

***TOWN OF YARMOUTH, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2016***

TOWN OF YARMOUTH, MASSACHUSETTS

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JUNE 30, 2016

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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Yarmouth, Massachusetts

## 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 Yarmouth, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Yarmouth, 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 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 Yarmouth, Massachusetts, as of June 30, 2016, 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 and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the Town of Yarmouth, 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 Yarmouth, Massachusetts' internal control over financial reporting and compliance.



December 22, 2016

# ***Management's Discussion and Analysis***

## Management's Discussion and Analysis

As management of the Town of Yarmouth (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2016. We encourage readers to consider the information presented in this report in conjunction with the Town's financial statements. All amounts, unless otherwise noted, are presented in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### **Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$101.3 million (net position).
- Governmental net position increased by \$2.7 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$30.6 million, an increase of \$3.4 million in comparison with the prior year.
- The Town's other postemployment (OPEB) benefit liability increased by \$1.3 million and totals \$10.6 million as of June 30, 2016.
- The Town's net pension liability increased by \$5.2 million and totals \$45.4 million as of June 30, 2016.

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

This discussion and analysis is intended to serve as an introduction to the Town of Yarmouth's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**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 and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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 the 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 (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are primarily 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, community preservation, human services, culture and recreation, and interest.

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

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

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

In accordance with accounting standards, the Town reports fund balance components as nonspendable, restricted, committed, assigned and unassigned. Additionally, the Town's stabilization funds are reported within the general fund.

The Town of Yarmouth 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. The budgetary comparison statement is presented as required supplementary information after the notes to the basic financial statements.

**Proprietary funds.** The Town of Yarmouth 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 its septage, water, golf course, and transfer station operations.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains two different fiduciary funds. The private purpose trust fund is used to account for resources held in trust which principal and investment income exclusively benefit individuals, private organizations, or other governments. The agency fund is used to account for assets held in a purely custodial capacity.

**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.

**Government-wide Financial Analysis**

As noted earlier net position may serve, over time, as a useful indicator of a government’s financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$101.2 million at the close of 2016. Key components of the Town’s governmental and business-type financial position follow.

A significant portion of the Town’s net position, \$110.5 million, reflects its investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens: consequently these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position, \$12.0 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals (\$28.0 million) and may be used to meet the government’s ongoing obligations to citizens and creditors.

**Governmental Activities.**

For the Town’s governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53 million at the close of 2016.

|  | 2016                 | 2015                 |
|--|----------------------|----------------------|
| <b>Assets:</b>                               |                      |                      |
| Current assets.....                          | \$ 37,490,065        | \$ 33,991,698        |
| Noncurrent assets (excluding capital).....   | 192,320              | 283,907              |
| Capital assets.....                          | 77,077,760           | 77,768,567           |
| <b>Total assets.....</b>                     | <b>114,760,145</b>   | <b>112,044,172</b>   |
| <b>Deferred Outflows of Resources.....</b>   | <b>3,793,571</b>     | <b>65,079</b>        |
| <b>Liabilities:</b>                          |                      |                      |
| Current liabilities (excluding debt).....    | 2,740,238            | 2,680,694            |
| Noncurrent liabilities (excluding debt)..... | 53,941,786           | 47,876,322           |
| Current debt.....                            | 1,834,300            | 2,488,200            |
| Noncurrent debt.....                         | 6,517,800            | 8,381,100            |
| <b>Total liabilities.....</b>                | <b>65,034,124</b>    | <b>61,426,316</b>    |
| <b>Deferred Inflows of Resources.....</b>    | <b>390,268</b>       | <b>318,979</b>       |
| <b>Net Position:</b>                         |                      |                      |
| Net investment in capital assets.....        | 68,646,076           | 66,899,267           |
| Restricted.....                              | 12,043,071           | 17,576,970           |
| Unrestricted.....                            | (27,559,823)         | (34,112,281)         |
| <b>Total net position.....</b>               | <b>\$ 53,129,324</b> | <b>\$ 50,363,956</b> |



|  | <u>2016</u>                    | <u>2015</u>                 |
|--|--------------------------------|-----------------------------|
| <b>Program revenues:</b>                         |                                |                             |
| Charges for services.....                        | \$ 9,738,252                   | \$ 9,086,126                |
| Operating grants and contributions.....          | 1,200,824                      | 1,096,572                   |
| Capital grants and contributions.....            | 1,443,954                      | 984,932                     |
| <b>General revenues:</b>                         |                                |                             |
| Real estate and personal property taxes.....     | 55,740,822                     | 54,029,589                  |
| Motor vehicle and other excise taxes.....        | 6,974,491                      | 6,504,666                   |
| Penalties and Interest.....                      | 318,573                        | 370,777                     |
| Nonrestricted grants.....                        | 2,005,891                      | 1,736,356                   |
| Unrestricted investment income (loss).....       | 190,319                        | 88,677                      |
| Other revenues.....                              | 101,496                        | 608,287                     |
| <b>Total revenues.....</b>                       | <b><u>77,714,622</u></b>       | <b><u>74,505,982</u></b>    |
| <b>Expenses:</b>                                 |                                |                             |
| General government.....                          | 6,222,381                      | 6,249,448                   |
| Public safety.....                               | 22,171,986                     | 21,494,988                  |
| Education.....                                   | 32,346,019                     | 31,315,014                  |
| Public works.....                                | 7,812,952                      | 8,582,982                   |
| Community preservation.....                      | 517,769                        | 898,946                     |
| Human services.....                              | 2,843,982                      | 2,706,972                   |
| Culture and recreation.....                      | 3,118,671                      | 2,847,505                   |
| Claims and judgments.....                        | -                              | 1,615,369                   |
| Interest.....                                    | 235,767                        | 309,949                     |
| <b>Total expenses.....</b>                       | <b><u>75,269,527</u></b>       | <b><u>76,021,173</u></b>    |
| <b>Excess (deficiency) before transfers.....</b> | <b>2,445,095</b>               | <b>(1,515,191)</b>          |
| <b>Transfers.....</b>                            | <b><u>320,273</u></b>          | <b><u>1,005,820</u></b>     |
| <b>Change in net position.....</b>               | <b>2,765,368</b>               | <b>(509,371)</b>            |
| <b>Net position at beginning of year.....</b>    | <b><u>50,363,956</u></b>       | <b><u>50,873,327</u></b>    |
| <b>Net position at end of year.....</b>          | <b>\$ <u>53,129,324</u> \$</b> | <b>\$ <u>50,363,956</u></b> |

The governmental activities net position increased by \$2.8 million during the current year. The increase due to the receipt of capital grants of \$1.4 million, an increase in deferred outflows of \$3.7 million and positive budgetary results; these gains were offset by a \$1.2 million increase in the OPEB liability and a \$4.9 million increase in the net pension liability.

Governmental expenses totaled \$75.3 million, of which \$12.4 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$65.3 million, primarily coming from property taxes, excise taxes, and grants not restricted to specific programs.

Charges for services represent about 79% of governmental program revenues. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered are set by Town Meeting and Town boards.

Operating grants and contributions account for 10% of the governmental program revenues. Most of these resources apply to community preservation, human services and public safety operations. These resources offset costs of community preservation and the other departments over and above the general fund operating budget.

Capital grants and contributions account for the remaining 11% of the governmental program revenues and mostly related to state and federal grant revenues.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 72% of all revenues. Other taxes comprise 9% of the governmental activity's revenues.

Education is the largest governmental activity of the Town. A total of \$32.3 million was expended for education, mainly regional school district assessments. Education expenditures were funded by taxes and other revenue. Public safety is the second largest activity of the Town as \$22 million was expended, of which \$3.8 million was funded by program sources, and the balance was funded by taxes and other revenues.

**Business-type Activities.**

Business-type assets exceeded liabilities by \$48.1 million at June 30, 2016. Business-type net position of \$41.9 million (87%) represents its net investment in capital assets. The remaining \$6.3 million (13%) of unrestricted net position may be used to meet the enterprise funds' ongoing obligations.

There was a decrease of \$472,000 in net position reported in connection with the septage, water, and golf course business-type activities. Condensed financial data for 2016 and 2015 is presented below:

|  | 2016                 | 2015                 |
|--|----------------------|----------------------|
| <b>Assets:</b>                               |                      |                      |
| Current assets.....                          | \$ 10,262,425        | \$ 9,220,188         |
| Capital assets.....                          | 46,064,608           | 47,205,961           |
| <b>Total assets.....</b>                     | <b>56,327,033</b>    | <b>56,426,149</b>    |
| <b>Deferred Outflows of Resources.....</b>   | <b>223,829</b>       | <b>3,840</b>         |
| <b>Liabilities:</b>                          |                      |                      |
| Current liabilities (excluding debt).....    | 570,608              | 324,488              |
| Noncurrent liabilities (excluding debt)..... | 3,962,655            | 3,283,292            |
| Current debt.....                            | 690,800              | 2,853,000            |
| Noncurrent debt.....                         | 3,157,900            | 1,319,700            |
| <b>Total liabilities.....</b>                | <b>8,381,963</b>     | <b>7,780,480</b>     |
| <b>Deferred Inflows of Resources.....</b>    | <b>36,641</b>        | <b>45,506</b>        |
| <b>Net Position:</b>                         |                      |                      |
| Net investment in capital assets.....        | 41,871,435           | 43,033,261           |
| Unrestricted.....                            | 6,260,823            | 5,570,742            |
| <b>Total net position.....</b>               | <b>\$ 48,132,258</b> | <b>\$ 48,604,003</b> |

|   | <u>2016</u>                 | <u>2015</u>                 |
|---|-----------------------------|-----------------------------|
| <b>Program revenues:</b>                      |                             |                             |
| Charges for services.....                     | \$ 9,964,545                | \$ 8,689,863                |
| Nonoperating grants and contributions.....    | 3,129                       | 3,714                       |
| <b>General revenues:</b>                      |                             |                             |
| Unrestricted investment income.....           | 2,332                       | 1,189                       |
| <b>Total revenues.....</b>                    | <b><u>9,970,006</u></b>     | <b><u>8,694,766</u></b>     |
| <b>Expenses.....</b>                          |                             |                             |
| Septage.....                                  | 1,466,026                   | 1,415,560                   |
| Water.....                                    | 5,222,414                   | 5,744,329                   |
| Golf course.....                              | 3,625,086                   | 3,213,139                   |
| <b>Total expenses.....</b>                    | <b><u>10,313,526</u></b>    | <b><u>10,373,028</u></b>    |
| <b>Excess before transfers.....</b>           | <b><u>(343,520)</u></b>     | <b><u>(1,678,262)</u></b>   |
| <b>Transfers.....</b>                         | <b><u>(320,273)</u></b>     | <b><u>(1,005,820)</u></b>   |
| <b>Change in net position.....</b>            | <b><u>(663,793)</u></b>     | <b><u>(2,684,082)</u></b>   |
| <b>Net position at beginning of year.....</b> | <b><u>48,604,003</u></b>    | <b><u>51,288,085</u></b>    |
| <b>Net position at end of year.....</b>       | <b><u>\$ 47,940,210</u></b> | <b><u>\$ 48,604,003</u></b> |

The septage enterprise net position increased by \$614,000 during the current year. The change is attributable to expanded capacity and new customers due to the closing of a nearby septage plant.

The water enterprise net position decreased by \$1.1 million during the current year. An increase in revenue due to an increase in consumption was offset by the cost of service and administration.

The golf course enterprise net position decreased by \$8,400 during the current year. The change is primarily due to increase in fees revenue offset by an increase in the cost of service and administration.

### **Financial Analysis of the Government's Funds**

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

*Governmental funds.* The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing 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, the Town's governmental funds reported combined ending fund balances totaling \$30.6 million. Of this amount \$11.9 million is for the general fund, \$5.4 million is for the community preservation fund, \$1.9 million is for the ambulance fund, \$6.7 million is for the Municipal Affordable Housing Trust, and \$4.7 million comprises of nonmajor funds. Cumulatively there was an increase of \$3.4 million in fund balances from the prior year.

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 \$11.5 million while total fund balance was \$11.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 16.2% of the total general fund budgetary expenditures, while total fund balance represents 16.8% of that same amount.

The general fund balance increased by \$2.4 million during the current year. This was primarily due to better than expected revenue collections.

The Town has a general stabilization fund and an OPEB stabilization fund that are both classified as part of the general fund unassigned fund balance in the governmental funds financial statements and totals \$2.9 million and \$824,000, respectively, at year end. Please refer to Note 9 for additional information.

The community preservation fund is used to account for funds received in accordance with the Massachusetts Community Preservation Act. At the year end the fund had a balance of \$5.4 million; this is an increase of \$263,000 from the prior year and is due to the funding of current year projects via a transfer to the municipal affordable housing trust fund.

The ambulance fund is used to account for ambulance receipts reserved for appropriation. At the year end the fund had a balance of \$1.9 million; this is a decrease of \$331,000 from the prior year. This is mainly due to an increase in revenues offset by an increase in transfers to the general fund.

The Municipal Affordable Housing Trust fund is used to account for affordable housing activities. At year end the fund had a balance of \$6.7 million; this is an increase of \$1.2 million from the prior year and was due to a \$1.3 million transfer in from the community preservation fund.

The nonmajor funds increase by \$30,000 during the current year. This was due to the timing of expenditures and grant revenues of various projects.

### **General Fund Budgetary Highlights**

The initial budget and the encumbrances and continuing appropriations (original budget) totaled \$73.8 million. Changes during the year consisted largely of allocations between and among departments and articles approved at the May Annual Town Meeting. The net change to the final budget totaled \$2.2 million.

