

**TOWN OF MASHPEE, MASSACHUSETTS**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**



**TOWN OF MASHPEE, MASSACHUSETTS  
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## INDEPENDENT AUDITORS' REPORT

To The Honorable Board of Selectmen  
Town of Mashpee, 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 Mashpee, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Mashpee, Massachusetts' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' 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.

**Opinion**

In our opinion, the financial statements referred to previously 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 Mashpee, Massachusetts, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 10) and general fund and community preservation fund budgetary comparisons and certain pension and other post-employment benefits information (located on pages 57 through 59) 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 June 25, 2015 on our consideration of the Town of Mashpee, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mashpee, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Lexington, Massachusetts  
June 25, 2015

**TOWN OF MASHPEE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

As management of the Town of Mashpee, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2014.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the most recent fiscal year by \$96,970,697 (net position).
- The Town's total net position increased \$2,017,247.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$11,453,704, or 19.8 percent of total general fund revenues and transfers in.
- The Town's total long-term debt (gross) increased \$1,126,050 during the fiscal year; \$10,667,000 of new debt was issued during the fiscal year.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

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

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

The **statement of activities** presents information showing how the government's net position changed during the most recent 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

**TOWN OF MASHPEE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Both of the government-wide financial statements distinguish functions of the Town 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*). Governmental activities include general government, public safety, education, public works, health and human services and culture and recreation. Business-type activities include the kids klub operation (nonmajor enterprise fund).

The government-wide financial statements can be found on pages 12-14 of this report.

**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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

**Governmental Funds**

Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 427 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, street betterments and community preservation (special revenue) funds, each of which are considered to be major funds. Data from the other 425 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 15-18 of this report.

**TOWN OF MASHPEE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Proprietary Funds**

The Town maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its Kids Klub operation, which is considered to be a nonmajor fund.

The basic proprietary funds financial statements can be found on pages 19-21 of this report.

**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 statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for the government-wide financial statements.

Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary funds financial statements can be found on pages 22-23 of this report.

**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. The notes to the financial statements can be found on pages 24-51 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information are the budget comparisons for the general fund and community preservation fund and certain pension and other post employment benefits information, which can be found on pages 52-59 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following tables present current and prior year data on the government-wide financial statements.

**TOWN OF MASHPEE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities by \$96,970,697 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>						
Current assets.....	\$ 35,460,416	\$ 34,019,498	\$ 179,094	\$ 113,665	\$ 35,639,510	\$ 34,133,163
Noncurrent assets (excluding capital assets).....	5,976,394	5,224,845	-	-	5,976,394	5,224,845
Capital assets (net).....	<u>112,274,037</u>	<u>112,327,070</u>	<u>39,883</u>	<u>41,478</u>	<u>112,313,920</u>	<u>112,368,548</u>
Total assets.....	<u>153,710,847</u>	<u>151,571,413</u>	<u>218,977</u>	<u>155,143</u>	<u>153,929,824</u>	<u>151,726,556</u>
<b>Deferred Outflows of Resources</b>	<u>220,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,557</u>	<u>-</u>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	3,960,289	3,857,604	3,178	11,910	3,963,467	3,869,514
Noncurrent liabilities (excluding debt).....	26,753,629	23,207,244	-	239,126	26,753,629	23,446,370
Current debt.....	4,227,992	8,808,965	-	-	4,227,992	8,808,965
Noncurrent debt.....	<u>21,954,592</u>	<u>20,648,257</u>	<u>280,004</u>	<u>-</u>	<u>22,234,596</u>	<u>20,648,257</u>
Total liabilities.....	<u>56,896,502</u>	<u>56,522,070</u>	<u>283,182</u>	<u>251,036</u>	<u>57,179,684</u>	<u>56,773,106</u>
<b>Net Position</b>						
Net investment in capital assets.....	88,612,539	86,864,661	39,883	41,478	88,652,422	86,906,139
Restricted.....	16,689,961	12,188,209	-	-	16,689,961	12,188,209
Unrestricted.....	<u>(8,267,598)</u>	<u>(4,003,527)</u>	<u>(104,088)</u>	<u>(137,371)</u>	<u>(8,371,686)</u>	<u>(4,140,898)</u>
Total net position.....	<u>\$ 97,034,902</u>	<u>\$ 95,049,343</u>	<u>\$ (64,205)</u>	<u>\$ (95,893)</u>	<u>\$ 96,970,697</u>	<u>\$ 94,953,450</u>

A portion of the Town's net position (\$88,612,539) reflects its net investment in capital assets (e.g., land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress). These capital assets are used 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 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 the Town's net position (\$16,689,961) represents resources that are subject to external restrictions on how they may be used.

The Town has no unrestricted net position available. Such resources have been consumed with the recognition of other post-employment benefit liabilities.

**TOWN OF MASHPEE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Changes in Net Position**

For the fiscal year ended June 30, 2014, the Town's total net position increased by \$2,017,247, compared to a increase of \$1,761,163 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 4,779,480	\$ 4,220,739	\$ 449,952	\$ 411,292	\$ 5,229,432	\$ 4,632,031
Operating grants and contributions.....	7,890,835	7,458,762	239	149	7,891,074	7,458,911
Capital grants and contributions.....	1,145,650	2,223,763	-	-	1,145,650	2,223,763
<i>General Revenues:</i>						
Real estate and property taxes.....	40,381,180	39,982,122	-	-	40,381,180	39,982,122
Motor vehicle and other excise taxes.....	2,022,924	1,892,129	-	-	2,022,924	1,892,129
Special Assessments.....	2,401,235	391,661	-	-	2,401,235	391,661
Penalties and interest on taxes.....	312,113	493,629	-	-	312,113	493,629
Payments in lieu of taxes.....	10,236	10,478	-	-	10,236	10,478
Community preservation surcharges.....	1,202,156	1,188,572	-	-	1,202,156	1,188,572
Grants and contributions not restricted to specific programs.....	3,942,937	3,313,720	-	-	3,942,937	3,313,720
Unrestricted investment income.....	57,635	72,530	-	-	57,635	72,530
<b>Total revenues.....</b>	<b>64,146,381</b>	<b>61,248,105</b>	<b>450,191</b>	<b>411,441</b>	<b>64,596,572</b>	<b>61,659,546</b>
<b>Expenses</b>						
General government.....	5,344,475	5,043,163	-	-	5,344,475	5,043,163
Public safety.....	12,010,002	11,406,316	-	-	12,010,002	11,406,316
Education.....	33,905,430	32,874,664	-	-	33,905,430	32,874,664
Public works.....	7,020,597	6,293,138	-	-	7,020,597	6,293,138
Health and human services.....	1,172,434	1,084,357	-	-	1,172,434	1,084,357
Culture and recreation.....	1,790,379	1,674,395	-	-	1,790,379	1,674,395
Debt service - interest.....	917,505	1,111,910	-	-	917,505	1,111,910
Kids klub.....	-	-	418,503	410,440	418,503	410,440
<b>Total expenses.....</b>	<b>62,160,822</b>	<b>59,487,943</b>	<b>418,503</b>	<b>410,440</b>	<b>62,579,325</b>	<b>59,898,383</b>
Change in net position.....	1,985,559	1,760,162	31,688	1,001	2,017,247	1,761,163
Net position - beginning of year.....	95,049,343	93,289,181	(95,893)	(96,894)	94,953,450	93,192,287
Net position - end of year.....	<b>\$ 97,034,902</b>	<b>\$ 95,049,343</b>	<b>\$ (64,205)</b>	<b>\$ (95,893)</b>	<b>\$ 96,970,697</b>	<b>\$ 94,953,450</b>

Governmental activities increased the Town's net position by \$1,985,559. In the prior year, governmental activities increased the Town's net position by \$1,760,162. Revenues and expenses increased proportionally in fiscal year 2014 as compared to fiscal year 2013.

