	-	5,415	27,676
TOTAL REVENUES.....	24,619,402	1,014,009	1,795,038	1,805,716	245,135	-	721,560	30,200,860
EXPENDITURES:								
Current:								
General government.....	2,417,511	630,311	618,366	1,163	-	-	85,815	3,753,166
Public safety.....	4,910,560	-	89,197	-	-	185,997	297,689	5,483,443
Education.....	6,650,652	-	50,715	-	-	-	45,846	6,747,213
Public works.....	2,314,346	-	1,122,876	-	245,135	182,967	-	3,865,324
Health and human services.....	749,749	-	127,596	-	-	-	-	877,345
Culture and recreation.....	1,356,719	-	6,399	-	-	-	17,719	1,380,837
Pension benefits.....	1,522,803	-	-	-	-	-	-	1,522,803
Pension benefits - teachers retirement.....	353,218	-	-	-	-	-	-	353,218
Property and liability insurance.....	418,921	-	-	-	-	-	-	418,921
Employee benefits.....	1,692,615	-	-	-	-	-	-	1,692,615
State and county charges.....	505,910	-	-	-	-	-	-	505,910
Debt service:								
Principal.....	1,239,204	-	-	-	-	-	-	1,239,204
Interest.....	340,971	-	-	-	-	-	-	340,971
TOTAL EXPENDITURES.....	24,473,179	630,311	2,015,149	1,163	245,135	368,964	447,069	28,180,970
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	146,223	383,698	(220,111)	1,804,553	-	(368,964)	274,491	2,019,890
OTHER FINANCING SOURCES (USES):								
Transfers in.....	1,409,235	-	111,111	-	-	365,302	-	1,885,648
Transfers out.....	(1,237,327)	(30,450)	(619)	(1,259,256)	-	(89)	(135,821)	(2,663,562)
TOTAL OTHER FINANCING SOURCES (USES)....	171,908	(30,450)	110,492	(1,259,256)	-	365,213	(135,821)	(777,914)
NET CHANGE IN FUND BALANCES.....	318,131	353,248	(109,619)	545,297	-	(3,751)	138,670	1,241,976
FUND BALANCES AT BEGINNING OF YEAR.....	5,964,594	2,825,372	(580,868)	2,231,896	-	(22,813)	2,433,289	12,851,470
FUND BALANCES AT END OF YEAR.....	\$ 6,282,725	\$ 3,178,620	\$ (690,487)	\$ 2,777,193	\$ -	\$ (26,564)	\$ 2,571,959	\$ 14,093,446

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, 2022

Net change in fund balances - total governmental funds.....	\$	1,241,976
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		2,342,749
Depreciation expense.....		<u>(1,611,183)</u>
Net effect of reporting capital assets.....		731,566
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(27,818)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Net amortization of premium from issuance of bonds.....		15,225
Debt service principal payments.....		<u>1,239,204</u>
Net effect of reporting long-term debt.....		1,254,429
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		8,000
Net change in accrued interest on long-term debt.....		11,498
Net change in deferred outflow/(inflow) of resources related to pensions.....		(2,200,442)
Net change in net pension liability.....		2,733,732
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..		247,189
Net change in net other postemployment benefits liability.....		<u>(769,618)</u>
Net effect of recording long-term liabilities.....		<u>30,359</u>
Change in net position of governmental activities.....	\$	<u><u>3,230,512</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2022

	Business-type Activities - Enterprise Funds		
	Water	Marina	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 1,176,682	\$ 4,413,493	\$ 5,590,175
Receivables, net of allowance for uncollectibles:			
User charges.....	34,780	-	34,780
Loans.....	67,107	-	67,107
Total current assets.....	<u>1,278,569</u>	<u>4,413,493</u>	<u>5,692,062</u>
NONCURRENT:			
Capital assets, non depreciable.....	-	40,177	40,177
Capital assets, net of accumulated depreciation.....	<u>6,081,903</u>	<u>8,912,515</u>	<u>14,994,418</u>
TOTAL ASSETS.....	<u>7,360,472</u>	<u>13,366,185</u>	<u>20,726,657</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	6,833	45,204	52,037
Deferred outflows related to other postemployment benefits.....	<u>330</u>	<u>1,376</u>	<u>1,706</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>7,163</u>	<u>46,580</u>	<u>53,743</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	11,127	42,119	53,246
Accrued payroll.....	1,003	11,940	12,943
Accrued interest.....	34,933	64,971	99,904
Compensated absences.....	-	10,000	10,000
Bonds payable.....	<u>134,538</u>	<u>522,168</u>	<u>656,706</u>
Total current liabilities.....	<u>181,601</u>	<u>651,198</u>	<u>832,799</u>
NONCURRENT:			
Compensated absences.....	-	4,000	4,000
Net pension liability.....	31,935	211,268	243,203
Net other postemployment benefits.....	26,469	110,192	136,661
Bonds payable.....	<u>3,125,542</u>	<u>7,034,475</u>	<u>10,160,017</u>
Total noncurrent liabilities.....	<u>3,183,946</u>	<u>7,359,935</u>	<u>10,543,881</u>
TOTAL LIABILITIES.....	<u>3,365,547</u>	<u>8,011,133</u>	<u>11,376,680</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	12,491	82,634	95,125
Deferred inflows related to other postemployment benefits.....	<u>1,333</u>	<u>5,550</u>	<u>6,883</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>13,824</u>	<u>88,184</u>	<u>102,008</u>
NET POSITION			
Net investment in capital assets.....	3,410,536	4,295,998	7,706,534
Restricted for Loans.....	67,107	-	67,107
Unrestricted.....	<u>510,621</u>	<u>1,017,450</u>	<u>1,528,071</u>
TOTAL NET POSITION.....	<u>\$ 3,988,264</u>	<u>\$ 5,313,448</u>	<u>\$ 9,301,712</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds		
	Water	Marina	Total
OPERATING REVENUES:			
Charges for services.....	\$ 159,859	\$ 542,056	\$ 701,915
OPERATING EXPENSES:			
Cost of services and administration.....	158,068	206,134	364,202
Salaries and wages.....	21,057	228,263	249,320
Depreciation.....	282,289	582,247	864,536
TOTAL OPERATING EXPENSES.....	461,414	1,016,644	1,478,058
OPERATING INCOME (LOSS).....	(301,555)	(474,588)	(776,143)
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	158	286	444
Interest expense.....	(76,898)	(153,014)	(229,912)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(76,740)	(152,728)	(229,468)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(378,295)	(627,316)	(1,005,611)
CAPITAL CONTRIBUTIONS.....	-	2,375,000	2,375,000
TRANSFERS:			
Transfers in.....	189,364	588,550	777,914
CHANGE IN NET POSITION.....	(188,931)	2,336,234	2,147,303
NET POSITION AT BEGINNING OF YEAR.....	4,177,195	2,977,214	7,154,409
NET POSITION AT END OF YEAR.....	\$ 3,988,264	\$ 5,313,448	\$ 9,301,712