General fund revenues came in \$3.8 million more than budgeted while general fund expenditures plus encumbrances and continuing appropriations came in \$1.5 less than budgeted.

### **Capital Asset and Debt Administration**

In conjunction with the annual operating budget, the Town of Yarmouth annually prepares a capital budget for the upcoming year.

**Capital assets.** The Town of Yarmouth's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$123.1 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, equipment, machinery & vehicles, and infrastructure.

**Debt Administration.** Outstanding long-term debt of the general government, as of June 30, 2016, totaled \$8.4 million. During 2016, the Town paid down \$2.1 million in debt principal expense.

Bond anticipation notes totaled \$125,000 at year end. These notes were related to Bass River Golf Course restaurant project.

The septage enterprise fund has outstanding long-term debt totaling \$2.5 million.

The golf enterprise fund has outstanding long-term debt totaling \$1.2 million.

The Town maintains an "AA+" bond rating from Standard & Poors.

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

#### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Yarmouth'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, 1146 Route 28, South Yarmouth, MA 02664-4492.

# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2016

|   | <i>Primary Government</i>   |                             |                              |
|---|-----------------------------|-----------------------------|------------------------------|
|   | Governmental<br>Activities  | Business-type<br>Activities | Total                        |
| <b>ASSETS</b>   |                             |                             |                              |
| <b>CURRENT:</b>   |                             |                             |                              |
| Cash and cash equivalents.....                          | \$ 31,931,693               | \$ 7,039,723                | \$ 38,971,416                |
| Investments.....  | 1,305,722                   | -                           | 1,305,722                    |
| Receivables, net of allowance for uncollectibles:       |                             |                             |                              |
| Real estate and personal property taxes.....            | 1,000,397                   | -                           | 1,000,397                    |
| Tax liens.....  | 417,019                     | -                           | 417,019                      |
| Motor vehicle and other excise taxes.....               | 400,970                     | -                           | 400,970                      |
| Water fees.....   | -                           | 2,778,700                   | 2,778,700                    |
| Septage fees.....                                       | -                           | 444,002                     | 444,002                      |
| Departmental and other.....                             | 1,368,831                   | -                           | 1,368,831                    |
| Special assessments.....                                | 9,000                       | -                           | 9,000                        |
| Intergovernmental.....                                  | 1,056,433                   | -                           | 1,056,433                    |
| Total current assets.....                               | <u>37,490,065</u>           | <u>10,262,425</u>           | <u>47,752,490</u>            |
| <b>NONCURRENT:</b>                                      |                             |                             |                              |
| Receivables, net of allowance for uncollectibles:       |                             |                             |                              |
| Intergovernmental.....                                  | 166,689                     | -                           | 166,689                      |
| Special assessments.....                                | 25,631                      | -                           | 25,631                       |
| Capital assets, nondepreciable.....                     | 34,826,384                  | 15,588,576                  | 50,414,960                   |
| Capital assets, net of accumulated depreciation.....    | <u>42,251,376</u>           | <u>30,476,032</u>           | <u>72,727,408</u>            |
| Total noncurrent assets.....                            | <u>77,270,080</u>           | <u>46,064,608</u>           | <u>123,334,688</u>           |
| <b>TOTAL ASSETS.....</b>                                | <b><u>114,760,145</u></b>   | <b><u>56,327,033</u></b>    | <b><u>171,087,178</u></b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                             |                             |                              |
| Deferred outflows of resources related to pensions..... | <u>3,793,571</u>            | <u>223,829</u>              | <u>4,017,400</u>             |
| <b>LIABILITIES</b>                                      |                             |                             |                              |
| <b>CURRENT:</b>   |                             |                             |                              |
| Warrants payable.....                                   | 836,913                     | 359,327                     | 1,196,240                    |
| Accrued payroll.....                                    | 819,539                     | 103,897                     | 923,436                      |
| Tax refunds payable.....                                | 200,000                     | -                           | 200,000                      |
| Accrued interest.....                                   | 33,280                      | 9,963                       | 43,243                       |
| Payroll withholdings.....                               | 724,595                     | -                           | 724,595                      |
| Other liabilities.....                                  | 36,829                      | 3,078                       | 39,907                       |
| Capital lease obligations.....                          | 39,082                      | 94,343                      | 133,425                      |
| Landfill closure.....                                   | 50,000                      | -                           | 50,000                       |
| Notes payable.....                                      | -                           | 125,000                     | 125,000                      |
| Bonds payable.....                                      | 1,834,300                   | 565,800                     | 2,400,100                    |
| Total current liabilities.....                          | <u>4,574,538</u>            | <u>1,261,408</u>            | <u>5,835,946</u>             |
| <b>NONCURRENT:</b>                                      |                             |                             |                              |
| Capital lease obligations.....                          | 40,502                      | 250,130                     | 290,632                      |
| Landfill closure.....                                   | 600,000                     | -                           | 600,000                      |
| Compensated absences.....                               | 824,618                     | 171,140                     | 995,758                      |
| Other postemployment benefits obligation.....           | 9,605,041                   | 1,011,870                   | 10,616,911                   |
| Net pension liability.....                              | 42,871,625                  | 2,529,515                   | 45,401,140                   |
| Bonds payable.....                                      | 6,517,800                   | 3,157,900                   | 9,675,700                    |
| Total noncurrent liabilities.....                       | <u>60,459,586</u>           | <u>7,120,555</u>            | <u>67,580,141</u>            |
| <b>TOTAL LIABILITIES.....</b>                           | <b><u>65,034,124</u></b>    | <b><u>8,381,963</u></b>     | <b><u>73,416,087</u></b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |                             |                             |                              |
| Unearned revenue.....                                   | <u>390,268</u>              | <u>36,641</u>               | <u>426,909</u>               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>         | <b><u>390,268</u></b>       | <b><u>36,641</u></b>        | <b><u>426,909</u></b>        |
| <b>NET POSITION</b>                                     |                             |                             |                              |
| Net investment in capital assets.....                   | 68,646,076                  | 41,871,435                  | 110,517,511                  |
| Restricted for:   |                             |                             |                              |
| Capital projects.....                                   | 484,673                     | -                           | 484,673                      |
| Permanent funds:  |                             |                             |                              |
| Expendable.....   | 438,838                     | -                           | 438,838                      |
| Nonexpendable.....                                      | 688,867                     | -                           | 688,867                      |
| Gifts, grants and other.....                            | 5,065,300                   | -                           | 5,065,300                    |
| Community preservation.....                             | 5,365,393                   | -                           | 5,365,393                    |
| Unrestricted.....                                       | <u>(27,559,823)</u>         | <u>6,260,823</u>            | <u>(21,299,000)</u>          |
| <b>TOTAL NET POSITION.....</b>                          | <b><u>\$ 53,129,324</u></b> | <b><u>\$ 48,132,258</u></b> | <b><u>\$ 101,261,582</u></b> |

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

| Functions/Programs                  | Expenses             | Program Revenues        |  |  | Net (Expense)<br>Revenue |
|-------------------------------------|----------------------|-------------------------|--|--|--------------------------|
|                                     |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                          |
| <b>Primary Government:</b>          |                      |                         |  |  |                          |
| <i>Governmental Activities:</i>     |                      |                         |  |  |                          |
| General government.....             | \$ 6,222,381         | \$ 1,479,012            | \$ 59,896                                | \$ 3,680                               | \$ (4,679,793)           |
| Public safety.....                  | 22,171,986           | 2,983,928               | 343,811                                  | 426,384                                | (18,417,863)             |
| Education.....                      | 32,346,019           | -                       | -  | -                                      | (32,346,019)             |
| Public works.....                   | 7,812,952            | 4,321,405               | 25,565                                   | 1,009,390                              | (2,456,592)              |
| Community preservation.....         | 517,769              | -                       | 499,476                                  | -                                      | (18,293)                 |
| Human services.....                 | 2,843,982            | 301,101                 | 240,040                                  | -                                      | (2,302,841)              |
| Culture and recreation.....         | 3,118,671            | 652,806                 | 32,036                                   | 4,500                                  | (2,429,329)              |
| Interest.....                       | 235,767              | -                       | -  | -                                      | (235,767)                |
| Total Governmental Activities.....  | <u>75,269,527</u>    | <u>9,738,252</u>        | <u>1,200,824</u>                         | <u>1,443,954</u>                       | <u>(62,886,497)</u>      |
| <i>Business-Type Activities:</i>    |                      |                         |  |  |                          |
| Septage.....                        | 1,466,026            | 1,997,729               | 3,129                                    | -                                      | 534,832                  |
| Water.....                          | 5,222,414            | 4,491,131               | -  | -                                      | (731,283)                |
| Golf course.....                    | 3,625,086            | 3,475,685               | -  | -                                      | (149,401)                |
| Total Business-Type Activities..... | <u>10,313,526</u>    | <u>9,964,545</u>        | <u>3,129</u>                             | <u>-</u>                               | <u>(345,852)</u>         |
| Total Primary Government.....       | <u>\$ 85,583,053</u> | <u>\$ 19,702,797</u>    | <u>\$ 1,203,953</u>                      | <u>\$ 1,443,954</u>                    | <u>\$ (63,232,349)</u>   |

See notes to basic financial statements.

(Continued)



**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2016

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|---|----------------------------|-----------------------------|------------------------|
| <b>Changes in net position:</b>   |                            |                             |                        |
| Net (expense) revenue from previous page.....                               | \$ <b>(62,886,497)</b>     | \$ <b>(345,852)</b>         | \$ <b>(63,232,349)</b> |
| <i>General revenues:</i>  |                            |                             |                        |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 55,740,822                 | -                           | 55,740,822             |
| Motor vehicle and other excise taxes.....                                   | 3,511,837                  | -                           | 3,511,837              |
| Hotel/motel tax.....  | 3,462,654                  | -                           | 3,462,654              |
| Penalties and interest on taxes.....  | 318,573                    | -                           | 318,573                |
| Grants and contributions not restricted to<br>specific programs.....        | 2,005,891                  | -                           | 2,005,891              |
| Unrestricted investment income.....   | 190,319                    | 2,332                       | 192,651                |
| Miscellaneous.....  | 101,496                    | 192,048                     | 293,544                |
| <i>Transfers, net</i> .....   | 320,273                    | (320,273)                   | -                      |
| <b>Total general revenues and transfers.....</b>                            | <b>65,651,865</b>          | <b>(125,893)</b>            | <b>65,525,972</b>      |
| <br>Change in net position.....   | <br>2,765,368              | <br>(471,745)               | <br>2,293,623          |
| <i>Net Position:</i>  |                            |                             |                        |
| Beginning of year.....  | 50,363,956                 | 48,604,003                  | 98,967,959             |
| End of year.....  | \$ <b>53,129,324</b>       | \$ <b>48,132,258</b>        | \$ <b>101,261,582</b>  |

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2016

| <b>ASSETS</b>  | General              | Community<br>Preservation<br>Fund | Ambulance<br>Fund   | Municipal<br>Affordable<br>Housing Trust | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------------|---------------------|--|-----------------------------------|--------------------------------|
| Cash and cash equivalents.....   | \$ 13,725,552        | \$ 5,379,458                      | \$ 1,951,237        | \$ 6,713,196                             | \$ 4,162,250                      | \$ 31,931,693                  |
| Investments.....   | 415,720              | -                                 | -                   | -  | 890,002                           | 1,305,722                      |
| Receivables, net of uncollectibles:  |                      |                                   |                     |  |                                   |                                |
| Real estate and personal property taxes.....                                       | 978,240              | 22,157                            | -                   | -  | -                                 | 1,000,397                      |
| Tax liens.....   | 406,929              | 10,090                            | -                   | -  | -                                 | 417,019                        |
| Motor vehicle and other excise taxes.....  | 400,970              | -                                 | -                   | -  | -                                 | 400,970                        |
| Departmental and other.....  | 165,222              | -                                 | 1,203,609           | -  | -                                 | 1,368,831                      |
| Special assessments.....   | -                    | -                                 | -                   | -  | 34,631                            | 34,631                         |
| Intergovernmental.....   | 242,887              | 320,000                           | -                   | -  | 660,235                           | 1,223,122                      |
| <b>TOTAL ASSETS.....</b>   | <b>\$ 16,335,520</b> | <b>\$ 5,731,705</b>               | <b>\$ 3,154,846</b> | <b>\$ 6,713,196</b>                      | <b>\$ 5,747,118</b>               | <b>\$ 37,682,385</b>           |
| <b>LIABILITIES:</b>  |                      |                                   |                     |  |                                   |                                |
| Warrants payable.....  | \$ 674,359           | \$ 12,915                         | \$ -                | \$ 3,122                                 | \$ 146,517                        | \$ 836,913                     |
| Accrued payroll.....   | 809,598              | 1,150                             | -                   | 702                                      | 8,089                             | 819,539                        |
| Tax refunds payable.....   | 200,000              | -                                 | -                   | -  | -                                 | 200,000                        |
| Payroll withholdings.....  | 724,595              | -                                 | -                   | -  | -                                 | 724,595                        |
| Other liabilities.....   | 23,087               | -                                 | -                   | -  | 13,742                            | 36,829                         |
| Unearned revenue.....  | 150,527              | -                                 | -                   | -  | 239,741                           | 390,268                        |
| <b>TOTAL LIABILITIES.....</b>  | <b>2,582,166</b>     | <b>14,065</b>                     | <b>-</b>            | <b>3,824</b>                             | <b>408,089</b>                    | <b>3,008,144</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                      |                                   |                     |  |                                   |                                |
| Unavailable revenues.....  | 1,882,034            | 352,247                           | 1,203,608           | -  | 612,589                           | 4,050,478                      |
| <b>FUND BALANCES:</b>  |                      |                                   |                     |  |                                   |                                |
| Nonspendable.....  | -                    | -                                 | -                   | -  | 688,867                           | 688,867                        |
| Restricted.....  | -                    | 5,365,393                         | 1,951,238           | 6,709,372                                | 4,047,222                         | 18,073,225                     |
| Committed.....   | 2,993,693            | -                                 | -                   | -  | -                                 | 2,993,693                      |
| Assigned.....  | 3,257,259            | -                                 | -                   | -  | -                                 | 3,257,259                      |
| Unassigned.....  | 5,620,368            | -                                 | -                   | -  | (9,649)                           | 5,610,719                      |
| <b>TOTAL FUND BALANCES.....</b>  | <b>11,871,320</b>    | <b>5,365,393</b>                  | <b>1,951,238</b>    | <b>6,709,372</b>                         | <b>4,726,440</b>                  | <b>30,623,763</b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES.....</b> | <b>\$ 16,335,520</b> | <b>\$ 5,731,705</b>               | <b>\$ 3,154,846</b> | <b>\$ 6,713,196</b>                      | <b>\$ 5,747,118</b>               | <b>\$ 37,682,385</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, 2016