Business-type activities increased the Town's net position by \$31,688. In the prior year, business-type activities increased the Town's net position by \$1,001. The key element of this change is an increase in charges for services of approximately \$39,000, primarily related to an increase in tuition rates and enrollment.

**TOWN OF MASHPEE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**FUND FINANCIAL STATEMENT ANALYSIS**

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

**Governmental Funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$29,106,519, an increase of \$6,283,048 in comparison with the prior year. \$11,453,704 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$45,052)
- Restricted (\$13,564,073)
- Committed (\$3,833,679)
- Assigned (\$210,011)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$11,453,704, while total fund balance was \$16,109,969. 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 general fund revenues and transfers in. Unassigned fund balance represents 19.8% of total general fund revenues and transfers in, while total fund balance represents 27.8% of that same amount.

The balance of the Town's general fund increased \$2,233,733 during the current fiscal year. The Town had planned to use approximately \$3,738,000; however in the end realized an approximate \$3,989,000 budgetary surplus for fiscal year 2014.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the community preservation fund (special revenue) increased by \$107,744 during the current fiscal year. The fund recognized \$1,204,033 in surcharges, \$682,462 in intergovernmental revenues and an investment income of \$200,490. Expenditures of \$1,081,065 were incurred during the fiscal year. The fund also made \$898,176 of transfers to the general fund during the fiscal year to fund debt service costs.

The fund balance of the street betterment fund (special revenue) increased by \$324,687 during the current fiscal year. The fund recognized \$665,868 in special assessment revenue and \$2,229 in penalties and interest. Expenditures of \$7,652 were incurred during the fiscal year. The fund also made \$335,758 of transfers to the general fund during the fiscal year to fund debt service costs.

**TOWN OF MASHPEE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Proprietary Funds**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Kids Klub enterprise fund at the end of the year amounted to a deficit of \$104,088. The Kids Klub enterprise fund had an increase in net position for the year of \$31,688. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

**General Fund Budgetary Highlights**

The original general fund budgeted expenditures and transfers out of \$54,238,555 were increased by \$1,441,767 (2.7%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
DPW road maintenance	\$ 752,074	Transfer from capital projects
Repair and protection of the parking lot at South Cape Beach	265,000	Unassigned fund balance
Snow and Ice	150,000	Overlay Surplus
Assessor's Revaluation	110,000	Overlay Surplus
To hire and equipt one fulltime Police Officer	43,737	Unassigned fund balance
Settlement of Administrator's Contract Units A, B, C	41,500	Overlay Surplus
Settlement of SEIU Local 888, AFL CIO, Public Works Unit	26,850	Overlay Surplus
To fund the Personnel Administration Plan Appendix B and Appendix C employees and the Plumbing and Wiring Inspectors	23,585	Overlay Surplus
Settlement of SEIU Local 888, AFL CIO, Public Works Unit	20,500	Overlay Surplus
Fire medical supplies	5,000	Transfer from ambulance receipts
Unpaid bills	3,521	Unassigned fund balance
Total increase.....	<u>\$ 1,441,767</u>	

During the fiscal year, revenues exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of \$3,988,621. Encumbrances and continuing appropriations totaled \$1,896,719 at year-end.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

The Town's investment in capital assets at the end of the fiscal year totaled \$112,313,920 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress. The total decrease in the investment in capital assets for the current fiscal year totaled -.05%.

Major capital asset events that occurred during the current fiscal year include the following:

- Completed infrastructure projects (approximately \$1,176,000)
- Infrastructure projects in progress (approximately \$330,000)
- Purchase of public safety vehicles (approximately \$590,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

**TOWN OF MASHPEE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land.....	\$ 58,158,490	\$ 58,157,590	\$ -	\$ -	\$ 58,158,490	\$ 58,157,590
Buildings and improvements.....	39,784,156	41,161,336	39,883	41,478	39,824,039	41,202,814
Machinery, vehicles and equipment.....	1,886,845	1,550,989	-	-	1,886,845	1,550,989
Infrastructure.....	11,557,347	8,822,190	-	-	11,557,347	8,822,190
Construction in progress.....	<u>887,199</u>	<u>2,634,965</u>	<u>-</u>	<u>-</u>	<u>887,199</u>	<u>2,634,965</u>
Total capital assets.....	<u>\$ 112,274,037</u>	<u>\$ 112,327,070</u>	<u>\$ 39,883</u>	<u>\$ 41,478</u>	<u>\$ 112,313,920</u>	<u>\$ 112,368,548</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 38-39 of this report.

**Long-Term Debt**

At the end of the current fiscal year, total bonded debt (gross) outstanding was \$25,331,222, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	<u>2014</u>	<u>2013</u>
General obligation bonds.....	\$ 24,507,000	\$ 23,275,000
MWPAT notes.....	<u>824,222</u>	<u>930,172</u>
Total bonds and notes.....	<u>\$ 25,331,222</u>	<u>\$ 24,205,172</u>

The Town's gross bonded debt increased by \$1,126,050 during the fiscal year.

The Town's bond rating from Standard & Poor's for the January 2014 bond issue was AAA.

Additional information on the Town's long-term debt can be found in Note 9 on pages 42-44 of this report.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 16 Great Neck Road North, Mashpee, Massachusetts 02649.

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**TOWN OF MASHPEE, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 14,181,856	\$ 176,769	\$ 14,358,625
Restricted Cash and Cash Equivalents	7,686,262	2,325	7,688,587
Investments	4,008,559	-	4,008,559
Restricted Investments	5,897,981	-	5,897,981
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	568,751	-	568,751
Tax and Trash Liens	1,064,511	-	1,064,511
Motor Vehicle and Other Excise Taxes	308,976	-	308,976
Community Preservation Surcharges	42,766	-	42,766
Special Assessments	285,219	-	285,219
Departmental and Other	286,689	-	286,689
Intergovernmental	1,110,363	-	1,110,363
Loans	18,483	-	18,483
Total Current Assets	<u>35,460,416</u>	<u>179,094</u>	<u>35,639,510</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	29,962	-	29,962
Special Assessments	3,301,110	-	3,301,110
Intergovernmental	1,777,440	-	1,777,440
Loans	142,794	-	142,794
Tax Foreclosures	725,088	-	725,088
Capital Assets not being Depreciated	59,045,689	-	59,045,689
Capital Assets, Net of Accumulated Depreciation	53,228,348	39,883	53,268,231
Total Noncurrent Assets	<u>118,250,431</u>	<u>39,883</u>	<u>118,290,314</u>
Total Assets	<u>153,710,847</u>	<u>218,977</u>	<u>153,929,824</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding	<u>220,557</u>	<u>-</u>	<u>220,557</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	1,028,985	853	1,029,838
Accrued Payroll	2,004,432	-	2,004,432
Other Liabilities	309,162	2,325	311,487
Accrued Interest	319,327	-	319,327
Capital Lease Obligations	35,027	-	35,027
Landfill Closure and Post-Closure	15,000	-	15,000
Compensated Absences	248,356	-	248,356
Long-Term Bonds and Notes Payable	4,227,992	-	4,227,992
Total Current Liabilities	<u>8,188,281</u>	<u>3,178</u>	<u>8,191,459</u>
Noncurrent Liabilities:			
Landfill Closure and Post-Closure	415,979	-	415,979
Compensated Absences	2,235,202	-	2,235,202
Net OPEB Obligation	24,102,448	280,004	24,382,452
Long-Term Bonds and Notes Payable	21,954,592	-	21,954,592
Total Noncurrent Liabilities	<u>48,708,221</u>	<u>280,004</u>	<u>48,988,225</u>
Total Liabilities	<u>56,896,502</u>	<u>283,182</u>	<u>57,179,684</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	88,612,539	39,883	88,652,422
Restricted for:			
Community Preservation	6,412,338	-	6,412,338
Loans	161,277	-	161,277
OPEB	307,757	-	307,757
Permanent Funds:			
Expendable	1,596	-	1,596
Nonexpendable	45,052	-	45,052
Other Specific Purposes	9,761,941	-	9,761,941
Unrestricted	<u>(8,267,598)</u>	<u>(104,088)</u>	<u>(8,371,686)</u>
Total Net Position	<u>\$ 97,034,902</u>	<u>\$ (64,205)</u>	<u>\$ 96,970,697</u>