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Marina</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 286,801	\$ 542,056	\$ 828,857
Payments to vendors.....	(159,459)	(195,005)	(354,464)
Payments to employees.....	(21,506)	(227,302)	(248,808)
NET CASH FROM OPERATING ACTIVITIES.....	105,836	119,749	225,585
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	189,364	588,550	777,914
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Capital contributions.....	-	2,375,000	2,375,000
Acquisition and construction of capital assets.....	(646,287)	(4,390,853)	(5,037,140)
Principal payments on bonds and notes.....	(121,448)	(450,000)	(571,448)
Interest expense.....	(92,028)	(237,600)	(329,628)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(859,763)	(2,703,453)	(3,563,216)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment income.....	158	286	444
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(564,405)	(1,994,868)	(2,559,273)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,741,087	6,408,361	8,149,448
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,176,682	\$ 4,413,493	\$ 5,590,175
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (301,555)	\$ (474,588)	\$ (776,143)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	282,289	582,247	864,536
Deferred (outflows)/inflows related to pensions.....	6,429	42,528	48,957
Deferred (outflows)/inflows related to other postemployment benefits.....	(677)	(2,820)	(3,497)
Changes in assets and liabilities:			
User charges.....	14,974	-	14,974
Loans.....	111,968	-	111,968
Warrants payable.....	(1,942)	12,659	10,717
Accrued payroll.....	228	(219)	9
Compensated absences.....	-	4,000	4,000
Net pension liability.....	(7,986)	(52,835)	(60,821)
Net other postemployment benefits.....	2,108	8,777	10,885
Total adjustments.....	407,391	594,337	1,001,728
NET CASH FROM OPERATING ACTIVITIES.....	\$ 105,836	\$ 119,749	\$ 225,585

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

		Other Postemployment Benefit Trust Fund
ASSETS		
Cash and cash equivalents.....	\$	43,775
Investments:		
U.S. treasury notes.....		299,510
Government sponsored enterprises.....		170,290
Corporate bonds.....		291,778
Equity securities.....		759,991
Equity mutual funds.....		615,667
Fixed income mutual funds.....		345,123
		2,526,134
TOTAL ASSETS		2,526,134
NET POSITION		
Restricted for other postemployment benefits.....	\$	2,526,134
		2,526,134

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022

	Other Postemployment Benefit Trust Fund
ADDITIONS:	
Contributions:	
Employer contributions for other postemployment benefit payments.... \$	573,402
Net investment income:	
Investment income (loss).....	(156,026)
Less: investment expense.....	(12,318)
Net investment income (loss).....	(168,344)
TOTAL ADDITIONS.....	405,058
DEDUCTIONS:	
Other postemployment benefit payments.....	573,402
NET INCREASE (DECREASE) IN NET POSITION.....	(168,344)
NET POSITION AT BEGINNING OF YEAR.....	2,694,478
NET POSITION AT END OF YEAR..... \$	2,526,134

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 Selectboard.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. 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 2022 assessment to the Town by the District was \$3.2 million for the Nauset Regional School District and \$474,000 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 activities) 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 *Community Preservation fund* is used to account for financial resources to purchase land for open space conservation land under the Community Preservation Act.

The *gifts and grants fund* is used to account for financial resources related to intergovernmental and departmental grants, various contributions and donations, and related investment income.

The *receipts reserved fund* is used to account for financial resources reserved for a specific purpose including ambulance, Bakers field, beach, and shellfish receipts.

The *highway fund* is used to account for activities reimbursed through the State's Chapter 90 highway improvement program.

The *major capital projects fund* is used to account for the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

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

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

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

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

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

The *marina enterprise fund* is used to account for the Town's marina activities.

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 *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

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. At June 30, 2022, the estimated allowance of uncollectibles was not considered to be material, and is therefore not reported.

Motor Vehicle and Other 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. At June 30, 2022, the estimated allowance of uncollectibles was not considered to be material, and is therefore not reported.

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 transfer station and ambulance charges receivables 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. At June 30, 2022, the estimated allowance of uncollectibles was not considered to be material, and is therefore not reported.

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, construction in progress, land improvements, buildings, building improvements, machinery and equipment, vehicles, drainage and water systems, infrastructure (e.g., roads, water mains, sewer mains, and similar items), software, and other improvements 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.

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 and construction in progress) 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.....	5 - 50
Building and other 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 assets 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 and other postemployment benefits 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reports deferred outflows related to pensions and other postemployment benefits 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 transfers in and 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

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

“Community preservation” represents amounts restricted for the purpose of ongoing community preservation activities.

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 Selectboard 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 and the Massachusetts Teachers’ Retirement System (Systems) and additions to/deductions from the Systems’ 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, the community preservation fund, and specific grant 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).

Investment income from proprietary funds is maintained in those funds.

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, 2022, within the major capital projects fund and the gifts and grants funds. These deficits will be funded through grants, bond proceeds, and other available funds.

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. Fair Value Measurements

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

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

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

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

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

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

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

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. 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 - Deposits

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 \$25,187,133 and the bank balance totaled \$25,223,944. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance, \$23,508,292 was covered by the Depositors Insurance Fund, and \$715,652 was uninsured and uncollateralized.

As of June 30, 2022, the Town had the following investments and maturities:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 299,510	\$ 24,904	\$ 175,006	\$ 99,600
Government sponsored enterprises....	170,290	24,985	145,305	-
Corporate bonds.....	291,778	55,030	236,748	-
Total debt securities.....	761,578	104,919	557,059	99,600
<u>Other investments:</u>				
Equity securities.....	759,991			
Equity mutual funds.....	615,667			
Fixed income mutual funds.....	345,123			
Money market mutual funds.....	43,775			
Total investments.....	\$ 2,526,134			

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town has custodial credit risk exposure of \$761,578 because the U.S. treasury notes, government sponsored enterprise securities and corporate bonds are uninsured, unregistered and held by the counterparty.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. Quality ratings for the debt securities are as follows:

Quality Rating	Government Sponsored Enterprises	Corporate Bonds
AA+.....	\$ 170,290	\$ -
AA-.....	-	134,727
A.....	-	58,755
A-.....	-	49,657
BBB+.....	-	25,808
BBB.....	-	22,831
Total.....	\$ 170,290	\$ 291,778

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. As of June 30, 2022, the Town’s investment in equity investments did not exceed 5% of the total investment for any one issuer.