|   |                    |                          |
|---|--------------------|--------------------------|
| Total governmental fund balances.....   | \$                 | 30,623,763               |
| Capital assets (net) used in governmental activities are not financial resources<br>and, therefore, are not reported in the funds.....  |                    | 77,077,760               |
| Accounts receivable are not available to pay for current-period<br>expenditures and, therefore, are unavailable in the funds.....   |                    | 4,050,478                |
| Certain changes in the net pension liability are required to be included in pension<br>expense over future periods. These changes are reported as deferred outflows of<br>resources or (deferred inflows of resources) related to pensions..... |                    | 3,793,571                |
| In the statement of activities, interest is accrued on outstanding long-term debt,<br>whereas in governmental funds interest is not reported until due.....   |                    | (33,280)                 |
| Long-term liabilities are not due and payable in the current period and, therefore,<br>are not reported in the governmental funds:  |                    |                          |
| Bonds payable.....  | (8,352,100)        |                          |
| Capital lease obligations.....  | (79,584)           |                          |
| Landfill liability.....   | (650,000)          |                          |
| Compensated absences.....   | (824,618)          |                          |
| Net pension liability.....  | (42,871,625)       |                          |
| Other postemployment benefits obligation.....   | <u>(9,605,041)</u> |                          |
| Net effect of reporting long-term liabilities.....  |                    | <u>(62,382,968)</u>      |
| Net position of governmental activities.....  | \$                 | <u><u>53,129,324</u></u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

|   | General              | Community<br>Preservation<br>Fund | Ambulance<br>Fund   | Municipal<br>Affordable<br>Housing Trust | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-----------------------------------|---------------------|--|-----------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                      |                                   |                     |  |                                   |                                |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ 53,923,057        | \$ 1,597,795                      | \$ -                | \$ -                                     | \$ -                              | \$ 55,520,852                  |
| Motor vehicle and other excise taxes.....                                 | 3,339,334            | -                                 | -                   | -  | 21,953                            | 3,361,287                      |
| Hotel/motel tax.....  | 3,462,654            | -                                 | -                   | -  | -                                 | 3,462,654                      |
| Charges for services.....   | 3,176,656            | -                                 | -                   | -  | -                                 | 3,176,656                      |
| Penalties and interest on taxes.....                                      | 634,834              | 2,970                             | -                   | -  | -                                 | 637,804                        |
| Fees.....   | 1,622,347            | -                                 | -                   | -  | 513,764                           | 2,136,111                      |
| Rentals.....  | 424,418              | -                                 | -                   | -  | -                                 | 424,418                        |
| Licenses and permits.....   | 1,094,542            | -                                 | -                   | -  | -                                 | 1,094,542                      |
| Fines and forfeitures.....  | -                    | -                                 | -                   | -  | 21,875                            | 21,875                         |
| Intergovernmental.....  | 1,598,068            | 499,476                           | 389,738             | -  | 1,493,309                         | 3,980,591                      |
| Departmental and other.....   | 1,034,885            | -                                 | 1,422,408           | 8,787                                    | 116,282                           | 2,582,362                      |
| Contributions.....  | 192,190              | 2,500                             | -                   | -  | 362,499                           | 557,189                        |
| Investment income.....  | 108,416              | 493                               | -                   | -  | 81,410                            | 190,319                        |
| Miscellaneous.....  | 61,659               | -                                 | -                   | -  | 205,353                           | 267,012                        |
| <b>TOTAL REVENUES.....</b>  | <b>70,673,060</b>    | <b>2,103,234</b>                  | <b>1,812,146</b>    | <b>8,787</b>                             | <b>2,816,445</b>                  | <b>77,413,672</b>              |
| <b>EXPENDITURES:</b>  |                      |                                   |                     |  |                                   |                                |
| Current:  |                      |                                   |                     |  |                                   |                                |
| General government.....   | 4,193,288            | -                                 | -                   | -  | 311,102                           | 4,504,390                      |
| Public safety.....  | 16,093,336           | -                                 | -                   | -  | 447,667                           | 16,541,003                     |
| Education.....  | 32,281,993           | -                                 | -                   | -  | -                                 | 32,281,993                     |
| Public works.....   | 5,424,452            | -                                 | -                   | -  | 1,138,983                         | 6,563,435                      |
| Community preservation.....   | -                    | 551,340                           | -                   | -  | -                                 | 551,340                        |
| Human services.....   | 1,443,153            | -                                 | -                   | 83,979                                   | 586,192                           | 2,113,324                      |
| Culture and recreation.....   | 1,868,819            | -                                 | -                   | -  | 521,130                           | 2,389,949                      |
| Pension benefits.....   | 3,496,911            | -                                 | -                   | -  | -                                 | 3,496,911                      |
| Property and liability insurance.....                                     | 536,481              | -                                 | -                   | -  | -                                 | 536,481                        |
| Employee benefits.....  | 2,344,735            | -                                 | -                   | -  | -                                 | 2,344,735                      |
| State and county charges.....   | 764,893              | -                                 | -                   | -  | -                                 | 764,893                        |
| Debt service:   |                      |                                   |                     |  |                                   |                                |
| Principal.....  | 2,053,200            | -                                 | -                   | -  | -                                 | 2,053,200                      |
| Interest.....   | 271,314              | -                                 | -                   | -  | -                                 | 271,314                        |
| <b>TOTAL EXPENDITURES.....</b>  | <b>70,772,575</b>    | <b>551,340</b>                    | <b>-</b>            | <b>83,979</b>                            | <b>3,005,074</b>                  | <b>74,412,968</b>              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>(99,515)</b>      | <b>1,551,894</b>                  | <b>1,812,146</b>    | <b>(75,192)</b>                          | <b>(188,629)</b>                  | <b>3,000,704</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                      |                                   |                     |  |                                   |                                |
| Proceeds from refunding bonds.....  | 375,000              | -                                 | -                   | -  | -                                 | 375,000                        |
| Premium from issuance of refunding bonds.....                             | 32,931               | -                                 | -                   | -  | -                                 | 32,931                         |
| Payments to refunded bond escrow agent.....                               | (407,931)            | -                                 | -                   | -  | -                                 | (407,931)                      |
| Capital lease financing.....  | 121,555              | -                                 | -                   | -  | -                                 | 121,555                        |
| Transfers in.....   | 3,123,644            | -                                 | 119,000             | 1,288,500                                | 759,625                           | 5,290,769                      |
| Transfers out.....  | (878,625)            | (1,288,500)                       | (2,262,000)         | -  | (541,371)                         | (4,970,496)                    |
| <b>TOTAL OTHER FINANCING SOURCES (USES).....</b>                          | <b>2,366,574</b>     | <b>(1,288,500)</b>                | <b>(2,143,000)</b>  | <b>1,288,500</b>                         | <b>218,254</b>                    | <b>441,828</b>                 |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>2,267,059</b>     | <b>263,394</b>                    | <b>(330,854)</b>    | <b>1,213,308</b>                         | <b>29,625</b>                     | <b>3,442,532</b>               |
| <b>FUND BALANCES AT BEGINNING OF YEAR.....</b>                            | <b>9,604,261</b>     | <b>5,101,999</b>                  | <b>2,282,092</b>    | <b>5,496,064</b>                         | <b>4,696,815</b>                  | <b>27,181,231</b>              |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 11,871,320</b> | <b>\$ 5,365,393</b>               | <b>\$ 1,951,238</b> | <b>\$ 6,709,372</b>                      | <b>\$ 4,726,440</b>               | <b>\$ 30,623,763</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, 2016

|  |    |                         |
|--|----|-------------------------|
| Net change in fund balances - total governmental funds.....  | \$ | 3,442,532               |
| <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.....  |    | 1,989,662               |
| Depreciation expense.....  |    | <u>(2,680,469)</u>      |
| Net effect of reporting capital assets.....  |    | (690,807)               |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are fully unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>  |    |                         |
|  |    | 300,950                 |
| <p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p> |    |                         |
| Premium from issuance of bonds, net of issue costs.....  |    | (32,931)                |
| Issuance of refunding bonds and notes.....   |    | (375,000)               |
| Debt service principal payments - current refunding.....   |    | 407,931                 |
| Debt service principal payments.....   |    | <u>2,053,200</u>        |
| Net effect of reporting long-term debt.....  |    | 2,053,200               |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>   |    |                         |
| Net change in compensated absences accrual.....  |    | (8,829)                 |
| Net change in landfill liability.....  |    | 50,000                  |
| Net change in accrued interest on long-term debt.....  |    | (44,037)                |
| Net change in deferred outflow/(inflow) of resources related to pensions.....  |    | 3,728,492               |
| Net change in net pension liability.....   |    | (4,870,717)             |
| Net change in other postemployment benefits obligation.....  |    | <u>(1,195,416)</u>      |
| Net effect of recording long-term liabilities and amortizing deferred losses.....  |    | <u>(2,340,507)</u>      |
| Change in net position of governmental activities.....   | \$ | <u><u>2,765,368</u></u> |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2016

|   | Septage<br>Enterprise | Water<br>Enterprise  | Golf<br>Enterprise   | Total                |
|---|-----------------------|----------------------|----------------------|----------------------|
| <b>ASSETS</b>   |                       |                      |                      |                      |
| <b>CURRENT:</b>   |                       |                      |                      |                      |
| Cash and cash equivalents.....                          | \$ 1,830,291          | \$ 4,471,884         | \$ 737,548           | \$ 7,039,723         |
| Receivables, net of allowance for uncollectibles:       |                       |                      |                      |                      |
| Water fees.....   | -                     | 2,778,700            | -                    | 2,778,700            |
| Septage fees.....                                       | 444,002               | -                    | -                    | 444,002              |
| Total current assets.....                               | <u>2,274,293</u>      | <u>7,250,584</u>     | <u>737,548</u>       | <u>10,262,425</u>    |
| <b>NONCURRENT:</b>                                      |                       |                      |                      |                      |
| Capital assets, nondepreciable.....                     | 1,382,970             | 4,231,306            | 9,974,300            | 15,588,576           |
| Capital assets, depreciable.....                        | <u>2,297,910</u>      | <u>23,237,123</u>    | <u>4,940,999</u>     | <u>30,476,032</u>    |
| Total noncurrent assets.....                            | <u>3,680,880</u>      | <u>27,468,429</u>    | <u>14,915,299</u>    | <u>46,064,608</u>    |
| <b>TOTAL ASSETS.....</b>                                | <u>5,955,173</u>      | <u>34,719,013</u>    | <u>15,652,847</u>    | <u>56,327,033</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                       |                      |                      |                      |
| Deferred outflows of resources related to pensions..... | -                     | 122,062              | 101,767              | 223,829              |
| <b>LIABILITIES</b>                                      |                       |                      |                      |                      |
| <b>CURRENT:</b>   |                       |                      |                      |                      |
| Warrants payable.....                                   | 186,843               | 111,658              | 60,826               | 359,327              |
| Accrued payroll.....                                    | -                     | 40,451               | 63,446               | 103,897              |
| Accrued interest.....                                   | 6,136                 | -                    | 3,827                | 9,963                |
| Other liabilities.....                                  | -                     | -                    | 3,078                | 3,078                |
| Unearned revenue.....                                   | -                     | -                    | 36,641               | 36,641               |
| Capital lease obligations.....                          | -                     | -                    | 94,343               | 94,343               |
| Notes payable.....                                      | -                     | -                    | 125,000              | 125,000              |
| Bonds payable.....                                      | <u>279,000</u>        | -                    | <u>286,800</u>       | <u>565,800</u>       |
| Total current liabilities.....                          | <u>471,979</u>        | <u>152,109</u>       | <u>673,961</u>       | <u>1,298,049</u>     |
| <b>NONCURRENT:</b>                                      |                       |                      |                      |                      |
| Capital lease obligations.....                          | -                     | -                    | 250,130              | 250,130              |
| Compensated absences.....                               | -                     | 59,079               | 112,061              | 171,140              |
| Other postemployment benefits obligation.....           | -                     | 538,540              | 473,330              | 1,011,870            |
| Net pension liability.....                              | -                     | 1,379,441            | 1,150,074            | 2,529,515            |
| Bonds payable.....                                      | <u>2,251,000</u>      | -                    | <u>906,900</u>       | <u>3,157,900</u>     |
| Total noncurrent liabilities.....                       | <u>2,251,000</u>      | <u>1,977,060</u>     | <u>2,892,495</u>     | <u>7,120,555</u>     |
| <b>TOTAL LIABILITIES.....</b>                           | <u>2,722,979</u>      | <u>2,129,169</u>     | <u>3,566,456</u>     | <u>8,418,604</u>     |
| <b>NET POSITION</b>                                     |                       |                      |                      |                      |
| Net investment in capital assets.....                   | 1,150,880             | 27,468,429           | 13,377,126           | 41,996,435           |
| Unrestricted.....                                       | <u>2,081,314</u>      | <u>5,243,477</u>     | <u>(1,188,968)</u>   | <u>6,135,823</u>     |
| <b>TOTAL NET POSITION.....</b>                          | <u>\$ 3,232,194</u>   | <u>\$ 32,711,906</u> | <u>\$ 12,188,158</u> | <u>\$ 48,132,258</u> |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2016**

