



**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

**AUDIT OF FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2016

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

**AUDIT OF FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

**CUMMINGS
LAMONT
& McNAMEE, P.A.**

February 3, 2017

*"Trusted Advisors for
over 50 years!"*

To the Board of Directors
Wells National Estuarine Research
Reserve Management Authority
Wells, Maine

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Report on the Financial Statements

We have audited the accompanying financial statements of the enterprise fund of the Wells National Estuarine Research Reserve Management Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 from 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, because of the omission of the discretely presented component unit, as discussed below, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the Authority, as of June 30, 2016, or the changes in net position and cash flows thereof for the year then ended.

February 3, 2017
To the Board of Directors
Wells, Maine
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Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority's enterprise fund, as of June 30, 2016, and the changes in net position and cash flows thereof for the year then ended in conformity with accounting principles 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.

Emphasis of Matter

The financial statements do not include financial data for the Authority's legally separate component unit, Laudholm Trust, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Authority. As a result, the Authority's financial statements do not purport to, and do not present fairly the financial position of the Authority, as of June 30, 2016, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The component unit has been excluded from the financial statements as the financial data has not been audited for the year ended June 30, 2016. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been reported as: assets \$6,321,385; liabilities \$171,969; net position \$6,149,416; revenues \$817,420; and expenses \$670,135.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 December 16, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cummings, Lamont & (The) Name, P.A.

***Certified Public Accountants
Portsmouth, New Hampshire***

Management's Discussion and Analysis (Unaudited)

The following discussion and analysis of the Wells National Estuarine Research Reserve Management Authority's financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2016 and is intended to serve as an introduction to the Authority's basic financial statements. Please read it in conjunction with the financial statements and the accompanying notes to those financial statements, which follow this section.

Financial Highlights

- The Authority's net position decreased by \$196,033 from the prior fiscal year-end balance. Of this amount, the plant fund had a decrease in net position of \$201,552, and the operating fund had an increase of \$5,519.
- The assets of the Authority exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$3,682,027 (net position). Of this amount, \$3,318,372 was invested in capital assets, and the remaining \$363,655 was unrestricted and may be used for the Authority's general operations. Of the unrestricted net position, \$160,566 was board-designated for education, research and stewardship, and \$203,089 was undesignated.
- Capital assets decreased by \$201,552 which is the net result of \$92,472 in additions, \$4,041 in dispositions and \$289,983 in current depreciation.

Overview of the Basic Financial Statements

The basic financial statements are comprised of the following:

- Independent Auditors' Report – This report is issued by the Authority's independent auditors. In it, the auditors explain that they audited the Authority's basic financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. It also expresses that, in the opinion of the auditors, the Authority's financial statements present fairly the Authority's financial position and the results of its operations and cash flows for the year ended June 30, 2016 in conformity with accounting principles generally accepted in the United States of America except for the omission of financial data for the Authority's legally separate component unit, Laudholm Trust.
- Statement of Net Position – This statement presents information on all of the Authority's assets, liabilities and deferred inflows of resources, with the sum of assets, liabilities and deferred inflows of resources reported as net position.
- Statement of Revenues, Expenses, and Change in Net Position – This statement reports the operating and nonoperating revenues and expenses of the Authority as well as capital grants and contributions for the year ended June 30, 2016. It also shows how the Authority's net position changed during the fiscal year.
- Statement of Cash Flows – The statement of cash flows reports the sources and uses of the Authority's cash from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. Sources and uses of cash are netted on the statement to show the Authority's net increase or decrease in cash for the year ended June 30, 2016.
- Notes to Financial Statements – The notes to the financial statements provide information about the Authority, its accounting policies, and additional information on amounts reported in other parts of the financial statements.
- Additional Information – This portion of the Authority's financial statements includes additional financial information that is not required to be included in the Authority's basic financial statements. The information is presented in the form of a schedule and is meant to assist the reader by providing additional information that the Authority believes would be useful to the readers of the financial statements. As with the basic financial statements, the Authority's auditors have also issued a report on this additional information. Their report states that the additional information is fairly stated in relation to the basic financial statements.

As explained in the independent auditors' report on the basic financial statements, the Authority's auditors have also issued a "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*". This report is not a part of the basic financial statements but is considered an integral part of the audit of the Authority's financial statements in accordance with *Government Auditing Standards* and should be read in conjunction with the auditors' report on the basic financial statements.