Fair Value of Investments

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

The following table presents financial assets at June 30, 2022, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 299,510	\$ 299,510	\$ -	-
Government sponsored enterprises.....	170,290	170,290	-	-
Corporate bonds.....	291,778	-	291,778	-
Total debt securities.....	761,578	469,800	291,778	-
<u>Other investments:</u>				
Equity securities.....	759,991	759,991	-	-
Equity mutual funds.....	615,667	615,667	-	-
Fixed income mutual funds.....	345,123	345,123	-	-
Money market mutual funds.....	43,775	43,775	-	-
Total other investments.....	1,764,556	1,764,556	-	-
Total investments measured at fair value.....	\$ 2,526,134	\$ 2,234,356	\$ 291,778	\$ -

U.S. treasury notes, government sponsored enterprises, equity securities, equity mutual funds, fixed income mutual funds, and money market mutual funds, classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

NOTE 3 – RECEIVABLES

At June 30, 2022, 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.....	\$ 661,445	\$ -	\$ 661,445
Tax liens.....	240,485	-	240,485
Community preservation fund surtax.....	16,415	-	16,415
Motor vehicle and other excise taxes.....	94,290	-	94,290
Departmental and other.....	460,963	(166,167)	294,796
Intergovernmental.....	2,290,194	-	2,290,194
Loans.....	870	-	870
 Total.....	 <u>\$ 3,764,662</u>	 <u>\$ (166,167)</u>	 <u>\$ 3,598,495</u>

At June 30, 2022, receivables for the water and marina enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 34,780	\$ -	\$ 34,780
Water loans.....	67,107	-	67,107
 Total.....	 <u>\$ 101,887</u>	 <u>\$ -</u>	 <u>\$ 101,887</u>

The marina enterprise fund did not have any receivables at June 30, 2022.

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	Community Preservation	Highway	Receipts Reserved	Nonmajor Governmental Funds	Total
<u>Receivables:</u>						
Real estate and personal property taxes.....	\$ 357,719	\$ -	\$ -	\$ -	\$ -	\$ 357,719
Tax liens.....	235,969	4,516	-	-	-	240,485
Community preservation fund surtax.....	-	16,415	-	-	-	16,415
Motor vehicle and other excise taxes.....	94,290	-	-	-	-	94,290
Departmental and other.....	-	-	-	294,796	-	294,796
Intergovernmental.....	-	-	1,605,299	-	-	1,605,299
Loans.....	-	-	-	-	870	870
 Total.....	 <u>\$ 687,978</u>	 <u>\$ 20,931</u>	 <u>\$ 1,605,299</u>	 <u>\$ 294,796</u>	 <u>\$ 870</u>	 <u>\$ 2,609,874</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,158,255	\$ -	\$ -	\$ 9,158,255
Construction in progress.....	-	640,469	-	640,469
Total capital assets not being depreciated....	<u>9,158,255</u>	<u>640,469</u>	<u>-</u>	<u>9,798,724</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,531,862	-	-	1,531,862
Buildings.....	18,602,785	360,297	-	18,963,082
Buildings and improvements.....	7,320,046	-	-	7,320,046
Machinery and equipment.....	5,539,568	130,045	(86,177)	5,583,436
Vehicles.....	1,761,853	335,595	-	2,097,448
Drainage and water systems.....	903,491	784,979	-	1,688,470
Infrastructure.....	5,168,269	-	-	5,168,269
Software.....	84,620	-	-	84,620
Wharf improvements.....	26,752	91,364	-	118,116
Total capital assets being depreciated.....	<u>40,939,246</u>	<u>1,702,280</u>	<u>(86,177)</u>	<u>42,555,349</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(550,294)	(67,448)	-	(617,742)
Buildings.....	(9,442,159)	(463,014)	-	(9,905,173)
Buildings and improvements.....	(939,335)	(300,650)	-	(1,239,985)
Machinery and equipment.....	(4,275,187)	(365,545)	86,177	(4,554,555)
Vehicles.....	(1,293,494)	(225,021)	-	(1,518,515)
Drainage and water systems.....	(190,755)	(56,766)	-	(247,521)
Infrastructure.....	(3,370,174)	(117,317)	-	(3,487,491)
Software.....	(59,806)	(10,323)	-	(70,129)
Wharf improvements.....	(1,287)	(5,099)	-	(6,386)
Total accumulated depreciation.....	<u>(20,122,491)</u>	<u>(1,611,183)</u>	<u>86,177</u>	<u>(21,647,497)</u>
Total capital assets being depreciated, net.....	<u>20,816,755</u>	<u>91,097</u>	<u>-</u>	<u>20,907,852</u>
Total governmental activities capital assets, net.....	<u>\$ 29,975,010</u>	<u>\$ 731,566</u>	<u>\$ -</u>	<u>\$ 30,706,576</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets being depreciated:</u>				
Infrastructure.....	\$ 8,592,875	\$ 646,287	\$ -	\$ 9,239,162
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(2,874,970)	(282,289)	-	(3,157,259)
Total water activities capital assets, net.....	<u>\$ 5,717,905</u>	<u>\$ 363,998</u>	<u>\$ -</u>	<u>\$ 6,081,903</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Marina Enterprise Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 40,177	\$ -	\$ 40,177
<u>Capital assets being depreciated:</u>				
Land improvements.....	6,679,095	-	-	6,679,095
Buildings.....	114,201	-	-	114,201
Machinery and equipment.....	105,657	-	-	105,657
Wharf improvements.....	37,913	-	-	37,913
Waterways.....	1,757,482	4,350,676	-	6,108,158
Total capital assets being depreciated.....	8,694,348	4,350,676	-	13,045,024
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,262,274)	(174,962)	-	(3,437,236)
Buildings.....	(95,345)	(3,281)	-	(98,626)
Machinery and equipment.....	(99,424)	(2,078)	-	(101,502)
Wharf improvements.....	(5,345)	(8,644)	-	(13,989)
Waterways.....	(87,874)	(393,282)	-	(481,156)
Total accumulated depreciation.....	(3,550,262)	(582,247)	-	(4,132,509)
Total marina activities being depreciated, net.....	5,144,086	3,768,429	-	8,912,515
Total marina activities capital assets, net.....	\$ 5,144,086	\$ 3,808,606	\$ -	\$ 8,952,692

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

Governmental Activities:

General government.....	\$ 41,093
Public safety.....	719,624
Education.....	143,808
Public works.....	546,291
Health and human services.....	59,534
Culture and recreation.....	100,833
Total depreciation expense - governmental activities.....	\$ 1,611,183

Business-Type Activities:

Water.....	\$ 282,289
Marina.....	582,247
Total depreciation expense - business-type activities.....	\$ 864,536

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund receivables and payables totaled \$88,485 as of June 30, 2022, and consisted of funds due from Town’s highway fund to the general fund. The outstanding balance represents temporary cash borrowings resulting from timing differences between the dates that reimbursable expenditures are incurred, and the reimbursements are received.