|   | Septage<br>Enterprise | Water<br>Enterprise  | Golf<br>Enterprise   | Total                |
|---|-----------------------|----------------------|----------------------|----------------------|
| <b>OPERATING REVENUES:</b>                                  |                       |                      |                      |                      |
| Charges for services .....                                  | \$ 1,997,729          | \$ 4,491,131         | \$ 3,475,685         | \$ 9,964,545         |
| Intergovernmental.....                                      | 3,129                 | -                    | -                    | 3,129                |
| Miscellaneous.....  | 192,048               | -                    | -                    | 192,048              |
| <b>TOTAL OPERATING REVENUES .....</b>                       | <b>2,192,906</b>      | <b>4,491,131</b>     | <b>3,475,685</b>     | <b>10,159,722</b>    |
| <b>OPERATING EXPENSES:</b>                                  |                       |                      |                      |                      |
| Cost of services and administration .....                   | 1,216,227             | 3,679,944            | 3,004,008            | 7,900,179            |
| Depreciation.....   | 223,674               | 1,542,470            | 565,309              | 2,331,453            |
| <b>TOTAL OPERATING EXPENSES .....</b>                       | <b>1,439,901</b>      | <b>5,222,414</b>     | <b>3,569,317</b>     | <b>10,231,632</b>    |
| <b>OPERATING INCOME (LOSS).....</b>                         | <b>753,005</b>        | <b>(731,283)</b>     | <b>(93,632)</b>      | <b>(71,910)</b>      |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                    |                       |                      |                      |                      |
| Investment income.....                                      | 719                   | -                    | 1,613                | 2,332                |
| Interest expense.....                                       | (26,125)              | -                    | (55,769)             | (81,894)             |
| <b>TOTAL NONOPERATING<br/>REVENUES (EXPENSES), NET.....</b> | <b>(25,406)</b>       | <b>-</b>             | <b>(54,156)</b>      | <b>(79,562)</b>      |
| <b>INCOME (LOSS) BEFORE TRANSFERS.....</b>                  | <b>727,599</b>        | <b>(731,283)</b>     | <b>(147,788)</b>     | <b>(151,472)</b>     |
| <b>TRANSFERS:</b>   |                       |                      |                      |                      |
| Transfers in.....   | -                     | -                    | 139,426              | 139,426              |
| Transfers out.....  | (114,101)             | (345,598)            | -                    | (459,699)            |
| <b>TOTAL OPERATING TRANSFERS.....</b>                       | <b>(114,101)</b>      | <b>(345,598)</b>     | <b>139,426</b>       | <b>(320,273)</b>     |
| <b>CHANGE IN NET POSITION.....</b>                          | <b>613,498</b>        | <b>(1,076,881)</b>   | <b>(8,362)</b>       | <b>(471,745)</b>     |
| <b>NET POSITION AT BEGINNING OF YEAR.....</b>               | <b>2,618,696</b>      | <b>33,788,787</b>    | <b>12,196,520</b>    | <b>48,604,003</b>    |
| <b>NET POSITION AT END OF YEAR.....</b>                     | <b>\$ 3,232,194</b>   | <b>\$ 32,711,906</b> | <b>\$ 12,188,158</b> | <b>\$ 48,132,258</b> |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2016

|  | Business-type Activities -<br>Enterprise Fund |                     |                    |                     |
|--|---|---------------------|--------------------|---------------------|
|  | Septage<br>Enterprise                         | Water<br>Enterprise | Golf<br>Enterprise | Total               |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>  |   |                     |                    |                     |
| Receipts from customers and users.....   | \$ 2,031,873                                  | \$ 4,458,153        | \$ 3,475,685       | \$ 9,965,711        |
| Receipts from other governments.....   | 3,129   | -                   | -                  | 3,129               |
| Payments to vendors.....   | (1,050,646)                                   | (2,267,694)         | (1,504,210)        | (4,822,550)         |
| Payments to employees.....   | -   | (1,318,906)         | (1,406,567)        | (2,725,473)         |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>   | <b>984,356</b>                                | <b>871,553</b>      | <b>564,908</b>     | <b>2,420,817</b>    |
| <b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>                                     |   |                     |                    |                     |
| Transfers in.....  | -   | -                   | 139,426            | 139,426             |
| Transfers out.....   | (114,101)                                     | (345,598)           | -                  | (459,699)           |
| <b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>  | <b>(114,101)</b>                              | <b>(345,598)</b>    | <b>139,426</b>     | <b>(320,273)</b>    |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>                            |   |                     |                    |                     |
| Proceeds from the issuance of bonds and notes.....   | -   | -                   | 125,000            | 125,000             |
| Acquisition and construction of capital assets.....  | (304,171)                                     | (324,403)           | (561,526)          | (1,190,100)         |
| Principal payments on bonds and notes.....   | (40,000)                                      | -                   | (409,000)          | (449,000)           |
| Principal payments on capital lease obligations.....   | -   | -                   | 344,473            | 344,473             |
| Interest expense.....  | (26,125)                                      | -                   | (55,769)           | (81,894)            |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>                                 | <b>(370,296)</b>                              | <b>(324,403)</b>    | <b>(556,822)</b>   | <b>(1,251,521)</b>  |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>  |   |                     |                    |                     |
| Investment income.....   | 719   | -                   | 1,613              | 2,332               |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>  | <b>500,678</b>                                | <b>201,552</b>      | <b>149,125</b>     | <b>851,355</b>      |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>   | <b>1,329,613</b>                              | <b>4,270,332</b>    | <b>588,423</b>     | <b>6,188,368</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>   | <b>\$ 1,830,291</b>                           | <b>\$ 4,471,884</b> | <b>\$ 737,548</b>  | <b>\$ 7,039,723</b> |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>FROM OPERATING ACTIVITIES:</u></b> |   |                     |                    |                     |
| Operating income (loss).....   | \$ 753,005                                    | \$ (731,283)        | \$ (93,632)        | \$ (71,910)         |
| Adjustments to reconcile operating income (loss) to net cash from operating activities:            |   |                     |                    |                     |
| Depreciation.....  | 223,674                                       | 1,542,470           | 565,309            | 2,331,453           |
| Deferred (outflows)/inflows related to pensions.....   | -   | (119,968)           | (100,021)          | (219,989)           |
| Changes in assets and liabilities:   |   |                     |                    |                     |
| Water fees.....  | -   | (32,978)            | -                  | (32,978)            |
| Septage fees.....  | (157,904)                                     | -                   | -                  | (157,904)           |
| Warrants payable.....  | 162,779                                       | (4,991)             | (2,854)            | 154,934             |
| Accrued payroll.....   | -   | 13,707              | 30,170             | 43,877              |
| Accrued interest.....  | 6,068   | -                   | (1,051)            | 5,017               |
| Other liabilities.....   | (3,266)                                       | (26,483)            | (22,302)           | (52,051)            |
| Unearned revenue.....  | -   | -                   | (8,865)            | (8,865)             |
| Accrued compensated absences.....  | -   | (5,556)             | 3,422              | (2,134)             |
| Net pension liability.....   | -   | 156,721             | 130,661            | 287,382             |
| Postemployment benefits obligation.....  | -   | 79,914              | 64,071             | 143,985             |
| <b>Total adjustments.....</b>  | <b>231,351</b>                                | <b>1,602,836</b>    | <b>658,540</b>     | <b>2,492,727</b>    |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>   | <b>\$ 984,356</b>                             | <b>\$ 871,553</b>   | <b>\$ 564,908</b>  | <b>\$ 2,420,817</b> |

See notes to basic financial statements.



**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

|   | Private<br>Purpose<br>Trust Funds | Agency<br>Funds |
|---|-----------------------------------|-----------------|
| <b>ASSETS</b>                                     |                                   |                 |
| CURRENT:  |                                   |                 |
| Cash and cash equivalents.....                    | \$ 89,045                         | \$ 568,931      |
| Investments.....                                  | 268,568                           | -               |
| Receivables, net of allowance for uncollectibles: |                                   |                 |
| Departmental and other.....                       | -                                 | 42,361          |
| TOTAL ASSETS.....                                 | <u>357,613</u>                    | <u>611,292</u>  |
| <b>LIABILITIES</b>                                |                                   |                 |
| Warrants payable.....                             | -                                 | 17,807          |
| Accrued payroll.....                              | -                                 | 18,713          |
| Liabilities due depositors.....                   | -                                 | 532,411         |
| Deferred revenue.....                             | -                                 | 42,361          |
| TOTAL LIABILITIES.....                            | <u>-</u>                          | <u>611,292</u>  |
| <b>NET POSITION</b>                               |                                   |                 |
| Held in trust.....                                | <u>\$ 357,613</u>                 | <u>\$ -</u>     |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

|  | <u>Private<br/>Purpose<br/>Trust Funds</u> |
|--|--|
| <u>ADDITIONS:</u>                      |  |
| Contributions:                         |  |
| Private donations.....                 | \$ <u>7,010</u>                            |
| Net investment income (loss):          |  |
| Interest.....                          | 18,825                                     |
| Less: investment expense.....          | <u>(120)</u>                               |
| Net investment income (loss).....      | <u>18,705</u>                              |
| TOTAL ADDITIONS.....                   | <u>25,715</u>                              |
| <u>DEDUCTIONS:</u>                     |  |
| Educational scholarships.....          | <u>15,288</u>                              |
| CHANGE IN NET POSITION.....            | 10,427                                     |
| NET POSITION AT BEGINNING OF YEAR..... | <u>347,186</u>                             |
| NET POSITION AT END OF YEAR.....       | \$ <u><u>357,613</u></u>                   |

See notes to basic financial statements.

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

The accompanying basic financial statements of the Town of Yarmouth, 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 Town accounting policies are described herein.

**A. Reporting Entity**

The Town is a Massachusetts municipal corporation that is governed by an elected 5 member Board of Selectmen and an appointed Town Administrator.

The Town of Yarmouth was incorporated in 1639. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, parks, library and recreation, public works and general administration services. In addition, the Town owns and operates a water system, two golf courses, and septage facility.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's basic financial statements.

***Joint Venture***

The Town has entered into a joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing education and services to venture participants directly, for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment paid by the Town in 2016. Financial statements may be obtained from each joint venture by contacting them directly. The Town does not have an equity interest in any joint venture.

| <u>Joint Venture and Address</u>   | <u>Purpose</u>  | <u>2016<br/>Assessment</u> |
|--|---|----------------------------|
| Dennis Yarmouth Regional School District<br>Station Avenue, South Yarmouth, MA 02664 | To provide K-12 Education                                   | \$ 29,308,176              |
| Cape Cod Municipal Health Group<br>15 Midstate Drive, Auburn, MA 01501               | To provide employee health benefits                         | 2,340,616                  |
| Cape Cod Regional Technical High School<br>Route 124, Harwich, MA 02645              | To provide vocational education<br>to students 9 - 12 grade | 2,973,817                  |
| Cape Cod Regional Transit Authority<br>585 Main Street, Dennis, MA 02638             | Provider of regional transportation                         | 143,011                    |

| Joint Venture and Address  | Purpose                              | 2016<br>Assessment |
|--|--------------------------------------|--------------------|
| District Department of Veterans Services<br>PO Box 429, Hyannis, MA 02601                              | To provide services to veterans      | \$ 37,793          |
| Old King's Highway Regional Historic<br>District Commission<br>1146 Route 28, South Yarmouth, MA 02664 | Historical and cultural preservation | 9,750              |

### *Related Organizations*

The Yarmouth Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four of whom are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

## B. 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 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.

### C. 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. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *community preservation fund* is a special revenue fund used to account for and report funds collected in accordance with the Community Preservation Act. The funds may be used for acquiring land and interests in land for the protection of public drinking water supplies, open space and conservation and the creation of walking trails, bicycling trails, and recreation areas.

The *ambulance fund* is used to account for ambulance receipts reserved for appropriation.

The *municipal affordable housing trust* is used to account for the Town's efforts to meet States Ch40B affordable housing goal. It is funded by community preservation, CDBG and HOME funds.

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

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

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

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

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

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

The following proprietary fund types are reported:

The *sewage enterprise fund* accounts for the Town's sewage activities.

The *water enterprise fund* accounts for the Town's water activities.

The *golf course enterprise fund* is used to account for and report the Bass River Golf Course and the Bayberry Hills Golf Course activities.

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

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

#### D. 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.

#### E. Fair Value Measurements

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

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

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

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

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

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

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

#### 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 95% 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 during the second and 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 for uncollectibles is estimated based on historical trends and specific account analysis. The Town classifies outstanding personal property taxes three or more years old as uncollectible for financial reporting purposes.

##### ***Motor Vehicle and Other Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town 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. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis. The Town classifies outstanding motor vehicle and boat excise taxes three or more years old as uncollectible for financial reporting purposes.



**Septage**

Septage user fees are levied semi-annually for individual and small commercial meter reading and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Septage liens are processed in the second quarter of every year and included as a lien on the property owner's tax bill. Septage charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Water**

Water user fees are levied quarterly for water services and once annually when meters are read for usage. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in the second quarter of every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Departmental and Other**

Departmental and other receivables consist primarily of ambulance and police detail receivables which 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.