Financial Analysis of the Authority

A summary of the Authority's net position at June 30, 2016 and 2015 follows:

Net Position (in thousands)

	Operating Fund		Plant Fund		Total	
	2016	2015	2016	2015	2016	2015
CURRENT ASSETS						
Cash	\$ 329	\$ 314	\$ -	\$ -	\$ 329	\$ 314
Other current assets	9	(3)	(2)	5	7	2
NONCURRENT ASSETS						
Restricted grants receivable	598	357	6	48	604	405
Capital assets	-	-	3,318	3,520	3,318	3,520
Total Assets	<u>936</u>	<u>668</u>	<u>3,322</u>	<u>3,573</u>	<u>4,258</u>	<u>4,241</u>
CURRENT LIABILITIES						
Accounts payable and accrued expenses	60	66	-	-	60	66
Total liabilities	<u>60</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>60</u>	<u>66</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	512	244	4	53	516	297
Total deferred inflows of resources	<u>512</u>	<u>244</u>	<u>4</u>	<u>53</u>	<u>516</u>	<u>297</u>
NET POSITION						
Unrestricted	364	358	-	-	364	358
Invested in capital assets	-	-	3,318	3,520	3,318	3,520
Total net position	<u>\$ 364</u>	<u>\$ 358</u>	<u>\$ 3,318</u>	<u>\$ 3,520</u>	<u>\$ 3,682</u>	<u>\$ 3,878</u>

At June 30, 2016 the Authority had restricted grants receivable of \$603,681 restricted to research, education, stewardship and general operations. Grants are recorded on the books when awarded to the Authority but revenue is not recognized until all eligibility requirements imposed by the provider have been met, generally when qualifying expenditures are incurred. Grant funds are generally drawn down from the granting agency once these requirements are met. Of the \$603,681 in grants receivable, \$87,418 has been earned and can be drawn down and the remaining \$516,263 has not been earned and is included in unearned revenue and is separately reported in the Statement of Net Position as deferred inflows of resources at June 30, 2016.

By far the largest portion of the Authority's Net Position reflects investment in capital assets. These assets have been acquired using grants and other funds of the Authority. The Authority uses these capital assets in its program and supporting services; consequently these assets are not available for future spending. Unrestricted net position may be used to meet the Authority's ongoing obligations to its creditors.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal 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. A condensed version of the Statement for the years ended June 30, 2016 and 2015 follows:

Results of Operations
(in thousands)

	<u>Operating Fund</u>		<u>Plant Fund</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
OPERATING REVENUES	\$ 88	\$ 88	\$ 5	\$ 10	\$ 93	\$ 98
OPERATING EXPENSES						
Education	336	333	-	-	336	333
Research	296	371	-	-	296	371
Stewardship	109	79	-	-	109	79
General and administrative	376	381	-	-	376	381
Depreciation	-	-	290	305	290	305
OPERATING INCOME (LOSS)	(1,029)	(1,076)	(285)	(295)	(1,314)	(1,371)
NONOPERATING REVENUES (EXPENSES)						
Federal grants	689	807	-	-	689	807
State grants	9	8	-	-	9	8
Laudholm Trust grants and support	282	282	-	-	282	282
Other nonoperating revenues	55	64	-	-	55	64
Grants to others	-	(51)	-	-	-	(51)
CAPITAL GRANTS AND CONTRIBUTIONS						
Federal grants	-	-	50	60	50	60
State grants	-	-	1	1	1	1
Laudholm Trust grants	-	-	30	77	30	77
Other grants	-	-	2	2	2	2
CHANGE IN NET POSITION	\$ 6	\$ 34	\$ (202)	\$ (155)	\$ (196)	\$ (121)

The Authority's operations are funded mainly by grants and other support which are considered to be nonoperating revenues in the financial statements. After including nonoperating revenues the Operating Fund had an increase in net position of \$5,519 which increased unrestricted net position. For the year ended June 30, 2016 depreciation expense of the Plant Fund exceeded capital grants and contributions resulting in a decrease in net position of \$201,552.

Capital Assets

As of June 30, 2016 the Authority had \$3,318,372 invested in capital assets consisting of leasehold improvements, land, buildings, furniture and fixtures, equipment, trails and boardwalks, library and exhibits, and vehicles. The largest category, leasehold improvements, consists of improvements to historic Laudholm Farm where the Reserve facilities are situated which is owned by the Town of Wells, Maine. Capital assets decreased by \$201,552 which is the net result of \$92,472 in additions, \$289,983 in current depreciation and \$46,699 of dispositions net of accumulated depreciation of \$42,658.

