

***TOWN OF WELLFLEET, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2019***

TOWN OF WELLFLEET, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Wellfleet, Massachusetts

100 Quannapowitt Parkway  
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellfleet, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Wellfleet, Massachusetts' basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellfleet, Massachusetts, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on the following pages, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 April 24, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wellfleet's internal control over financial reporting and compliance.



April 24, 2020

# ***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, 2019. We encourage readers to consider the information presented in this report.

### ***Overview of the Financial Statements***

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

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

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

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

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

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

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

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

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

**Proprietary funds.** The Town maintains only one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for the Marina and Water activities.

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

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

**Financial Highlights.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellfleet, governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11.2 million at the close of 2019. Key components of the Town's governmental financial position are listed below.

	2019	2018
<b>Assets:</b>		
Current assets.....	\$ 17,896,299	\$ 17,075,063
Capital assets, non depreciable.....	12,562,592	12,494,278
Capital assets, net of accumulated depreciation....	16,707,815	16,076,262
<b>Total assets.....</b>	<b>47,166,706</b>	<b>45,645,603</b>
<b>Deferred outflows of resources.....</b>	<b>4,076,779</b>	<b>2,115,947</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,597,755	2,006,774
Noncurrent liabilities (excluding debt).....	24,308,896	20,233,140
Current debt.....	1,378,817	1,468,629
Noncurrent debt.....	12,602,752	13,941,569
<b>Total liabilities.....</b>	<b>39,888,220</b>	<b>37,650,112</b>
<b>Deferred inflows of resources.....</b>	<b>199,319</b>	<b>1,109,177</b>
<b>Net position:</b>		
Net investment in capital assets.....	15,288,838	13,160,342
Restricted.....	3,094,218	3,240,349
Unrestricted.....	(7,227,110)	(7,398,430)
<b>Total net position.....</b>	<b>\$ 11,155,946</b>	<b>\$ 9,002,261</b>

Net position of \$15.3 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

An additional portion of net position, \$3.1 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 \$7.2 million. This is mainly due to the recognition of a \$15.6 million net pension liability and a \$8.5 million OPEB liability.

The governmental activities net position increased by \$2.2 million during the current year. This increase was primarily due to an increase revenue from operating grants and contributions and real estate taxes, while expenses remained consistent with the previous year.

The following table provides a summary of the financial highlights of the Town's governmental activities for 2019 and 2018.

	2019	2018
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,950,998	\$ 1,808,832
Operating grants and contributions.....	4,135,792	2,319,504
Capital grants and contributions.....	824,140	663,861
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	17,323,681	16,846,637
Motor vehicle and other excise taxes.....	540,148	720,382
Hotel/motel tax.....	368,347	438,988
Penalties and interest on taxes.....	88,632	101,440
Grants and contributions not restricted to specific programs.....	8,316	8,316
Unrestricted investment income.....	159,890	117,980
<b>Total revenues.....</b>	<b>25,399,944</b>	<b>23,025,940</b>
<b>Expenses:</b>		
General government.....	3,559,265	3,697,274
Public safety.....	6,385,527	5,973,999
Education.....	6,838,594	6,913,434
Public works.....	3,151,404	3,319,344
Health and human services.....	1,054,299	1,037,762
Culture and recreation.....	1,782,036	1,702,386
Interest.....	405,622	462,014
<b>Total expenses.....</b>	<b>23,176,747</b>	<b>23,106,213</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>2,223,197</b>	<b>(80,273)</b>
<b>Transfers.....</b>	<b>(69,512)</b>	<b>(122,677)</b>
<b>Change in net position.....</b>	<b>2,153,685</b>	<b>(202,950)</b>
<b>Net position, beginning of year.....</b>	<b>9,002,261</b>	<b>9,205,211</b>
<b>Net position, end of year.....</b>	<b>\$ 11,155,946</b>	<b>\$ 9,002,261</b>



The following table provides a summary of the financial highlights of the Town's business type activities for 2019 and 2018.

There was a decrease of \$311,000 in net position reported in connection with the Marina and Water enterprise business-type activities as compared to a decrease of \$262,000 in the prior year.

	2019	2018
<b>Assets:</b>		
Current assets.....	\$ 1,228,612	\$ 1,284,656
Capital assets, net of accumulated depreciation....	10,063,106	10,508,364
<b>Total assets.....</b>	<b>11,291,718</b>	<b>11,793,020</b>
<b>Deferred outflows of resources.....</b>	<b>41,073</b>	<b>21,372</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	84,300	122,310
Noncurrent liabilities (excluding debt).....	252,969	212,130
Current debt.....	160,036	164,354
Noncurrent debt.....	2,797,270	2,957,306
<b>Total liabilities.....</b>	<b>3,294,575</b>	<b>3,456,100</b>
<b>Deferred inflows of resources.....</b>	<b>2,013</b>	<b>11,204</b>
<b>Net position:</b>		
Net investment in capital assets.....	7,105,800	7,386,704
Restricted.....	321,730	352,229
Unrestricted.....	608,673	608,155
<b>Total net position.....</b>	<b>\$ 8,036,203</b>	<b>\$ 8,347,088</b>
	2019	2018
<b>Program Revenues:</b>		
Charges for services.....	\$ 770,046	\$ 672,432
Operating grants and contributions.....	-	8,500
<b>General Revenues:</b>		
Unrestricted investment income.....	7,265	4,158
<b>Total revenues.....</b>	<b>777,311</b>	<b>685,090</b>
<b>Expenses:</b>		
Water.....	514,131	441,315
Marina.....	643,577	628,759
<b>Total expenses.....</b>	<b>1,157,708</b>	<b>1,070,074</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(380,397)</b>	<b>(384,984)</b>
<b>Transfers.....</b>	<b>69,512</b>	<b>122,677</b>
<b>Change in net position.....</b>	<b>(310,885)</b>	<b>(262,307)</b>
<b>Net position, beginning of year.....</b>	<b>8,347,088</b>	<b>8,609,395</b>
<b>Net position, end of year.....</b>	<b>\$ 8,036,203</b>	<b>\$ 8,347,088</b>

## ***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 \$14.0 million comprised of \$4.4 million in the general fund, \$1.8 million in the land acquisition fund, \$2.3 million in the gifts and grants fund, \$3.0 million in the receipts reserved fund; and \$2.3 million in the nonmajor governmental funds.

The *general fund* is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$3.8 million, while total fund balance equaled \$4.4 million. The general fund increased by \$180,000, which matched budgetary expectations. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.3% of total general fund expenditures, while total fund balance represents 20.9% of that same amount.

With the implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions* the Town's stabilization funds are now included as part of the general fund. As of June 30, 2019, this fund had a balance of \$983,000.

The *land acquisition 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 a decrease of \$168,000 in 2019.

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 an increase of \$1.2 million, mainly from a private donation of \$1.0 million towards the Tidal Flats acquisition.

The *receipts reserved fund* is used to account for financial resources reserved for a specific purpose including ambulance, Bakers field, beach, and shellfish receipts. This fund experienced a decrease of \$60,000.

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

### ***General Fund Budgetary Highlights***

There was little change between the original budget and the final amended budget.

### ***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, 2019, amounts to \$39.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, bridges and the marina. The Town's current year acquisitions totaled \$2.0 million. Assets include the construction of the police station, Bakers field renovations, vehicles for police and fire and roads.

