

TOWN OF OAK BLUFFS, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2016

TOWN OF OAK BLUFFS, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	12
Statement of Net Position	13
Statement of Activities	14
Governmental Funds – Balance Sheet.....	16
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position.....	17
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Funds – Statement of Net Position	20
Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position.....	21
Proprietary Funds – Statement of Cash Flows	22
Fiduciary Funds – Statement of Fiduciary Net Position.....	23
Notes to Basic Financial Statements	24
Required Supplementary Information.....	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual	56
Pension Plan Schedules	57
Schedule of the Town's Proportionate Share of the Net Pension Liability.....	58
Schedule of the Town's Contributions.....	59
Schedule of the Special Funding Amounts of the Net Pension Liability	60
Other Postemployment Benefits Plan Schedules	61
Other Postemployment Benefit Plan Schedule of Funding Progress and Employer Contributions.....	62
Other Postemployment Benefit Plan Actuarial Methods and Assumptions	63
Notes to Required Supplementary Information.....	64



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Oak Bluffs, 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 Oak Bluffs, 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 Oak Bluffs, Massachusetts's 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 Oak Bluffs, 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017 on our consideration of the Town of Oak Bluffs, Massachusetts' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



March 30, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Oak Bluffs, 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.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all assets, deferred outflows of resources, 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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 expendable resources*, as well as on *balances of expendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Oak Bluffs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund as required supplementary information, to demonstrate compliance with this budget.

The Town's general fund is considered a major fund for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are aggregated and shown as nonmajor funds.

Proprietary funds. The Town maintains only one type of propriety fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town's enterprise fund accounts for its' Wastewater activities.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Oak Bluffs' assets and deferred outflows of resources exceeded its' liabilities and deferred inflows of resources on a government-wide basis by \$46.1 million at the close of 2016.

Net position of \$43.5 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position in the amount of \$2.6 million represents resources that are subject to external restrictions on how they may be used. Unrestricted net position is essentially offset largely due to the recognition of a \$14.1 million OPEB liability as well as the recognition of a \$7 million net pension liability.

Governmental Activities

	June 30, 2016	June 30, 2015
	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 23,076,781	\$ 20,558,252
Noncurrent assets (excluding capital).....	82,124	119,665
Capital assets.....	<u>50,959,814</u>	<u>40,154,495</u>
Total assets.....	<u>74,118,719</u>	<u>60,832,412</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions.....	550,596	-
Liabilities:		
Current liabilities (excluding debt).....	3,714,202	2,090,780
Noncurrent liabilities (excluding debt).....	21,209,146	18,285,055
Current debt.....	5,089,588	1,299,437
Noncurrent debt.....	<u>12,158,208</u>	<u>10,923,396</u>
Total liabilities.....	<u>42,171,144</u>	<u>32,598,668</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	-	56,675
Net Position:		
Net investment in capital assets.....	34,581,062	32,810,698
Restricted.....	2,620,624	1,691,931
Unrestricted.....	<u>(4,703,515)</u>	<u>(6,325,560)</u>
Total net position.....	<u>\$ 32,498,171</u>	<u>\$ 28,177,069</u>

Net position of \$34.6 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position in the amount of \$2.6 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is in a deficit of \$4.7 million and this is largely due to the recognition of a \$13.9 million OPEB liability as well as the recognition of a \$6.6 million net pension liability.

	June 30, 2016	June 30, 2015
Program revenues:		
Charges for services.....	\$ 4,327,672	\$ 4,521,266
Operating grants and contributions.....	3,444,864	2,737,290
Capital grants and contributions.....	5,933,492	1,333,691
General revenues:		
Real estate and personal property taxes.....	21,542,291	20,462,479
Motor vehicle and other excise taxes.....	891,569	736,116
Unrestricted investment income.....	21,162	45,081
Other revenues.....	3,159,543	1,812,054
Total revenues.....	39,320,593	31,647,977
Expenses:		
General government.....	4,378,228	4,015,660
Public safety.....	7,366,970	7,161,091
Education.....	16,699,801	15,588,750
Public works.....	2,687,537	2,249,677
Community development.....	799,632	878,946
Human services.....	673,895	696,787
Culture and recreation.....	1,030,616	944,296
Community preservation.....	220,320	383,774
Interest.....	466,638	170,327
Total expenses.....	34,323,637	32,089,308
Excess (deficiency) before transfers.....	4,996,956	(441,331)
Transfers.....	(675,854)	(665,351)
Change in net position.....	4,321,102	(1,106,682)
Net position -- beginning.....	28,177,069	29,283,751
Net position -- ending.....	\$ 32,498,171	\$ 28,177,069

The governmental activities net position increased by \$4.3 million during the current year. The increase is attributable to the following:

- The receipt of \$5.9 million in capital grant revenue largely driven by funding from the Commonwealth to offset construction costs incurred on rebuilding the North Bluff Seawall;
- An increase of \$1.1 million, \$334,000 and \$206,000 in the education, general government and public safety functions, respectively, that was fueled by budgetary growth and increased depreciation expense, increased pension and employee healthcare costs and increased expenses associated with the other postemployment benefit liability.
- An increase in real estate and personal property tax revenue due to an increased real estate valuation and increased effort to collect on the related real estate tax receivables.

Business-type Activities Financial Analysis

The Town accounts for its Wastewater Enterprise Fund as a business type activity.

	June 30, 2016	June 30, 2015
Assets:		
Current assets.....	\$ 2,920,663	\$ 3,022,753
Noncurrent assets (excluding capital).....	4,281,845	4,865,357
Capital assets.....	15,894,534	16,089,529
Total assets.....	23,097,042	23,977,639
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions.....	30,534	-
Liabilities:		
Current liabilities (excluding debt).....	126,854	146,934
Noncurrent liabilities (excluding debt).....	563,356	485,016
Current debt.....	1,314,054	1,287,391
Noncurrent debt.....	7,472,985	8,787,039
Total liabilities.....	9,477,249	10,706,380
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	-	3,143
Net Position:		
Net investment in capital assets.....	8,937,250	8,080,067
Unrestricted.....	4,713,077	5,188,049
Total net position.....	\$ 13,650,327	\$ 13,268,116

Net position of \$8.9 million reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net position* of \$4.7 million may be used to meet the government's ongoing obligations to citizens and creditors.

	June 30, 2016	June 30, 2015
	<u> </u>	<u> </u>
Program revenues:		
Charges for services.....	\$ 983,276	\$ 907,725
Operating grants and contributions.....	175,996	200,226
Capital grants and contributions.....	-	451,960
Total revenues.....	<u>1,159,272</u>	<u>1,559,911</u>
Expenses:		
Wastewater.....	<u>1,452,915</u>	<u>1,471,100</u>
Excess (deficiency) before transfers.....	(293,643)	88,811
Transfers.....	<u>675,854</u>	<u>665,351</u>
Change in net position.....	382,211	754,162
Net position -- beginning.....	<u>13,268,116</u>	<u>12,513,954</u>
Net position -- ending.....	<u><u>\$ 13,650,327</u></u>	<u><u>\$ 13,268,116</u></u>

Fund balance of the Wastewater Enterprise Fund increased \$382,000 due to charges for services and operating grant contributions exceeded the plant cost of service of administration. Also contributing to the overall positive performance were principal payments on long term debt exceeded depreciation expense.

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 *expendable* 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.

As of the end of the current year, governmental funds reported combined ending fund balances of \$10.2 million, a decrease of \$1.8 million from the prior year. The reasons for the increase are explained in the following paragraphs.

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$3.7 million while total fund balance was \$4.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.98% of total general fund expenditures while total fund balance represents 14.35% of total general fund expenditures.

The fund balance of the general fund increased \$845,000 from the prior year. Revenues and other financing sources increased over the prior year by \$2.1 million largely driven by an increased real estate valuation and increased effort to collect on the related real estate tax receivables. Offsetting the increased revenue were gross

expenditures and other financing uses increasing \$1 million. The increase in expenditures was partly funded from free cash.