This year's major additions included:

Leasehold improvements	\$	50,408
Equipment		13,624
Dock		27,204
Other		<u>1,236</u>
	\$	<u>92,472</u>

Requests for information

This financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any information within this report may be directed to the Reserve Director, 342 Laudholm Farm Road, Wells, Maine 04090.

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

STATEMENT OF NET POSITION

JUNE 30, 2016

	Operating Fund	Plant Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 329,471	\$ -	\$ 329,471
Accounts receivable	6,927	-	6,927
Prepaid expense	150	-	150
Internal balances	2,031	(2,031)	-
Total Current Assets	338,579	(2,031)	336,548
NONCURRENT ASSETS			
Restricted assets:			
Grants receivable	597,281	6,400	603,681
Total Restricted Assets	597,281	6,400	603,681
Capital assets:			
Leasehold improvements	-	3,325,821	3,325,821
Land and buildings	-	2,604,914	2,604,914
Furniture and fixtures	-	75,185	75,185
Equipment	-	359,824	359,824
Trails and boardwalks	-	151,883	151,883
Library and exhibits	-	878,824	878,824
Vehicles	-	63,566	63,566
Less accumulated depreciation	-	(4,141,645)	(4,141,645)
Total Capital Assets	-	3,318,372	3,318,372
Total Noncurrent Assets	597,281	3,324,772	3,922,053
Total Assets	935,860	3,322,741	4,258,601

See Notes to Financial Statements

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Operating Fund</u>	<u>Plant Fund</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	36,059	-	36,059
Accrued salaries	5,614	-	5,614
Accrued compensated absences	18,638	-	18,638
	<u>60,311</u>	<u>-</u>	<u>60,311</u>
Total Current Liabilities	60,311	-	60,311
Total Liabilities	<u>60,311</u>	<u>-</u>	<u>60,311</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	511,894	4,369	516,263
	<u>511,894</u>	<u>4,369</u>	<u>516,263</u>
Total Deferred Inflows of Resources	511,894	4,369	516,263
NET POSITION			
Unrestricted:			
Board-designated for Education	85,480	-	85,480
Board-designated for Research	35,108	-	35,108
Board-designated for Stewardship	39,978	-	39,978
Undesignated	203,089	-	203,089
Invested in capital assets	-	3,318,372	3,318,372
	<u>363,655</u>	<u>3,318,372</u>	<u>3,682,027</u>
Total Net Position	<u>\$ 363,655</u>	<u>\$ 3,318,372</u>	<u>\$ 3,682,027</u>

See Notes to Financial Statements

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

	Operating Fund		Plant Fund	Total
	Unrestricted	Restricted		
OPERATING REVENUES				
Charges for services	\$ 82,888	\$ -	\$ 5,239	\$ 88,127
Other income	4,983	-	-	4,983
Total Operating Revenues	87,871	-	5,239	93,110
OPERATING EXPENSES				
Program services				
Education	104,630	231,574	-	336,204
Research	(1,532)	297,841	-	296,309
Stewardship	5,357	103,288	-	108,645
Total Program Services	108,455	632,703	-	741,158
Supporting services				
General and administrative	172,911	203,108	-	376,019
Depreciation	-	-	289,983	289,983
Total Supporting Services	172,911	203,108	289,983	666,002
Total Operating Expenses	281,366	835,811	289,983	1,407,160
OPERATING INCOME (LOSS)	(193,495)	(835,811)	(284,744)	(1,314,050)
NONOPERATING REVENUES (EXPENSES)				
Federal grants	-	689,428	-	689,428
State grants	-	8,828	-	8,828
Laudholm Trust grants	130,000	87,026	-	217,026
Laudholm Trust indirect support	64,761	-	-	64,761
Other grants	-	50,529	-	50,529
Contributions	4,090	-	-	4,090
Interest and dividends	163	-	-	163
Total Nonoperating Revenues (Expenses)	199,014	835,811	-	1,034,825
INCOME (LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	5,519	-	(284,744)	(279,225)

See Notes to Financial Statements

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

	<u>Operating Fund</u>		<u>Plant Fund</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>		
CAPITAL GRANTS AND CONTRIBUTIONS				
Federal grants	-	-	49,922	49,922
State grants	-	-	1,000	1,000
Laudhom Trust grants	-	-	24,719	24,719
Laudholm Trust indirect support	-	-	5,318	5,318
Other grants	-	-	2,233	2,233
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Grants and Contributions	-	-	83,192	83,192
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET POSITION	5,519	-	(201,552)	(196,033)
NET POSITION, BEGINNING OF YEAR	358,136	-	3,519,924	3,878,060
	<hr/>	<hr/>	<hr/>	<hr/>
NET POSITION, END OF YEAR	<u>\$ 363,655</u>	<u>\$ -</u>	<u>\$ 3,318,372</u>	<u>\$ 3,682,027</u>