**Long-term debt.** At the end of the current year, the Town had total bonded debt outstanding of \$16.9 million.

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***

**STATEMENT OF NET POSITION**

JUNE 30, 2019

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 14,817,324	\$ 865,931	\$ 15,683,255
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,029,659	-	1,029,659
Tax liens.....	99,470	-	99,470
Community preservation fund surtax.....	21,390	-	21,390
Motor vehicle and other excise taxes.....	10,999	-	10,999
User charges.....	-	10,981	10,981
Departmental and other.....	550,854	29,970	580,824
Intergovernmental - other.....	1,356,711	-	1,356,711
Loans.....	9,892	321,730	331,622
Total current assets.....	<u>17,896,299</u>	<u>1,228,612</u>	<u>19,124,911</u>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	12,562,592	-	12,562,592
Capital assets, net of accumulated depreciation.....	<u>16,707,815</u>	<u>10,063,106</u>	<u>26,770,921</u>
Total noncurrent assets.....	<u>29,270,407</u>	<u>10,063,106</u>	<u>39,333,513</u>
<b>TOTAL ASSETS.....</b>	<b><u>47,166,706</u></b>	<b><u>11,291,718</u></b>	<b><u>58,458,424</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	3,013,925	30,444	3,044,369
Deferred outflows related to other postemployment benefits.....	<u>1,062,854</u>	<u>10,629</u>	<u>1,073,483</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b><u>4,076,779</u></b>	<b><u>41,073</u></b>	<b><u>4,117,852</u></b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	463,579	116	463,695
Accrued payroll.....	501,760	7,779	509,539
Other liabilities.....	13,891	-	13,891
Accrued interest.....	99,525	33,405	132,930
Compensated absences.....	519,000	43,000	562,000
Notes payable.....	40,000	-	40,000
Bonds payable.....	<u>1,338,817</u>	<u>160,036</u>	<u>1,498,853</u>
Total current liabilities.....	<u>2,976,572</u>	<u>244,336</u>	<u>3,220,908</u>
<b>NONCURRENT:</b>			
Compensated absences.....	170,000	10,000	180,000
Net pension liability.....	15,639,123	157,971	15,797,094
Other postemployment benefits.....	8,499,773	84,998	8,584,771
Bonds payable.....	<u>12,602,752</u>	<u>2,797,270</u>	<u>15,400,022</u>
Total noncurrent liabilities.....	<u>36,911,648</u>	<u>3,050,239</u>	<u>39,961,887</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>39,888,220</u></b>	<b><u>3,294,575</u></b>	<b><u>43,182,795</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	<u>199,319</u>	<u>2,013</u>	<u>201,332</u>
<b>NET POSITION</b>			
Net investment in capital assets.....	15,288,838	7,105,800	22,394,638
Restricted for:			
Loans.....	9,892	321,730	331,622
Permanent funds:			
Expendable.....	958,494	-	958,494
Nonexpendable.....	271,230	-	271,230
Community preservation.....	1,854,602	-	1,854,602
Unrestricted.....	<u>(7,227,110)</u>	<u>608,673</u>	<u>(6,618,437)</u>
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 11,155,946</u></b>	<b><u>\$ 8,036,203</u></b>	<b><u>\$ 19,192,149</u></b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 3,559,265	\$ 413,496	\$ 664,540	\$ 516,809	\$ (1,964,420)
Public safety.....	6,385,527	294,044	791,073	-	(5,300,410)
Education.....	6,838,594	54,213	768,897	-	(6,015,484)
Public works.....	3,151,404	116,106	706,632	307,331	(2,021,335)
Health and human services.....	1,054,299	86,918	92,746	-	(874,635)
Culture and recreation.....	1,782,036	986,221	1,111,904	-	316,089
Interest.....	405,622	-	-	-	(405,622)
<b>Total Governmental Activities.....</b>	<b>23,176,747</b>	<b>1,950,998</b>	<b>4,135,792</b>	<b>824,140</b>	<b>(16,265,817)</b>
<i>Business-Type Activities:</i>					
Water.....	514,131	198,017	-	-	(316,114)
MARINA.....	643,577	572,029	-	-	(71,548)
<b>Total Business-Type Activities.....</b>	<b>1,157,708</b>	<b>770,046</b>	<b>-</b>	<b>-</b>	<b>(387,662)</b>
<b>Total Primary Government.....</b>	<b>\$ 24,334,455</b>	<b>\$ 2,721,044</b>	<b>\$ 4,135,792</b>	<b>\$ 824,140</b>	<b>\$ (16,653,479)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(16,265,817)</b>	\$ <b>(387,662)</b>	\$ <b>(16,653,479)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	17,323,681	-	17,323,681
Motor vehicle and other excise taxes.....	540,148	-	540,148
Hotel/motel tax.....	368,347	-	368,347
Penalties and interest on taxes.....	88,632	-	88,632
Grants and contributions not restricted to specific programs.....	8,316	-	8,316
Unrestricted investment income.....	159,890	7,265	167,155
<i>Transfers, net</i> .....	<u>(69,512)</u>	<u>69,512</u>	<u>-</u>
Total general revenues and transfers.....	<u>18,419,502</u>	<u>76,777</u>	<u>18,496,279</u>
Change in net position.....	2,153,685	(310,885)	1,842,800
<i>Net position:</i>			
Beginning of year.....	<u>9,002,261</u>	<u>8,347,088</u>	<u>17,349,349</u>
End of year..... \$	<u><u>11,155,946</u></u>	\$ <u><u>8,036,203</u></u>	\$ <u><u>19,192,149</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2019

	General	Land Acquisition	Gifts and Grants	Receipts Reserved	Highway	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents.....	\$ 5,183,485	\$ 1,899,138	\$ 2,338,976	\$ 3,010,095	\$ -	\$ 2,385,630	\$ 14,817,324
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	1,029,659	-	-	-	-	-	1,029,659
Tax liens.....	96,702	2,768	-	-	-	-	99,470
Community preservation fund surtax.....	-	21,390	-	-	-	-	21,390
Motor vehicle and other excise taxes.....	10,999	-	-	-	-	-	10,999
Departmental and other.....	283,719	-	53,627	213,508	-	-	550,854
Intergovernmental - other.....	9,269	-	-	-	1,347,442	-	1,356,711
Loans.....	-	-	9,892	-	-	-	9,892
Due from other funds.....	9,985	-	-	-	-	-	9,985
<b>TOTAL ASSETS.....</b>	<b>\$ 6,623,818</b>	<b>\$ 1,923,296</b>	<b>\$ 2,402,495</b>	<b>\$ 3,223,603</b>	<b>\$ 1,347,442</b>	<b>\$ 2,385,630</b>	<b>\$ 17,906,284</b>
<b>LIABILITIES</b>							
Warrants payable.....	\$ 379,300	\$ 68,462	\$ 10,098	\$ -	\$ -	\$ 5,719	\$ 463,579
Accrued payroll.....	499,622	232	1,493	-	-	413	501,760
Due to other funds.....	-	-	-	-	9,985	-	9,985
Other liabilities.....	13,891	-	-	-	-	-	13,891
Notes payable.....	-	-	-	-	-	40,000	40,000
<b>TOTAL LIABILITIES.....</b>	<b>892,813</b>	<b>68,694</b>	<b>11,591</b>	<b>-</b>	<b>9,985</b>	<b>46,132</b>	<b>1,029,215</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue.....	1,299,574	24,158	63,519	213,508	1,337,457	-	2,938,216
<b>FUND BALANCES</b>							
Nonspendable.....	-	-	-	-	-	271,320	271,320
Restricted.....	-	1,830,444	2,327,385	3,010,095	-	2,108,108	9,276,032
Assigned.....	559,141	-	-	-	-	-	559,141
Unassigned.....	3,872,290	-	-	-	-	(39,930)	3,832,360
<b>TOTAL FUND BALANCES.....</b>	<b>4,431,431</b>	<b>1,830,444</b>	<b>2,327,385</b>	<b>3,010,095</b>	<b>-</b>	<b>2,339,498</b>	<b>13,938,853</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 6,623,818</b>	<b>\$ 1,923,296</b>	<b>\$ 2,402,495</b>	<b>\$ 3,223,603</b>	<b>\$ 1,347,442</b>	<b>\$ 2,385,630</b>	<b>\$ 17,906,284</b>

See notes to basic financial statements.