See accompanying Notes to Basic Financial Statements

**TOWN OF MASHPEE, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 5,344,475	\$ 860,312	\$ 500,609	\$ 723,857	\$ (3,259,697)
Public Safety	12,010,002	1,589,494	51,655	-	(10,368,853)
Education	33,905,430	789,944	6,662,566	-	(26,452,920)
Public Works	7,020,597	819,069	405,759	421,793	(5,373,976)
Health and Human Services	1,172,434	145,648	82,391	-	(944,395)
Culture and Recreation	1,790,379	575,013	40,707	-	(1,174,659)
Debt Service - Interest	917,505	-	147,148	-	(770,357)
Total Governmental Activities	62,160,822	4,779,480	7,890,835	1,145,650	(48,344,857)
Business-Type Activities:					
Kids Klub	418,504	449,953	239	-	31,688
Total Primary Government	\$ 62,579,326	\$ 5,229,433	\$ 7,891,074	\$ 1,145,650	\$ (48,313,169)

See accompanying Notes to Basic Financial Statements

**TOWN OF MASHPEE, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (from Previous Page)	\$ (48,344,857)	\$ 31,688	\$ (48,313,169)
General Revenues:			
Real Estate and Personal Property Taxes	40,381,180	-	40,381,180
Motor Vehicle and Other Excise Taxes	2,022,924	-	2,022,924
Special Assessments	2,401,235	-	2,401,235
Penalties and Interest on Taxes	312,113	-	312,113
Payments in Lieu of Taxes	10,236	-	10,236
Community Preservation Surcharges	1,202,156	-	1,202,156
Grants and Contributions not Restricted to Specific Programs	3,942,937	-	3,942,937
Unrestricted Investment Income	57,635	-	57,635
Total General Revenues	50,330,416	-	50,330,416
<b>CHANGE IN NET POSITION</b>	1,985,559	31,688	2,017,247
Net Position - Beginning of Year	95,049,343	(95,893)	94,953,450
<b>NET POSITION - END OF YEAR</b>	<u>\$ 97,034,902</u>	<u>\$ (64,205)</u>	<u>\$ 96,970,697</u>

See accompanying Notes to Basic Financial Statements

**TOWN OF MASHPEE, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	General	Community Preservation	Street Betterments	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 14,181,856	\$ -	\$ -	\$ -	\$ 14,181,856
Investments	4,008,559	-	-	-	4,008,559
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	568,751	-	-	-	568,751
Real Estate Tax Deferrals	29,962	-	-	-	29,962
Tax and Trash Liens	1,049,895	-	14,616	-	1,064,511
Motor Vehicle and Other Excise Taxes	308,976	-	-	-	308,976
Community Preservation Surcharges	-	42,766	-	-	42,766
Special Assessments	-	-	3,576,750	9,579	3,586,329
Departmental and Other	-	-	-	286,689	286,689
Intergovernmental	2,647,346	-	-	240,457	2,887,803
Loans	-	-	-	161,277	161,277
Tax Foreclosures	725,088	-	-	-	725,088
Restricted Assets:					
Cash and Cash Equivalents	314,160	981,664	1,400,326	4,990,112	7,686,262
Investments	298,415	5,599,566	-	-	5,897,981
<b>Total Assets</b>	<b>\$ 24,133,008</b>	<b>\$ 6,623,996</b>	<b>\$ 4,991,692</b>	<b>\$ 5,688,114</b>	<b>\$ 41,436,810</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Warrants Payable	\$ 652,133	\$ 211,658	\$ -	\$ 165,194	\$ 1,028,985
Accrued Payroll	2,004,432	-	-	-	2,004,432
Other Liabilities	309,162	-	-	-	309,162
<b>Total Liabilities</b>	<b>2,965,727</b>	<b>211,658</b>	<b>-</b>	<b>165,194</b>	<b>3,342,579</b>
Deferred Inflows of Resources:					
Unavailable Revenue	5,057,312	42,766	3,591,366	296,268	8,987,712
Fund Balances:					
Nonspendable	-	-	-	45,052	45,052
Restricted	612,575	6,369,572	1,400,326	5,181,600	13,564,073
Committed	3,833,679	-	-	-	3,833,679
Assigned	210,011	-	-	-	210,011
Unassigned	11,453,704	-	-	-	11,453,704
<b>Total Fund Balances</b>	<b>16,109,969</b>	<b>6,369,572</b>	<b>1,400,326</b>	<b>5,226,652</b>	<b>29,106,519</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,133,008</b>	<b>\$ 6,623,996</b>	<b>\$ 4,991,692</b>	<b>\$ 5,688,114</b>	<b>\$ 41,436,810</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2014**