Interfund Transfers

Interfund transfers for the year ended June 30, 2022, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General fund	Gifts and Grants	Major Capital Projects	Water Enterprise fund	Marina Enterprise fund	
General fund.....	\$ -	\$ 111,111	\$ 365,302	\$ 189,364	\$ 571,550	\$ 1,237,327 (1)
Community Preservation fund...	30,450	-	-	-	-	30,450 (2)
Receipts reserved funds.....	1,242,256	-	-	-	17,000	1,259,256 (3)
Gifts and grants.....	619	-	-	-	-	619 (4)
Major capital projects.....	89	-	-	-	-	89 (5)
Nonmajor governmental funds...	135,821	-	-	-	-	135,821 (6)
Total.....	\$ <u>1,409,235</u>	\$ <u>111,111</u>	\$ <u>365,302</u>	\$ <u>189,364</u>	\$ <u>588,550</u>	\$ <u>2,663,562</u>

1. Represents budgeted transfers from the general fund to subsidize the water enterprise fund and to fund debt service payments, from the general fund to the marina enterprise fund to fund debt service payments, from the general fund to the Town’s major capital projects fund to fund various Town capital projects, and from the general fund to the Town’s gifts and grants fund to paydown a BAN.
2. Represents budgeted transfers from the community preservation fund to the general fund budget.
3. Represents budgeted transfers from receipts reserved funds for the general fund operating budget and transfers from the receipts reserved fund to the marina enterprise fund for operations.
4. Represents transfers from the gifts and grants fund to the general fund to close out unspent funds.
5. Represents transfers from the major capital project fund to the general fund to close out unspent funds.
6. Represents transfers from various nonmajor governmental funds to the general fund.

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, 2022, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
Governmental Funds:							
BAN	Municipal Purpose.....	0.58%	09/18/21	\$ 2,461,208	\$ -	\$ (2,461,208)	\$ -
BAN	Municipal Purpose.....	0.75%	09/16/22	-	2,497,170	-	2,497,170
BAN	Municipal Purpose.....	2.00%	09/16/22	-	287,174	-	287,174
Total Governmental Funds.....				\$ 2,461,208	\$ 2,784,344	\$ (2,461,208)	\$ 2,784,344

On the scheduled due date of September 16, 2022, the Town paid down \$892,322 of the BANs outstanding at year end and renewed the remaining \$1,892,022 BAN at an interest rate of 3.50% due on September 15, 2023.

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".

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, 2022, the Town had the following authorized and unissued debt:

Purpose	Amount
Paving South Wellfleet Lot.....	\$ 6,948
Elementary School Roof.....	338,909
HVAC Town Hall Furnace.....	75,000
Harbor Dredging.....	62,000
Police Station Construction.....	540,000
Land Acquisition.....	1,000,000
Water Upgrades.....	2,500,000
Fire Equipment - Vessel.....	290,000
DPW Equipment - Pick Up Truck.....	4,478
DPW Equipment - Rolloff Truck.....	26,987
Design and Engineering - Mayo Creek.....	50,000
Infrastructure Upgrades - Septic.....	250,000
Infrastructure Improvements - 95 Lawrence....	1,931,886
Total.....	\$ 7,076,208

Details related to the outstanding indebtedness at June 30, 2022, and the debt service requirements are as noted on the following page.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
General Obligation Bonds:				
Refunding Debt of 2014.....	2028	\$ 6,500,000	2.00-3.00	\$ 2,735,000
General Obligation bonds.....	2031	2,489,756	1.73	1,180,000
General Obligation bonds.....	2042	7,476,000	2.05-4.00	5,950,000
General Obligation bonds.....	2041	8,500,000	2.00-5.00	290,000
Subtotal General Obligation Bonds.....				10,155,000
Direct Borrowings and Placements:				
MCWT Municipal Water System.....	2024	881,090	0.00	115,666
MCWT Pool Program.....	2026	200,000	4.58	40,000
MCWT - Series 18 - CW-10-11.....	2035	200,000	2.00	139,540
Subtotal Direct Borrowings and placements.....				295,206
Total Bonds Payable.....				10,450,206
Add: Unamortized premium on bonds.....				105,392
Total Bonds Payable, net.....				\$ 10,555,598

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

Year	General Obligation Bonds			Direct Borrowings and Placements			Total
	Principal	Interest	Total	Principal	Interest	Total	
2023.....	\$ 1,105,000	\$ 287,868	\$ 1,392,868	\$ 74,404	\$ 5,605	\$ 80,009	\$ 1,472,877
2024.....	1,045,000	252,868	1,297,868	80,275	2,602	82,877	1,380,745
2025.....	1,030,000	236,093	1,266,093	19,817	2,410	22,227	1,288,320
2026.....	965,000	206,368	1,171,368	20,031	2,214	22,245	1,193,613
2027.....	785,000	181,841	966,841	10,249	2,014	12,263	979,104
2028.....	710,000	162,543	872,543	10,472	1,808	12,280	884,823
2029.....	430,000	149,118	579,118	10,699	1,600	12,299	591,417
2030.....	420,000	129,148	549,148	10,932	1,386	12,318	561,466
2031.....	420,000	119,630	539,630	11,169	1,166	12,335	551,965
2032.....	295,000	107,938	402,938	11,412	944	12,356	415,294
2033.....	295,000	99,088	394,088	11,660	714	12,374	406,462
2034.....	295,000	90,238	385,238	11,914	482	12,396	397,634
2035.....	295,000	81,388	376,388	12,172	244	12,416	388,804
2036.....	295,000	72,538	367,538	-	-	-	367,538
2037.....	295,000	63,687	358,687	-	-	-	358,687
2038.....	295,000	54,836	349,836	-	-	-	349,836
2039.....	295,000	45,250	340,250	-	-	-	340,250
2040.....	295,000	35,662	330,662	-	-	-	330,662
2041.....	295,000	26,074	321,074	-	-	-	321,074
2042.....	295,000	9,588	304,588	-	-	-	304,588
Total.....	\$ 10,155,000	\$ 2,411,764	\$ 12,566,764	\$ 295,206	\$ 23,189	\$ 318,395	\$ 12,885,159