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

JUNE 30, 2019

Total governmental fund balances.....		\$ 13,938,853
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		29,270,407
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,938,216
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.....		3,877,460
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(99,525)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(13,941,569)	
Net pension liability.....	(15,639,123)	
Other postemployment benefits.....	(8,499,773)	
Compensated absences.....	(689,000)	
Net effect of reporting long-term liabilities.....		<u>(38,769,465)</u>
Net position of governmental activities.....		<u>\$ 11,155,946</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	General	Land Acquisition	Gifts and Grants	Receipts Reserved	Highway	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ 16,758,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,758,498
Motor vehicle and other excise taxes.....	575,577	-	-	-	-	-	575,577
Hotel/motel tax.....	368,347	-	-	-	-	-	368,347
Penalties and interest on taxes.....	88,632	-	-	-	-	-	88,632
Intergovernmental - other.....	945,993	153,193	630,449	-	24,885	55,796	1,810,316
Departmental and other.....	875,752	8,537	1,221,058	1,755,794	-	319,166	4,180,307
Community preservation tax.....	-	516,809	-	-	-	-	516,809
Contributions and donations.....	10,272	-	33,181	-	-	40,936	84,389
Investment income.....	102,910	46,903	3,533	-	-	6,544	159,890
Miscellaneous.....	-	-	-	-	-	2,000	2,000
<b>TOTAL REVENUES.....</b>	<b>19,725,981</b>	<b>725,442</b>	<b>1,888,221</b>	<b>1,755,794</b>	<b>24,885</b>	<b>424,442</b>	<b>24,544,765</b>
<b>EXPENDITURES:</b>							
Current:							
General government.....	1,672,550	739,415	209,457	-	-	150,601	2,772,023
Public safety.....	3,568,714	-	355,948	-	-	1,071,335	4,995,997
Education.....	5,825,412	-	-	-	-	55,532	5,880,944
Public works.....	2,198,763	-	19,710	-	24,885	64,405	2,307,763
Health and human services.....	655,419	-	34,133	-	-	39,930	729,482
Culture and recreation.....	1,250,539	-	10,878	62,900	-	5,598	1,329,915
Pension benefits.....	1,755,326	-	-	-	-	-	1,755,326
Property and liability insurance.....	324,008	-	-	-	-	-	324,008
Employee benefits.....	1,750,112	-	-	-	-	-	1,750,112
State and county charges.....	408,356	-	-	-	-	-	408,356
Debt service:							
Principal.....	1,368,629	-	-	-	-	-	1,368,629
Interest.....	429,792	-	-	-	-	1,295	431,087
<b>TOTAL EXPENDITURES.....</b>	<b>21,207,620</b>	<b>739,415</b>	<b>630,126</b>	<b>62,900</b>	<b>24,885</b>	<b>1,388,696</b>	<b>24,053,642</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,481,639)</b>	<b>(13,973)</b>	<b>1,258,095</b>	<b>1,692,894</b>	<b>-</b>	<b>(964,254)</b>	<b>491,123</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in.....	1,874,894	4,590	300	-	-	200,000	2,079,784
Transfers out.....	(213,256)	(158,950)	(24,590)	(1,752,500)	-	-	(2,149,296)
<b>TOTAL OTHER FINANCING SOURCES (USES)....</b>	<b>1,661,638</b>	<b>(154,360)</b>	<b>(24,290)</b>	<b>(1,752,500)</b>	<b>-</b>	<b>200,000</b>	<b>(69,512)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>179,999</b>	<b>(168,333)</b>	<b>1,233,805</b>	<b>(59,606)</b>	<b>-</b>	<b>(764,254)</b>	<b>421,611</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>4,251,432</b>	<b>1,998,777</b>	<b>1,093,580</b>	<b>3,069,701</b>	<b>-</b>	<b>3,103,752</b>	<b>13,517,242</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 4,431,431</b>	<b>\$ 1,830,444</b>	<b>\$ 2,327,385</b>	<b>\$ 3,010,095</b>	<b>\$ -</b>	<b>\$ 2,339,498</b>	<b>\$ 13,938,853</b>

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, 2019

Net change in fund balances - total governmental funds.....	\$	421,611
<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.....		1,954,058
Depreciation expense.....		<u>(1,254,191)</u>
Net effect of reporting capital assets.....		699,867
<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>		
		855,179
<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>		
Debt service principal payments.....		1,368,629
<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.....		(31,000)
Net change in accrued interest on long-term debt.....		25,465
Net change in deferred outflow/(inflow) of resources related to pensions.....		1,826,510
Net change in net pension liability.....		(2,685,570)
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		1,044,180
Net change in other postemployment benefits liability.....		<u>(1,371,186)</u>
Net effect of recording long-term liabilities.....		<u>(1,191,601)</u>
Change in net position of governmental activities.....	\$	<u><u>2,153,685</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-type Activities - Enterprise Funds		
	Water	Marina	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 147,600	\$ 718,331	\$ 865,931
Receivables, net of allowance for uncollectibles:			
User charges.....	10,981	-	10,981
Departmental and other.....	-	29,970	29,970
Loans.....	321,730	-	321,730
Total current assets.....	480,311	748,301	1,228,612
<b>NONCURRENT:</b>			
Capital assets, net of accumulated depreciation.....	6,258,730	3,804,376	10,063,106
<b>TOTAL ASSETS.....</b>	<b>6,739,041</b>	<b>4,552,677</b>	<b>11,291,718</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	-	30,444	30,444
Deferred outflows related to other postemployment benefits.....	-	10,629	10,629
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>-</b>	<b>41,073</b>	<b>41,073</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	-	116	116
Accrued payroll.....	586	7,193	7,779
Accrued interest.....	25,642	7,763	33,405
Compensated absences.....	-	43,000	43,000
Bonds payable.....	55,036	105,000	160,036
Total current liabilities.....	81,264	163,072	244,336
<b>NONCURRENT:</b>			
Compensated absences.....	-	10,000	10,000
Net pension liability.....	-	157,971	157,971
Other postemployment benefits.....	-	84,998	84,998
Bonds payable.....	2,107,270	690,000	2,797,270
Total noncurrent liabilities.....	2,107,270	942,969	3,050,239
<b>TOTAL LIABILITIES.....</b>	<b>2,188,534</b>	<b>1,106,041</b>	<b>3,294,575</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	-	2,013	2,013
<b>NET POSITION</b>			
Net investment in capital assets.....	4,096,424	3,009,376	7,105,800
Restricted for Loans.....	321,730	-	321,730
Unrestricted.....	132,353	476,320	608,673
<b>TOTAL NET POSITION.....</b>	<b>\$ 4,550,507</b>	<b>\$ 3,485,696</b>	<b>\$ 8,036,203</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Marina</u>	<u>Total</u>
<b><u>OPERATING REVENUES:</u></b>			
Charges for services.....	\$ 198,017	\$ 572,029	\$ 770,046
<b><u>OPERATING EXPENSES:</u></b>			
Cost of services and administration.....	185,618	272,254	457,872
Salaries and wages.....	8,167	178,261	186,428
Depreciation.....	266,454	178,804	445,258
<b>TOTAL OPERATING EXPENSES.....</b>	<b>460,239</b>	<b>629,319</b>	<b>1,089,558</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(262,222)</b>	<b>(57,290)</b>	<b>(319,512)</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>			
Investment income.....	1,513	5,752	7,265
Interest expense.....	(53,892)	(14,258)	(68,150)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(52,379)</b>	<b>(8,506)</b>	<b>(60,885)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(314,601)</b>	<b>(65,796)</b>	<b>(380,397)</b>
<b><u>TRANSFERS:</u></b>			
Transfers in.....	112,956	7,000	119,956
Transfers out.....	-	(50,444)	(50,444)
<b>TOTAL TRANSFERS.....</b>	<b>112,956</b>	<b>(43,444)</b>	<b>69,512</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(201,645)</b>	<b>(109,240)</b>	<b>(310,885)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>4,752,152</b>	<b>3,594,936</b>	<b>8,347,088</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 4,550,507</b>	<b>\$ 3,485,696</b>	<b>\$ 8,036,203</b>