**Special Assessments**

Special Assessments in the wastewater fund consist of apportioned and unapportioned sewer betterments assessed to homeowners whose properties were improved through Town-run sewer construction projects.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**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, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the governmental 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.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July, 1, 1980) have been valued at estimated historical cost.

All purchases and construction costs in excess of \$30,000 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> |
|------------------------------|---|
| Buildings.....               | 25-50                                   |
| Improvements.....            | 10-50                                   |
| Machinery and Equipment..... | 3-20                                    |
| Utility System.....          | 25-50                                   |
| Infrastructure.....          | 25-50                                   |

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

*Governmental Fund Financial Statements*

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

**I. Deferred Outflows/Inflows of Resources**

*Government-Wide Financial Statements (Net Position)*

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

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position.

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net."

*Fund Financial Statements*

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

L. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

### M. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program and the Massachusetts Clean Water Trust’s loan subsidy program is not considered to be capital related debt.

Net position is reported as restricted when amounts 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:

“Permanent funds – expendable” represents the endowment and the amount of realized and unrealized investment earnings of donor restricted trusts that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts, grants and other ” represents restrictions placed on assets from outside parties and consists primarily of gifts and federal and state 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 equity is classified as fund balance. Fund balance is further classified 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 that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“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 Town’s by-laws authorize the Town Auditor to assign fund balance. Assignments generally only exist temporarily. Additional action does not 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.

#### N. 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 additions to/deductions from the BCRA’s fiduciary net position have been determined on the same basis as they are reported by the BCRA. 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.

#### O. 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.

##### *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.

#### P. 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).

#### Q. 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 upon maturity of the liability.

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. Fund Deficits

Deficits were noted in individual nonmajor funds and will be funded through state grants and bonding in 2016.

T. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

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 Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town has adopted a formal policy to limit custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$39,525,763 and the bank balance totaled \$39,770,790. Of the bank balance, \$961,232 was covered by Federal Depository Insurance, \$969,393 was covered by Depositor’s Insurance Fund, \$31,884,865 was collateralized, and \$5,955,300 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2016, the Town of Yarmouth had the following investments:

| Investment Type                        | Fair Value   | Under 1 Year | Maturity<br>1-5 Years | 5-10 Years |
|--|--------------|--------------|-----------------------|------------|
| <u>Debt Securities:</u>                |              |              |                       |            |
| Federal Home Loan Mortgage Corp.... \$ | 102,235      | \$ 25,082    | \$ 50,674             | \$ 26,479  |
| Federal Home Loan Mortgage Asso....    | 51,224       | -            | 51,224                | -          |
| United States Treasury.....            | 301,678      | 35,580       | 189,547               | 76,551     |
| Corporate Bonds.....                   | 35,734       | -            | 35,734                | -          |
| Total Debt Securities.....             | 490,871      | \$ 60,662    | \$ 327,179            | \$ 103,030 |
| <u>Other Investments:</u>              |              |              |                       |            |
| Equity Securities.....                 | 667,699      |              |                       |            |
| Equity Mutual Funds.....               | 415,720      |              |                       |            |
| MMDT.....                              | 103,629      |              |                       |            |
| Total Investments.....                 | \$ 1,677,919 |              |                       |            |

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months. The Town’s policy related to Credit Risk places no limit on investments in MMDT. At June 30, 2016, the Town of Yarmouth has \$103,629 invested in MMDT which is unrated.

Custodial Credit Risk – Investments

In the case of investments, this is the risk that in the event of a failure by a counter party to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. None of the Town’s investments are subject to custodial credit risk since none of the Town’s investments are held in the possession of another party. The Town Treasurer retains custody of the Town’s investments in equity securities with a market value of \$667,699 as of June 30, 2016.

| Investment Type                        | Fair Value | Quality Ratings |        |
|--|------------|-----------------|--------|
|  |            | AAA             | BAA    |
| <u>Debt Securities:</u>                |            |                 |        |
| Federal Home Loan Mortgage Corp.... \$ | 102,235    | \$ 102,235      | -      |
| Federal Home Loan Mortgage Asso....    | 51,224     | 51,224          | -      |
| United States Treasury.....            | 301,678    | 301,678         | -      |
| Corporate Bonds.....                   | 35,734     | -               | 35,734 |
| Total Debt Securities.....             | \$ 490,871 | 455,137         | 35,734 |

Fair Market Value of Investments

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

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

| <u>Investment Type</u>                        | <u>Total</u> | <u>Fair Value Measurements Using</u>  |  |  |
|---|--------------|---|--|--|
|   |              | <u>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</u> | <u>Significant Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
| <u>Debt Securities:</u>                       |              |   |  |  |
| Corporate bonds.....                          | \$ 35,734    | \$ -  | \$ 35,734  | \$ -   |
| Federal Home Loan Mortgage Corp.....          | 102,235      | 102,235   | -  | -  |
| Federal Home Loan Mortgage Asso.....          | 51,224       | 51,224  | -  | -  |
| United States Treasury.....                   | 301,678      | 301,678   | -  | -  |
| Total debt securities.....                    | 490,871      | 153,459   | 35,734   | -  |
| <u>Other investments:</u>                     |              |   |  |  |
| Equity securities.....                        | 667,699      | 667,699   | -  | -  |
| Equity mutual funds.....                      | 415,720      | 415,720   | -  | -  |
| Total other investments.....                  | 1,083,419    | 1,083,419   | -  | -  |
| Total investments by fair value level.....    | 1,574,290    | 1,236,878   | 35,734   | -  |
| <b>Investments measured at amortized cost</b> |              |   |  |  |
| MMDT.....                                     | 103,629      |   |  |  |
| Total Investments.....                        | \$ 1,677,919 |   |  |  |

U.S. government treasuries and government sponsored enterprises are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds are 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. Pooled alternative investments classified in level 3 are valued using either a discounted cash flow or market comparable companies’ technique.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.



**NOTE 3 – RECEIVABLES**

At June 30, 2016, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|   | <u>Gross<br/>Amount</u> | <u>Allowance for<br/>Uncollectibles</u> | <u>Net<br/>Amount</u> |
|---|-------------------------|---|-----------------------|
| <u>Receivables:</u>                         |                         |   |                       |
| Real estate and personal property taxes.... | \$ 1,000,397            | \$ -                                    | \$ 1,000,397          |
| Tax liens.....                              | 417,019                 | -                                       | 417,019               |
| Motor vehicle and other excise taxes.....   | 400,970                 | -                                       | 400,970               |
| Departmental and other.....                 | 1,368,831               | -                                       | 1,368,831             |
| Special assessments.....                    | 34,631                  | -                                       | 34,631                |
| Intergovernmental.....                      | <u>1,223,122</u>        | <u>-</u>                                | <u>1,223,122</u>      |
| Total.....                                  | <u>\$ 4,444,970</u>     | <u>\$ -</u>                             | <u>\$ 4,444,970</u>   |

At June 30, 2016, receivables for the enterprise funds are as follows:

|                     | <u>Gross<br/>Amount</u> | <u>Allowance for<br/>Uncollectibles</u> | <u>Net<br/>Amount</u> |
|---------------------|-------------------------|---|-----------------------|
| <u>Receivables:</u> |                         |   |                       |
| Septage fees.....   | \$ 444,002              | \$ -                                    | \$ 444,002            |
| Water fees.....     | <u>2,778,700</u>        | <u>-</u>                                | <u>2,778,700</u>      |
| Total.....          | <u>\$ 3,222,702</u>     | <u>\$ -</u>                             | <u>\$ 3,222,702</u>   |

Governmental funds report *unavailable revenues* 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 *unavailable revenues* reported in the governmental funds are as follows:

|   | <u>General<br/>Fund</u> | <u>Community<br/>Preservation<br/>Fund</u> | <u>Ambulance<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|---|-------------------------|--|---------------------------|--|---------------------|
| <u>Receivable type:</u>                     |                         |  |                           |  |                     |
| Real estate and personal property taxes.... | \$ 666,025              | \$ 22,157                                  | \$ -                      | \$ -                                       | \$ 688,182          |
| Tax liens, foreclosure and litigation.....  | 406,929                 | 10,090                                     | -                         | -  | 417,019             |
| Motor vehicle and other excise taxes.....   | 400,970                 | -  | -                         | -  | 400,970             |
| Departmental and other.....                 | 165,223                 | -  | 1,203,608                 | -  | 1,368,831           |
| Special assessments.....                    | -                       | -  | -                         | 34,631                                     | 34,631              |
| Intergovernmental.....                      | <u>242,887</u>          | <u>320,000</u>                             | <u>-</u>                  | <u>577,958</u>                             | <u>1,140,845</u>    |
| Total.....                                  | <u>\$ 1,882,034</u>     | <u>\$ 352,247</u>                          | <u>\$ 1,203,608</u>       | <u>\$ 612,589</u>                          | <u>\$ 4,050,478</u> |

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended June 30, 2016, was as follows:

|  | Beginning<br>Balance | Increases           | Decreases   | Ending<br>Balance    |
|--|----------------------|---------------------|-------------|----------------------|
| <b>Governmental Activities:</b>                        |                      |                     |             |                      |
| <u>Capital assets not being depreciated:</u>           |                      |                     |             |                      |
| Land.....  | \$ 34,826,384        | \$ -                | \$ -        | \$ 34,826,384        |
| <u>Capital assets being depreciated:</u>               |                      |                     |             |                      |
| Buildings and Improvements.....                        | 33,740,584           | 57,923              | -           | 33,798,507           |
| Improvements other than buildings.....                 | 14,042,950           | 162,317             | -           | 14,205,267           |
| Equipment, machinery & vehicles.....                   | 13,853,559           | 1,769,422           | -           | 15,622,981           |
| Infrastructure.....                                    | 41,702,818           | -                   | -           | 41,702,818           |
| Total capital assets being depreciated.....            | <u>103,339,911</u>   | <u>1,989,662</u>    | <u>-</u>    | <u>105,329,573</u>   |
| <u>Less accumulated depreciation for:</u>              |                      |                     |             |                      |
| Buildings and Improvements.....                        | (17,236,286)         | (742,355)           | -           | (17,978,641)         |
| Improvements other than buildings.....                 | (4,789,910)          | (335,260)           | -           | (5,125,170)          |
| Equipment, machinery & vehicles.....                   | (9,623,366)          | (1,037,525)         | -           | (10,660,891)         |
| Infrastructure.....                                    | (28,748,166)         | (565,329)           | -           | (29,313,495)         |
| Total accumulated depreciation.....                    | <u>(60,397,728)</u>  | <u>(2,680,469)</u>  | <u>-</u>    | <u>(63,078,197)</u>  |
| Total capital assets being depreciated, net.....       | <u>42,942,183</u>    | <u>(690,807)</u>    | <u>-</u>    | <u>42,251,376</u>    |
| Total governmental activities capital assets, net..... | <u>\$ 77,768,567</u> | <u>\$ (690,807)</u> | <u>\$ -</u> | <u>\$ 77,077,760</u> |

Capital asset activity for the business type activities for the year ended June 30, 2016, was as follows:

|  | Beginning<br>Balance | Increases      | Decreases | Ending<br>Balance |
|--|----------------------|----------------|-----------|-------------------|
| <b>Septage Activities:</b>                               |                      |                |           |                   |
| <u>Capital assets not being depreciated:</u>             |                      |                |           |                   |
| Land.....  | \$ 1,265,046         | \$ -           | \$ -      | \$ 1,265,046      |
| Construction in progress.....                            | 117,924              | -              | -         | 117,924           |
| Total capital assets not being depreciated.....          | 1,382,970            | -              | -         | 1,382,970         |
| <u>Capital assets being depreciated:</u>                 |                      |                |           |                   |
| Buildings and Improvements.....                          | 40,039,864           | 304,171        | -         | 40,344,035        |
| Improvements other than buildings.....                   | 111,500              | -              | -         | 111,500           |
| Equipment, machinery & vehicles.....                     | 530,865              | -              | -         | 530,865           |
| Total capital assets being depreciated.....              | 40,682,229           | 304,171        | -         | 40,986,400        |
| <u>Less accumulated depreciation for:</u>                |                      |                |           |                   |
| Buildings and Improvements.....                          | (37,962,133)         | (209,915)      | -         | (38,172,048)      |
| Improvements other than buildings.....                   | (50,175)             | (11,150)       | -         | (61,325)          |
| Equipment, machinery & vehicles.....                     | (452,508)            | (2,609)        | -         | (455,117)         |
| Total accumulated depreciation.....                      | (38,464,816)         | (223,674)      | -         | (38,688,490)      |
| Total septage capital assets being depreciated, net..... | 2,217,413            | 80,497         | -         | 2,297,910         |
| Total septage capital assets, net.....                   | \$ 3,600,383         | \$ 80,497      | \$ -      | \$ 3,680,880      |
| <b>Water Activities:</b>                                 |                      |                |           |                   |
| <u>Capital assets not being depreciated:</u>             |                      |                |           |                   |
| Land.....  | \$ 4,231,306         | \$ -           | \$ -      | \$ 4,231,306      |
| <u>Capital assets being depreciated:</u>                 |                      |                |           |                   |
| Buildings and Improvements.....                          | 2,150,544            | -              | -         | 2,150,544         |
| Improvements other than buildings.....                   | 2,338,036            | -              | -         | 2,338,036         |
| Equipment, machinery & vehicles.....                     | 3,261,446            | 324,403        | -         | 3,585,849         |
| Infrastructure.....                                      | 48,887,024           | -              | -         | 48,887,024        |
| Total capital assets being depreciated.....              | 56,637,050           | 324,403        | -         | 56,961,453        |
| <u>Less accumulated depreciation for:</u>                |                      |                |           |                   |
| Buildings and Improvements.....                          | (707,662)            | (57,066)       | -         | (764,728)         |
| Improvements other than buildings.....                   | (1,102,210)          | (109,345)      | -         | (1,211,555)       |
| Equipment, machinery & vehicles.....                     | (2,283,384)          | (314,245)      | -         | (2,597,629)       |
| Infrastructure.....                                      | (28,088,604)         | (1,061,814)    | -         | (29,150,418)      |
| Total accumulated depreciation.....                      | (32,181,860)         | (1,542,470)    | -         | (33,724,330)      |
| Total water capital assets being depreciated, net.....   | 24,455,190           | (1,218,067)    | -         | 23,237,123        |
| Total water capital assets, net.....                     | \$ 28,686,496        | \$ (1,218,067) | \$ -      | \$ 27,468,429     |