	General	Community Preservation	Street Betterments	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real Estate and Personal Property Taxes	\$ 40,161,022	\$ -	\$ -	\$ -	\$ 40,161,022
Motor Vehicle and Other Excise Taxes	2,042,469	-	-	-	2,042,469
Tax and Trash Liens	147,678	-	-	-	147,678
Payments in Lieu of Taxes	10,236	-	-	-	10,236
Community Preservation Surcharges	-	1,204,033	-	-	1,204,033
Charges for Services	250,280	-	-	1,846,562	2,096,842
Trash Disposal	766,350	-	-	-	766,350
Intergovernmental	9,876,709	682,462	-	2,794,347	13,353,518
Special Assessments	-	-	665,868	-	665,868
Penalties and Interest on Taxes	312,113	-	2,229	-	314,342
Licenses and Permits	534,297	-	-	20,812	555,109
Fines and Forfeitures	43,790	-	-	-	43,790
Departmental and Other	215,748	-	-	1,058,932	1,274,680
Contributions	-	-	-	72,100	72,100
Investment Income (Loss)	225,343	200,490	-	360	426,193
<b>Total Revenues</b>	<b>54,586,035</b>	<b>2,086,985</b>	<b>668,097</b>	<b>5,793,113</b>	<b>63,134,230</b>
<b>EXPENDITURES</b>					
Current:					
General Government	2,598,486	1,081,065	-	818,850	4,498,401
Public Safety	8,488,821	-	-	272,193	8,761,014
Education	20,195,961	-	-	2,218,325	22,414,286
Public Works	5,076,921	-	7,652	1,325,398	6,409,971
Health and Human Services	638,085	-	-	65,513	703,598
Culture and Recreation	797,355	-	-	467,849	1,265,204
Pension Benefits	5,329,038	-	-	-	5,329,038
Employee Benefits	6,147,867	-	-	-	6,147,867
Property and Liability Insurance	579,522	-	-	-	579,522
State and County Charges	1,616,269	-	-	-	1,616,269
Debt Service:					
Principal	3,525,950	-	-	6,015,000	9,540,950
Interest	934,432	-	-	-	934,432
<b>Total Expenditures</b>	<b>55,928,707</b>	<b>1,081,065</b>	<b>7,652</b>	<b>11,183,128</b>	<b>68,200,552</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,342,672)</b>	<b>1,005,920</b>	<b>660,445</b>	<b>(5,390,015)</b>	<b>(5,066,322)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,315,247	-	-	170,000	3,485,247
Proceeds of Bonds and Notes	-	-	-	4,672,600	4,672,600
Premium from Issuance of Bonds and Notes	431,158	-	-	230,612	661,770
Proceeds of Refunding Bonds	-	-	-	5,995,000	5,995,000
Premium from Issuance of Refunding Bonds	-	-	-	20,000	20,000
Transfers Out	(170,000)	(898,176)	(335,758)	(2,081,313)	(3,485,247)
<b>Total Other Financing Sources (Uses)</b>	<b>3,576,405</b>	<b>(898,176)</b>	<b>(335,758)</b>	<b>9,006,899</b>	<b>11,349,370</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,233,733</b>	<b>107,744</b>	<b>324,687</b>	<b>3,616,884</b>	<b>6,283,048</b>
Fund Balances at Beginning of Year	13,876,236	6,261,828	1,075,639	1,609,768	22,823,471
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 16,109,969</b>	<b>\$ 6,369,572</b>	<b>\$ 1,400,326</b>	<b>\$ 5,226,652</b>	<b>\$ 29,106,519</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total Governmental Fund Balances	\$ 29,106,519
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	112,274,037
Other assets are not available to pay for current period expenditures and, therefore, are deferred inflows in the governmental funds.	8,987,712
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(319,327)
Deferred losses on refunding of bonds payable are deferred outflows of resources on the statement of net position	220,557
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, Net of Unamortized Premiums and Deferred Losses on Refundings	(26,182,584)
Capital Lease Obligations	(35,027)
Workers' Compensation Claims	-
Court Judgments	-
Landfill Closure and Post-Closure	(430,979)
Compensated Absences	(2,483,558)
Net OPEB Obligation	<u>(24,102,448)</u>
Net Position of Governmental Activities	<u>\$ 97,034,902</u>

*See accompanying Notes to Basic Financial Statements.*

**TOWN OF MASHPEE, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds	\$ 6,283,048
<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. These amounts represent the related activity of the current period.</p>	
Capital Outlays	2,825,032
Depreciation	(2,878,065)
<p>Amortization of deferred losses on refunding of bonds payable is not included on the statement of activities</p>	
	(147,041)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred inflows 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>	
	1,002,824
<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 impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
<p>These amounts represent the related activity of the current period.</p>	
Bond Proceeds	(10,667,000)
Bond Maturities	9,540,950
Premiums from issuance of Bonds and Notes	(661,770)
Amortization of Bond Premiums	126,396
Capital Lease Maturities	115,104
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	37,572
<p>Some expenses reported in the statement activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.</p>	
<p>These amounts represent the net changes:</p>	
Landfill Postclosure	11,100
Compensated Absences	(100,792)
Net OPEB Obligation	(3,501,799)
Changes in Net Position of Governmental Activities	\$ 1,985,559

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS  
 PROPRIETARY FUND  
 STATEMENT OF FUND NET POSITION  
 JUNE 30, 2014**

	Business-Type Activities - <u>Enterprise Fund</u>
	<u>Kids Klub (Nonmajor)</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 176,769
Restricted Cash and Cash Equivalents	<u>2,325</u>
Total Current Assets	179,094
 Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	<u>39,883</u>
Total Assets	218,977
 <b>LIABILITIES</b>	
Current Liabilities:	
Warrants Payable	853
Other Liabilities	<u>2,325</u>
Total Current Liabilities	3,178
 Noncurrent Liabilities:	
Net OPEB Obligation	<u>280,004</u>
Total Liabilities	283,182
 <b>FUND NET POSITION (DEFICIT)</b>	
Net Investment in Capital Assets	39,883
Unrestricted	<u>(104,088)</u>
Total Fund Net Position (Deficit)	<u><u>\$ (64,205)</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 YEAR ENDED JUNE 30, 2014**

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Kids Klub (Nonmajor)</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 449,953
<b>OPERATING EXPENSES</b>	
Cost of Service and Administration	416,909
Depreciation	1,595
Total Operating Expenses	<u>418,504</u>
<b>OPERATING INCOME</b>	31,449
<b>NONOPERATING REVENUES</b>	
Investment Income	<u>239</u>
<b>CHANGE IN NET POSITION</b>	31,688
Fund Net Deficit at Beginning of Year	<u>(95,893)</u>
<b>FUND NET DEFICIT AT END OF YEAR</b>	<u><u>\$ (64,205)</u></u>

*See accompanying Notes to Basic Financial Statements.*

**TOWN OF MASHPEE, MASSACHUSETTS  
 PROPRIETARY FUND  
 STATEMENTS OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2014**

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Kids Klub (Nonmajor)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers and Users	\$ 447,053
Payments to Vendors	(95,184)
Payments to Employees	(286,679)
Net Cash from Operating Activities	<u>65,190</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	<u>239</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	65,429
Cash and Cash Equivalents at Beginning of Year (Includes \$5,245 Reported as Restricted Cash and Cash Equivalents)	<u>113,665</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$2,345 Reported as Restricted Cash and Cash Equivalents)	<u><u>\$ 179,094</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ 31,449
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
OPEB Obligation	40,878
Depreciation	1,595
Effect of Changes in Operating Assets and Liabilities:	
Warrants Payable	(5,832)
Other Liabilities	(2,900)
Total Adjustments	<u>33,741</u>
Net Cash from Operating Activities	<u><u>\$ 65,190</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014**

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,735	\$ 768,073
Total Assets	<u>6,735</u>	<u><u>768,073</u></u>
<b>LIABILITIES</b>		
Liabilities Due Depositors	-	\$ 768,073
Total Liabilities	<u>-</u>	<u><u>768,073</u></u>
<b>NET POSITION</b>		
Assets Held in Trust for Other Purposes	<u><u>\$ 6,735</u></u>	

*See accompanying Notes to Basic Financial Statements.*

**TOWN OF MASHPEE, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Net Investment Income:	
Interest	\$      1
 <b>DEDUCTIONS</b>	
Other	<u>      25</u>
 <b>CHANGE IN NET POSITION</b>	 (24)
 Net Position at Beginning of Year	 <u>      6,759</u>
 <b>NET POSITION AT END OF YEAR</b>	 <u><u>      \$      6,735</u></u>

*See accompanying Notes to Basic Financial Statements.*

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The Town of Mashpee, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

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/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Ventures

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

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the Town's joint venture and related information:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Fiscal Year 2014 Assessment</u>
Cape Cod Regional Technical High School	To provide vocational educational services	351 Pleasant Lake Avenue Harwich, MA 02645	\$ 920,060

The Cape Cod Regional Technical High School (School) is governed by a 21 member school committee consisting of two representatives (appointed by the Board of Selectmen) from the Town. The Town is indirectly liable for the School's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the School at the address identified above.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Implementation of New Accounting Principles**

For the year ending June 30, 2014, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statement No. 65 established financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 65 had no retrospective reporting impact for the Town.

The implementation of GASB Statement No.'s 66 and 70 had no reporting impact for the Town.