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds		
	Water	Marina	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users.....	\$ 228,516	\$ 572,029	\$ 800,545
Payments to vendors.....	(185,669)	(280,945)	(466,614)
Payments to employees.....	(7,736)	(185,809)	(193,545)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>35,111</b>	<b>105,275</b>	<b>140,386</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in.....	112,956	7,000	119,956
Transfers out.....	-	(50,444)	(50,444)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>112,956</b>	<b>(43,444)</b>	<b>69,512</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payments on bonds and notes.....	(54,354)	(110,000)	(164,354)
Interest expense.....	(55,359)	(22,995)	(78,354)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(109,713)</b>	<b>(132,995)</b>	<b>(242,708)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income.....	1,513	5,752	7,265
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>39,867</b>	<b>(65,412)</b>	<b>(25,545)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>107,733</b>	<b>783,743</b>	<b>891,476</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 147,600</b>	<b>\$ 718,331</b>	<b>\$ 865,931</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>			
<b>FROM OPERATING ACTIVITIES:</b>			
Operating income (loss).....	\$ (262,222)	\$ (57,290)	\$ (319,512)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	266,454	178,804	445,258
Deferred (outflows)/inflows related to pensions.....	-	(18,450)	(18,450)
Deferred (outflows)/inflows related to other postemployment benefits.....	-	(10,442)	(10,442)
Changes in assets and liabilities:			
Loans.....	30,499	-	30,499
Warrants payable.....	(51)	(31,080)	(31,131)
Accrued payroll.....	431	894	1,325
Compensated absences.....	-	2,000	2,000
Net pension liability.....	-	27,127	27,127
Other postemployment benefits.....	-	13,712	13,712
<b>Total adjustments.....</b>	<b>297,333</b>	<b>162,565</b>	<b>459,898</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 35,111</b>	<b>\$ 105,275</b>	<b>\$ 140,386</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

		Other Postemployment Benefit Trust Fund
<b>ASSETS</b>		
Cash and cash equivalents.....	\$	32,483
Investments:		
U.S. treasuries.....		188,171
Government sponsored enterprises.....		153,198
Corporate bonds.....		164,216
Equity securities.....		608,161
Equity mutual funds.....		484,179
Fixed income mutual funds.....		240,298
		1,870,706
<b>TOTAL ASSETS</b> .....		<b>1,870,706</b>
<b>NET POSITION</b>		
Restricted for other postemployment benefits.....		1,870,706

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	Other Postemployment Benefit Trust Fund
<b>ADDITIONS:</b>	
Contributions:	
Employer contributions.....	\$ 250,000
Employer contributions for other postemployment benefit payments....	412,739
Total contributions.....	662,739
Net investment income:	
Net change in fair value of investments.....	(55,212)
Investment income.....	200,160
Less: investment expense.....	(2,966)
Net investment income (loss).....	141,982
TOTAL ADDITIONS.....	804,721
<b>DEDUCTIONS:</b>	
Other postemployment benefit payments.....	412,739
NET INCREASE (DECREASE) IN NET POSITION.....	391,982
NET POSITION AT BEGINNING OF YEAR.....	1,478,724
NET POSITION AT END OF YEAR.....	\$ 1,870,706

See notes to basic financial statements.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**B. Joint Ventures**

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

The Town participates in two joint ventures with other municipalities, the Nauset Regional School District and the Cape Cod Regional Technical High School. These joint ventures are designed to pool resources and share the costs, risks and rewards of providing educational services. The 2019 assessment to the Town by the District was \$2.9 million for the Nauset Regional School District and \$269,000 for the Cape Cod Regional Technical High School.

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

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

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

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

*Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

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

The *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 financial resources required for the maintenance and construction of the Town's roads.

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

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

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

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

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

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

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

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

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

The following fiduciary fund type is reported:

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

#### *Government-Wide and Fund Financial Statements*

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

#### E. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

**Real Estate, Personal Property Taxes and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> 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 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

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

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

**Motor Vehicle Excise**

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

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

**Community Preservation**

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

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

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

**Departmental and Other**

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

**Intergovernmental**

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

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

**Loans**

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

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

G. Inventories

*Government-Wide and Fund Financial Statements*

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

H. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

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

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

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

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

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

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town reports deferred outflows related to pensions in this category.

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

*Governmental Fund Financial Statements*

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

J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

L. Net position and Fund Equity*Government-Wide Financial Statements (Net position)*

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

Net position has been "restricted for" the following:

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

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

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

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

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

*Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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



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

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The Board of Selectmen has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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

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

#### M. Pensions

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

#### N. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

O. Investment Income

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

P. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

Q. Fund Deficits

Several individual fund deficits exist at June 30, 2019, within the nonmajor governmental funds. These deficits will be funded through bond proceeds, grants and other available funds in 2020.

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 – Fair Value Measurements.

### **NOTE 2 - CASH AND INVESTMENTS**

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

It is the Town's policy to invest public funds in a manner which will provide the maximum security with the highest investment return while meeting the daily cash flow demands of the Town. The Town follows the policies established under Massachusetts General Laws. The Commonwealth's statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool).

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

Equivalents". The deposits and investments of the Trust Funds are held separately from those of other Town funds.

Custodial credit risk for deposits is the risk that in event of a bank failure, the government's deposits may not be returned to it. The Town's deposit and investment policy allows for unlimited investments in MMDT, U.S. Treasuries and Agencies that will be held to maturity with maturities up to one year from the date of purchase, and bank accounts and Certificates of Deposit with maturities up to one year which are fully collateralized or fully insured. At year-end, the carrying amount of deposits totaled \$15,683,255 and the bank balance totaled \$16,120,562. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance, \$13,637,854 was covered by the Depositors Insurance Fund, \$810,301 was covered by the Share Insurance Fund, and \$672,407 was uninsured and uncollateralized.

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, 2019, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2019	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)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 188,171	\$ 188,171	\$ -	-
Government sponsored enterprises.....	153,198	153,198	-	-
Corporate bonds.....	164,216	-	164,216	-
Total debt securities.....	505,585	341,369	164,216	-
<u>Other investments:</u>				
Equity securities.....	608,161	608,161	-	-
Equity mutual funds.....	484,179	484,179	-	-
Fixed income.....	240,298	240,298	-	-
Money market mutual funds.....	32,483	32,483	-	-
Total other investments.....	1,365,121	1,365,121	-	-
Total investments measured at fair value.....	1,870,706	1,706,490	164,216	-

Debt and equity securities, U.S. Government Treasuries, classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities 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.