Ambulance Revolving Fund

The Town's Ambulance Revolving Fund is classified as a major fund in the governmental fund financial statements. The purpose of this fund is used to accumulate resources and account for activity relative to the ambulance and general public safety activities. The fund had a year-end balance of \$727,000 which is reflective of an increase in fund balance of \$329,000. The increase in fund balance is the result of charges for services being in line with the prior year while overall costs decreased due to certain capital spending not recurring. Offsetting the decrease in capital spending was an increase of \$211,000 in salary expenditures.

State Grants Fund

The Town's State Grants Fund is classified as a major fund in the governmental fund financial statements. The purpose of this fund is used to accumulate resources and account for activity relative to projects and programs funded with grants, other than Chapter 90 grants, awarded to the Town by the Commonwealth of Massachusetts. This is a self-supporting fund that had a year-end deficit which will be funded in future years from grant proceeds. Construction of the North Bluff Seawall and boardwalk was the major activity in this fund in 2016.

Highway Improvements Fund

The Town's Highway Improvements Fund is classified as a major fund in the governmental fund financial statements. The purpose of this fund is used to accumulate resources and account for activity relative to roadway reconstruction projects funded with grants awarded to the Town by the Commonwealth of Massachusetts. The fund incurred expenditures of \$212,000 all of which were reimbursements by the Commonwealth during 2016. The Commonwealth has awarded grants to the Town in the amount of \$789,000 that is available to fund future projects. Accordingly, the Town has recorded a receivable to reflect the grant award.

Community Preservation Fund

The Town's Community Preservation Fund is classified as a major fund in the governmental fund financial statements. The community preservation fund is attributable to the Town's acceptance of the Community Preservation Act which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and affordable housing. The community preservation fund has a year-end balance of \$2.4 million which is reflective of a \$521,000 decrease in fund balance as a result of increase expenditures. The increased expenditures is the result of new initiatives resulting in contributions toward the Niantic Park renovation and contributions to the Affordable Housing Trust Fund. Major fund expenditures funded affordable housing initiatives in the amount of \$410,000, parkland improvements of \$710,000, historic preservation of \$58,000, and \$18,000 was spent for administrative purposes.

Capital Projects Major Fund

This fund is used to account for resources that are restricted to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds. During the year the fund incurred expenditures for various roadway resurfacing and repairs and the Niantic Park renovation. At June 30, 2016, the ending fund balance was \$407,000, a decrease of \$3.4 million over the prior year. The decreased fund balance is a result of increased expenditures in the public safety function mainly as a result of final expenditures on the new Fire and EMS facility.

General Fund Budgetary Highlights

There was an increase of \$584,000 between the original budget and the final amended budget. The increase is the result of actions taken at the November 2016 Special Town Meeting. The significant actions affecting the budget that occurred at these meetings were the Town's decision to fund new debt services relative to financing for the harbor fuel facility and the new fire station as well as providing funding for education related purposes.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Outstanding long-term debt of the general government, as of June 30, 2016, is approximately \$12.7 million, of which \$8.7 million is related to building and other facility construction, \$1.4 million is related to library construction projects, \$462,000 is related to landfill projects, \$260,000 is related to bulkhead repairs, \$526,000 is related to architectural services, and \$1.3 million is related to Sengekontacket Pond dredging and roadway improvements.

The Town had outstanding short-term debt of \$3.8 million which was fully paid down upon maturity.

The wastewater enterprise fund has \$8.8 million in outstanding debt at the end of the year.

The Town's general revenues finance 1/2 of the annual principal and interest payments on long-term debt for wastewater projects. Wastewater fees fund the remaining debt and 1/2 of the salary for the clerk responsible for the collection of wastewater fees. For 2016, the general fund's subsidy to the wastewater fund totaled \$675,854.

The Town's governmental activities capital asset additions for 2016 are comprised of \$12.3 million in various vehicle, infrastructure and building construction. The enterprise capital asset additions of \$251,000 mainly relate to plant expansion and building construction.

Please refer to the notes 4, 6, 7 and 8 to the basic financial statements 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 Oak Bluff'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, P.O. Box 1327, Oak Bluffs, Massachusetts 02557.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 12,774,251	\$ 1,274,903	\$ 14,049,154
Investments.....	2,510,000	-	2,510,000
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,048,405	-	1,048,405
Tax liens.....	1,514,010	-	1,514,010
Tax foreclosures.....	662,639	-	662,639
Motor vehicle and other excise taxes.....	167,597	-	167,597
User fees.....	-	991,237	991,237
Departmental and other.....	1,141,732	-	1,141,732
Community preservation fund surtax.....	302,656	-	302,656
Special assessments.....	-	422,435	422,435
Intergovernmental.....	2,625,570	232,088	2,857,658
Community preservation fund state share.....	148,000	-	148,000
Prepaid expenses.....	181,921	-	181,921
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	82,124	1,004,220	1,086,344
Special assessments.....	-	3,277,625	3,277,625
Capital assets, net of accumulated depreciation:			
Depreciable.....	39,938,036	14,894,534	54,832,570
Nondepreciable.....	11,021,778	1,000,000	12,021,778
TOTAL ASSETS.....	74,118,719	23,097,042	97,215,761
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	550,596	30,534	581,130
LIABILITIES			
CURRENT:			
Warrants payable.....	2,372,205	14,185	2,386,390
Accrued payroll.....	834,071	10,434	844,505
Accrued interest.....	144,484	102,235	246,719
Payroll withholdings.....	133,085	-	133,085
Other liabilities.....	20,357	-	20,357
Capital lease obligations.....	35,491	-	35,491
Compensated absences.....	210,000	-	210,000
Notes payable.....	3,810,873	-	3,810,873
Bonds payable.....	1,243,224	1,314,054	2,557,278
NONCURRENT:			
Capital lease obligations.....	158,197	-	158,197
Compensated absences.....	686,000	-	686,000
Other postemployment benefits.....	13,917,000	197,000	14,114,000
Net pension liability.....	6,606,146	366,356	6,972,502
Bonds payable.....	12,000,011	7,472,985	19,472,996
TOTAL LIABILITIES.....	42,171,144	9,477,249	51,648,393
NET POSITION			
Net investment in capital assets.....	34,581,062	8,937,250	43,518,312
Restricted for:			
Permanent funds:			
Expendable.....	1,207,708	-	1,207,708
Nonexpendable.....	-	-	-
Gifts and grants.....	1,412,916	-	1,412,916
Unrestricted.....	(4,703,515)	4,713,077	9,562
TOTAL NET POSITION.....	\$ 32,498,171	\$ 13,650,327	\$ 46,148,498