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

Government-Wide Financial Statements

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

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. Fiduciary funds are reported by fund type.

**E. Measurement Focus, Basis of Accounting and Basis of 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 fiscal 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.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

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

Program revenues include the following:

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

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

Except for charges between the general fund and enterprise fund, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

**Governmental funds** 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 and landfill closure costs 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 the end of the fiscal year. 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 used to account for and report all financial resources not accounted for and reported in another fund.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

The *community preservation fund* is a special revenue fund used to account for the 3% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Property exempt from the surcharge consists of the first \$100,000 of all residential property and also property owned by low income or seniors with a low or moderate income as defined by Massachusetts Department of Revenue (DOR) guidelines. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

The *street betterment fund* is a special revenue fund used to account for street betterments. Street betterments are levied annually based on the allocated betterment cost to each property. Taxpayers have the option of paying their respective share of the betterment up front or over a period of up to 25 years and are subject to penalties and interest if they are not paid by the respective due dates. Street betterments are recorded as receivables when the project is complete.

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:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

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

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

The following nonmajor proprietary fund is reported:

The *kids klub fund* is used to account for the toddler and pre-school activities of the leisure services department.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Fiduciary funds** 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 government's programs

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for various scholarship and welfare funds, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist mainly of planning board and other escrow deposits. Agency funds do not present the results of operations or have a measurement focus.

**F. Deposits 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.

**G. Accounts Receivable**

Government-Wide and Fund Financial Statements

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

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

Real estate and personal property taxes are levied and based on values assessed on January 1 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 November 1, February 1, May 1 and August 1 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 fiscal year of the levy.

Real estate tax liens are processed approximately six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

**Motor Vehicle and Other Excise Taxes**

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

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable (Continued)**

**Community Preservation Surcharges**

Community preservation surcharges are levied annually and at a rate of 3% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income as defined by DOR guidelines. The surcharges are due with the real estate tax on August 1, November 1, February 1 and May 1 and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

**Special Assessments**

Special assessments consist of street betterments and are recorded as receivables in the fiscal year accrued.

**Departmental and Other**

Departmental and other receivables represent amounts due from ambulance fees and other various departmental activities. These receivables are recorded when the service has been provided or the applicable agreement has been entered into.

**Intergovernmental**

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

**Loans**

The Town administers various loan programs to residents that provide assistance to comply with Title V (related to septic systems) requirements. Loans are recorded as receivables upon issuance.

**H. Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

- Real estate taxes and tax liens
- Community preservation surcharges
- Special assessments
- Loans

Intergovernmental receivables are considered 100% collectible.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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.

**J. Restricted Assets**

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**K. Capital Assets**

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, buildings and improvements, machinery, vehicles and equipment, and infrastructure, are reported in the governmental activities column of the government-wide 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. Construction period interest is not capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life (in years)
Buildings and improvements.....	20-40
Machinery, vehicles and equipment...	3-15
Infrastructure.....	40

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 Funds Financial Statements

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

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Interfund Receivables and Payables**

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental 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. As of June 30, 2014, there were no amounts due to or from other funds.

**M. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between governmental 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.

**N. Deferred Outflows of Resources**

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 that time.

The Town has one item that qualifies for reporting in this category as follows:

Deferred loss on refunding transaction - The loss is amortized to interest expense over the shorter of the number of years between the year of defeasance and the year the old debt will be extinguished or the year of defeasance and the year the new debt will be extinguished.

**O. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Deferred Inflows of Resources (Continued)**

The Town has one item that qualifies for reporting in this category as follows:

- Unavailable revenue is reported 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.

**P. Net Position and Fund Balances**

Government-Wide and Proprietary Fund Financial Statements (Net Position)

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been “restricted” for the following:

“Community preservation” represents amounts restricted for open space, historic resource and affordable housing purposes.

“Loans” represents outstanding septic loans receivable.

“OPEB” represents amounts accumulated for other post employment benefits.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents other restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

*Assigned* — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances (Continued)**

*Unassigned* – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**Q. Long-Term Debt**

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide 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 Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. 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.

**R. 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 the proprietary fund is retained in the fund.

**S. 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 Funds Financial Statements

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

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Post Retirement Benefits**

Government-Wide and Fund Financial Statements

In addition to providing pension benefits and, as more fully described in Note 12, the Town provides health, dental and life insurance coverage for current and future retirees and their spouses.

**U. 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 fiscal year. Actual results could vary from estimates that were used.

**V. Total Column**

Government-Wide Financial Statements

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

Fund Financial Statements

The total column presented 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 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

Increases to the original budget subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Information (Continued)**

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2014 approved budget for the general fund authorized \$54,238,555 in appropriations. During fiscal year 2014, supplemental appropriations totaling \$1,441,767 were authorized. The original and final fiscal year 2014 approved budget for the community preservation fund authorized \$2,161,466 in appropriations.

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

The budgetary comparison schedules presented in the accompanying required supplementary information presents comparisons of the legally adopted budgets, as amended, with actual results. The originally adopted budgets are presented for purposes of comparison to the final, amended budgets.

**NOTE 3 DEPOSITS AND INVESTMENTS**

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of permanent funds are held separately from other Town funds.

**Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy is to rely on FDIC and Depositors Insurance Fund (DIF) insurance coverage and to collateralize an additional portion of their deposits. As of June 30, 2014, \$16,522,678 of the Town's bank balance of \$23,128,420 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments Summary**

The Town's investments at June 30, 2014 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<b><u>Debt Securities:</u></b>				
U.S. Treasuries.....	\$ 2,505,601	\$ 509,997	\$ 1,831,600	\$ 164,004
U.S. Agencies.....	5,028,327	-	3,897,274	1,131,053
Money market mutual funds.....	282,847	282,847	-	-
Mutual bond funds.....	126,565	126,565	-	-
Total debt securities.....	<u>7,943,340</u>	<u>\$ 919,409</u>	<u>\$ 5,728,874</u>	<u>\$ 1,295,057</u>
<b><u>Other Investments:</u></b>				
Equity securities.....	2,074,198			
Equity mutual funds.....	<u>171,850</u>			
Total other investments.....	<u>2,246,048</u>			
Total investments.....	<u>\$ 10,189,388</u>			

**Investments - Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

**Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2014, the Town was not exposed to custodial credit risk.

**Investments - Credit Risk of Debt Securities**

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2014, the Town's money market mutual funds, mutual bond funds and external investment pools were unrated by a national credit rating organization.