Quality ratings for the debt securities are as follows:

Quality Rating	U.S. Treasury Bonds	Government Sponsored Enterprises	Corporate Bonds
AAA.....	\$ 188,171	\$ 153,198	\$ -
AA-.....	-	-	30,047
A+.....	-	-	26,344
A.....	-	-	30,023
BBB+.....	-	-	52,813
BBB.....	-	-	24,989
Total.....	\$ <u>188,171</u>	\$ <u>153,198</u>	\$ <u>164,216</u>

Maturities for the debt securities are as follows:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 188,171	\$ -	\$ 136,949	\$ 51,222
Government sponsored enterprises....	153,198	-	128,016	25,182
Corporate bonds.....	164,216	24,989	139,227	-
Total debt securities.....	\$ <u>505,585</u>	\$ <u>24,989</u>	\$ <u>404,192</u>	\$ <u>76,404</u>

**NOTE 3 - RECEIVABLES**

At June 30, 2019, 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.....	\$ 1,033,259	\$ (3,600)	\$ 1,029,659
Tax liens.....	99,470	-	99,470
Community preservation fund surtax.....	21,390	-	21,390
Motor vehicle and other excise taxes.....	60,399	(49,400)	10,999
Departmental and other.....	550,854	-	550,854
Intergovernmental - other.....	1,356,711	-	1,356,711
Loans.....	9,892	-	9,892
Total.....	\$ <u>3,131,975</u>	\$ <u>(53,000)</u>	\$ <u>3,078,975</u>

At June 30, 2019, receivables for the marina and water enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 10,981	\$ -	\$ 10,981
Water loans.....	321,730	-	321,730
Marina departmental and other.....	29,970	-	29,970
Total.....	<u>\$ 362,681</u>	<u>\$ -</u>	<u>\$ 362,681</u>

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

	General Fund	Land Acquisition	Gifts and Grants	Highway	Receipts Reserved	Total
<u>Receivables:</u>						
Real estate and personal property taxes.....	\$ 896,117	\$ -	\$ -	\$ -	\$ -	\$ 896,117
Tax liens.....	99,470	-	-	-	-	99,470
Community preservation fund surtax.....	-	24,158	-	-	-	24,158
Motor vehicle and other excise taxes.....	10,999	-	-	-	-	10,999
Departmental and other.....	283,719	-	53,627	-	213,508	550,854
Intergovernmental.....	9,269	-	-	1,337,457	-	1,346,726
Loans.....	-	-	9,892	-	-	9,892
Total.....	<u>\$ 1,299,574</u>	<u>\$ 24,158</u>	<u>\$ 63,519</u>	<u>\$ 1,337,457</u>	<u>213,508</u>	<u>\$ 2,938,216</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,158,255	\$ -	\$ -	\$ 7,158,255
Construction in progress.....	5,336,023	68,314	-	5,404,337
Total capital assets not being depreciated....	12,494,278	68,314	-	12,562,592
<u>Capital assets being depreciated:</u>				
Land improvements.....	891,395	130,547	-	1,021,942
Buildings.....	18,110,814	1,107,922	-	19,218,736
Buildings and improvements.....	1,056,537	-	-	1,056,537
Machinery and equipment.....	5,217,838	274,309	(139,467)	5,352,680
Vehicles.....	1,247,504	333,046	(98,904)	1,481,646
Drainage and water systems.....	836,153	-	-	836,153
Infrastructure.....	5,009,914	-	-	5,009,914
Software.....	44,700	39,920	-	84,620
Total capital assets being depreciated.....	32,414,855	1,885,744	(238,371)	34,062,228
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(397,628)	(32,447)	-	(430,075)
Buildings.....	(8,062,545)	(465,597)	-	(8,528,142)
Buildings and improvements.....	(387,420)	(52,440)	-	(439,860)
Machinery and equipment.....	(3,510,222)	(364,737)	139,467	(3,735,492)
Vehicles.....	(829,397)	(177,597)	98,904	(908,090)
Drainage and water systems.....	(136,219)	(17,618)	-	(153,837)
Infrastructure.....	(2,974,562)	(140,550)	-	(3,115,112)
Software.....	(40,600)	(3,205)	-	(43,805)
Total accumulated depreciation.....	(16,338,593)	(1,254,191)	238,371	(17,354,413)
Total capital assets being depreciated, net.....	16,076,262	631,553	-	16,707,815
Total governmental activities capital assets, net.....	\$ 28,570,540	\$ 699,867	\$ -	\$ 29,270,407
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets being depreciated:</u>				
Infrastructure.....	\$ 8,592,875	\$ -	\$ -	\$ 8,592,875
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(2,067,691)	(266,454)	-	(2,334,145)
Total water activities capital assets, net.....	\$ 6,525,184	\$ (266,454)	\$ -	\$ 6,258,730

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Marina Enterprise Activities:</b>				
<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
	<u>6,898,953</u>	<u>-</u>	<u>-</u>	<u>6,898,953</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,737,389)	(174,961)	-	(2,912,350)
Buildings.....	(84,478)	(3,281)	-	(87,759)
Machinery and equipment.....	(93,906)	(562)	-	(94,468)
	<u>(2,915,773)</u>	<u>(178,804)</u>	<u>-</u>	<u>(3,094,577)</u>
Total capital assets being depreciated, net.....	<u>\$ 3,983,180</u>	<u>\$ (178,804)</u>	<u>\$ -</u>	<u>\$ 3,804,376</u>

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

**Governmental Activities:**

General government.....	\$ 78,451
Public safety.....	511,348
Education.....	143,942
Public works.....	453,555
Health and human services.....	48,777
Culture and recreation.....	18,118
	<u>1,254,191</u>
Total depreciation expense - governmental activities.....	<u>\$ 1,254,191</u>

**Business-Type Activities:**

Water.....	\$ 266,454
Marina.....	178,804
	<u>445,258</u>
Total depreciation expense - business-type activities.....	<u>\$ 445,258</u>



**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

There was a receivable/payable between funds the general fund and highway fund in the amount of \$9,995 at June 30, 2019. Interfund transfers for the year ended June 30, 2019, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General fund	Land Acquisition	Nonmajor governmental funds	Water Enterprise fund	Marina Enterprise fund	
General fund.....	\$ -	\$ -	\$ 100,300	\$ 112,956	\$ -	\$ 213,256 (1)
Land Acquisition.....	58,950	-	100,000	-	-	158,950 (2)
Nonmajor governmental funds.....	1,765,500	4,590	-	-	7,000	1,777,090 (3)
Marina Enterprise fund.....	50,444	-	-	-	-	50,444 (4)
<b>Total.....</b>	<b>\$ 1,874,894</b>	<b>\$ 4,590</b>	<b>\$ 200,300</b>	<b>\$ 112,956</b>	<b>\$ 7,000</b>	<b>\$ 2,199,740</b>

- (1) Represents transfers from the general fund to nonmajor and water enterprise funds to cover additional expenses.
- (2) Represents budgeted transfer from land acquisition fund to the general fund for open space debt service.
- (3) Represents budgeted transfers from various nonmajor governmental funds to the general fund and land acquisition fund.
- (4) Represents transfers from the general fund to the marina enterprise fund to cover additional expenses.

**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, 2019, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
<b>Governmental Funds:</b>							
BAN	Stormwater Remediation....	1.30%	11/16/18	\$ 100,000	\$ -	\$ (100,000)	\$ -
BAN	Municipal Purpose.....	2.30%	05/29/20	-	40,000	-	40,000
Total Governmental Funds.....				<u>\$ 100,000</u>	<u>\$ 40,000</u>	<u>\$ (100,000)</u>	<u>\$ 40,000</u>

**NOTE 7 - LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit". Details related to the outstanding indebtedness at June 30, 2019, and the debt service requirements are reported on the following page.