See Notes to Financial Statements

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Operating Fund	Plant Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 75,961	\$ 9,280	\$ 85,241
Payments to employees	(588,692)	-	(588,692)
Payments to suppliers for goods and services	(533,462)	-	(533,462)
Internal activity - payments to other funds	(6,832)	6,832	-
Other receipts (payments)	4,983	-	4,983
Net cash provided by (used in) operating activities	(1,048,042)	16,112	(1,031,930)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital grants, contributions and other support	1,063,503	-	1,063,503
Net cash provided by (used in) noncapital financing activities	1,063,503	-	1,063,503
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	-	76,360	76,360
Acquisitions of capital assets	-	(92,472)	(92,472)
Net cash provided by (used in) capital and related financing activities	-	(16,112)	(16,112)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	163	-	163
Net cash provided by (used in) investing activities	163	-	163
NET INCREASE (DECREASE) IN CASH BALANCE	15,624	-	15,624
CASH BALANCE, BEGINNING OF YEAR	313,847	-	313,847
CASH BALANCE, END OF YEAR	\$ 329,471	\$ -	\$ 329,471
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,029,306)	\$ (284,744)	\$ (1,314,050)
Adjustments:			
Depreciation expense	-	289,983	289,983
Net book value of equipment sold	-	4,041	4,041
Change in assets and liabilities:			
Internal balances	(6,832)	6,832	-
Accounts receivable	(6,927)	-	(6,927)
Prepaid expense	865	-	865
Accounts payable	14,648	-	14,648
Accrued salaries	(17,493)	-	(17,493)
Accrued compensated absences	(2,997)	-	(2,997)
Net cash provided by (used in) operating activities	\$ (1,048,042)	\$ 16,112	\$ (1,031,930)

See Notes to Financial Statements

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Accounting Policies

The Wells National Estuarine Research Reserve Management Authority was established in 1990 as an instrumentality of the State of Maine to support and promote the interests of the Wells National Estuarine Research Reserve.

The Authority operates to: manage and sustain the coastal lands and other resources within the Reserve; further coordination and cooperation among state agencies, the National Oceanic and Atmospheric Administration, the Town of Wells, the United States Fish and Wildlife Service and the Laudholm Trust; develop and implement programs for estuarine research and education; and provide public access and opportunities for public enjoyment compatible with the protection of the Reserve's natural resources.

The accounting policies used by the Authority conform to generally accepted accounting principles (GAAP) as applicable to governmental units. Significant policies are described below:

Reporting Entity – The Authority meets the criteria established by the Governmental Accounting Standards Board to be considered a primary governmental entity for financial reporting purposes. Component units are legally separate organizations that are either financially accountable to the primary government or must be included to keep the financial statements from being misleading or incomplete because of the nature or significance of their relationships to the primary government. Laudholm Trust, a not-for-profit organization, is a component unit because of the significance of its financial relationship with the Authority. Laudholm Trust is a fundraising organization providing support for estuarine ecosystems, primarily the Wells National Estuarine Research Reserve and the historic site of Laudholm Farm.

Laudholm Trust has issued separate financial statements for the fiscal year ended June 30, 2016. Complete financial statements may be obtained at the Trust's administrative offices: Laudholm Trust, 342 Laudholm Farm Road, Wells, Maine 04090.

Financial Reporting – The Authority follows the provisions of the Governmental Accounting Standards Board (GASB): Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*, which establish the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Authority, the reporting entity. As allowed by GASB Statement No. 34, the Authority accounts for its operations using enterprise fund accounting and reporting.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, generally when qualifying expenditures are incurred.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the Authority has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with an enterprise fund's ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services provided, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Accounting Policies (continued)

Financial Reporting (continued) – When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Accounting – To ensure observance of limitations and restrictions placed on the use of the resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balances of the Authority are reported in two self-balancing fund groups as follows:

- Operating funds, which include unrestricted and restricted resources, represent the portion of expendable funds that are available for support of Authority operations and program services.
- Plant funds represent all property, plant and equipment owned by the Authority.