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 4,378,228	\$ 260,224	\$ 14,394	\$ -	\$ (4,103,610)
Public safety.....	7,366,970	3,353,853	157,394	-	(3,855,723)
Education.....	16,699,801	76,382	2,285,003	-	(14,338,416)
Public works.....	2,687,537	506,439	228,226	5,530,258	3,577,386
Community development.....	799,632	-	741,927	-	(57,705)
Human services.....	673,895	62,588	9,981	-	(601,326)
Culture and recreation.....	1,030,616	68,186	7,939	-	(954,491)
Community preservation.....	220,320	-	-	403,234	182,914
Interest.....	466,638	-	-	-	(466,638)
Total Governmental Activities.....	<u>34,323,637</u>	<u>4,327,672</u>	<u>3,444,864</u>	<u>5,933,492</u>	(20,617,609)
<i>Business-Type Activities:</i>					
Wastewater.....	<u>1,452,915</u>	<u>983,276</u>	<u>175,996</u>	<u>-</u>	(293,643)
Total Primary Government.....	<u>\$ 35,776,552</u>	<u>\$ 5,310,948</u>	<u>\$ 3,620,860</u>	<u>\$ 5,933,492</u>	\$ (20,911,252)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (20,617,609)	\$ (293,643)	\$ (20,911,252)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	21,461,432	-	21,461,432
Tax liens.....	80,859	-	80,859
Motor vehicle and other excise taxes.....	891,569	-	891,569
Hotel tax.....	546,265	-	546,265
Meals tax.....	320,024	-	320,024
Penalties and interest on taxes.....	457,942	-	457,942
Payments in lieu of taxes.....	13,439	-	13,439
Community preservation surcharge.....	524,834	-	524,834
Grants and contributions not restricted to specific programs.....	1,297,039	-	1,297,039
Unrestricted investment income.....	21,162	-	21,162
<i>Transfers, net</i>	<u>(675,854)</u>	<u>675,854</u>	<u>-</u>
Total general revenues and transfers.....	<u>24,938,711</u>	<u>675,854</u>	<u>25,614,565</u>
Change in net assets.....	4,321,102	382,211	4,703,313
<i>Net Position:</i>			
Beginning of year.....	<u>28,177,069</u>	<u>13,268,116</u>	<u>41,445,185</u>
End of year.....	\$ <u><u>32,498,171</u></u>	\$ <u><u>13,650,327</u></u>	\$ <u><u>46,148,498</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Ambulance Revolving Fund	State Grants Fund	Highway Improvements Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents.....	\$ 5,156,053	\$ 788,536	\$ 3,104,476	\$ 497,512	\$ -	\$ 513,341	\$ 2,714,333	\$ 12,774,251
Investments.....	70,000	-	-	-	2,440,000	-	-	2,510,000
Receivables, net of uncollectibles:								
Real estate and personal property taxes.....	1,048,405	-	-	-	-	-	-	1,048,405
Community preservation fund surtax.....	-	-	-	-	302,656	-	-	302,656
Tax liens.....	1,514,010	-	-	-	-	-	-	1,514,010
Motor vehicle and other excise taxes.....	167,597	-	-	-	-	-	-	167,597
Departmental and other.....	-	1,108,808	-	-	-	-	32,924	1,141,732
Intergovernmental.....	119,665	-	1,794,893	789,696	-	-	3,440	2,707,694
Community preservation fund state share.....	-	-	-	-	148,000	-	-	148,000
Due from other funds.....	44,685	-	-	-	-	-	-	44,685
Tax foreclosures/possessions.....	662,639	-	-	-	-	-	-	662,639
Prepaid expenses.....	181,921	-	-	-	-	-	-	181,921
TOTAL ASSETS.....	\$ 8,964,975	\$ 1,897,344	\$ 4,899,369	\$ 1,287,208	\$ 2,890,656	\$ 513,341	\$ 2,750,697	\$ 23,203,590
LIABILITIES								
Warrants payable.....	\$ 655,494	\$ 21,312	\$ 1,272,820	\$ 211,807	\$ 2,504	\$ 106,397	\$ 101,871	\$ 2,372,205
Accrued payroll.....	788,226	39,849	987	-	-	-	5,009	834,071
Payroll withholdings.....	133,085	-	-	-	-	-	-	133,085
Other liabilities.....	20,357	-	-	-	-	-	-	20,357
Due to other funds.....	-	-	-	-	44,685	-	-	44,685
Notes payable.....	-	-	3,342,358	468,515	-	-	-	3,810,873
TOTAL LIABILITIES.....	1,597,162	61,161	4,616,165	680,322	47,189	106,397	106,880	7,215,276
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues.....	3,311,812	1,108,808	289,237	606,886	450,658	-	32,924	5,800,325
FUND BALANCES								
Nonspendable.....	-	-	-	-	-	-	15,934	15,934
Restricted.....	-	727,375	-	-	2,392,809	406,944	2,594,959	6,122,087
Committed.....	327,850	-	-	-	-	-	-	327,850
Assigned.....	59,775	-	-	-	-	-	-	59,775
Unassigned.....	3,668,376	-	(6,033)	-	-	-	-	3,662,343
TOTAL FUND BALANCES.....	4,056,001	727,375	(6,033)	-	2,392,809	406,944	2,610,893	10,187,989
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 8,964,975	\$ 1,897,344	\$ 4,899,369	\$ 1,287,208	\$ 2,890,656	\$ 513,341	\$ 2,750,697	\$ 23,203,590

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.....		\$ 10,187,989
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		50,959,814
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		550,596
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,800,325
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(144,484)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable.....	(13,243,235)	
Capital lease obligations.....	(193,688)	
Other postemployment benefit obligations.....	(13,917,000)	
Net pension liability.....	(6,606,146)	
Compensated absences.....	(896,000)	
Net effect of reporting long-term liabilities.....		<u>(34,856,069)</u>
Net position of governmental activities.....		<u>\$ 32,498,171</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Ambulance Revolving Fund	State Grants Fund	Highway Improvements Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:								
Real estate and personal property taxes, net of tax refunds.....	\$ 21,118,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,118,797
Tax liens.....	883,949	-	-	-	-	-	-	883,949
Motor vehicle and other excise taxes.....	873,639	-	-	-	-	-	4,650	878,289
Hotel tax.....	484,808	-	-	-	-	-	-	484,808
Meals tax.....	320,024	-	-	-	-	-	-	320,024
Penalties and interest on taxes.....	450,236	-	-	-	7,706	-	-	457,942
Fees.....	368,901	-	-	-	-	-	52,260	421,161
Slip fees.....	1,008,560	-	-	-	-	-	-	1,008,560
Intergovernmental.....	2,245,591	-	5,373,440	211,807	-	44,721	1,301,092	9,176,651
Departmental and other.....	684,976	1,608,030	-	-	-	-	829,346	3,122,352
Community preservation surcharge.....	-	-	-	-	524,834	-	-	524,834
Contributions.....	-	-	-	-	-	-	970,013	970,013
Investment income.....	18,150	-	-	-	2,578	-	434	21,162
Community preservation state match.....	-	-	-	-	198,438	-	-	198,438
TOTAL REVENUES.....	28,457,631	1,608,030	5,373,440	211,807	733,556	44,721	3,157,795	39,586,980
EXPENDITURES:								
Current:								
General government.....	2,854,114	-	1,512	-	-	277,365	102,134	3,235,125
Public safety.....	3,543,918	1,279,435	22,720	-	-	5,222,902	293,268	10,362,243
Education.....	11,942,284	-	120,019	-	-	-	157,979	12,220,282
Public works.....	1,718,885	-	5,395,749	211,807	-	355,794	363,377	8,045,612
Community development.....	-	-	-	-	-	-	799,632	799,632
Human services.....	418,714	-	15,981	-	-	-	57,589	492,284
Culture and recreation.....	668,353	-	5,201	-	-	28,299	86,862	788,715
Community preservation.....	-	-	-	-	904,123	-	-	904,123
Pension benefits.....	2,068,001	-	-	-	-	-	-	2,068,001
Employee benefits.....	2,440,208	-	-	-	-	-	-	2,440,208
State and county charges.....	991,243	-	-	-	-	-	-	991,243
Debt service:								
Principal.....	520,200	-	-	-	-	-	-	520,200
Interest.....	373,543	-	-	-	-	-	-	373,543
TOTAL EXPENDITURES.....	27,539,463	1,279,435	5,561,182	211,807	904,123	5,884,360	1,860,841	43,241,211
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	918,168	328,595	(187,742)	-	(170,567)	(5,839,639)	1,296,954	(3,654,231)
OTHER FINANCING SOURCES (USES):								
Issuance of long-term debt.....	-	-	-	-	-	1,788,000	-	1,788,000
Premium from issuance of bonds.....	-	-	-	-	-	-	564,119	564,119
Capital lease financing.....	193,688	-	-	-	-	-	-	193,688
Transfers in.....	450,909	-	-	-	-	648,877	42,152	1,141,938
Transfers out.....	(718,006)	-	(368,603)	-	(350,000)	-	(381,183)	(1,817,792)
TOTAL OTHER FINANCING SOURCES (USES):	(73,409)	-	(368,603)	-	(350,000)	2,436,877	225,088	1,869,953
NET CHANGE IN FUND BALANCES.....	844,759	328,595	(556,345)	-	(520,567)	(3,402,762)	1,522,042	(1,784,278)
FUND BALANCES AT BEGINNING OF YEAR.....	3,211,242	398,780	550,312	-	2,913,376	3,809,706	1,088,851	11,972,267
FUND BALANCES AT END OF YEAR.....	\$ 4,056,001	\$ 727,375	\$ (6,033)	\$ -	\$ 2,392,809	\$ 406,944	\$ 2,610,893	\$ 10,187,989