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
MCWT Municipal Water System.....	2024	\$ 881,090	0.00	\$ 275,000
MCWT Pool Program.....	2026	200,000	4.58	70,000
Refunding Debt of 2014.....	2028	6,500,000	2.00-3.00	4,820,000
MCWT - Series 18 - CW-10-11	2035	200,000	2.00	166,569
General Obligation bonds.....	2031	2,489,756	1.73	1,745,000
General Obligation bonds.....	2042	7,476,000	2.05 - 4.00	6,865,000
Total Bonds Payable, net.....				<u>\$ 13,941,569</u>

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

Year	Principal	Interest	Total
2020.....	\$ 1,338,817	\$ 392,662	\$ 1,731,479
2021.....	1,264,008	355,080	1,619,088
2022.....	1,179,204	316,373	1,495,577
2023.....	1,119,404	279,573	1,398,977
2024.....	1,064,609	244,570	1,309,179
2025.....	994,817	213,353	1,208,170
2026.....	930,031	186,182	1,116,213
2027.....	780,249	164,205	944,454
2028.....	705,472	145,451	850,923
2029.....	430,699	132,568	563,267
2030.....	420,932	123,234	544,166
2031.....	421,169	113,696	534,865
2032.....	306,412	101,982	408,394
2033.....	306,660	92,902	399,562
2034.....	306,914	83,820	390,734
2035.....	307,172	74,732	381,904
2036.....	295,000	65,638	360,638
2037.....	295,000	56,787	351,787
2038.....	295,000	47,936	342,936
2039.....	295,000	38,350	333,350
2040.....	295,000	28,762	323,762
2041.....	295,000	19,174	314,174
2042.....	295,000	9,588	304,588
Total.....	<u>\$ 13,941,569</u>	<u>\$ 3,286,618</u>	<u>\$ 17,228,187</u>

**Bonds and Notes Payable Schedule – Enterprise Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Refunding Debt of 2014.....	2027	\$ 940,000	2.00-3.00	\$ 795,000
Water Well, Storage & Mains.....	2049	1,500,000	2.38	1,264,874
Water Expansion - Loan 2 (USDA)	2054	1,000,000	2.75	897,432
Total Bonds Payable, net.....				<u>\$ 2,957,306</u>

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

Year	Principal	Interest	Total
2020.....	\$ 160,036	\$ 76,458	\$ 236,494
2021.....	160,734	72,430	233,164
2022.....	156,448	67,936	224,384
2023.....	157,180	63,499	220,679
2024.....	157,929	59,045	216,974
2025.....	153,696	54,649	208,345
2026.....	154,481	50,308	204,789
2027.....	155,284	45,949	201,233
2028.....	61,107	42,997	104,104
2029.....	61,950	41,450	103,400
2030.....	62,812	39,883	102,695
2031.....	63,695	38,295	101,990
2032.....	64,598	36,685	101,283
2033.....	65,524	35,056	100,580
2034.....	66,471	33,404	99,875
2035.....	67,441	31,729	99,170
2036.....	68,433	30,032	98,465
2037.....	69,449	28,311	97,760
2038.....	70,490	26,566	97,056
2039.....	71,555	24,795	96,350
2040.....	72,645	23,000	95,645
2041.....	73,762	21,179	94,941
2042.....	74,905	19,331	94,236
2043.....	76,075	17,456	93,531
2044.....	77,272	15,554	92,826
2045.....	78,499	13,623	92,122
2046.....	79,754	11,662	91,416
2047.....	81,039	9,672	90,711
2048.....	82,355	7,652	90,007
2049.....	83,515	5,600	89,115
2050.....	25,642	3,525	29,167
2051.....	25,642	2,820	28,462
2052.....	25,642	2,114	27,756
2053.....	25,642	1,409	27,051
2054.....	25,604	704	26,308
Total.....	<u>\$ 2,957,306</u>	<u>\$ 1,054,778</u>	<u>\$ 4,012,084</u>

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$9,269 and interest costs for \$22,403. Thus, net MCWT loan repayments, including interest, are scheduled to be \$31,672. The principal subsidies are guaranteed and therefore a \$9,269 intergovernmental receivable and corresponding deferred inflow have been reported in the General Fund. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2019 interest subsidy totaled \$8,646.

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, 2019, the Town had the following authorized and unissued debt:

Purpose	Amount
Repaving South Wellfleet Lot.....	\$ 6,948
Elementary School Roof.....	338,909
HVAC Town Hall/ Police Furnace.....	75,000
Harbor Dredging Design.....	62,000
<b>Total.....</b>	<b>\$ 482,857</b>

Changes in Long-term Liabilities

During the year ended June 30, 2019, 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
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 15,310,198	\$ -	\$ (1,368,629)	\$ -	\$ -	\$ 13,941,569	\$ 1,338,817
Compensated absences.....	658,000	-	-	538,000	(507,000)	689,000	519,000
Net pension liability.....	12,953,553	-	-	2,706,811	(21,241)	15,639,123	-
Other postemployment benefits..	7,128,587	-	-	1,381,018	(9,832)	8,499,773	-
Total governmental activity long-term liabilities.....	<u>\$ 36,050,338</u>	<u>\$ -</u>	<u>\$ (1,368,629)</u>	<u>\$ 4,625,829</u>	<u>\$ (538,073)</u>	<u>\$ 38,769,465</u>	<u>\$ 1,857,817</u>
<b>Business-Type Activities:</b>							
Long-term bonds payable.....	\$ 3,121,660	\$ -	\$ (164,354)	\$ -	\$ -	\$ 2,957,306	\$ 160,036
Compensated absences.....	51,000	-	-	43,000	(41,000)	53,000	43,000
Net pension liability.....	130,844	-	-	2,129,975	(2,102,848)	157,971	-
Other postemployment benefits..	71,286	-	-	996,892	(983,180)	84,998	-
Total business-type activity long-term liabilities.....	<u>\$ 3,374,790</u>	<u>\$ -</u>	<u>\$ (164,354)</u>	<u>\$ 3,169,867</u>	<u>\$ (3,127,028)</u>	<u>\$ 3,253,275</u>	<u>\$ 203,036</u>

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

	General	Land Acquisition	Gifts and Grants	Receipts Reserved	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	\$ 271,320	\$ 271,320
<b>Restricted for:</b>						
Land acquisition.....	-	1,830,444	-	-	-	1,830,444
Town gift and grant funds.....	-	-	2,327,385	-	-	2,327,385
Other school special revenue.....	-	-	-	-	70,142	70,142
Town receipts reserved.....	-	-	-	3,010,095	-	3,010,095
School lunch.....	-	-	-	-	43,021	43,021
Town construction projects.....	-	-	-	-	257,467	257,467
Town Stormwater/wastewater remediation.....	-	-	-	-	70,021	70,021
Town insurance proceeds.....	-	-	-	-	150	150
Police station.....	-	-	-	-	708,903	708,903
Expendable trust funds.....	-	-	-	-	958,404	958,404
<b>Assigned to:</b>						
<b>Encumbrances:</b>						
General government.....	18,058	-	-	-	-	18,058
Public safety.....	68,225	-	-	-	-	68,225
Education.....	205,795	-	-	-	-	205,795
Public works.....	67,722	-	-	-	-	67,722
Health and human services.....	18,829	-	-	-	-	18,829
Culture and recreation.....	21,495	-	-	-	-	21,495
Free cash used for subsequent year budget.....	159,017	-	-	-	-	159,017
Unassigned.....	3,872,290	-	-	-	(39,930)	3,832,360
<b>Total Fund Balances.....</b>	<b>\$ 4,431,431</b>	<b>\$ 1,830,444</b>	<b>\$ 2,327,385</b>	<b>\$ 3,010,095</b>	<b>\$ 2,339,498</b>	<b>\$ 13,938,853</b>

**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, 2019, and therefore are not reported.

**NOTE 10 - PENSION PLAN***Plan Descriptions*

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

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

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$507,974 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 \$5,012,790 as of the measurement date.

*Benefits Provided*

Both the Association and System provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. They provide for retirement allowance benefits up to a maximum of 80% of a

member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

#### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the Association a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2018, was \$1,256,352, 21.44% 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, 2019, the Town reported a liability of \$15,797,094 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2018, the Town's proportion was 1.999% which changed from its proportion measured at December 31, 2017 of 1.923%.

#### *Pension Expense*

For the year ended June 30, 2019, the Town recognized a pension expense of \$2,124,089. At June 30, 2019, the Town reported deferred outflows of resources related to pensions of \$3,044,369 and deferred inflows of resources related to pensions of \$201,332.