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
Water Enterprise Fund				
Water Well, Storage & Mains.....	2049	\$ 1,500,000	2.38	\$ 1,174,582
Water Expansion - Loan 2 (USDA).....	2054	1,000,000	2.75	820,506
Water System Updates.....	2041	1,235,000	2.00-5.00	1,170,000
				3,165,088
Marina Enterprise Fund				
Refunding Debt of 2014.....	2027	940,000	2.00-3.00	485,000
Harbor Dredge.....	2041	6,915,000	2.00-5.00	6,565,000
				7,050,000
Total Bonds Payable.....				10,215,088
Add: Unamortized premium on bonds.....				601,635
Total Bonds Payable, net.....				\$ 10,816,723

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

Year	Principal	Interest	Total
2023.....	\$ 572,180	\$ 304,449	\$ 876,629
2024.....	572,929	279,245	852,174
2025.....	563,696	236,849	800,545
2026.....	564,481	212,008	776,489
2027.....	565,284	187,149	752,433
2028-2032.....	2,344,162	666,810	3,010,972
2033-2037.....	2,362,318	407,532	2,769,850
2038-2042.....	1,983,357	168,271	2,151,628
2043-2047.....	392,639	67,967	460,606
2048-2052.....	242,796	21,711	264,507
2053-2054.....	51,246	2,113	53,359
Total.....	\$ 10,215,088	\$ 2,554,104	\$ 12,769,192

Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
General obligation bonds.....	\$ 11,320,000	\$ -	\$ (1,165,000)	\$ -	\$ -	\$ 10,155,000	\$ 1,105,000
Direct borrowings and placements.....	369,410	-	(74,204)	-	-	295,206	74,404
Unamortized premium on bonds.....	120,617	-	(15,225)	-	-	105,392	13,927
Total bonds payable.....	11,810,027	-	(1,254,429)	-	-	10,555,598	1,193,331
Compensated absences.....	779,000	-	-	771,000	(779,000)	771,000	581,000
Net pension liability.....	13,664,898	-	-	956,371	(3,690,103)	10,931,166	-
Net other postemployment benefits...	8,892,439	-	-	1,335,023	(565,405)	9,662,057	-
Total governmental activity long-term liabilities.....	\$ 35,146,364	\$ -	\$ (1,254,429)	\$ 3,062,394	\$ (5,034,508)	\$ 31,919,821	\$ 1,774,331
Business-Type Activities:							
General obligation bonds.....	\$ 10,786,536	\$ -	\$ (571,448)	\$ -	\$ -	\$ 10,215,088	\$ 572,180
Unamortized premium on bonds.....	693,438	-	(91,803)	-	-	601,635	84,526
Total bonds payable.....	11,479,974	-	(663,251)	-	-	10,816,723	656,706
Compensated absences.....	10,000	-	-	14,000	(10,000)	14,000	10,000
Net pension liability.....	304,024	-	-	21,278	(82,099)	243,203	-
Net other postemployment benefits...	125,776	-	-	18,882	(7,997)	136,661	-
Total business-type activity long-term liabilities.....	\$ 11,919,774	\$ -	\$ (663,251)	\$ 54,160	\$ (100,096)	\$ 11,210,587	\$ 666,706

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

There are two major types of fund balance, 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 portion of endowment funds are 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 and the deficit fund balances for other funds that would otherwise be restricted, committed or assigned.

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. Additions to the fund may be made by a majority vote of the legislative body. At year end the balance of the General Stabilization Funds is \$323,408 and is reported as unassigned fund balance within the General fund.

In 2022 the Town voted to transfer \$639,200 to the Town’s general fund from the Town’s stabilization fund. Of the total transfers, \$514,200, \$100,000 and \$25,000 were voted from Stabilization to fund the Town’s operating budget, capital and debt service budget, and to fund costs associated with disposition of dredging spoils, respectively.

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

	General	Community Preservation	Gifts and Grants	Receipts Reserved	Major Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable:							
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 281,521	\$ 281,521
Restricted for:							
Community preservation.....	-	3,178,620	-	-	-	-	3,178,620
Major capital projects.....	-	-	-	-	455,523	-	455,523
Gift and grant funds.....	-	-	198,402	-	-	-	198,402
School lunch.....	-	-	-	-	-	129,603	129,603
Other special revenue.....	-	-	-	-	-	502,284	502,284
Receipts reserved funds.....	-	-	-	2,777,193	-	-	2,777,193
Receipts reserved funds for appropriations.....	-	-	-	-	-	141,077	141,077
Municipal buildings.....	-	-	-	-	-	544,773	544,773
Expendable trust funds.....	-	-	-	-	-	972,701	972,701
Committed to:							
Articles and continuing appropriations:							
General government.....	327,184	-	-	-	-	-	327,184
Public safety.....	172,149	-	-	-	-	-	172,149
Education.....	79,835	-	-	-	-	-	79,835
Public works.....	180,552	-	-	-	-	-	180,552
Assigned to:							
Encumbrances:							
General government.....	52,098	-	-	-	-	-	52,098
Public safety.....	52,103	-	-	-	-	-	52,103
Education.....	58,649	-	-	-	-	-	58,649
Public works.....	13,069	-	-	-	-	-	13,069
Health and human services.....	2,083	-	-	-	-	-	2,083
Culture and recreation.....	12,677	-	-	-	-	-	12,677
Employee benefits.....	12,057	-	-	-	-	-	12,057
Unassigned.....	5,320,269	-	(888,889)	-	(482,087)	-	3,949,293
Total Fund Balances.....	\$ 6,282,725	\$ 3,178,620	\$ (690,487)	\$ 2,777,193	\$ (26,564)	\$ 2,571,959	\$ 14,093,446

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, 2022, 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 <https://mtrs.state.ma.us/service/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, 2021. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$353,218 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 \$4,401,696 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 and its actual contribution for the year ended December 31, 2021, was \$1,522,803, which was 22.99% 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, 2022, the Town reported a liability of \$11,174,369 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2021, the Town's proportion was 2.032%, which increased from its proportion measured at December 31, 2020, of 2.022%.