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.....		\$ (1,784,278)
<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.....	12,487,719	
Depreciation expense.....	<u>(1,682,399)</u>	
Net effect of reporting capital assets.....		10,805,320
<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>		
		(266,388)
<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>		
Issuance of long-term debt.....	(1,788,000)	
Principal payments on capital lease obligation.....	27,970	
Proceeds from issuance of capital lease financing.....	(193,688)	
Debt service principal payments.....	<u>520,200</u>	
Net effect of reporting long-term debt.....		(1,433,518)
<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.....	(242,000)	
Net change in accrued interest on long-term debt.....	(125,375)	
Net change in other postemployment benefit accrual.....	(2,161,000)	
Net change in deferred outflows/(inflows) of resources related to pensions.....	607,271	
Net change in bond premiums.....	(531,839)	
Net change in net pension liability.....	<u>(547,091)</u>	
Net effect of recording other long-term liabilities.....		<u>(3,000,034)</u>
Change in net position of governmental activities.....		\$ <u><u>4,321,102</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

		Business-type Activities - Wastewater Enterprise
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	1,274,903
Receivables, net of allowance for uncollectibles:		
User fees.....		991,237
Intergovernmental.....		232,088
Special assessments.....		422,435
Total current assets.....		2,920,663
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....		1,004,220
Special assessments.....		3,277,625
Capital assets, net of accumulated depreciation:		
Nondepreciable.....		1,000,000
Depreciable.....		14,894,534
Total noncurrent assets.....		20,176,379
TOTAL ASSETS.....		23,097,042
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions.....		30,534
LIABILITIES		
CURRENT:		
Warrants payable.....		14,185
Accrued payroll.....		10,434
Accrued interest.....		102,235
Bonds payable.....		1,314,054
Total current liabilities.....		1,440,908
NONCURRENT:		
Other postemployment benefits.....		197,000
Net pension liability.....		366,356
Bonds payable.....		7,472,985
Total noncurrent liabilities.....		8,036,341
TOTAL LIABILITIES.....		9,477,249
NET POSITION		
Net investment in capital assets.....		8,937,250
Unrestricted.....		4,713,077
TOTAL NET POSITION.....	\$	13,650,327

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

		Business-type Activities - Wastewater Enterprise
<u>OPERATING REVENUES:</u>		
Charges for services.....	\$	850,677
<u>OPERATING EXPENSES:</u>		
Cost of services and administration.....		652,492
Depreciation.....		445,714
 TOTAL OPERATING EXPENSES.....		 1,098,206
 OPERATING INCOME (LOSS).....		 (247,529)
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest expense.....		(354,709)
Intergovernmental.....		175,996
Special assessment interest.....		113,187
Penalties and interest.....		19,412
 TOTAL NONOPERATING REVENUES (EXPENSES), NET.....		 (46,114)
 INCOME (LOSS) BEFORE TRANSFERS.....		 (293,643)
<u>TRANSFERS:</u>		
Transfers in.....		675,854
 CHANGE IN NET POSITION.....		 382,211
 NET POSITION AT BEGINNING OF YEAR.....		 13,268,116
 NET POSITION AT END OF YEAR.....	\$	 13,650,327

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Wastewater Enterprise
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 904,219
Payments to vendors.....	(211,837)
Payments to employees.....	(399,120)
	293,262
<u>NET CASH FROM OPERATING ACTIVITIES.....</u>	
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers in.....	675,854
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Acquisition and construction of capital assets.....	(250,719)
Principal payments on bonds and notes.....	(1,059,186)
Interest expense.....	(192,522)
Receipts from special assessments.....	461,554
	(1,040,873)
<u>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</u>	
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</u>	
	(71,757)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</u>	
	1,346,660
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</u>	
	\$ 1,274,903
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>	
<u>FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ (247,529)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	445,714
Receipts from penalties and interest.....	19,412
Deferred outflows/(inflows) related to pensions.....	(30,534)
Changes in assets and liabilities:	
User fees.....	34,130
Other postemployment benefits.....	48,000
Warrants payable.....	(6,933)
Accrued payroll.....	662
Net pension liability.....	30,340
	540,791
<u>Total adjustments.....</u>	
	293,262
<u>NET CASH FROM OPERATING ACTIVITIES.....</u>	
	\$ 293,262
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Intergovernmental MWPAT debt service subsidy.....	\$ 404,201
	404,201

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Other Postemployment Benefits Trust Fund	Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ -	\$ 100,656
Investments.....	80,047	-
TOTAL ASSETS.....	80,047	100,656
LIABILITIES		
Liabilities due depositors.....	-	100,656
NET POSITION		
Held in trust for other postemployment benefits and other purposes.....	\$ 80,047	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

		Other Postemployment Benefits Trust Fund
ADDITIONS:		
Employer contributions.....	\$	76,703
Interest.....		3,369
Less: investment expense.....		(25)
Net investment income.....		3,344
TOTAL ADDITIONS.....		80,047
NET POSITION AT BEGINNING OF YEAR.....		-
NET POSITION AT END OF YEAR.....	\$	80,047

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Joint Ventures

The Town is a member of the Martha's Vineyard Regional High School that provides for the education of the Town's high school students. The members share in the operations of the High School and each member is responsible for its proportionate share of the operational and capital cost of the High School, which are paid in the form of assessments. The Town does not have an equity interest in the High School and the 2016 assessment was \$4,780,716.

The Town is a member of the Joint Solid Waste Transfer Station (Transfer Station), a joint venture with the Town of Tisbury, Massachusetts, for the operation of a solid waste disposal facility. The members share in overseeing the operations of the Transfer Station. Each member is responsible for its proportionate share of the operational costs of the Transfer Station, which are paid in the form of assessments. As of June 30, 2016, the Town's equity interest in the operations, if any, of the Transfer Station is not reported in these basic financial statements.

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 and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

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

- If the 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 of resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, 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.

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 restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions 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 *ambulance revolving fund* is a special revenue fund used to accumulate resources and account for activity relative to providing emergency medical services to stakeholders of the Town.

The *state grants fund* is a special revenue fund used to accumulate resources and account for activity relative to projects and programs funded with grants, other than Chapter 90 grants, awarded to the Town by the Commonwealth of Massachusetts.

The *highway improvements fund* is a special revenue fund used to accumulate resources and account for activity relative to roadway reconstruction projects funded with grants awarded to the Town by the Commonwealth of Massachusetts.

The *community preservation fund* is a special revenue fund used to account for funds collected in accordance with the Community Preservation Act. The funds may be used for the creation, preservation and support of open space, historic resources, land for recreational use and affordable housing.

The *capital projects fund* is a fund used to account for non-library related capital activity that is funded through short or long-term general obligation debt.

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 of 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 non-operating 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 non-operating revenues and expenses.

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

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

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

The *agency fund*, which is used to account for assets held in a purely custodial capacity, is reported as a fiduciary fund.

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 and Investments.

E. 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 and Personal Property Taxes

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

The allowance of uncollectible real estate and personal property tax is estimated based on historical trends and specific account analysis.

Community Preservation Fund Surtax

Community Preservation Fund Surtaxes consist of an additional tax of up to 3% of the value in excess of \$100,000 of real property which is levied by the Town once voters accept the provisions of the Community Preservation Act.

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

Tax Liens

The Town has the ability to secure real estate tax and water and sewer liens by placing property into tax title. Tax liens are recorded as receivables in the year they are processed.

Motor Vehicle and Other Excise Taxes

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

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

User Fees

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Wastewater charges 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 uncollectible accounts.

Departmental and Other

Departmental and other receivables consist primarily of ambulance charges and tax foreclosures and are recorded as receivables in the year accrued. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

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 projects.

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

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 uncollectible accounts.

Community Preservation Fund State Share

Community Preservation Fund State Share represents the states matching portion of all funds collected through the Community Preservation Surtax.