**Investments – Concentration of Credit Risk**

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk of investments. As of June 30, 2014, the Town was not exposed to concentration of credit risk.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2014, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 568,752	\$ -	\$ 568,752
Real estate tax deferrals.....	29,962	-	29,962
Tax and trash liens.....	1,064,510	-	1,064,510
Motor vehicle and other excise taxes.....	624,409	(315,433)	308,976
Community preservation surcharges.....	42,766	-	42,766
Special assessments.....	3,586,329	-	3,586,329
Departmental and other.....	490,016	(203,327)	286,689
Intergovernmental.....	2,887,803	-	2,887,803
Loans.....	161,277	-	161,277
	<u>\$ 9,455,824</u>	<u>\$ (518,760)</u>	<u>\$ 8,937,064</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2014, \$944,440 of such assistance was received. \$2,639,538 will be received in future fiscal years. Of this amount, \$73,112 represents reimbursement of long-term interest costs, and \$2,566,426 represents reimbursement of approved and incurred construction costs. Accordingly, a \$2,566,426 intergovernmental receivable and corresponding deferred inflows have been reported in the governmental funds financial statements. The deferred inflows have been recognized as revenue in the conversion to the government-wide financial statements.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 58,157,590	900	\$ -	\$ 58,158,490
Construction in progress.....	2,634,965	330,423	(2,078,189)	887,199
Total capital assets not being depreciated.....	60,792,555	331,323	(2,078,189)	59,045,689
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	73,991,666	505,898		74,497,564
Machinery, vehicles and equipment.....	6,065,961	812,171	(311,419)	6,566,713
Infrastructure.....	15,150,622	3,253,829		18,404,451
Total capital assets being depreciated.....	95,208,249	4,571,898	(311,419)	99,468,728
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(32,830,330)	(1,883,078)		(34,713,408)
Machinery, vehicles and equipment.....	(4,514,972)	(476,315)	311,419	(4,679,868)
Infrastructure.....	(6,328,432)	(518,672)		(6,847,104)
Total accumulated depreciation.....	(43,673,734)	(2,878,065)	311,419	(46,240,380)
Total capital assets being depreciated, net.....	51,534,515	1,693,833	-	53,228,348
Total governmental activities capital assets, net.....	\$ 112,327,070	\$ 2,025,156	\$ (2,078,189)	\$ 112,274,037
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Business-Type Activities:				
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 42,542	\$ -	\$ -	\$ 42,542
Total capital assets being depreciated.....	42,542	-	-	42,542
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(1,064)	(1,595)	-	(2,659)
Total accumulated depreciation.....	(1,064)	(1,595)	-	(2,659)
Total capital assets being depreciated, net.....	41,478	(1,595)	-	39,883
Total business-type activities capital assets, net.....	\$ 41,478	\$ (1,595)	\$ -	\$ 39,883

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities:</b>	
General government.....	\$ 178,288
Public safety.....	483,628
Education.....	1,237,677
Public works.....	665,793
Health and human services.....	57,827
Culture and recreation.....	<u>254,852</u>
 Total depreciation expense - governmental activities.....	 \$ <u>2,878,065</u>
 <b>Business-Type Activities:</b>	
Kids Klub.....	\$ <u>1,595</u>

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2014 are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 170,000	\$ 170,000 (1)
Community Preservation Fund.....	898,176	-	898,176 (2)
Street Betterments Fund.....	335,758	-	335,758 (2)
Nonmajor Governmental Funds.....	<u>2,081,313</u>	<u>-</u>	<u>2,081,313 (3)</u>
	<u>\$ 3,315,247</u>	<u>\$ 170,000</u>	<u>\$ 3,485,247</u>

- (1) Represents budgeted transfers to various capital projects funds for paydown of BANs (\$110,000) and the unemployment special revenue fund (\$60,000).
- (2) Represents budgeted transfer to fund debt service principal and interest.
- (3) Represents budgeted transfers to the general fund from ambulance receipts (\$1,045,465), waterways improvement (\$92,000), media government access (\$80,000), shellfish receipts (\$20,000), cemetery receipts (\$15,000), hotel/motel receipts (\$30,000), septic betterment (\$40,159), special revenue funds and various capital projects (\$752,074), nonbudgeted transfers from green communities grant (\$1,388) department of federal justice grant (\$227) special revenue funds for prior year reimbursements, and conservation (\$5,000) special revenue funds.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2014 are as follows:

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
BAN	Buildings and roads.....	11/15/12	9/16/13	0.40%	1,000,000	-	(1,000,000)	-
BAN	Buildings and roads.....	11/15/12	9/16/13	0.44%	1,209,859	-	(1,209,859)	-
BAN	Road project.....	6/25/13	9/16/13	0.60%	1,593,801	-	(1,593,801)	-
BAN	Road project.....	6/25/13	9/16/13	0.50%	1,000,000	-	(1,000,000)	-
BAN	Road project.....	6/25/13	9/16/13	0.60%	500,000	-	(500,000)	-
BAN	Road projects and Fire pumper truck.....	9/16/13	1/31/14	1.00%	-	5,193,660	(5,193,660)	-
Total.....					<u>\$ 5,303,660</u>	<u>\$ 5,193,660</u>	<u>\$ (10,497,320)</u>	<u>\$ -</u>

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 8 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable, gross	\$ 24,205,172	\$ 10,667,000	\$ (9,540,950)	\$ 25,331,222	\$ 3,993,527
Unamortized premium	315,988	661,770	(126,396)	851,362	234,465
Bonds and notes payable, net	24,521,160	11,328,770	(9,667,346)	26,182,584	4,227,992
Capital lease obligation	150,131	-	(115,104)	35,027	35,027
Landfill closure and post-closure	442,079	-	(11,100)	430,979	15,000
Net OPEB obligation	20,600,649	4,866,572	(1,364,773)	24,102,448	-
Compensated absences	2,382,766	100,792	-	2,483,558	248,356
Total	<u>\$ 48,096,785</u>	<u>\$ 16,296,134</u>	<u>\$ (11,158,323)</u>	<u>\$ 53,234,596</u>	<u>\$ 4,526,375</u>
<b>Business-type Activities:</b>					
Net OPEB obligation	<u>\$ 239,126</u>	<u>\$ 56,810</u>	<u>\$ (15,932)</u>	<u>\$ 280,004</u>	<u>\$ -</u>

These long-term liabilities are generally liquidated by the general fund. The community preservation and street betterments major funds transfer amounts to the general fund to pay for its share of debt service expenditures, which are primarily related to land acquisition debt.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 LONG-TERM DEBT**

Details related to the Town's outstanding indebtedness at June 30, 2014 are as follows:

**Bonds and Notes Payable – Governmental Funds**

<u>Project</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2014</u>
Landfill Capping (MWPAT)	4.90%	\$ 326,600	\$ -	\$ (50,500)	\$ 276,100
Landfill Capping (MWPAT)	5.30%	35,000	-	(5,000)	30,000
Septic Repair (MWPAT)	5.00%	83,002	-	(10,400)	72,602
Sewer Facilities (MWPAT)	4.90%	13,918	-	(1,428)	12,490
Septic Repair (MWPAT)	0.00%	110,500	-	(8,500)	102,000
Land Acquisition	3.90%	1,880,000	-	(1,880,000)	-
Fire Equipment	3.90%	150,000	-	(150,000)	-
Refunding Bonds (Series A)	3.60%	7,185,000	-	(6,195,000)	990,000
Septic Replacement (MWPAT)	0.00%	77,491	-	(9,687)	67,804
Septic Replacement (MWPAT)	0.00%	81,041	-	(10,177)	70,864
Septic Replacement (MWPAT)	2.00%	79,967	-	-	79,967
Municipal Purpose	4.50%	5,290,000	-	(560,000)	4,730,000
Septic Replacement (MWPAT)	0.00%	122,653	-	(10,258)	112,395
Municipal Purpose	3.25-5.00%	3,675,000	-	(295,000)	3,380,000
Municipal Purpose	2.50-4.00%	5,095,000	-	(355,000)	4,740,000
Municipal Purpose of 2014	2.00-4.00%	-	4,672,000	-	4,672,000
Refunding Municipal Purpose of 2013	2.00-3.00%	-	5,995,000	-	5,995,000
Sub-total		24,205,172	10,667,000	(9,540,950)	25,331,222
Unamortized premium		315,988	661,770	(126,396)	851,362
Total governmental funds, net		\$ 24,521,160	\$ 11,328,770	\$ (9,667,346)	\$ 26,182,584

The Town receives subsidy assistance for the Massachusetts Water Pollution Abatement Trust (MWPAT). Principal and interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2014, the Town's subsidy totaled approximately \$38,000. Future subsidies total approximately \$163,000. The amount of MWPAT bonds outstanding at June 30, 2014, totaled \$824,222.