The balances of deferred outflows and inflows at June 30, 2019 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 922,548	\$ (148,669)	\$ 773,879
Changes in assumptions.....	1,322,510	-	1,322,510
Changes in proportion and proportionate share of contributions...	<u>799,311</u>	<u>(52,663)</u>	<u>746,648</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 3,044,369</u>	<u>\$ (201,332)</u>	<u>\$ 2,843,037</u>

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

Year ended June 30:

2020.....	\$ 819,543
2021.....	573,500
2022.....	586,078
2023.....	780,821
2024.....	<u>83,095</u>
	<u>\$ 2,843,037</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2018:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Appropriations increase at 5.28% per year
Remaining amortization period.....	17 years from July 1, 2018 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability and remaining unfunded liability, and 4 years from July 1, 2018 for 2010 Early Retirement Incentive
Asset valuation method.....	The net pension liability is calculated using the market value of assets. The Association also uses an actual value of assets that gradually reflects year-to-year changes in the market value of assets in determining contribution requirements
Inflation rate.....	3.25%
Projected salary increases.....	Varies by length of service with ultimate rates of 4% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Cost of living adjustments.....	3% of the first \$18,000 of retirement income



Rates of Retirement.....	Varies based upon age for general employees, police and fire employees
Rates of disability.....	For general employees, it was assumed that 55% of all disabilities are accidental disability. For police and fire employees, 90% of all disabilities are assumed to be accidental.
Mortality rates.....	Pre-Retirement: The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 Health Retiree: The RP-2014 Blue Collar Health Annuitant Mortality Table projected generationally with Scale MP-2017 Disabled Retiree: The RP-2014 Blue Collar Health Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017
Investment rate of return.....	7.375%, net of pension plan investment expense, including inflation.

*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, 2018, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.00%	6.16%
International developed markets equity..	13.00%	6.69%
International emerging markets equity...	5.00%	9.47%
Core fixed income.....	15.00%	1.89%
High-yield fixed income.....	8.00%	4.00%
Real estate.....	10.00%	4.58%
Commodities.....	4.00%	4.77%
Hedge fund, GTAA, Risk parity.....	11.00%	3.68%
Private equity.....	13.00%	10.00%
Total.....	100.00%	

*Rate of return*

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.375%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount (7.375%)	1% Increase (8.375%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
The Town's proportionate share of the net pension liability.....	\$ 20,165,404	\$ 15,797,094	\$ 12,122,604

**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 75% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25% of their premium costs. For 2019, the Town’s contribution to the plan totaled \$1.7 million.

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

During 2019, the Town pre-funded future OPEB liabilities by contributing \$250,000 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, 2019, the balance of this fund totaled \$1,870,706.

**GASB Statement #74 – OPEB Plan Financial Reporting**

*Measurement Date* – GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

*Employees Covered by Benefit Terms* – The following table represents the Plan’s membership at June 30, 2018:

Active members.....	98
Inactive members currently receiving benefits.....	<u>97</u>
 Total.....	 <u><u>195</u></u>

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$ 10,663,563
Less: OPEB plan’s fiduciary net position.....	<u>(1,870,706)</u>
 Net OPEB liability.....	 \$ <u><u>8,792,857</u></u>
 The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....	  17.54%

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the June 30, 2018, 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, 2019, to be in accordance with GASB Statement #74:

Valuation date.....	June 30, 2018
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.....	7.00%

Health care trend rates.....	CCMHG: Under 65: 0% for 1 year, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Over 65: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year. GIC: Medical/Prescription Drug: 8.0% decreasing by 0.5% for 5 years, then by 0.25% for 2 years to an ultimate level of 5.0% per year. EGWP: 5.0%. Part B: 4.5%.
Mortality rates.....	<p>Preretirement mortality rates: Healthy Non-Teachers: RP-2014 Employee Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016</p> <p>Postretirement mortality rates: Healthy Non-Teachers: RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: RP-2014 White Collar Annuitant Mortality Table projected generationally with Scale MO-2016. Disabled Non-Teachers: RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017. Disabled Teachers: RP-2014 Healthy Annuitant Table set forward four years and projected generationally with Scale BB2D from 2014</p>

*Rate of return* – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 7.75%. 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, 2018 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.....	21.00%	6.16%
International developed markets equity..	13.00%	6.69%
International emerging markets equity...	5.00%	9.47%
Core fixed income.....	15.00%	1.89%
High-yield fixed income.....	8.00%	4.00%
Real estate.....	10.00%	4.58%
Commodities.....	4.00%	4.77%
Hedge fund, GTAA, Risk parity.....	11.00%	3.68%
Private equity.....	13.00%	10.00%
	<hr/>	
Total.....	<u>100.00%</u>	

*Discount rate* – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2019 and 7.00% as of June 30, 2018. 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 7.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability.....	\$ 10,175,714	\$ 8,792,857	\$ 7,648,412

*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.....	\$ 7,462,541	\$ 8,792,857	\$ 10,433,624

**GASB Statement #75 – OPEB Employer Financial Reporting**

*Summary of Significant Accounting Policies* – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

*Measurement Date* – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Active members.....	98
Inactive members currently receiving benefits.....	97
Total.....	<u>195</u>

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the June 30, 2018, 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, 2018, to be in accordance with GASB Statement #75:

Valuation date.....	June 30, 2018
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.....	7.00%
Health care trend rates.....	CCMHG: Under 65: 0% for 1 year, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Over 65: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year. GIC: Medical/Prescription Drug: 8.0% decreasing by 0.5% for 5 years, then by 0.25% for 2 years to an ultimate level of 5.0% per year. EGWP: 5.0%. Part B: 4.5%.
Mortality rates.....	Preretirement mortality rates: Healthy Non-Teachers: RP-2014 Employee Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016  Postretirement mortality rates: Healthy Non-Teachers: RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: RP-2014 White Collar Annuitant Mortality Table projected generationally with Scale MO-2016. Disabled Non-Teachers: RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017. Disabled Teachers: RP-2014 Healthy Annuitant Table set forward four years and projected generationally with Scale BB2D from 2014

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 investment expenses and a risk margin. The target allocation as of June 30, 2019, and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.00%	6.16%
International developed markets equity..	13.00%	6.69%
International emerging markets equity...	5.00%	9.47%
Core fixed income.....	15.00%	1.89%
High-yield fixed income.....	8.00%	4.00%
Real estate.....	10.00%	4.58%
Commodities.....	4.00%	4.77%
Hedge fund, GTAA, Risk parity.....	11.00%	3.68%
Private equity.....	13.00%	10.00%
Total.....	100.00%	

*Discount rate* – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2019 and 7.00% as of June 30, 2018. 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.

*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, 2017	\$ 8,372,459	\$ 1,172,586	\$ 7,199,873
Changes for the year:			
Service cost.....	226,564	-	226,564
Interest.....	587,730	-	587,730
Contributions - employer.....	-	662,739	(662,739)
Net investment income.....	-	53,149	(53,149)
Differences between expected and actual experience.....	223,186	-	223,186
Changes in assumptions and other inputs.....	1,063,306	-	1,063,306
Benefit payments.....	(412,739)	(412,739)	-
Net change.....	1,688,047	303,149	1,384,898
Balances at June 30, 2018	\$ 10,060,506	1,475,735	8,584,771

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$993,012. At June 30, 2018, the Town reported \$1,073,483 of deferred outflows of resources related to OPEB from the following sources:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience.....	\$ 178,549
Difference between projected and actual earnings.....	44,289
Changes in assumptions.....	<u>850,645</u>
 Total deferred outflows/(inflows) of resources.....	 \$ <u><u>1,073,483</u></u>

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

Measurement date year ended June 30:

2020.....	\$ 269,549
2021.....	269,549
2022.....	269,547
2023.....	<u>264,838</u>
	 \$ <u><u>1,073,483</u></u>

Changes of Assumptions

- Per capita health costs and trends for GIC retirees were updated based on the Commonwealth of Massachusetts Postemployment Benefits Other Than Pension Actuarial Valuation as of June 30, 2018, dated January 2, 2019, completed by Aon Hewitt.
- The discount rates were updated for the measurement date.
- The mortality assumptions were updated.
- The salary scale assumptions were updated.