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

F. 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.

G. 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 applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	20-50
Infrastructure.....	10-65
Land improvements.....	20
Machinery and equipment.....	5-30
Vehicles.....	8

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.

H. 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 a consumption of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The Town currently has no items that qualify for reporting in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental funds 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 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.

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

Fund Financial Statements

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

J. 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.

K. 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 is not considered to be capital related debt.

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

Net position has been "restricted for" the following:

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

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

"Gifts and grants" represents restrictions placed on assets from outside parties.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority 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. 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 will, from time to time, fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Pensions

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

N. 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).

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement. 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.

P. 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.

Q. Total Column

Government-Wide Financial Statements

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

Governmental 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 combined 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 (the Pool). The Town 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. At June 30, 2016, the Town did not have any deposits with MMDT.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's policy addressing custodial credit risk over deposits is explained in the next paragraph. At year-end, the carrying amount of deposits totaled \$14,149,810, and the bank balance totaled \$14,569,805. Of the bank balance, \$1,228,147 was covered by Federal Depository Insurance, \$10,170,955 was covered by the Depositors Insurance Fund, \$29,959 was covered by the Share Insurance fund, and \$3,080,744 was collateralized.

It is the policy of the Town to maintain depository relationships with institutions that fully collateralize Town funds, beyond FDIC and DIF insurance, on deposit. Depending on the cash requirements of the Town there may be a need to maintain depository balances that are above and beyond FDIC, DIF and collateral agreement coverage. In these instances, the Town's uncollateralized deposits may not exceed 5% of an institution's assets and no more than 10% of the Town's cash.

At June 30, 2016, the Town was in compliance with its investment policy.

Custodial Credit Risk – Investments

It is the policy of the Town to invest only in the Massachusetts Municipal Depository Trust (MMDT), United States Treasury Notes and United States Agency obligations.

As of June 30, 2016, the Town had an investment with a fair market value of \$2,510,000 in an overnight Repurchase Agreement (REPO). Under the terms of the REPO, the bank agrees to sell and buy back a portion of the Bank's securities portfolio at the purchase price plus interest. The REPO is held by the bank, acting as the Town's agent. In the event of default, the Town has the right to direct the bank to sell the securities and apply the proceeds in satisfaction of the Repurchase Agreement. The REPO is not in the Town's name; however, it is fully collateralized with Collateralized Debt Securities issued by the U.S. Government and U.S. Government Sponsored Enterprises. The REPO is not rated, and the collateral has a Standard & Poors rating of AA+. The REPO is classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

Interest & Credit Rate Risk

Town policy dictates that funds may not be invested in fixed income securities of the United States government longer than one year from date of purchase.

The Town does not possess any investments at June 30, 2016 that are subject to interest rate or credit rate risk.

Concentration of Credit Risk

Town policy dictates that, with the exception of MMDT and United States Treasuries or Agencies, no more than 65% of the Town’s investments can be invested in a single issuer or financial institution.

The Town does not possess any investments at June 30, 2016 that are subject to concentration of credit risk disclosures.

Fair Value Measurement

The Town does not hold any investments that are measured at fair value on a recurring basis.

The OPEB Trust investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its costs 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 and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
	<u> </u>	<u> </u>	<u> </u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,048,405	\$ -	\$ 1,048,405
Community preservation fund surtax.....	302,656	-	302,656
Tax liens.....	1,514,010	-	1,514,010
Motor vehicle and other excise taxes.....	247,597	(80,000)	167,597
Departmental and other.....	2,215,424	(1,073,692)	1,141,732
Intergovernmental.....	2,707,694	-	2,707,694
Community preservation fund state share.....	148,000	-	148,000
	<u> </u>	<u> </u>	<u> </u>
Total.....	<u>\$ 8,183,786</u>	<u>\$ (1,153,692)</u>	<u>\$ 7,030,094</u>

At June 30, 2016, receivables for the wastewater enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 991,237	\$ -	\$ 991,237
Intergovernmental.....	1,236,308	-	1,236,308
Special assessments.....	3,700,060	-	3,700,060
 Total.....	 \$ 5,927,605	 \$ -	 \$ 5,927,605

Governmental funds report *unavailable revenue* 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 revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 847,901	\$ -	\$ 847,901
Community preservation fund surtax.....	-	302,656	302,656
Tax liens.....	1,514,010	-	1,514,010
Motor vehicle and other excise taxes.....	167,597	-	167,597
Departmental and other.....	-	1,141,732	1,141,732
Intergovernmental.....	119,665	896,125	1,015,790
Community preservation fund state share.....	-	148,000	148,000
<u>Other asset type:</u>			
Tax foreclosures/possessions.....	662,639	-	662,639
 Total.....	 \$ 3,311,812	 \$ 2,488,513	 \$ 5,800,325

NOTE 4 - CAPITAL ASSETS

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

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 11,021,778	\$ -	\$ -	\$ 11,021,778
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,912,589	1,094,000	-	3,006,589
Buildings.....	27,396,382	5,222,901	-	32,619,283
Machinery and equipment.....	1,833,422	293,699	-	2,127,121
Vehicles.....	4,832,489	74,000	-	4,906,489
Infrastructure.....	<u>13,950,193</u>	<u>5,803,119</u>	<u>-</u>	<u>19,753,312</u>
Total capital assets being depreciated.....	<u>49,925,075</u>	<u>12,487,719</u>	<u>-</u>	<u>62,412,794</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(781,952)	(115,796)	-	(897,748)
Buildings.....	(8,089,876)	(700,361)	-	(8,790,237)
Machinery and equipment.....	(1,097,977)	(131,410)	-	(1,229,387)
Vehicles.....	(3,200,121)	(266,784)	-	(3,466,905)
Infrastructure.....	<u>(7,622,433)</u>	<u>(468,048)</u>	<u>-</u>	<u>(8,090,481)</u>
Total accumulated depreciation.....	<u>(20,792,359)</u>	<u>(1,682,399)</u>	<u>-</u>	<u>(22,474,758)</u>
Total capital assets being depreciated, net.....	<u>29,132,716</u>	<u>10,805,320</u>	<u>-</u>	<u>39,938,036</u>
Total governmental activities capital assets, net.....	<u>\$ 40,154,494</u>	<u>\$ 10,805,320</u>	<u>\$ -</u>	<u>\$ 50,959,814</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
<u>Capital assets being depreciated:</u>				
Land improvements.....	257,765	-	-	257,765
Machinery and equipment.....	2,554,580	-	-	2,554,580
Vehicles.....	120,129	-	-	120,129
Buildings.....	5,820,898	38,000	-	5,858,898
Infrastructure.....	11,087,420	212,719	-	11,300,139
Total capital assets being depreciated.....	19,840,792	250,719	-	20,091,511
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(173,989)	(12,888)	-	(186,877)
Machinery and equipment.....	(1,166,245)	(87,126)	-	(1,253,371)
Vehicles.....	(82,824)	(4,974)	-	(87,798)
Buildings.....	(1,359,280)	(120,252)	-	(1,479,532)
Infrastructure.....	(1,968,925)	(220,474)	-	(2,189,399)
Total accumulated depreciation.....	(4,751,263)	(445,714)	-	(5,196,977)
Total capital assets being depreciated, net.....	15,089,529	(194,995)	-	14,894,534
Total wastewater activities capital asset, net.....	\$ 16,089,529	\$ (194,995)	\$ -	\$ 15,894,534

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

Governmental Activities:

General government.....	\$ 389,083
Public safety.....	569,972
Education.....	288,254
Public works.....	268,671
Human services.....	16,567
Culture and recreation.....	149,852
Total depreciation expense - governmental activities.....	\$ 1,682,399

Business-Type Activities:

Wastewater.....	\$ 435,434
-----------------	------------

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Transfers Out:	Transfers In:				Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Wastewater Enterprise Fund	
General Fund.....	\$ -	\$ -	\$ 42,152	\$ 675,854	\$ 718,006 (a)
State Grants Fund.....	79,366	289,237	-	-	368,603 (b)
Community Preservation Fund.....	-	350,000	-	-	350,000 (c)
Nonmajor Governmental Funds.....	371,543	9,640	-	-	381,183 (d)
Total.....	\$ 450,909	\$ 648,877	\$ 42,152	\$ 675,854	\$ 1,817,792

- (a) Budgeted transfer to subsidize Wastewater Enterprise fund debt service.
- (b) Budgeted transfers of \$79,366 from School Choice to the General Fund and \$289,237 from the State Grants fund to pay down prior year BAN.
- (c) Budgeted transfers from the Community Preservation Fund to the General Fund to pay down BAN.
- (d) Budgeted transfers from Ferry Fee Receipts, Fuel Facility Fees and other receipts to offset the General Fund and Capital Project Fund costs.