Capital Assets – Purchased assets are carried at cost. Contributed assets are carried at their estimated fair market value at the time of the gift. Major additions are included in the property accounts while maintenance and repairs which do not improve or extend the life of the assets are expensed currently. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets. See Note 4.

Capital Grants and Contributions – Funds provided by grants from federal and state governments, and Laudholm Trust, which are restricted to the construction and improvement of the Authority’s capital assets are recorded as income from capital grants and contributions.

Net Position – Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital grants and contributions. Net position is classified in the following three components:

Invested in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings, if any, that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints imposed by grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of assets that do not meet the definition of “restricted” or “invested in capital assets.”

Cash and Cash Equivalents – For the purposes of the statement of cash flows, the Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Accounting Policies (continued)

Internal Balances – During the course of operations numerous transactions occur between funds that may result in amounts owed between funds. Interfund receivables and payables outstanding are referred to as “internal balances” and normally arise from differences in the timing of expenditures and related grant drawdowns.

Compensated Absences – Under certain circumstances, employees of the Authority are allowed to accumulate annual leave. This amount is included as a liability in the financial statements.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues, Expenses, and Changes in Net Position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 – Memorandums of Understanding

The Authority has entered into memorandums of understanding with the Town of Wells, the State of Maine Department of Agriculture, Conservation and Forestry/Bureau of Parks and Lands, the National Oceanic and Atmospheric Administration and the United States Fish and Wildlife Service. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the Reserve. The Authority's responsibilities in these agreements are generally to manage the Reserve consistent with the Wells National Estuarine Research Reserve Management Plan 2013 - 2018.

Note 3 – Cash Deposits

The Authority has no formal investment policy. The Authority makes all deposits pursuant to State of Maine Statutes.

At June 30, 2016, the carrying amount of the Authority's deposits with financial institutions was \$328,871 and the bank balance was \$342,856. The difference between the carrying amount and the bank balance is due primarily to outstanding checks and deposits in transit. Of the bank balance, the entire \$342,856 was covered by federal depository insurance.

Note 4 – Capital Assets

Depreciation is computed by the straight-line method using the following estimated useful lives:

Leasehold improvements	25 years
Buildings	25 years
Furniture and fixtures	10 years
Equipment	5-10 years
Trails and boardwalks	15 years
Library and exhibits	7 years
Vehicles	5 years

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 4 – Capital Assets (continued)

Leasehold improvements consist of improvements to land and buildings owned by the Town of Wells, Maine. The land consists of historic Laudholm Farm on 240 acres where the Reserve facilities are situated. The Authority has certain rights, including the rights to use, manage, and improve the property, as outlined in an easement deed granted to the Authority by the Inhabitants of the Town of Wells on August 7, 1992.

Land and buildings consist of two parcels. The first one consists of approximately 37 acres of land and buildings situated on Laudholm Farm Road in the Town of Wells, Maine. The property is used for dormitories for visiting scientists and educators. The deed transferring this property to the Authority prohibits the Authority from mortgaging or selling this property. The property is to be held intact. In the event that the provisions of the deed are violated, title will automatically pass to the Catholic Church Extension Society of the United States of America which would be free to dispose of the property at a public or private sale. The second parcel consists of approximately 5 acres of land and buildings located adjacent to the Reserve facilities.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,053,519	\$ -	\$ -	\$ 1,053,519
Furniture and fixtures	<u>23,300</u>	<u>-</u>	<u>-</u>	<u>23,300</u>
Total capital assets not being depreciated	<u>1,076,819</u>	<u>-</u>	<u>-</u>	<u>1,076,819</u>
Other capital assets:				
Leasehold improvements	3,275,413	50,408	-	3,325,821
Buildings	1,551,395	-	-	1,551,395
Furniture and fixtures	53,150	1,236	(2,501)	51,885
Equipment	390,398	13,624	(44,198)	359,824
Trails and boardwalks	124,679	27,204	-	151,883
Library and exhibits	878,824	-	-	878,824
Vehicles	<u>63,566</u>	<u>-</u>	<u>-</u>	<u>63,566</u>
Total other capital assets	<u>6,337,425</u>	<u>92,472</u>	(<u>46,699</u>)	<u>6,383,198</u>
Less accumulated depreciation:				
Leasehold improvements	(2,163,055)	(113,905)	-	(2,276,960)
Buildings	(584,170)	(62,056)	-	(646,226)
Furniture and fixtures	(51,395)	(382)	2,501	(49,276)
Equipment	(268,328)	(39,289)	40,157	(267,460)
Trails and boardwalks	(99,826)	(3,793)	-	(103,619)
Library and exhibits	(690,925)	(64,091)	-	(755,016)
Vehicles	(<u>36,621</u>)	(<u>6,467</u>)	<u>-</u>	(<u>43,088</u>)
Total accumulated depreciation	(<u>3,894,320</u>)	(<u>289,983</u>)	<u>42,658</u>	(<u>4,141,645</u>)
Total other capital assets, net	<u>2,443,105</u>	(<u>197,511</u>)	(<u>4,041</u>)	<u>2,241,553</u>
Total capital assets, net	\$ <u>3,519,924</u>	\$ (<u>197,511</u>)	\$ (<u>4,041</u>)	\$ <u>3,318,372</u>