|  | Beginning<br>Balance | Increases         | Decreases   | Ending<br>Balance    |
|--|----------------------|-------------------|-------------|----------------------|
| <b>Golf Course Activities:</b>                               |                      |                   |             |                      |
| <u>Capital assets not being depreciated:</u>                 |                      |                   |             |                      |
| Land.....  | \$ 9,974,300         | \$ -              | \$ -        | \$ 9,974,300         |
| <u>Capital assets being depreciated:</u>                     |                      |                   |             |                      |
| Buildings and Improvements.....                              | 1,168,947            | 125,000           | -           | 1,293,947            |
| Improvements other than buildings.....                       | 10,274,760           | -                 | -           | 10,274,760           |
| Equipment, machinery & vehicles.....                         | 1,414,265            | 436,526           | -           | 1,850,791            |
| Infrastructure.....  | -                    | -                 | -           | -                    |
| Total capital assets being depreciated.....                  | <u>12,857,972</u>    | <u>561,526</u>    | <u>-</u>    | <u>13,419,498</u>    |
| <u>Less accumulated depreciation for:</u>                    |                      |                   |             |                      |
| Buildings and Improvements.....                              | (606,776)            | (33,196)          | -           | (639,972)            |
| Improvements other than buildings.....                       | (6,393,358)          | (389,121)         | -           | (6,782,479)          |
| Equipment, machinery & vehicles.....                         | <u>(913,056)</u>     | <u>(142,992)</u>  | <u>-</u>    | <u>(1,056,048)</u>   |
| Total accumulated depreciation.....                          | <u>(7,913,190)</u>   | <u>(565,309)</u>  | <u>-</u>    | <u>(8,478,499)</u>   |
| Total golf course capital assets being depreciated, net..... | <u>4,944,782</u>     | <u>(3,783)</u>    | <u>-</u>    | <u>4,940,999</u>     |
| Total golf course capital assets, net.....                   | <u>\$ 14,919,082</u> | <u>\$ (3,783)</u> | <u>\$ -</u> | <u>\$ 14,915,299</u> |

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

**Governmental Activities:**

|                                |               |
|--------------------------------|---------------|
| General government.....        | \$ 144,441    |
| Public safety.....             | 969,895       |
| Education.....                 | 64,026        |
| Public works.....              | 947,659       |
| Health and human services..... | 54,621        |
| Culture and recreation.....    | 459,121       |
| Community development.....     | <u>40,706</u> |

Total depreciation expense - governmental activities..... \$ 2,680,469

**Business-Type Activities:**

|              |                |
|--------------|----------------|
| Septage..... | \$ 223,674     |
| Water.....   | 1,542,470      |
| Golf.....    | <u>565,309</u> |

Total depreciation expense - business-type activities..... \$ 2,331,453

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2016, are summarized as follows:

| Transfers Out:                   | Transfers In:       |                   |                                    |                             |                   |                     |
|----------------------------------|---------------------|-------------------|------------------------------------|-----------------------------|-------------------|---------------------|
|                                  | General Fund        | Ambulance Fund    | Municipal Affordable Housing Trust | Nonmajor Governmental Funds | Golf Fund         | Total               |
| General Fund.....                | \$ -                | \$ 119,000        | -                                  | \$ 759,625                  | \$ -              | \$ 878,625 (1)      |
| Community Preservation Fund..... | -                   | -                 | 1,288,500                          | -                           | -                 | 1,288,500 (2)       |
| Ambulance Fund.....              | 2,262,000           | -                 | -                                  | -                           | -                 | 2,262,000 (3)       |
| Nonmajor Governmental Funds..... | 401,945             | -                 | -                                  | -                           | 139,426           | 541,371 (4)         |
| Septage Fund.....                | 114,101             | -                 | -                                  | -                           | -                 | 114,101 (5)         |
| Water Fund.....                  | 345,598             | -                 | -                                  | -                           | -                 | 345,598 (5)         |
| <b>Total.....</b>                | <b>\$ 3,123,644</b> | <b>\$ 119,000</b> | <b>1,288,500</b>                   | <b>\$ 759,625</b>           | <b>\$ 139,426</b> | <b>\$ 5,430,195</b> |

- (1) Represents a transfer from the general fund to the ambulance fees reserved for appropriation fund and to various special revenue funds.
- (2) Represents budgeted transfers from community preservation fund to the affordable housing trust and the sailing center capital projects fund.
- (3) Represents a budgeted transfer from the ambulance fees reserved for appropriation fund to the general fund.
- (4) Represents a transfer from nonmajor funds to the general fund and the golf enterprise fund.
- (5) Represents a budgeted transfer from the septage and water enterprise funds to the general fund for indirect costs.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS) and 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 for short-term borrowings are accounted for in the general fund. The Town had the following short-term debt activity during 2016:

| Type                          | Purpose                | Rate (%)    | Due Date | Balance at June 30, 2015 | Renewed/ Issued   | Retired/ Redeemed   | Balance at June 30, 2016 |
|-------------------------------|------------------------|-------------|----------|--------------------------|-------------------|---------------------|--------------------------|
| <b>Governmental Funds</b>     |                        |             |          |                          |                   |                     |                          |
| BAN                           | Municipal Purpose..... | 0.45%-0.50% | 02/17/16 | \$ 435,000               | \$ -              | \$ (435,000)        | \$ -                     |
| BAN                           | Municipal Purpose..... | 0.78%       | 06/29/17 | -                        | 125,000           | -                   | 125,000                  |
| Total governmental funds..... |                        |             |          | <u>\$ 435,000</u>        | <u>\$ 125,000</u> | <u>\$ (435,000)</u> | <u>\$ 125,000</u>        |

| Type                    | Purpose                   | Rate (%)    | Due Date | Balance at June 30, 2015 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2016 |
|-------------------------|---------------------------|-------------|----------|--------------------------|-----------------|-------------------|--------------------------|
| <b>Enterprise Funds</b> |                           |             |          |                          |                 |                   |                          |
| BAN                     | Septage Improvements..... | 0.45%-0.50% | 02/17/16 | \$ 2,500,000             | \$ -            | \$ (2,500,000)    | \$ -                     |

**NOTE 7 – CAPITAL LEASE OBLIGATIONS**

The Town has entered into various long-term capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Assets acquired through capital lease are as follows:

| Asset:                              | Governmental Activities | Business-Type Activities |
|-------------------------------------|-------------------------|--------------------------|
| Machinery and equipment.....        | \$ 121,555              | \$ 436,526               |
| Less: accumulated depreciation..... | (24,311)                | (60,550)                 |
| Total.....                          | \$ 97,244               | \$ 375,976               |

The following is a schedule of the future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments, as of June 30, 2016:

| Years Ending June 30                         | Governmental Activities | Business-Type Activities |
|--|-------------------------|--------------------------|
| 2017.....                                    | \$ 41,971               | \$ 104,442               |
| 2018.....                                    | 41,972                  | 104,441                  |
| 2019.....                                    | -                       | 104,441                  |
| 2020.....                                    | -                       | 52,223                   |
| Total minimum lease payments.....            | 83,943                  | 365,547                  |
| Less: amounts representing interest.....     | (4,359)                 | (21,074)                 |
| Present value of minimum lease payments..... | \$ 79,584               | \$ 344,473               |

**NOTE 8 – 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, 2016, and the debt service requirements are as follows:

| GOVERNMENTAL FUNDS                      |                    |                      |                 |                              |            |                |                              |
|---|--------------------|----------------------|-----------------|------------------------------|------------|----------------|------------------------------|
| Project                                 | Maturities Through | Original Loan Amount | Coupon Rate (%) | Outstanding at June 30, 2015 | Issued     | Redeemed       | Outstanding at June 30, 2016 |
| MCWT - Series 3 Title V Loan .....      | 2017               | \$ 199,807           | 4.00            | \$ 22,200                    | \$ -       | \$ (11,100)    | \$ 11,100                    |
| MCWT - Series 4 (97-46).....            | 2019               | 3,660,500            | 0.00            | 1,232,600                    | -          | (294,700)      | 937,900                      |
| MCWT - Title V Loan - 97-1155-1.....    | 2021               | 197,403              | 0.00            | 62,200                       | -          | (10,400)       | 51,800                       |
| Municipal Purpose 2005.....             | 2019               | 1,285,000            | 2.25 - 4.00     | 44,000                       | -          | (11,000)       | 33,000                       |
| Municipal Purpose 2008.....             | 2022               | 2,029,000            | 3.625 - 4.00    | 578,000                      | -          | (578,000)      | -                            |
| Municipal Purpose 2009.....             | 2019               | 4,240,000            | 2.00 - 3.00     | 645,000                      | -          | (190,000)      | 455,000                      |
| Municipal Purpose 2009 - Refunding..... | 2018               | 2,759,000            | 2.00 - 2.75     | 560,000                      | -          | (190,000)      | 370,000                      |
| Municipal Purpose 2012 - Series A.....  | 2025               | 4,605,926            | 2.00 - 2.80     | 2,295,000                    | -          | (240,000)      | 2,055,000                    |
| Municipal Purpose 2012 - Series B.....  | 2020               | 3,145,000            | 2.00 - 3.00     | 1,675,000                    | -          | (360,000)      | 1,315,000                    |
| Municipal Purpose Flax Pond             | 2026               | 400,000              | 2.00 - 4.00     | 365,000                      | -          | (35,000)       | 330,000                      |
| Municipal Purpose 2014 - Refunding..... | 2018               | 366,500              | 2.00 - 4.00     | 2,679,700                    | -          | (445,400)      | 2,234,300                    |
| Municipal Purpose 2014 - Refunding..... | 2026               | 3,138,000            | 2.00 - 4.00     | 275,600                      | -          | (91,600)       | 184,000                      |
| Municipal Purpose 2016 - Refunding..... | 2022               | 375,000              | 2.00 - 5.00     | -                            | 375,000    | -              | 375,000                      |
| Total governmental bonds payable.....   |                    |                      |                 | \$ 10,434,300                | \$ 375,000 | \$ (2,457,200) | \$ 8,352,100                 |

### Bonds Payable Schedule – Governmental Funds

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

| Year       | Principal    | Interest   | Total        |
|------------|--------------|------------|--------------|
| 2017.....  | \$ 1,834,300 | \$ 238,233 | \$ 2,072,533 |
| 2018.....  | 1,665,100    | 176,390    | 1,841,490    |
| 2019.....  | 1,264,100    | 134,710    | 1,398,810    |
| 2020.....  | 831,400      | 100,182    | 931,582      |
| 2021.....  | 531,200      | 73,153     | 604,353      |
| 2022.....  | 516,000      | 54,862     | 570,862      |
| 2023.....  | 465,000      | 77,542     | 542,542      |
| 2024.....  | 455,000      | 57,477     | 512,477      |
| 2025.....  | 450,000      | 37,016     | 487,016      |
| 2026.....  | 340,000      | 17,098     | 357,098      |
| Total..... | \$ 8,352,100 | \$ 966,663 | \$ 9,318,763 |

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) for governmental debt on a periodic basis for principal in the amount of \$242,887 and interest costs for \$58,008. Thus, net MCWT loan repayments, including interest, are scheduled to be \$710,259. The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed. 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 2016 principal and interest subsidies totaled \$74,576 and \$42,050 respectively.

**Bonds Payable Schedule – Septage Enterprise Fund**

| Project                                     | Maturities Through | Original Loan Amount | Coupon Rate (%) | Outstanding at June 30, 2015 | Issued       | Redeemed    | Outstanding at June 30, 2016 |
|---|--------------------|----------------------|-----------------|------------------------------|--------------|-------------|------------------------------|
| Septage Bonds 2009 - Refunding.....         | 2018               | 146,000              | 2.00 - 2.75     | 45,000                       | -            | (15,000)    | 30,000                       |
| Septage Bonds 2012 - Series A.....          | 2016               | 200,000              | 2.00 - 2.80     | 25,000                       | -            | (25,000)    | -                            |
| Sewer Bonds 2016.....                       | 2026               | 2,500,000            | 2.00 - 5.00     | -                            | 2,500,000    | -           | 2,500,000                    |
| Total septage enterprise bonds payable..... |                    |                      |                 | \$ 70,000                    | \$ 2,500,000 | \$ (40,000) | \$ 2,530,000                 |

Debt service requirements for principal and interest for the septage enterprise fund bonds payable in future years are as follows:

| Year       | Principal    | Interest   | Total        |
|------------|--------------|------------|--------------|
| 2017.....  | \$ 279,000   | \$ 114,045 | \$ 393,045   |
| 2018.....  | 275,000      | 75,346     | 350,346      |
| 2019.....  | 254,000      | 63,500     | 317,500      |
| 2020.....  | 253,000      | 50,825     | 303,825      |
| 2021.....  | 252,000      | 38,200     | 290,200      |
| 2022.....  | 252,000      | 25,600     | 277,600      |
| 2023.....  | 245,000      | 16,850     | 261,850      |
| 2024.....  | 240,000      | 12,000     | 252,000      |
| 2025.....  | 240,000      | 7,200      | 247,200      |
| 2026.....  | 240,000      | 2,400      | 242,400      |
| Total..... | \$ 2,530,000 | \$ 405,966 | \$ 2,935,966 |

The Town is scheduled to be subsidized by the MCWT for septage debt on a periodic basis for principal in the amount of \$0 and interest costs for \$6,954. Thus, net MCWT loan repayments, including interest, are scheduled to be (\$6,954). The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed. 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 2016 principal and interest subsidies totaled \$0 and \$3,129, respectively.