NOTE 6 - CAPITAL LEASES

The Town has entered into a lease agreement to finance the acquisition of a street sweeper. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The following identifies the asset acquired through the capital lease agreement:

Asset:	Governmental Activities
Machinery and equipment.....	\$ 193,688
Less: accumulated depreciation.....	(38,738)
Total.....	\$ 154,950

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2016, are as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>
2017.....	\$ 43,969
2018.....	43,970
2019.....	43,970
2020.....	43,970
2021.....	<u>43,970</u>
Total minimum lease payments.....	219,849
Less: amounts representing interest.....	<u>(26,161)</u>
Present value of minimum lease payments.....	<u>\$ 193,688</u>

NOTE 7 - SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

As of June 30, 2016 the Town had the following short-term debt outstanding in the governmental funds:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2016</u>
BAN	Bond anticipation note.....	0.40	09/10/15	\$ 130,000	\$ -	\$ 130,000	\$ -
BAN	Bond anticipation note.....	1.00	09/10/15	10,000	-	10,000	-
BAN	Bond anticipation note.....	1.00	09/10/15	350,000	-	350,000	-
BAN	Bond anticipation note.....	1.00	09/10/15	289,237	-	289,237	-
GAN	State grant anticipation note....	0.75	10/13/16	-	468,515	-	468,515
GAN	State grant anticipation note....	0.63	09/06/16	-	3,342,358	-	3,342,358
Sub-total.....				<u>\$ 779,237</u>	<u>\$ 3,810,873</u>	<u>\$ 779,237</u>	<u>\$ 3,810,873</u>

The BANS outstanding at June 30, 2016, were paid down with available funds upon maturity.

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 governmental activities outstanding indebtedness at June 30, 2016, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
School bonds.....	2015	\$ 13,475,000	2.50-4.00	\$ -	\$ -	\$ -	\$ -
Library construction.....	2024	3,500,000	3.00-4.63	1,575,000	-	175,000	1,400,000
Landfill (MCWT).....	2020	2,432,200	4.90	607,300	-	145,200	462,100
Bulkhead repairs.....	2016	2,300,000	3.75 - 4.00	390,000	-	130,000	260,000
Building remodeling.....	2023	250,000	2.00-3.00	200,000	-	25,000	175,000
Dredging.....	2025	500,000	2.00-3.00	410,000	-	45,000	365,000
Architectural services- Town Hall.....	2024	239,150	2.00-5.00	239,150	-	-	239,150
Building remodeling- Fire Station.....	2035	8,288,000	2.00-5.00	6,500,000	1,788,000	-	8,288,000
Public way.....	2028	975,146	2.00-5.00	975,146	-	-	975,146
Architectural services- Fire Station....	2024	287,000	2.00-5.00	287,000	-	-	287,000
Fuel facility.....	2018	260,000	5.00	260,000	-	-	260,000
Subtotal.....				11,443,596	1,788,000	520,200	12,711,396
Unamortized premium on bonds.....				-	531,839	-	531,839
Total governmental bonds payable.....				\$ 11,443,596	\$ 2,319,839	\$ 520,200	\$ 13,243,235

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

Year	Principal	Interest	Total
2017.....	1,178,896	473,072	1,651,968
2018.....	1,164,000	416,264	1,580,264
2019.....	1,033,500	368,469	1,401,969
2020.....	785,000	325,656	1,110,656
2021.....	785,000	288,969	1,073,969
2022.....	785,000	252,106	1,037,106
2023.....	785,000	214,594	999,594
2024.....	760,000	177,081	937,081
2025.....	585,000	148,494	733,494
2026.....	490,000	136,331	626,331
2027.....	490,000	125,000	615,000
2028.....	490,000	111,831	601,831
2029.....	490,000	97,131	587,131
2030.....	415,000	83,556	498,556
2031.....	415,000	71,106	486,106
2032.....	415,000	58,656	473,656
2033.....	415,000	45,947	460,947
2034.....	410,000	33,056	443,056
2035.....	410,000	19,988	429,988
2036.....	410,000	6,663	416,663
Total.....	\$ 12,711,396	\$ 3,453,971	\$ 16,165,367

Bonds Payable Schedule – Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Wastewater.....	2028	\$ 22,566,961	4.00-4.80	\$ 10,074,430	\$ -	\$ 1,287,391	\$ 8,787,039

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

Year	Principal	Interest	Total
2017.....	1,314,054	315,323	1,629,377
2018.....	1,340,772	254,833	1,595,605
2019.....	1,267,548	199,508	1,467,056
2020.....	1,302,887	146,379	1,449,266
2021.....	1,315,440	90,719	1,406,159
2022.....	404,103	55,913	460,016
2023.....	407,217	42,992	450,209
2024.....	280,391	33,856	314,247
2025.....	283,631	26,256	309,887
2026.....	286,937	19,351	306,288
2027.....	290,310	12,378	302,688
2028.....	293,749	5,337	299,086
Total.....	\$ 8,787,039	\$ 1,202,845	\$ 9,989,884

The Town’s general fund is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$119,665 and interest costs for \$28,273 related to the landfill project. Thus, net MCWT loan repayments from the general fund, including interest, are scheduled to be \$344,478. The principal subsidies are guaranteed and therefore a \$119,665 intergovernmental receivable has been reported in the governmental fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. During 2016, principal and interest subsidies distributed totaled \$36,742 and \$20,103, respectively.

The Town’s Wastewater Enterprise Fund is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$1,236,308 and interest costs of \$466,240. Thus, net MCWT loan repayments, including interest, are scheduled to be \$3,184,078. The principal subsidies are guaranteed and therefore a \$1,236,308 intergovernmental receivable has been reported in the enterprise fund financial statements. 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 \$228,205 and \$175,996, respectively.

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	Date Authorized	Amount
Landfill.....	6/24/1997	\$ 470,800
Wastewater.....	4/11/2006	975,000
Bulkhead.....	4/10/2007	600,000
Penn Ave Land Acquisition.....	6/26/2007	420,000
Refuse Area Land Acquisition.....	12/11/2008	1,400,000
Wastewater Treatment Facility.....	10/29/2009	394,425
Public Safety Study.....	11/13/2012	25,000
Town Hall Study.....	11/13/2012	15,000
Fuel Dispensing Facility.....	4/9/2013	166,000
Niantic Park.....	11/12/2013	350,000
Town Hall Construction.....	4/8/2014	6,830,000
Culvert replacement.....	4/14/2015	250,000
Total.....		\$ 11,896,225

Changes in Long-term Liabilities

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

	Balance at June 30, 2015	Increases	(Decreases)	Balance at June 30, 2016	Current Portion
Governmental Activities:					
Long-term bonds.....	\$ 11,443,596	\$ 2,319,839	\$ (520,200)	\$ 13,243,235	\$ 1,243,224
Unamortized bond premium.....	-	531,839	-	531,839	64,328
Capital lease obligations.....	27,970	193,688	(27,970)	193,688	35,491
Compensated absences.....	654,000	426,000	(184,000)	896,000	210,000
Other postemployment benefits.....	11,756,000	2,657,000	(496,000)	13,917,000	-
Net pension liability.....	6,059,055	1,521,027	(973,936)	6,606,146	-
Total governmental activity long-term liabilities.....	\$ 29,940,621	\$ 7,649,393	\$ (2,202,106)	\$ 35,387,908	\$ 1,553,043
Business-Type Activities:					
Long-term bonds.....	\$ 10,074,430	\$ -	\$ (1,287,391)	\$ 8,787,039	\$ 1,314,054
Other postemployment benefits.....	149,000	77,000	(29,000)	197,000	-
Net pension liability.....	336,016	84,351	(54,011)	366,356	-
Total business-type activity long-term liabilities.....	\$ 10,559,446	\$ 161,351	\$ (1,370,402)	\$ 9,350,395	\$ 1,314,054

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

At June 30, 2016, \$1,006,167 has been set aside in a general stabilization fund and \$101,403 has been set aside in the Solid Waste Land Stabilization Fund. These funds are classified as part of the general fund in the governmental funds financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the Town are dependent upon authorization and approval of Town Meeting. The stabilization funds can be used for general and/or capital purposes upon approval of Town Meeting. Additions to the fund can only be made upon Town Meeting approval.