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 5 – Deferred Amounts

Grants receivable represent the balances of unrestricted and restricted grants, all of which are due to be received during the year ending June 30, 2017.

Grants receivable which are subject to restrictions are included in unearned revenue. The following is a summary of the changes in unearned revenue:

Balance at beginning of period	\$ 296,517
Additional restricted grants	<u>1,133,431</u>
	1,429,948
Less - funds expended during the period	<u>913,685</u>
Balance at end of period	\$ <u>516,263</u>

The unearned revenue amounts are more fully described as follows:

Restricted to education	\$ 79,491
Restricted to research	133,146
Restricted to stewardship	281,191
Restricted to general and administrative	18,066
Restricted to capital asset additions	<u>4,369</u>
	\$ <u>516,263</u>

Note 6 – Support and Revenue

The Authority's major sources of revenue are federal grants and Laudholm Trust grants as follows:

- Federal grants are received from the National Oceanic and Atmospheric Administration within the U.S. Department of Commerce, the U.S. Department of the Interior Fish and Wildlife Service and National Park Service, the U.S. Department of Agriculture, the National Science Foundation and the U.S. Environmental Protection Agency. Various grant awards are utilized by the Authority for operations, development, research, education, stewardship and monitoring purposes.
- Laudholm Trust provides the local matching funds required by the federal grants and additional support needed for operations and capital improvements. The Trust is a not-for-profit organization which raises money through membership dues, donations, facility rentals and fundraising activities and events with the primary goal to support the Authority.

The Authority also receives state, municipal, and private grants to support its operations, programs and capital improvements.

Note 7 – Pension Plan

The Authority has established a defined contribution pension plan for the benefit of its employees. Under this plan the Authority matches dollar for dollar up to 6.5% of each eligible employee's salary. Employees must have one year of service with the Authority before they can participate in the plan. The related pension expense was \$23,261 for the year ended June 30, 2016.

Note 8 – Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Note 9 – Subsequent Events

Subsequent events have been evaluated by management through February 3, 2017. February 3, 2017 is the date the financial statements were available to be issued. There are no subsequent events that were material to the financial statements at February 3, 2017.

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

February 3, 2017

To the Board of Directors
Wells National Estuarine Research
Reserve Management Authority
Wells, Maine

Our report on our audit of the basic financial statements of the Wells National Estuarine Research Reserve Management Authority for the year ended June 30, 2016, appears on page 1. This audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the 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. Such information, in our opinion, except for the effects of omitting the discretely presented component unit as discussed in our report on page 1, is fairly stated in all material respects in relation to the basic financial statements of the Authority taken as a whole.



*Certified Public Accountants
Portsmouth, New Hampshire*

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>			<u>Supporting Services</u>
	<u>Education</u>	<u>Research</u>	<u>Stewardship</u>	<u>General and Administrative</u>
EXPENSES				
Salaries	\$ 215,926	\$ 166,747	\$ 39,326	\$ 146,203
Payroll taxes and benefits	55,239	65,147	10,504	31,833
Contracted services	21,790	24,651	45,860	30,255
Docent and volunteer expenses	1,322	-	-	1,884
Insurance	-	-	-	10,479
Miscellaneous	937	2,469	4,972	11,331
Postage	-	-	-	591
Printing	13,905	-	-	33
Professional fees	-	-	-	66,400
Repairs and maintenance	-	-	-	38,170
Staff development	1,291	4,267	1,050	2,159
Subscriptions and memberships	-	-	-	3,600
Supplies	13,347	26,678	1,384	8,786
Travel	12,447	6,350	5,549	2,000
Utilities and telephone	-	-	-	22,295
Total Expenses	\$ 336,204	\$ 296,309	\$ 108,645	\$ 376,019

See Independent Auditors' Report on Page 18