**Bonds Payable Schedule – Golf Enterprise Fund**

| Project                                  | Maturities Through | Original Loan Amount | Coupon Rate (%) | Outstanding at June 30, 2015 | Issued     | Redeemed       | Outstanding at June 30, 2016 |
|--|--------------------|----------------------|-----------------|------------------------------|------------|----------------|------------------------------|
| Golf Bond of 2005.....                   | 2019               | 1,275,000            | 2.25 - 4.00     | \$ 356,000                   | \$ -       | \$ (89,000)    | \$ 267,000                   |
| Golf Bond of 2008.....                   | 2022               | 2,050,000            | 3.625 - 4.00    | 1,017,000                    | -          | (1,017,000)    | -                            |
| Golf Bonds of 2009 - Refunding.....      | 2018               | 658,000              | 2.00 - 2.75     | 210,000                      | -          | (70,000)       | 140,000                      |
| Golf Bonds of 2014 - Refunding.....      | 2018               | 29,900               | 2.00 - 4.00     | 19,700                       | -          | (8,000)        | 11,700                       |
| Golf Bonds of 2016 - Refunding.....      | 2022               | 775,000              | 2.00 - 5.00     | -                            | 775,000    | -              | 775,000                      |
| Total golf enterprise bonds payable..... |                    |                      |                 | \$ 1,602,700                 | \$ 775,000 | \$ (1,184,000) | \$ 1,193,700                 |



Debt service requirements for principal and interest for the golf enterprise fund bonds payable in future years are as follows:

| Year       | Principal           | Interest          | Total               |
|------------|---------------------|-------------------|---------------------|
| 2017.....  | \$ 286,800          | \$ 43,404         | \$ 330,204          |
| 2018.....  | 292,900             | 32,360            | 325,260             |
| 2019.....  | 219,000             | 22,080            | 241,080             |
| 2020.....  | 131,000             | 14,500            | 145,500             |
| 2021.....  | 132,000             | 8,700             | 140,700             |
| 2022.....  | <u>132,000</u>      | <u>2,900</u>      | <u>134,900</u>      |
| Total..... | \$ <u>1,193,700</u> | \$ <u>123,944</u> | \$ <u>1,317,644</u> |

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, 2016, the Town had the following authorized and unissued debt:

| Purpose                               | Amount              |
|---------------------------------------|---------------------|
| Bayberry Hills Golf Improvements..... | \$ 1,860,574        |
| DY School Improvements.....           | 272,000             |
| Mattacheese Design Study.....         | <u>750,000</u>      |
| Total.....                            | \$ <u>2,882,574</u> |

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

|                                    | Balance<br>June 30,<br>2015 | Additions           | Reductions            | Balance<br>June 30,<br>2016 | Current<br>Portion |
|------------------------------------|-----------------------------|---------------------|-----------------------|-----------------------------|--------------------|
| <b>Governmental Activities:</b>    |                             |                     |                       |                             |                    |
| Long-Term Bonds.....               | \$ 10,434,300               | \$ 375,000          | \$ (2,457,200)        | \$ 8,352,100                | \$ -               |
| Landfill Closure.....              | 700,000                     | -                   | (50,000)              | 650,000                     | 50,000             |
| Compensated Absences.....          | 815,789                     | 8,829               | -                     | 824,618                     | -                  |
| Other Postemployment Benefits..... | 8,409,625                   | 1,195,416           | -                     | 9,605,041                   | -                  |
| Net Pension Liability.....         | 38,000,908                  | 4,870,717           | -                     | 42,871,625                  | -                  |
| Capital Leases.....                | -                           | 159,168             | -                     | 79,584                      | 39,082             |
| Total governmental.....            | \$ <u>58,360,622</u>        | \$ <u>6,609,130</u> | \$ <u>(2,507,200)</u> | \$ <u>62,382,968</u>        | \$ <u>89,082</u>   |
| <b>Business-Type Activities:</b>   |                             |                     |                       |                             |                    |
| Long-Term Bonds.....               | \$ 1,672,700                | \$ 3,275,000        | \$ (1,224,000)        | \$ 3,723,700                | \$ 565,800         |
| Compensated Absences.....          | 173,274                     | -                   | (2,134)               | 171,140                     | -                  |
| Other Postemployment Benefits..... | 867,885                     | 143,985             | -                     | 1,011,870                   | -                  |
| Net Pension Liability.....         | 2,242,133                   | 287,382             | -                     | 2,529,515                   | -                  |
| Capital Leases.....                | -                           | 344,473             | -                     | 344,473                     | 94,343             |
| Total business-type.....           | \$ <u>4,955,992</u>         | \$ <u>4,050,840</u> | \$ <u>(1,226,134)</u> | \$ <u>7,780,698</u>         | \$ <u>660,143</u>  |

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

There are 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, spendable fund balances are classified 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 governmental fund balances with the following hierarchy:

|   | <u>General</u>    | <u>Community<br/>Preservation<br/>Fund</u> | <u>Ambulance<br/>Fund</u> | <u>Municipal<br/>Affordable<br/>Housing Trust</u> | <u>Non-Major<br/>Governmental</u> |
|---|-------------------|--|---------------------------|---|-----------------------------------|
| FUND BALANCES:                              |                   |  |                           |   |                                   |
| Nonspendable:                               |                   |  |                           |   |                                   |
| Permanent fund principal..... \$            | -                 | -  | -                         | -   | 688,867                           |
| Restricted for:                             |                   |  |                           |   |                                   |
| Community preservation fund.....            | -                 | 5,365,393                                  | -                         | -   | -                                 |
| Ambulance fund.....                         | -                 | -  | 1,951,238                 | -   | -                                 |
| Massachusetts affordable housing trust..... | -                 | -  | -                         | 6,709,372   | -                                 |
| Town grant funds.....                       | -                 | -  | -                         | -   | 524,926                           |
| Town revolving funds.....                   | -                 | -  | -                         | -   | 1,897,423                         |
| Town Gift funds.....                        | -                 | -  | -                         | -   | 475,336                           |
| Insurance reimbursement funds.....          | -                 | -  | -                         | -   | 216,377                           |
| Capital projects.....                       | -                 | -  | -                         | -   | 484,673                           |
| Permanent funds.....                        | -                 | -  | -                         | -   | 448,487                           |
| Committed to:                               |                   |  |                           |   |                                   |
| General government.....                     | 357,718           | -  | -                         | -   | -                                 |
| Public safety.....                          | 1,614,272         | -  | -                         | -   | -                                 |
| Public works.....                           | 844,598           | -  | -                         | -   | -                                 |
| Human services.....                         | 83,069            | -  | -                         | -   | -                                 |
| Culture and recreation.....                 | 94,036            | -  | -                         | -   | -                                 |
| Assigned to:                                |                   |  |                           |   |                                   |
| General government.....                     | 111,037           | -  | -                         | -   | -                                 |
| Public safety.....                          | 1,530             | -  | -                         | -   | -                                 |
| Public works.....                           | 6,742             | -  | -                         | -   | -                                 |
| Human services.....                         | 16,316            | -  | -                         | -   | -                                 |
| Culture and recreation.....                 | 10,691            | -  | -                         | -   | -                                 |
| Property and liability insurance.....       | 36,050            | -  | -                         | -   | -                                 |
| Balance the FY17 operating budget.....      | 3,074,893         | -  | -                         | -   | -                                 |
| Unassigned.....                             | 5,620,368         | -  | -                         | -   | (9,649)                           |
| TOTAL FUND BALANCES..... \$                 | <u>11,871,320</u> | <u>5,365,393</u>                           | <u>1,951,238</u>          | <u>6,709,372</u>                                  | <u>4,726,440</u>                  |

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. The Town has two stabilization funds which are reported as part of the general fund.

At year end the unassigned balance of the general fund includes \$2.9 million of the general stabilization fund and \$824,000 of the OPEB stabilization fund.

#### **NOTE 10 – 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.

As discussed in Note 1, the Town participates in the Cape Cod Municipal Health Group (Group), a municipal joint-purchase group consisting of 52 governmental units, formed pursuant to Massachusetts General Law Chapter 32B, to provide employee insurance benefits. Employees and the Town both contribute to the Group based on a 50% (Town) and 50% (Employee) primary care premium formula. The Town budgets, annually, in the general fund for its estimated share of contributions. At June 30, 2016, the Group had a net position of \$16.6 million.

#### **NOTE 11 – PENSION PLAN**

##### *Plan Description*

The Town is a member of the Barnstable County Retirement Association (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.

##### *Benefits Provided*

The Association provides 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. The System provides 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, 2015, was \$3,899,969, 19.98% 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, 2016, the Town reported a liability of \$45,401,140 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2015, the Town’s proportion was 7.21%, which changed from its 7.128% proportion measured at December 31, 2014.

*Pension Expense*

For the year ended June 30, 2016, the Town recognized pension expense of \$5,109,586. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$4,017,400, from the net difference between projected and actual investment earnings on pension plan investments.

The balances of deferred outflows at June 30, 2016 consist of the following:

| <u>Deferred category</u>                              | <u>Deferred<br/>Outflows<br/>of Resources</u> |
|---|---|
| Difference between projected and actual earnings..... | \$ 3,602,843                                  |
| Changes in proportionate share of contributions.....  | <u>414,557</u>                                |
| Total Deferred Outflows/(Inflows) of Resources.....   | <u>\$ 4,017,400</u>                           |

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

|                     |                     |
|---------------------|---------------------|
| Year ended June 30: |                     |
| 2017.....           | \$ 987,979          |
| 2018.....           | 987,979             |
| 2019.....           | 987,979             |
| 2020.....           | 970,550             |
| 2021.....           | <u>82,913</u>       |
| Total.....          | \$ <u>4,017,400</u> |

*Actuarial Assumptions* - The total pension liability in the January 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

|                                    |  |
|------------------------------------|--|
| Valuation date.....                | January 1, 2014  |
| Actuarial cost method.....         | Entry Age Normal Cost Method.  |
| Amortization method.....           | Payments increase at 4.0%, except for 2010 Early Retirement Incentive, which is a level payment.   |
| Remaining amortization period..... | 22 years from July 1, 2014 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability and remaining unfunded liability, and 8 years from July 1, 2014 for 2010 Early Retirement Incentive.  |
| Asset valuation method.....        | Sum of actuarial value at beginning of the year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that the final actuarial value is within 20% of market value. |
| Inflation rate.....                | 4.00%  |
| Projected salary increases.....    | Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.   |
| Cost of living adjustments.....    | 3.0% of the first \$15,000 of retirement income.   |
| Rates of retirement.....           | Varies based upon age for general employees, police and fire employees.  |
| Rates of disability.....           | For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).  |

Mortality Rates:

|                       |  |
|-----------------------|--|
| Pre-Retirement.....   | The RP-2000 Employee Mortality Table projected generationally with a Scale AA from 2010.   |
| Healthy Retiree.....  | The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale AA from 2010.                                      |
| Disabled Retiree..... | The RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally with Scale AA from 2010. |

Investment rate of return/Discount rate..... 7.75%, net of pension plan investment expense, including inflation previously 7.875%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014, are summarized in the following table:

| Asset Class                                 | Long-Term Expected Real Rate of Return | Long-Term Expected Asset Allocation |
|---|--|-------------------------------------|
| Domestic equity.....                        | 6.60%                                  | 20%                                 |
| International developed markets equity..... | 7.10%                                  | 16%                                 |
| International emerging markets equity.....  | 9.40%                                  | 7%                                  |
| Core fixed income.....                      | 2.20%                                  | 13%                                 |
| High-yield fixed income.....                | 4.70%                                  | 10%                                 |
| Real estate.....                            | 4.40%                                  | 10%                                 |
| Commodities.....                            | 4.40%                                  | 4%                                  |
| Hedge fund, GTAA, Risk parity.....          | 3.90%                                  | 10%                                 |
| Private equity.....                         | 11.70%                                 | 10%                                 |

*Rate of return*

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate:* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. 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 position liability to changes in the discount rate.* The following presents the net position liability, calculated using the discount rate of 7.75%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

|   | 1% Decrease<br>(6.75%) | Current<br>Discount<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|--------------------------------|------------------------|
| The Town's proportionate share of<br>the net pension liability..... | \$ 57,575,401          | \$ 45,401,140                  | \$ 35,068,988          |

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – In addition to the pension benefits previously described, the Town provides health, dental and life insurance benefits to current and future retirees, their dependents and beneficiaries in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program.

At June 30, 2014, the Plan’s membership consisted of the following:

|  |                   |
|--|-------------------|
| Current retirees, beneficiaries, and dependents..... | 180               |
| Current active members.....                          | <u>196</u>        |
| Total.....   | <u><u>376</u></u> |

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% of their premium costs. For 2016, the Town contributed \$1,010,220 to the plan.