Pension Expense

For the year ended June 30, 2022, the Town recognized a pension expense of \$956,371. At June 30, 2022, the Town reported deferred outflows of resources related to pensions of \$2,390,922 and deferred inflows of resources related to pensions of \$4,370,652.

The balances of deferred outflows and inflows at June 30, 2022, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (78,416)	\$ (78,416)
Difference between projected and actual earnings, net.....	-	(3,912,670)	(3,912,670)
Changes in assumptions.....	1,401,344	-	1,401,344
Changes in proportion and proportionate share of contributions...	<u>989,578</u>	<u>(379,566)</u>	<u>610,012</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 2,390,922</u>	<u>\$ (4,370,652)</u>	<u>\$ (1,979,730)</u>

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

Year ended June 30:

2023.....	\$	(204,218)
2024.....		(912,447)
2025.....		(617,459)
2026.....		(393,848)
2027.....		<u>148,242</u>
Total.....	\$	<u><u>(1,979,730)</u></u>

Actuarial Assumptions

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2021:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Entry Age Actuarial Cost Method
Projected salary increases.....	3.25%
Cost of living adjustments.....	3% of the first \$18,000
Investment rate of return/Discount rate.....	6.90%
Mortality rates.....	Pre-Retirement: The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021
	Health Retiree: The RP-2014 Blue Collar Health Annuitant Mortality Table projected generationally with Scale MP-2021.
	Disabled Retiree: The RP-2014 Blue Collar Health Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

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, 2022, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	22.00%	6.11%
International developed markets equity..	11.50%	6.49%
International emerging markets equity...	4.50%	8.12%
Core fixed income.....	15.00%	38.00%
Value added fixed income.....	8.00%	2.48%
Real estate.....	10.00%	3.72%
Timberland.....	4.00%	3.44%
Hedge fund, PCS.....	10.00%	2.63%
Private equity.....	15.00%	9.93%
 Total.....	100.00%	

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.75%. 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 6.90% and 7.15% as of December 31, 2021 and December 31, 2020, respectively. 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 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount (6.90%)	1% Increase (7.90%)
The Town's proportionate share of the net pension liability..... \$	16,432,798	\$ 11,174,369	\$ 6,751,179

Changes in Assumptions

The net investment return assumption was lowered from 7.15% to 6.90%. Also, the mortality improvement scale was updated from Scale MP-2017 to Scale MP-2021.

Changes in Plan Provisions

None.

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

The contribution requirements of plan members and the Town are established and may be amended by the Town. The “required” contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% of their premium costs. For 2022, the Town’s contribution to the plan totaled \$573,402.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town’s to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its OPEB liabilities. The Trust is managed by a 5 member Board of Trustees who are authorized to manage the Trust in accordance with the Trust Agreement.

During 2022, the Town did not pre-fund future OPEB liabilities by contributing to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2022, the balance of this fund totaled \$2.5 million.

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at June 30, 2020:

Active members.....	93
Inactive members currently receiving benefits.....	<u>100</u>
Total.....	<u><u>193</u></u>

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2022:

Total OPEB liability.....	\$	12,324,852
Less: OPEB plan's fiduciary net position.....		<u>(2,526,134)</u>
Net OPEB liability.....	\$	<u>9,798,718</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....		20.50%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2022, to be in accordance with GASB Statement #74 and GASB Statement #75 as shown below:

Valuation date.....	June 30, 2020
Actuarial cost method.....	Entry Age Normal- Level Percentage of Payroll
Inflation.....	3.25%
Salary increases.....	Service-related increases for Group 1 (excluding teachers) and Group 2 employees: 6.0% decreasing over 11 years to an ultimate level of 4.0%. Service-related increased for Group 4 employees: 7.0% decreasing over 8 years to an ultimate level of 4.5%. Service related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%
Investment rate of return.....	6.50%
Mortality rates.....	Preretirement mortality rates: Healthy Non-Teachers: RP-2014 Employee Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: Pub-2010 Employee Headcount-Weighted Mortality Table projected generationally with Scale MP-2020. Postretirement mortality rates: Healthy Non-Teachers: RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: Pub-2010 Healthy retiree Headcount-weighted Mortality Table projected generationally with Scale MP-2020. Disabled Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017. Disabled Teachers: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Table projected generationally with scale MP-2020.

Health care trend rates..... CCMHG: Under 65: 2.50% for 1 year, then 6.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year. Over 65: 2.50% for 1 year, then 6.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year. GIC: Medical/Prescription Drug: Under 65: 6.60% decreasing by 0.10% for two years, then decreasing by 0.20% to 6.00% then decreasing by 0.25% each year to an ultimate level of 4.50% per year. Over 65: 4.8% decreasing by 0.10% for two years, then decreasing by 0.20% to 6.00% then decreasing by 0.25% each year to an ultimate level of 4.50% per year. EGWP: 3.0%. Part B: 8.70%. for 1 year then 4.50%

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (6.25%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation as of June 30, 2022, and projected arithmetic real rates of return for each major asset class, after deduction inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	22.00%	6.11%
International developed markets equity..	12.00%	6.49%
International emerging markets equity...	5.00%	8.12%
Core fixed income.....	15.00%	0.38%
High-yield fixed income.....	8.00%	2.48%
Real estate.....	10.00%	3.72%
Commodities.....	4.00%	3.44%
Hedge fund, GTAA, Risk parity.....	10.00%	2.63%
Private equity.....	14.00%	9.93%
Total.....	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2022, and as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability, calculated using the discount rate of 6.50%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current discount rate.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability.....	\$ 11,436,900	\$ 9,798,718	\$ 8,449,971

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 8,150,900	\$ 9,798,718	\$ 11,840,964

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021.....	\$ 11,712,693	\$ 2,694,478	\$ 9,018,215
Changes for the year:			
Service cost.....	415,566	-	415,566
Interest.....	769,995	-	769,995
Contributions - employer.....	-	573,402	(573,402)
Net investment income (loss).....	-	(168,344)	168,344
Benefit payments.....	(573,402)	(573,402)	-
Net change.....	612,159	(168,344)	780,503
Balances at June 30, 2022.....	\$ 12,324,852	\$ 2,526,134	\$ 9,798,718

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$1.8 million. At June 30, 2022, the Town reported \$122,317 of deferred outflows of resources and \$493,520 of deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (113,913)	\$ (113,913)
Difference between projected and actual earnings, net.....	122,317	-	122,317
Changes in assumptions.....	-	(379,607)	(379,607)
Total deferred outflows/(inflows) of resources.....	\$ 122,317	\$ (493,520)	\$ (371,203)

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

Measurement date year ended June 30:

2023.....	\$ (172,039)
2024.....	(165,455)
2025.....	(102,406)
2026.....	68,697
Total.....	\$ (371,203)

Changes of Assumptions

None.