During the fiscal year, the Town issued bonds of \$4,672,000 for road projects and a fire pumper truck.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Debt service requirements (gross) for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,993,527	\$ 866,048	\$ 4,859,575
2016	3,772,722	747,318	4,520,040
2017	3,184,380	627,222	3,811,602
2018	1,786,040	523,146	2,309,186
2019	1,757,301	456,013	2,213,314
2020	1,519,365	391,573	1,910,938
2021	1,474,233	339,182	1,813,415
2022	1,412,556	284,739	1,697,295
2023	1,232,638	231,182	1,463,820
2024	1,212,310	183,223	1,395,533
2025	1,122,394	137,201	1,259,595
2026	1,072,598	98,968	1,171,566
2027	764,187	63,611	827,798
2028	614,278	36,989	651,267
2029	389,371	15,479	404,850
2030	4,466	466	4,932
2031	4,563	377	4,940
2032	4,662	286	4,948
2033	4,763	193	4,956
2034	4,868	97	4,965
Total.....	\$ <u>25,331,222</u>	\$ <u>5,003,313</u>	\$ <u>30,334,535</u>

Current Refunding – September 2013

On September 27, 2013, the Town issued \$5,995,000 in current refunding bonds to refund \$6,205,000 of previously issued and outstanding bonds with an average interest rate of approximately 3.8%. The interest rate of the current refunding bonds is 2.0-3.0%.

The net proceeds of \$6,287,256 (after premium and payment of bond issuance costs) were used to subsequently retire the outstanding bonds, call premium and additional bond pay down on October 17, 2013.

As a result of this refunding, the Town will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$461,000 and will realize an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$457,000.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

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, 2014, the Town had the following authorized and unissued debt:

Purpose	Amount
Mashpee River dredge.....	\$ 275,000
Road projects.....	196,817
Solar power.....	50,000
Total.....	\$ 521,817

**NOTE 10 CAPITAL LEASES**

The Town has entered into certain capital lease agreements for vehicles under which the vehicles will become the property of the Town when all of the lease requirements are met. The agreements also contain early purchase options which would allow the Town to purchase the vehicles before the end of the lease terms.

The following schedule presents future minimum lease payments as of June 30, 2014:

Fiscal Year Ending June 30	Governmental Activities
2014.....	\$ 37,129
Less: amounts representing interest.....	(2,102)
Present value of minimum lease payments.....	\$ 35,027

Vehicles and related accumulated amortization under capital leases are as follows:

<u>Asset:</u>	Governmental Activities
Vehicles.....	\$ 351,554
Less: accumulated amortization.....	(140,711)
Total.....	\$ 210,843

Amortization of leased vehicles under capital assets is included with depreciation expense.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 11 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1998 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$430,979 as the estimate of the landfill postclosure care liability at June 30, 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 12 OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** – The Town provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone GAAP-basis audited financial report..

The number of participants as of July 1, 2012, the latest actuarial valuation, is as follows:

Active employees.....	328
Retired employees, beneficiaries and dependents.....	236
	564
Total.....	564

**Funding Policy** – The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance (including Medicare Part B) contribution rates of Plan members and the Town are 25% and 75%, respectively. Plan members contribute 100% towards dental insurance. The Plan members and Town contribute 25% and 75%, respectively, towards a \$4,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

**Annual OPEB Cost and Net OPEB Obligation** – The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if liabilities (or funding excess) over a period not to exceed thirty years.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

	Amount
Annual required contribution.....	\$ 4,744,829
Interest on net OPEB obligation.....	945,026
Adjustment to annual required contribution.....	(766,473)
Annual OPEB cost.....	4,923,382
Contributions made.....	(1,380,705)
Increase in net OPEB obligation.....	3,542,677
Net OPEB obligation at beginning of year.....	20,839,775
Net OPEB obligation at end of year.....	\$ 24,382,452

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2012.....	\$ 5,178,809	26.2%	\$ 17,751,442
June 30, 2013.....	4,660,289	33.7%	20,839,775
June 30, 2014.....	4,923,382	28.0%	24,382,452

**Funded Status and Funding Progress** – The funded status of the Plan at July 1, 2012, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/12	\$ 250,000	\$ 62,263,573	\$ 62,013,573	0.4%	\$ 27,792,519	223.1%

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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation Date:	July 1, 2012
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Amortization payments increasing at 4.0%
Remaining Amortization Period:	30 years at July 1, 2012 (open)
Interest Discount Rate:	4.50%
Healthcare/Medical Cost Trend Rate:	Health – 8.0% decreasing 0.50% for six years to an ultimate level of 5.0%
Projected Salary Increases:	4.0% annually

**Allocation of AOPEBC** – AOPEBC costs were allocated to the Town's functions as follows:

<b>Governmental Activities:</b>	
General government.....	\$ 298,920
Public safety.....	1,220,881
Education.....	2,794,555
Public works.....	337,855
Health and human services.....	77,312
Culture and recreation.....	<u>137,049</u>
Total AOPEBC - governmental activities.....	<u>4,866,572</u>
<b>Business-Type Activities:</b>	
Kids klub.....	<u>56,810</u>
Total AOPEBC.....	<u><u>\$ 4,923,382</u></u>

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 13 FUND BALANCES**

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet are detailed as follows:

	<u>General</u>	<u>Community Preservation</u>	<u>Street Betterments</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 45,052	\$ 45,052
<b>Restricted:</b>					
Loans.....	\$ -	\$ -	\$ -	\$ 161,277	\$ 161,277
Debt service.....	304,818	-	-	-	304,818
OPEB.....	307,757	-	-	-	307,757
Community preservation.....	-	6,369,572	-	-	6,369,572
Ambulance receipts reserved.....	-	-	-	757,673	757,673
Street betterments.....	-	-	1,400,326	-	1,400,326
Septic betterments.....	-	-	-	367,625	367,625
School lunch.....	-	-	-	160,604	160,604
Cable access.....	-	-	-	35,998	35,998
General government.....	-	-	-	390,503	390,503
Public safety.....	-	-	-	777,987	777,987
Education.....	-	-	-	1,292,810	1,292,810
Public works.....	-	-	-	754,359	754,359
Health and human services.....	-	-	-	241,058	241,058
Culture and recreation.....	-	-	-	241,706	241,706
Sub-total - Restricted.....	<u>612,575</u>	<u>6,369,572</u>	<u>1,400,326</u>	<u>5,181,600</u>	<u>13,564,073</u>
<b>Committed:</b>					
Subsequent year's expenditures....	2,146,971	-	-	-	2,146,971
Continuing appropriations.....	<u>1,686,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,686,708</u>
Sub-total - Committed.....	<u>3,833,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,833,679</u>
<b>Assigned:</b>					
Encumbrances.....	<u>210,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,011</u>
<b>Unassigned.....</b>	<u>11,453,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,453,704</u>
Total fund balances.....	<u>\$ 16,109,969</u>	<u>\$ 6,369,572</u>	<u>\$ 1,400,326</u>	<u>\$ 5,226,652</u>	<u>\$ 29,106,519</u>

**NOTE 14 STABILIZATION FUNDS**

The Town maintains a general stabilization fund that was established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization fund require two-thirds vote of Town Meeting. Investment income is retained by the fund.

The balance of the stabilization fund at June 30, 2014 totals \$4,119,705 and is reported in the general fund as unassigned fund balance.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 15 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.