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government for its highest level of decision making authority. The Town's highest level of decision making authority is the Annual Town Meeting.
- 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.

As of June 30, 2016, the governmental fund balances consisted of the following:

GOVERNMENTAL FUNDS						
General	Ambulance Revolving Fund	State Grants Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable:						
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	\$ 15,934	\$ 15,934
Restricted for:						
Ambulance revolving fund.....	-	727,375	-	-	-	727,375
Community preservation fund.....	-	-	2,392,809	-	-	2,392,809
Capital projects fund.....	-	-	-	372,537	-	372,537
Federal grants.....	-	-	-	-	22,313	22,313
Reserve for appropriation.....	-	-	-	-	462,738	462,738
Revolving fund.....	-	-	-	-	244,136	244,136
Expendable trust funds.....	-	-	-	-	1,207,708	1,207,708
Other special revenue.....	-	-	-	-	657,991	657,991
Library capital project fund.....	-	-	-	-	34,407	34,407
Committed to:						
General government.....	212,485	-	-	-	-	212,485
Public safety.....	74,018	-	-	-	-	74,018
Public works.....	30,050	-	-	-	-	30,050
Human services.....	807	-	-	-	-	807
Culture and recreation.....	10,490	-	-	-	-	10,490
Assigned to:						
General government.....	26,301	-	-	-	-	26,301
Public safety.....	11,504	-	-	-	-	11,504
Education.....	11,463	-	-	-	-	11,463
Public works.....	2,368	-	-	-	-	2,368
Human services.....	8,039	-	-	-	-	8,039
Culture and recreation.....	100	-	-	-	-	100
Unassigned.....	3,668,376	-	(6,033)	-	-	3,662,343
TOTAL FUND BALANCES (DEFICIT).....	\$ 4,056,001	\$ 727,375	\$ (6,033)	\$ 2,392,809	\$ 372,537	\$ 2,645,300
						\$ 10,187,989

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.

The Town participates in a health insurance risk pool trust administered by Cape Cod Municipal Health Group (Group), a non-profit organization incorporated in July of 1987 to obtain health insurance for member governments at costs eligible to larger groups. The Group offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Group. The Town is obligated to pay the Group its required premiums and, in the event the Group is terminated, its pro rata share of a deficit, should one exist.

The Town is self-insured for workers' compensation costs. Expenditures are recorded when the claim is incurred. The Town estimates its future workers' compensation liability based on history and injury type. At June 30, 2016, there was no material liability for future workers' compensation claims.

NOTE 11 - PENSION PLAN

Plan Descriptions

The Town is a member of the Dukes County Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 15 member units. The System is administered by

five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$1,064,986 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$13,130,323 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. 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 Dukes County Contributory Retirement System 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 was \$1,027,947 which equaled its actual contribution for the year ended December 31, 2015. The System-wide required contribution was allocated based on covered payroll and actuarial measurements. The Town's portion of System-wide covered payroll was 16.09% of covered payroll. The Town's contribution 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 \$6,972,502 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, updating procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportion was 17.74%, which is a decrease of .79% from its proportion measured at December 31, 2014.

Pension Expense

For the year ended June 30, 2016, the Town recognized pension expense of \$964,430. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$581,130, from the net difference between projected and actual investment earnings on pension plan investments and changes in proportionate share of contributions.

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

<u>Deferred category</u>	<u>Deferred Outflows of Resources</u>
Difference between projected and actual earnings.....	\$ 578,723
Changes in proportionate share of contributions.....	<u>2,407</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 581,130</u>

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

<u>Year ended June 30:</u>	
2017.....	\$ 141,423
2018.....	141,423
2019.....	141,423
2020.....	141,423
2021.....	<u>15,438</u>
Total.....	<u>\$ 581,130</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.....	<p>UAAL: Increasing dollar amount at 4.5% to reduce the unfunded actuarial accrued liability to zero on or before June 30, 2030.</p> <p>2002 & 2003 ERI's: Increasing dollar amount at 4.5% to reduce the unfunded actuarial liability attributable to the ERI's to zero on or before June 30, 2028.</p>
Remaining amortization period.....	<p>15 years for the UAAL as of December 31, 2014.</p> <p>13 years for the 2002 and 2003 ERI's as of December 31, 2014.</p>
Asset valuation method.....	<p>The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of:</p> <ul style="list-style-type: none"> a) 80% of gains and losses of the prior year. b) 40% of gains and losses of the second prior year. c) 60% of gains and losses of the third prior year. d) 20% of gains and losses of the fourth prior year. <p>Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.</p>
Inflation rate.....	Not explicitly assumed.
Projected salary increases.....	6% - 4.25% for general employees and 7% - 4.75% for public safety, depending on years of service.
Cost of living allowances.....	Cost of living allowances are assumed to be 3% of the pension amount capped at \$420 per year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Mortality Table projected to 2020 with scale AA.
Healthy Retiree.....	The RP-2000 Mortality Table projected to 2015 with scale AA. For disabled lives, set forward two years.
Investment rate of return/Discount rate.....	7.75%, net of pension plan investment expense, including inflation.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining 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 December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	40.00%	7.00%
International equity.....	15.00%	4.00%
Fixed income.....	25.00%	2.40%
Real estate.....	10.00%	7.10%
Timber.....	2.50%	4.90%
Alternative - Private equity.....	5.00%	12.10%
Hedge funds.....	<u>2.50%</u>	2.70%
	<u>100.00%</u>	

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 4.95%. 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 pension liability to changes in the discount rate

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Town's proportionate share of the net pension liability.....	\$ 10,214,686	\$ 6,972,502	\$ 4,205,246

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

The Town adopted MGL, Chapter 32B, Section 18, requiring all Medicare-eligible retirees to enroll in a Medicare supplement plan. The effects of this adoption have been included in the actuarial determination of other postemployment benefits (OPEB) liabilities by the Town’s actuary.

The plan membership consists of the following:

Retired Members.....	73
Current Active Members.....	<u>168</u>
 Total.....	 <u><u>241</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 75% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25% of their premium costs.

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.....	\$ 2,627,000
Interest on net OPEB obligation.....	476,000
Adjustment to annual required contribution.....	(369,000)
Annual OPEB Cost (expense).....	<u>2,734,000</u>
Annual Employer Contributions.....	<u>(525,000)</u>
Increase/(Decrease) in net OPEB obligation.....	2,209,000
Net OPEB obligation - beginning of year.....	<u>11,905,000</u>
Net OPEB obligation - end of year.....	<u>\$ 14,114,000</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years was as follows:

Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
6/30/2016	\$ 2,734,000	19%	\$ 14,114,000
6/30/2015	2,708,000	24%	11,905,000
6/30/2014	2,388,000	25%	9,848,000

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/14	\$ -	\$ 31,209,866	\$ 31,209,866	0%	\$ 10,104,826	309%
07/01/12	-	25,487,803	25,487,803	0%	9,180,775	278%
06/30/10	-	24,585,156	24,585,156	0%	8,571,243	287%

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the

employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.00% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8.00% initially, graded to 5.00% over 5 years and includes a 3% inflation assumption. The UAAL is being amortized over a 30 year period on an open basis, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2016 is 29 years.