Changes in Plan Provisions

None.

NOTE 12 – COMMITMENTS

The Town has entered into or is planning to enter into contracts relating to various capital projects totaling approximately \$7.1 million. Additionally, the general fund has various commitments for goods and services related to encumbrances and article carryforwards totaling \$425,425 and \$759,720, respectively.

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 lawsuits, claims, and proceedings have been or may be instituted or asserted against the Town of Wellfleet. While the amounts claimed may be substantial, the ultimate liability cannot be determined because of the considerable uncertainties that exist. Therefore, it is possible that there could be material negative outcomes for the Town affected by contingencies.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2023, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2022, the following GASB pronouncements were implemented:

- GASB Statement #87, *Leases*. This pronouncement did not impact the basic financial statements.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.
- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.
- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.
- GASB Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #99, *Omnibus 2022*, which is required to be implemented in 2023.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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

Required Supplementary Information

General Fund Budgetary Schedule

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

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 20,755,700	\$ 20,755,700	\$ 20,729,422	\$ -	\$ (26,278)
Tax liens.....	-	-	66,596	-	66,596
Motor vehicle and other excise taxes.....	852,186	852,186	815,251	-	(36,935)
Hotel/motel and meals tax.....	1,108,014	1,108,014	1,399,044	-	291,030
Penalties and interest on taxes.....	92,533	92,533	106,221	-	13,688
Intergovernmental.....	368,929	368,929	453,709	-	84,780
Departmental and other.....	593,473	593,473	843,086	-	249,613
Investment income.....	12,630	12,630	6,327	-	(6,303)
Miscellaneous.....	109,310	109,310	-	-	(109,310)
TOTAL REVENUES.....	23,892,775	23,892,775	24,419,656	-	526,881
EXPENDITURES:					
Current:					
General government.....	2,813,843	2,895,308	2,417,511	379,282	98,515
Public safety.....	5,128,884	5,163,257	4,910,560	224,252	28,445
Education.....	7,054,585	6,974,251	6,612,878	361,173	200
Public works.....	2,650,011	2,738,986	2,314,346	193,621	231,019
Health and human services.....	900,474	811,168	749,749	2,083	59,336
Culture and recreation.....	1,495,086	1,495,087	1,356,719	12,677	125,691
Pension benefits.....	1,522,803	1,522,803	1,522,803	-	-
Property and liability insurance.....	334,000	433,507	418,921	-	14,586
Employee benefits.....	1,803,699	1,859,299	1,692,615	12,057	154,627
State and county charges.....	725,224	527,943	505,910	-	22,033
Debt service:					
Principal.....	1,227,635	1,239,204	1,239,204	-	-
Interest.....	392,690	391,121	340,971	-	50,150
TOTAL EXPENDITURES.....	26,048,934	26,051,934	24,082,187	1,185,145	784,602
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,156,159)	(2,159,159)	337,469	(1,185,145)	1,311,483
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	1,349,210	1,349,210	-	-	(1,349,210)
Transfers in.....	2,044,276	2,047,276	2,048,435	-	1,159
Transfers out.....	(1,237,327)	(1,237,327)	(1,237,327)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	2,156,159	2,159,159	811,108	-	(1,348,051)
NET CHANGE IN FUND BALANCE.....	-	-	1,148,577	(1,185,145)	(36,568)
BUDGETARY FUND BALANCE, Beginning of year.....	4,840,646	4,840,646	4,840,646	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 4,840,646	\$ 4,840,646	\$ 5,989,223	\$ (1,185,145)	\$ (36,568)

See notes to required supplementary information.

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 the Town's 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 SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2021.....	2.032%	\$ 11,174,369	\$ 6,494,155	172.07%	75.07%
December 31, 2020.....	2.022%	13,968,922	6,403,822	218.13%	66.82%
December 31, 2019.....	1.887%	14,178,104	5,728,056	247.52%	62.34%
December 31, 2018.....	1.999%	15,797,094	5,861,119	269.52%	57.63%
December 31, 2017.....	1.923%	13,084,397	5,403,056	242.17%	61.86%
December 31, 2016.....	1.855%	13,034,923	5,177,718	251.75%	57.28%
December 31, 2015.....	1.852%	11,493,202	4,991,054	230.28%	58.10%
December 31, 2014.....	1.853%	10,463,426	4,861,336	215.24%	60.43%

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

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
BARNSTABLE COUNTY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2022.....	\$ 1,522,803	\$ (1,522,803)	\$ -	\$ 6,624,038	22.99%
June 30, 2021.....	1,431,823	(1,431,823)	-	6,531,898	21.92%
June 30, 2020.....	1,242,517	(1,247,696)	(5,179)	5,842,617	21.36%
June 30, 2019.....	1,256,352	(1,256,352)	-	5,978,341	21.02%
June 30, 2018.....	1,150,399	(1,150,399)	-	5,511,117	20.87%
June 30, 2017.....	1,051,633	(1,051,633)	-	5,281,272	19.91%
June 30, 2016.....	985,738	(985,738)	-	5,090,875	19.36%
June 30, 2015.....	965,243	(965,243)	-	4,958,563	19.47%

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

See notes to required supplementary information.