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

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

|  |    |                          |
|--|----|--------------------------|
| Annual required contribution.....                | \$ | 2,237,818                |
| Interest on net OPEB obligation.....             |    | 487,069                  |
| Adjustments to annual required contribution..... |    | <u>(375,266)</u>         |
| Annual OPEB cost (expense).....                  |    | 2,349,621                |
| Contributions made.....                          |    | <u>(1,010,220)</u>       |
| Increase in net OPEB obligation.....             |    | 1,339,401                |
| Net OPEB obligation - beginning of year.....     |    | <u>9,277,510</u>         |
| Net OPEB obligation - end of year.....           | \$ | <u><u>10,616,911</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the preceding three years was as follows:

| Year<br>Ended | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|---------------|---------------------|--|------------------------|
| 6/30/2016     | \$ 2,349,621        | 43.0%  | \$ 10,616,911          |
| 6/30/2015     | 2,214,550           | 41.7%  | 9,277,510              |
| 6/30/2014     | 2,034,553           | 33.9%  | 7,985,624              |

*Funded Status and Funding Progress* – The funded status of the Plan as of the most recent actuarial valuation date, June 30, 2014, is as follows:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 6/30/2014                      | \$ 200,000                             | \$ 28,187,452                                  | \$ 27,987,452                      | 0.7%                     | \$ N/A                    | N/A   |
| 6/30/2012                      | -                                      | 24,258,510                                     | 24,258,510                         | 0.0%                     | N/A                       | N/A   |
| 6/30/2010                      | -                                      | 28,138,933                                     | 28,138,933                         | 0.0%                     | N/A                       | N/A   |

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



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

#### **NOTE 13 – LANDFILL**

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town has reflected a \$650,000 post-closure care liability at June 30, 2016, as an obligation of the governmental activities. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### **NOTE 14 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still 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 it is expected 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

#### **NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 22, 2016, which is the date the financial statements were available to be issued.

#### **NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.

- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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

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# ***Required Supplementary Information***

# ***General Fund Budgetary Schedule***

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

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND OTHER SOURCES AND USES**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2016

|   | Budgeted Amounts                              |                                   |                     |                     |
|---|---|-----------------------------------|---------------------|---------------------|
|   | Amounts<br>Carried Forward<br>From Prior Year | Current Year<br>Initial<br>Budget | Original<br>Budget  | Final<br>Budget     |
| <b>REVENUES:</b>  |   |                                   |                     |                     |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ -  | \$ 52,240,261                     | \$ 52,240,261       | \$ 52,240,261       |
| Motor vehicle and other excise taxes.....                                 | -   | 2,957,000                         | 2,957,000           | 2,957,000           |
| Hotel/motel/meals tax.....  | -   | 2,980,000                         | 2,980,000           | 2,980,000           |
| Charges for services.....   | -   | 3,263,850                         | 3,263,850           | 3,263,850           |
| Penalties and interest on taxes.....                                      | -   | 218,000                           | 218,000             | 218,000             |
| Fees, fines and forfeitures.....  | -   | 1,418,982                         | 1,418,982           | 1,418,982           |
| Rentals.....  | -   | 396,800                           | 396,800             | 396,800             |
| Licenses and permits.....   | -   | 939,500                           | 939,500             | 939,500             |
| Intergovernmental.....  | -   | 1,500,820                         | 1,500,820           | 1,500,820           |
| Departmental and other.....   | -   | 801,500                           | 801,500             | 801,500             |
| Investment income.....  | -   | 55,000                            | 55,000              | 55,000              |
| Other.....  | -   | -                                 | -                   | -                   |
| <b>TOTAL REVENUES.....</b>  | <b>-</b>                                      | <b>66,771,713</b>                 | <b>66,771,713</b>   | <b>66,771,713</b>   |
| <b>EXPENDITURES:</b>  |   |                                   |                     |                     |
| Current:  |   |                                   |                     |                     |
| General Government.....   | 610,304                                       | 4,411,420                         | 5,021,724           | 5,111,955           |
| Public Safety.....  | 1,477,581                                     | 15,932,630                        | 17,410,211          | 17,790,241          |
| Education.....  | -   | 31,878,792                        | 31,878,792          | 32,281,993          |
| Public Works.....   | 340,697                                       | 5,539,167                         | 5,879,864           | 6,506,715           |
| Human Services.....   | 62,555  | 1,479,018                         | 1,541,573           | 2,147,643           |
| Culture and Recreation.....   | 36,619  | 2,211,552                         | 2,248,171           | 1,840,045           |
| Pension benefits.....   | -   | 3,502,253                         | 3,502,253           | 3,502,253           |
| Employee benefits.....  | -   | 2,651,000                         | 2,651,000           | 2,387,850           |
| Property and liability insurance.....                                     | 2,491   | 591,777                           | 594,268             | 596,655             |
| State and county charges.....   | -   | 780,022                           | 780,022             | 780,022             |
| Debt service:   |   | -                                 |                     |                     |
| Principal.....  | -   | 1,957,124                         | 1,957,124           | 1,978,624           |
| Interest.....   | -   | 259,859                           | 259,859             | 238,359             |
| <b>TOTAL EXPENDITURES.....</b>  | <b>2,530,247</b>                              | <b>71,194,614</b>                 | <b>73,724,861</b>   | <b>75,162,355</b>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>(2,530,247)</b>                            | <b>(4,422,901)</b>                | <b>(6,953,148)</b>  | <b>(8,390,642)</b>  |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |   |                                   |                     |                     |
| Transfers in.....   | -   | 2,362,637                         | 2,362,637           | 3,123,644           |
| Transfers out.....  | -   | (85,000)                          | (85,000)            | (2,158,625)         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)...</b>                            | <b>-</b>                                      | <b>2,277,637</b>                  | <b>2,277,637</b>    | <b>965,019</b>      |
| <b>NET CHANGE IN FUND BALANCE.....</b>                                    | <b>(2,530,247)</b>                            | <b>(2,145,264)</b>                | <b>(4,675,511)</b>  | <b>(7,425,623)</b>  |
| <b>BUDGETARY FUND BALANCE, Beginning of year.....</b>                     | <b>-</b>                                      | <b>6,941,867</b>                  | <b>6,941,867</b>    | <b>6,941,867</b>    |
| <b>BUDGETARY FUND BALANCE, End of year.....</b>                           | <b>\$ (2,530,247)</b>                         | <b>\$ 4,796,603</b>               | <b>\$ 2,266,356</b> | <b>\$ (483,756)</b> |

See notes to required supplementary information.

|    | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
|----|--------------------------------|--|--------------------------------|
| \$ | 54,188,602                     | \$ -                                       | \$ 1,948,341                   |
|    | 3,339,334                      | -  | 382,334                        |
|    | 3,462,654                      | -  | 482,654                        |
|    | 3,176,656                      | -  | (87,194)                       |
|    | 634,834                        | -  | 416,834                        |
|    | 1,622,347                      | -  | 203,365                        |
|    | 424,418                        | -  | 27,618                         |
|    | 1,094,542                      | -  | 155,042                        |
|    | 1,481,442                      | -  | (19,378)                       |
|    | 1,034,885                      | -  | 233,385                        |
|    | 77,455                         | -  | 22,455                         |
|    | 59,896                         | -  | 59,896                         |
|    | <u>70,597,065</u>              | <u>-</u>                                   | <u>3,825,352</u>               |
|    | 4,192,800                      | 468,755                                    | 450,400                        |
|    | 16,093,336                     | 1,645,679                                  | 51,226                         |
|    | 32,281,993                     | -  | -                              |
|    | 5,389,470                      | 851,340                                    | 265,905                        |
|    | 1,443,153                      | 99,385                                     | 605,105                        |
|    | 1,747,264                      | 104,727                                    | (11,946)                       |
|    | 3,496,911                      | -  | 5,342                          |
|    | 2,344,735                      | 36,050                                     | 7,065                          |
|    | 536,481                        | -  | 60,174                         |
|    | 764,893                        | -  | 15,129                         |
|    | 1,978,624                      | -  | -                              |
|    | 229,264                        | -  | 9,095                          |
|    | <u>70,498,924</u>              | <u>3,205,936</u>                           | <u>1,457,495</u>               |
|    | <u>98,141</u>                  | <u>(3,205,936)</u>                         | <u>2,367,857</u>               |
|    | 3,123,644                      | -  | -                              |
|    | <u>(2,158,625)</u>             | <u>-</u>                                   | <u>-</u>                       |
|    | <u>965,019</u>                 | <u>-</u>                                   | <u>-</u>                       |
|    | 1,063,160                      | (3,205,936)                                | 2,367,857                      |
|    | <u>6,941,867</u>               | <u>-</u>                                   | <u>-</u>                       |
| \$ | <u>8,005,027</u>               | <u>(3,205,936)</u>                         | <u>2,367,857</u>               |

# ***Pension Plan Schedules***

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

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

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



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

|  | December 31,<br>2014 | December 31,<br>2015 |
|--|----------------------|----------------------|
| Town's proportion of the net pension liability (asset).....                        | 7.128%               | 7.211%               |
| Town's proportionate share of the net pension liability (asset)..... \$            | 40,423,041           | \$ 45,401,140        |
| Town's covered employee payroll..... \$  | 18,697,021           | \$ 19,515,284        |
| Net pension liability as a percentage of covered-employee<br>payroll.....          | 216.20%              | 232.64%              |
| Plan fiduciary net position as a percentage of the<br>total pension liability..... | 60.43%               | 58.10%               |

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 CONTRIBUTIONS**

|  | December 31,<br>2014 | December 31,<br>2015 |
|--|----------------------|----------------------|
| Actuarially determined contribution.....                                     | \$ 3,717,523         | \$ 3,899,969         |
| Contributions in relation to the actuarially<br>determined contribution..... | <u>(3,717,523)</u>   | <u>(3,899,969)</u>   |
| Contribution deficiency (excess).....  | <u>\$ -</u>          | <u>\$ -</u>          |
| Covered-employee payroll.....  | \$ 18,697,021        | \$ 19,515,284        |
| Contributions as a percentage of covered-<br>employee payroll.....           | 19.88%               | 19.98%               |

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

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

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

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

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

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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SCHEDULE OF FUNDING PROGRESS

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 6/30/2014                      | \$ 200,000                             | \$ 28,187,452                                  | \$ 27,987,452                      | 0.7%                     | \$ N/A                    | N/A   |
| 6/30/2012                      | -                                      | 24,258,510                                     | 24,258,510                         | 0.0%                     | N/A                       | N/A   |
| 6/30/2010                      | -                                      | 28,138,933                                     | 28,138,933                         | 0.0%                     | N/A                       | N/A   |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year<br>Ended | Annual<br>Required<br>Contribution | Actual<br>Contributions<br>Made | Percentage<br>Contributed |
|---------------|------------------------------------|---------------------------------|---------------------------|
| 6/30/2016     | \$ 2,237,818                       | \$ 1,010,220                    | 45.14%                    |
| 6/30/2015     | 2,118,315                          | 922,664                         | 43.56%                    |
| 6/30/2014     | 1,978,094                          | 689,301                         | 34.85%                    |
| 6/30/2013     | 1,875,864                          | 645,702                         | 34.42%                    |
| 6/30/2012     | 1,847,430                          | 913,274                         | 49.43%                    |

See notes to required supplementary information.

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

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Actuarial Methods:

|                            |  |
|----------------------------|--|
| Valuation date.....        | June 30, 2014                            |
| Actuarial cost method..... | Entry Age Normal                         |
| Amortization method.....   | Amortization payments increasing at 4.0% |
| Amortization period.....   | 30 years, open                           |
| Asset valuation method     | Market Value                             |

Actuarial Assumptions:

|  |  |
|--|--|
| Investment rate of return.....             | 5.25%, partially funded scenario   |
| Medical/drug cost trend rate.....          | Under 65: 10% decreasing by 2.0% for 1 year and 0.5%<br>for 6 years to an ultimate rate of 5.0% per year |
|  | Over 65: 10% decreasing by 0.5% for 10 years to an<br>ultimate level of 5.0% per year                    |
| Dental.....                                | None   |
| Part B reimbursement and/or penalties..... | 5.0%   |
| Inflation Rate.....                        | 4.0%   |

Plan Membership:

|  |                       |
|--|-----------------------|
| Current retirees, beneficiaries, and dependents... | 180                   |
| Current active members.....                        | <u>196</u>            |
| <br>Total  | <br><u><u>376</u></u> |

See notes to required supplementary information.

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

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is reviewed by the Finance Committee (Committee). The Committee presents the annual budget to the open 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.

The majority of appropriations are non-continuing and 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 majority vote at a Special Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2016 approved budget, including amounts carried forward from prior years authorized approximately \$73.8 million in appropriations and other amounts to be raised. There was a \$2.2 million change from the original budget to the final amended budget.

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

2. 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, 2016, follows.

|   |                     |
|---|---------------------|
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - budgetary basis..... | \$ 1,063,160        |
| <u>Perspective difference:</u>  |                     |
| Activity of the stabilization fund recorded in the general fund for GAAP.....                                       | 880,918             |
| Activity of the OPEB stabilization fund recorded in the general fund for GAAP.....                                  | 623,508             |
| <u>Basis of accounting differences:</u>   |                     |
| Net change in revenues in recording 60 day receipts.....  | (115,545)           |
| Net change in revenues in recording tax refunds payable.....  | (150,000)           |
| Reclass of transfer station.....  | <u>(34,982)</u>     |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - GAAP basis.....      | <u>\$ 2,267,059</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.

Changes in Assumptions – The discount rate was change to 7.75% from 7.875%

Changes in Plan Provisions - None

**NOTE C – OTHER POST EMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (Other Post Employment Benefit Plan). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

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

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

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

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

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