NOTE 13 - COMMITMENTS

The Town has various outstanding obligations and commitments for engineering, design, and monitoring activity relating to the East Chop Bluff infrastructure stabilization, beach and waterway restoration and rejuvenation projects, construction work related to the wastewater treatment plant expansion as well as monitoring activity over the Ocean Park effluent beds as mandated by the Commonwealth of Massachusetts Department of Environmental Protection.

NOTE 14 - CONTINGENCIES

Federal Grants

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.

Other

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, cannot be ascertained, management believes any resulting liability should not materially affect the Town's financial position at June 30, 2016.

During 2011, the Town, along with a designated developer, commenced a project that resulted in the conversion of the Town's former library building into a mix of retail and affordable housing units. Although the main source of funding for this project is a combination of grant funding and Town Meeting warrant articles from the Community Preservation Fund, a portion of the project is reliant upon a mortgage that was drawn in the name of the developer but collateralized in full by the old library building whose title vests with the Town. In the event of a default by the developer the Town is liable for the remaining balance of the unpaid mortgage.

The Town is contingently liable for its' proportionate share of any deficit, including the operating and debt service costs, which may be incurred by the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the "Authority"). As of December 31, 2015, the Authority had \$71,895,000 of bonds outstanding and the amount of monies in its reserve fund totaled \$3,597,750. For the year ended December 31, 2014, the Authority's operating revenues exceeded costs of service by \$11,302,871 (Income before Capital Grants and Contributions; Income from Special-Purpose Restricted Funds; and Special Item – Teamsters Pension Merger). Change in net position in 2014 was \$8,315,016 when capital grants; income from special-purpose funds and the special item for the withdrawal from the Teamsters pension merger is included. The Town is not required to make payment to the

Authority unless the amount in the Authority's reserve is insufficient. Since 1962, the Town has never had to make a payment to the Authority.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2017 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.

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 21,676,483	\$ 21,670,576	\$ 21,017,835	\$ -	\$ (652,741)
Tax liens.....	-	-	883,949	-	883,949
Motor vehicle and boat excise taxes.....	579,900	579,900	873,639	-	293,739
Hotel tax.....	215,000	315,000	484,808	-	169,808
Meals tax.....	315,000	215,000	320,024	-	105,024
Penalties and interest on taxes.....	157,000	157,000	450,236	-	293,236
Fees.....	322,000	322,000	368,901	-	46,901
Slip fees.....	720,000	720,000	1,008,560	-	288,560
Intergovernmental.....	1,227,045	1,227,045	1,123,760	-	(103,285)
Departmental and other.....	459,400	459,400	684,976	-	225,576
Investment income.....	13,000	13,000	15,979	-	2,979
TOTAL REVENUES.....	25,684,828	25,678,921	27,232,667	-	1,553,746
EXPENDITURES:					
Current:					
General government.....	2,998,704	3,122,357	2,858,062	238,786	25,509
Public safety.....	3,542,811	3,647,712	3,543,918	85,522	18,272
Education.....	11,862,415	11,941,968	11,942,284	11,463	(11,779)
Public works.....	1,586,650	1,556,589	1,525,197	32,418	(1,026)
Human services.....	440,812	442,328	418,714	8,846	14,768
Culture and recreation.....	713,497	721,397	668,353	10,590	42,454
Pension benefits.....	972,331	972,331	1,003,015	-	(30,684)
Employee benefits.....	2,473,245	2,479,968	2,440,208	-	39,760
State and county charges.....	991,243	991,243	991,243	-	-
Debt service:					
Principal.....	483,458	483,458	483,458	-	-
Interest.....	165,818	353,446	353,440	-	6
TOTAL EXPENDITURES.....	26,230,984	26,712,797	26,227,892	387,625	97,280
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)					
EXPENDITURES.....	(546,156)	(1,033,876)	1,004,775	(387,625)	1,651,026
OTHER FINANCING SOURCES (USES):					
Prior year snow and ice deficit raised.....	-	21,454	-	-	(21,454)
Use of prior year fund balance to fund carryovers.....	662,588	662,588	-	-	(662,588)
Use of free cash.....	278,424	612,983	-	-	(612,983)
Transfers in.....	221,000	454,857	454,857	-	-
Transfers out.....	(615,856)	(718,006)	(718,006)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	546,156	1,033,876	(263,149)	-	(1,297,025)
NET CHANGE IN FUND BALANCE.....	-	-	741,626	(387,625)	354,001
BUDGETARY FUND BALANCE, Beginning of year.....	1,913,142	1,913,142	1,913,142	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,913,142	\$ 1,913,142	\$ 2,654,768	\$ (387,625)	\$ 354,001

See notes to required supplementary information.

Pension Plan Schedules

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

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

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

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DUKES COUNTY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015
Town's proportion of the net pension liability (asset).....	18.53%	17.75%
Town's proportionate share of the net pension liability (asset)..... \$	6,395,071	\$ 6,972,502
Town's covered employee payroll..... \$	6,142,808	\$ 6,388,520
Net pension liability as a percentage of covered-employee payroll.....	104.11%	109.14%
Plan fiduciary net position as a percentage of the total pension liability.....	76.17%	76.51%

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

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
DUKES COUNTY RETIREMENT SYSTEM

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 997,263	\$ 1,027,947
Contributions in relation to the actuarially determined contribution.....	<u>997,263</u>	<u>1,027,947</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 6,142,808	\$ 6,388,520
Contributions as a percentage of covered- employee payroll.....	16.23%	16.09%

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

See notes to required supplementary information.

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

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

<u>Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2016.....	\$ 13,130,323	\$ 1,064,986	55.38%
2015.....	10,014,351	695,745	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of 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

JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2014	\$ -	\$ 31,209,866	\$ 31,209,866	0%	\$ 10,104,826	309%
7/1/2012	-	25,487,803	25,487,803	0%	9,180,775	278%
7/1/2010	-	24,585,456	24,585,456	0%	8,571,243	287%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2016	\$ 2,627,000	\$ 525,000	20%
6/30/2015	2,620,000	651,000	25%
6/30/2014	2,202,000	544,000	25%
6/30/2013	2,146,000	638,000	30%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

June 30, 2016

Actuarial Methods:

Valuation date.....	July 1, 2014
Actuarial cost method.....	Projected Unit Credit.
Amortization method.....	Increasing at 4.50% over thirty (30) years on an open amortization period for partial pre-funding.
Remaining amortization period.....	30 years.

Actuarial Assumptions:

Investment rate of return.....	4.0%
Medical/drug cost trend rate.....	8% initially, graded to 5% after 5 years.

Post-retirement Mortality..... General and public safety employees are based on the RP-2014 Mortality Table, projected with full generational mortality improvement using Scale MP-2014.

Pre-retirement Mortality..... General and public safety employees are based on the RP-2014 Mortality Table, projected with full generational mortality improvement using Scale MP-2014.

Plan Membership:

Current retirees, beneficiaries, and dependents...	73
Current active members.....	<u>168</u>
Total.....	<u><u>241</u></u>

See notes to required supplementary information.

NOTE A - BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Information

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

Increases or transfers between and within departments subsequent to the approval of the annual budget, require a vote at a Special Town Meeting. The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote 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 authorized approximately \$26.8 million in appropriations and other amounts to be raised, as well as \$663,000 in carryforwards from the prior year. During 2016, Town Meetings approved supplemental appropriations of approximately \$584,000 for various capital articles.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2016, is presented below:

Net change in fund balance - budgetary basis.....	\$ 741,626
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the General Fund for GAAP.....	2,171
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts accrual.....	100,962
Recognition of revenue for on-behalf payments.....	1,064,986
Recognition of expenditures for on-behalf payments.....	<u>(1,064,986)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 844,759</u>

NOTE B – PENSION PLAN***Pension Plan Schedules*****A. 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.

B. Schedule of the 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.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

D. Changes in Assumptions:

None.

E. Changes in Plan Provisions:

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Town currently finances its other 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 multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

The Schedule of 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.