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

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. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2022.....	\$ 4,401,696	\$ 353,218	62.03%
2021.....	5,038,049	622,271	50.67%
2020.....	4,545,627	551,236	53.95%
2019.....	5,012,790	507,974	54.84%
2018.....	5,176,268	540,262	54.25%
2017.....	4,969,100	506,881	52.73%
2016.....	4,695,423	380,841	55.38%
2015.....	3,855,336	227,342	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Total OPEB Liability						
Service Cost.....	\$ 218,902	\$ 226,564	\$ 257,337	\$ 371,073	\$ 364,836	\$ 415,566
Interest.....	560,869	587,730	613,614	754,292	771,014	769,995
Changes of benefit terms.....	-	-	-	-	790,698	-
Differences between expected and actual experience....	-	223,186	372,322	-	(189,853)	-
Changes of assumptions.....	-	1,063,306	(100,222)	(353,677)	(396,896)	-
Benefit payments.....	(394,966)	(412,739)	(539,994)	(518,063)	(544,294)	(573,402)
Net change in total OPEB liability.....	384,805	1,688,047	603,057	253,625	795,505	612,159
Total OPEB liability - beginning.....	7,987,654	8,372,459	10,060,506	10,663,563	10,917,188	11,712,693
Total OPEB liability - ending (a).....	<u>\$ 8,372,459</u>	<u>\$ 10,060,506</u>	<u>\$ 10,663,563</u>	<u>\$ 10,917,188</u>	<u>\$ 11,712,693</u>	<u>\$ 12,324,852</u>
Plan fiduciary net position						
Employer contributions.....	\$ 644,966	\$ 662,739	\$ 789,994	\$ 718,063	\$ 644,367	\$ 573,402
Net investment income (loss).....	46,503	53,149	144,971	99,518	424,181	(168,344)
Benefit payments.....	(394,966)	(412,739)	(539,994)	(518,063)	(544,294)	(573,402)
Net change in plan fiduciary net position.....	296,503	303,149	394,971	299,518	524,254	(168,344)
Plan fiduciary net position - beginning of year.....	876,083	1,172,586	1,475,735	1,870,706	2,170,224	2,694,478
Plan fiduciary net position - end of year (b).....	<u>\$ 1,172,586</u>	<u>\$ 1,475,735</u>	<u>\$ 1,870,706</u>	<u>\$ 2,170,224</u>	<u>\$ 2,694,478</u>	<u>\$ 2,526,134</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 7,199,873</u>	<u>\$ 8,584,771</u>	<u>\$ 8,792,857</u>	<u>\$ 8,746,964</u>	<u>\$ 9,018,215</u>	<u>\$ 9,798,718</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	14.01%	14.67%	17.54%	19.88%	23.00%	20.50%
Covered-employee payroll.....	\$ 5,177,718	Not Available	Not Available	Not Available	\$ 10,305,176	Not Available
Net OPEB liability as a percentage of covered-employee payroll.....	139.05%	Not Available	Not Available	Not Available	87.51%	Not Available

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

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2022.....	\$ 955,049	\$ (573,402)	\$ 381,647	Not Available	Not Available
June 30, 2021.....	924,365	(644,367)	279,998	10,305,176	6.25%
June 30, 2020.....	892,506	(718,063)	174,443	Not Available	Not Available
June 30, 2019.....	864,413	(789,994)	74,419	Not Available	Not Available
June 30, 2018.....	651,702	(662,739)	(11,037)	Not Available	Not Available
June 30, 2017.....	629,664	(644,966)	(15,302)	5,177,718	12.46%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2022.....	-6.25%
June 30, 2021.....	19.41%
June 30, 2020.....	5.27%
June 30, 2019.....	7.75%
June 30, 2018.....	3.97%
June 30, 2017.....	4.21%

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

See notes to required supplementary information.

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

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Selectboard 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 2022 approved budget authorized \$25.9 million in appropriations and other amounts to be raised and \$1.3 million in encumbrances and appropriations carried over from previous years. There was no material change during the year from original budget.

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, 2022, is presented below:

Net change in fund balance - budgetary basis.....	\$	1,148,577
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		(639,103)
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		(153,389)
Net change in recording accrued payroll.....		(37,954)
Recognition of revenue for on-behalf payments.....		353,218
Recognition of expenditures for on-behalf payments.....		<u>(353,218)</u>
Net change in fund balance - GAAP basis.....	\$	<u>318,131</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 net investment return assumption was lowered from 7.15% to 6.90%. Also, the mortality improvement scale was updated from Scale MP-2017 to Scale MP-2021.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town of Wellfleet administers a single-employer defined benefit healthcare plan (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 Schedule of Changes in the Town’s Net OPEB Liability and Related Ratios

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

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of the covered payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution rates are as follows:

Valuation date.....	June 30, 2020
Actuarial cost method.....	Entry Age Normal- Level Percentage of Payroll
Inflation.....	3.25%
Salary increases.....	Service-related increases for Group 1 (excluding teachers) and Group 2 employees: 6.0% decreasing over 11 years to an ultimate level of 4.0%. Service-related increased for Group 4 employees: 7.0% decreasing over 8 years to an ultimate level of 4.5%. Service related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%
Investment rate of return.....	6.50%
Mortality rates.....	Preretirement mortality rates: Healthy Non-Teachers: RP-2014 Employee Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: Pub-2010 Employee Headcount-Weighted Mortality Table projected generationally with Scale MP-2020. Postretirement mortality rates: Healthy Non-Teachers: RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: Pub-2010 Healthy retiree Headcount-weighted Mortality Table projected generationally with Scale MP-2020. Disabled Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017. Disabled Teachers: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Table projected generationally with scale MP-2020.
Health care trend rates.....	CCMHG: Under 65: 2.50% for 1 year, then 6.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year. Over 65: 2.50% for 1 year, then 6.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year. GIC: Medical/Prescription Drug: Under 65: 6.60% decreasing by 0.10% for two years, then decreasing by 0.20% to 6.00% then decreasing by 0.25% each year to an ultimate level of 4.50% per year. Over 65: 4.8% decreasing by 0.10% for two years, then decreasing by 0.20% to 6.00% then decreasing by 0.25% each year to an ultimate level of 4.50% per year. EGWP: 3.0%. Part B: 8.70%. for 1 year then 4.50%

Schedule of Investment Returns

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

Changes in Assumptions

None.

Changes in Plan Provisions

None.

Report on Internal Control over Financial Reporting and on Compliance

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

Independent Auditor's Report

To the Honorable Selectboard
Town of Wellfleet, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellfleet, Massachusetts, (Town) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 8, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

- There is a material weakness due to the inadequate design of internal control over the Town's cash reconciliation process. In 2022, the Town did not have sufficient internal controls in place to reconcile cash on a timely basis. Cash was not reconciled to the general ledger throughout 2022 and a reconciliation was not performed until February 2023, nearly 8 months subsequent to year end. After a reconciliation was performed, there was an unreconciled balance totaling \$343,000 at June 30, 2022.

- There is a material weakness due to the inadequate design of internal control over the Town's receivable reconciliation process and maintenance of substantiating supporting documentation. At year end, the Town's general ledger contains several receivable accounts that were unreconciled and/or were not supported with adequate substantiating documentation.
- There is a material weakness due to the inadequate design of internal control over recording transactions to the Town's general ledger. In 2020, the Town implemented a new general ledger system, and the implementation was not performed adequately. Since then, the Town continues to have significant delays and errors in posting transactions to the general ledger and reconciling the general ledger to supporting documentation. Inadequate internal controls over the Town's general ledger required significant corrections for a significant amount of time subsequent to year end.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Powers & Sullivan LLC

August 8, 2023