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 \$483,000.

**NOTE 13 - CONTINGENCIES**

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

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

**NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 24, 2020, which is the date the financial statements were available to be issued.

**NOTE 15 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, *Certain Asset Retirement Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2022.

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

## ***Required Supplementary Information***

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# ***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, 2019

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 17,715,320	\$ 17,715,320	\$ 16,754,498	\$ -	\$ (960,822)
Motor vehicle and other excise taxes.....	698,306	698,306	575,577	-	(122,729)
Hotel/motel tax.....	110,000	110,000	368,347	-	258,347
Penalties and interest on taxes.....	100,000	100,000	88,632	-	(11,368)
Intergovernmental.....	28,105	28,105	429,373	-	401,268
Departmental and other.....	534,000	534,000	875,752	-	341,752
Investment income.....	76,000	76,000	97,054	-	21,054
<b>TOTAL REVENUES.....</b>	<b>19,261,731</b>	<b>19,261,731</b>	<b>19,189,233</b>	<b>-</b>	<b>(72,498)</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	2,225,284	2,259,777	1,723,850	18,060	517,867
Public safety.....	3,849,841	3,945,027	3,568,714	68,225	308,088
Education.....	6,226,512	6,284,029	5,848,519	205,795	229,715
Public works.....	2,971,087	3,005,549	2,198,763	67,722	739,064
Health and human services.....	664,312	696,646	655,419	18,829	22,398
Culture and recreation.....	1,260,281	1,315,625	1,250,539	21,495	43,591
Pension benefits.....	1,256,352	1,256,352	1,256,352	-	-
Property and liability insurance.....	305,000	305,000	324,008	-	(19,008)
Employee benefits.....	1,727,588	1,869,604	1,750,112	-	119,492
State and county charges.....	408,356	408,356	408,356	-	-
Debt service:					
Principal.....	1,368,629	1,368,629	1,368,629	-	-
Interest.....	544,437	529,453	421,146	-	108,307
<b>TOTAL EXPENDITURES.....</b>	<b>22,807,679</b>	<b>23,244,047</b>	<b>20,774,407</b>	<b>400,126</b>	<b>2,069,514</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(3,545,948)</b>	<b>(3,982,316)</b>	<b>(1,585,174)</b>	<b>(400,126)</b>	<b>1,997,016</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	1,886,100	1,886,100	1,884,750	-	(1,350)
Transfers out.....	(517,956)	(517,956)	(368,256)	-	149,700
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,368,144</b>	<b>1,368,144</b>	<b>1,516,494</b>	<b>-</b>	<b>148,350</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(2,177,804)</b>	<b>(2,614,172)</b>	<b>(68,680)</b>	<b>(400,126)</b>	<b>2,145,366</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>3,564,418</b>	<b>3,564,418</b>	<b>3,564,418</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 1,386,614</b>	<b>\$ 950,246</b>	<b>\$ 3,495,738</b>	<b>\$ (400,126)</b>	<b>\$ 2,145,366</b>

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 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- employee payroll	Net pension liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
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**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
December 31, 2018.....	\$ 1,256,352	\$ (1,256,352)	-	\$ 5,861,119	21.44%
December 31, 2017.....	1,150,399	(1,150,399)	-	5,403,056	21.29%
December 31, 2016.....	1,051,633	(1,051,633)	-	5,177,718	20.31%
December 31, 2015.....	985,738	(985,738)	-	4,991,054	19.75%
December 31, 2014.....	965,243	(965,243)	-	4,861,336	19.86%

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

See notes to required supplementary information.



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

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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
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 the Plan's net other postemployment benefit liability and related ratios.

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

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

**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
<b>Total OPEB Liability</b>			
Service Cost.....	\$ 218,902	\$ 226,564	\$ 257,337
Interest.....	560,869	587,730	613,614
Differences between expected and actual experience....	-	223,186	372,322
Changes of assumptions.....	-	1,063,306	(100,222)
Benefit payments.....	<u>(394,966)</u>	<u>(412,739)</u>	<u>(539,994)</u>
Net change in total OPEB liability.....	384,805	1,688,047	603,057
Total OPEB liability - beginning.....	<u>7,987,654</u>	<u>8,372,459</u>	<u>10,060,506</u>
Total OPEB liability - ending (a).....	<u>\$ 8,372,459</u>	<u>\$ 10,060,506</u>	<u>\$ 10,663,563</u>
<b>Plan fiduciary net position</b>			
Employer contributions.....	\$ 644,966	\$ 662,739	\$ 789,994
Net investment income.....	46,503	53,149	144,971
Benefit payments.....	<u>(394,966)</u>	<u>(412,739)</u>	<u>(539,994)</u>
Net change in plan fiduciary net position.....	296,503	303,149	394,971
Plan fiduciary net position - beginning of year.....	<u>876,083</u>	<u>1,172,586</u>	<u>1,475,735</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 1,172,586</u>	<u>\$ 1,475,735</u>	<u>\$ 1,870,706</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 7,199,873</u>	<u>\$ 8,584,771</u>	<u>\$ 8,792,857</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	14.01%	14.67%	17.54%
Covered-employee payroll.....	\$ 5,177,718	N/A	\$ N/A
Net OPEB liability as a percentage of covered-employee payroll.....	139.05%	N/A	N/A

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, 2019.....	\$ 864,413	\$ (789,994)	\$ 74,419	N/A	N/A
June 30, 2018.....	651,702	(662,739)	(11,037)	N/A	N/A
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**

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Year	Annual money-weighted rate of return, net of investment expense
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.

**SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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Valuation date.....	June 30, 2018
Actuarial cost method.....	Entry Age Normal- Level Percentage of Payroll
Inflation.....	3.50%
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.....	7.00%
Health care trend rates.....	<b>CCMHG:</b> Under 65: 0% for 1 year, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Over 65: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year. <b>GIC:</b> Medical/Prescription Drug: 8.0% decreasing by 0.5% for years, then by 0.25% for 2 years to an ultimate level of 5.0% per year. EGWP: 5.0%. <b>Part B:</b> 4.5%.
Mortality rates.....	<p>Preretirement mortality rates: Healthy Non-Teachers: RP-2014 Employee Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016</p> <p>Postretirement mortality rates: Healthy Non-Teachers: RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Healthy Teachers: RP-2014 White Collar Annuitant Mortality Table projected generationally with Scale MO-2016. Disabled Non-Teachers: RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017. Disabled Teachers: RP-2014 Healthy Annuitant Table set forward four years and projected generationally with Scale BB2D from 2014</p>

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

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

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

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget. Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2019 approved budget authorized \$23.3 million in appropriations and other amounts to be raised and \$1.6 million in encumbrances and appropriations carried over from previous years. There was no 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, 2019, is presented below:

Net change in fund balance - budgetary basis.....	\$ (68,680)
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	221,572
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	4,000
Net change in recording accrued payroll.....	23,107
Recognition of revenue for on-behalf payments.....	507,974
Recognition of expenditures for on-behalf payments.....	<u>(507,974)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 179,999</u>

**NOTE B – PENSION PLAN**Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of Town's Contributions

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

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 - NoneChanges 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 details the Plan's net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plans net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered 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.

Schedule of Investment Return

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

Schedule of Actuarial Methods and Assumptions

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

***Report on Internal Control over  
Financial Reporting and on Compliance***

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100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## **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 Select Board  
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, (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 24, 2020.

### **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.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*

April 24, 2020