**Health Insurance**

The Town participates in a health insurance risk pool administered by the Cape Cod Municipal Health Group (Group). The Group offers a variety of premium based plans to its members with each participating governmental unit 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 proportionate share of a deficit, should one exist.

The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**Workers' Compensation**

The Town participates in a premium-based workers' compensation policy for all employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**Unemployment Insurance**

The Town is self-insured for its unemployment insurance activities. The Town's liability for unemployment claims is immaterial at June 30, 2014, and therefore is not reported.

**NOTE 16 PENSION PLAN**

**Plan Description** – The Town contributes to the Barnstable County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Substantially all employees of the Town are members of the Association, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The Association provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases 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 authorized by the Barnstable County Retirement Board and are borne by the Association. The Association issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the Association located at 750 Attucks Lane, Hyannis, Massachusetts, 02601.

**Funding Policy** – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the Association at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Association its share of the association-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the Association for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,359,868, \$2,168,624, and \$2,086,262, respectively, which equaled its required contribution for each fiscal year.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 17 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses aid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$2,951,000 for the fiscal year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

**NOTE 18 COMMITMENTS**

The Town has entered into, or is planning to enter into, contracts totaling approximately \$522,000 for projects related to building improvements, infrastructure and equipment which will be funded through the issuance of long-term debt and approximately \$941,000 for beach and park repairs and improvements to be funded with CPA funds.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$1,896,719 at June 30, 2014.

**NOTE 19 CONTINGENCIES**

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2014.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, 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 the Town expects such amounts, if any, to be immaterial.

**NOTE 20 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 20 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)**

➤ *Statement No. 71, Accounting Pension Transition for Contributions made Subsequent to the Measurement Date, - an amendment of GASB Statement No. 68, which is required to be implemented during fiscal year 2015.*

These pronouncements will be implemented by their respective implementation dates.

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**TOWN OF MASHPEE, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND  
BALANCE (NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 40,114,721	\$ -	\$ 40,114,721
Motor Vehicle and Other Excise Taxes	-	1,548,717	-	1,548,717
Tax and Trash Liens	-	-	-	-
Payments in Lieu of Taxes	-	2,500	-	2,500
Charges for Services	-	190,850	-	190,850
Trash Disposal	-	500,000	-	500,000
Intergovernmental	-	6,474,951	-	6,474,951
Penalties and Interest on Taxes	-	350,000	-	350,000
Licenses and Permits	-	280,000	-	280,000
Fines and Forfeitures	-	35,000	-	35,000
Departmental and Other	-	100,000	-	100,000
Investment Income	-	50,000	-	50,000
Total Revenues	-	49,646,739	-	49,646,739
<b>EXPENDITURES</b>				
Current:				
General Government	519,992	2,876,583	75,475	3,472,050
Public Safety	282,863	8,571,604	85,764	8,940,231
Education	-	20,511,059	-	20,511,059
Public Works	210,610	4,915,894	1,207,055	6,333,559
Health and Human Services	-	652,085	17,453	669,538
Culture and Recreation	1,186	856,684	27,498	885,368
Pension Benefits	-	2,379,357	1,313	2,380,670
Employee Benefits	3,312	6,442,542	(3,312)	6,442,542
Property and Liability Insurance	-	580,000	30,521	610,521
State and County Charges	-	1,740,746	-	1,740,746
Debt Service:				
Principal	-	3,629,135	(90,091)	3,539,044
Interest	-	1,022,866	(19,909)	1,002,957
Total Expenditures	1,017,963	54,178,555	1,331,767	56,528,285
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,017,963)</b>	<b>(4,531,816)</b>	<b>(1,331,767)</b>	<b>(6,881,546)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	2,556,558	757,074	3,313,632
Premium from Issuance of Bonds and Notes	-	-	-	-
Transfers Out	-	(60,000)	(110,000)	(170,000)
Total Other Financing Sources (Uses)	-	2,496,558	647,074	3,143,632
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,017,963)</b>	<b>(2,035,258)</b>	<b>(684,693)</b>	<b>(3,737,914)</b>
Fund Balance at Beginning of Year	9,262,374	9,262,374	9,262,374	9,262,374
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 8,244,411</b>	<b>\$ 7,227,116</b>	<b>\$ 8,577,681</b>	<b>\$ 5,524,460</b>

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive (Negative)</u>
\$ 40,242,421	\$ -	\$ 40,242,421	\$ 127,700
2,042,472	-	2,042,472	493,755
147,678	-	147,678	147,678
10,236	-	10,236	7,736
250,280	-	250,280	59,430
766,350	-	766,350	266,350
6,888,093	-	6,888,093	413,142
312,113	-	312,113	(37,887)
534,298	-	534,298	254,298
43,791	-	43,791	8,791
215,748	-	215,748	115,748
57,635	-	57,635	7,635
<u>51,511,115</u>	<u>-</u>	<u>51,511,115</u>	<u>1,864,376</u>
2,598,488	529,511	3,127,999	344,051
8,488,825	260,896	8,749,721	190,510
20,195,957		20,195,957	315,102
5,076,920	1,099,164	6,176,084	157,475
638,085		638,085	31,453
797,357	2,328	799,685	85,683
2,378,003		2,378,003	2,667
6,147,867	4,820	6,152,687	289,855
579,522		579,522	30,999
1,616,269		1,616,269	124,477
3,512,856	-	3,512,856	26,188
909,945	-	909,945	93,012
<u>52,940,094</u>	<u>1,896,719</u>	<u>54,836,813</u>	<u>1,691,472</u>
<u>(1,428,979)</u>	<u>(1,896,719)</u>	<u>(3,325,698)</u>	<u>3,555,848</u>
3,315,247	-	3,315,247	1,615
431,158	-	431,158	431,158
(170,000)	-	(170,000)	-
<u>3,576,405</u>	<u>-</u>	<u>3,576,405</u>	<u>432,773</u>
2,147,426	(1,896,719)	250,707	3,988,621
<u>9,262,374</u>	<u>9,262,374</u>	<u>9,262,374</u>	<u>-</u>
<u>\$ 11,409,800</u>	<u>\$ 7,365,655</u>	<u>\$ 9,513,081</u>	<u>\$ 3,988,621</u>

**TOWN OF MASHPEE, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
COMMUNITY PRESERVATION FUND - SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Community Preservation Surcharges	\$ -	\$ 1,155,612	\$ -	\$ 1,155,612
Intergovernmental	-	306,591	-	306,591
Investment Income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	-	1,462,203	-	1,462,203
<b>EXPENDITURES</b>				
Current:				
Administrative	-	40,000	-	40,000
Acquisitions and Projects	702,545	1,223,290	-	1,925,835
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	702,545	1,263,290	-	1,965,835
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(702,545)	198,913	-	(503,632)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	(898,176)	-	(898,176)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	(702,545)	(699,263)	-	(1,401,808)
Fund Balance at Beginning of Year	<hr/>	<hr/>	<hr/>	<hr/>
	6,261,828	6,261,828	6,261,828	6,261,828
<b>FUND BALANCE AT END OF YEAR</b>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 5,559,283	\$ 5,562,565	\$ 6,261,828	\$ 4,860,020

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 1,204,033	\$ -	\$ 1,204,033	\$ 48,421
682,462	-	682,462	375,871
200,490	-	200,490	200,490
<u>2,086,985</u>	<u>-</u>	<u>2,086,985</u>	<u>624,782</u>
29,548	-	29,548	10,452
904,467	1,021,368	1,925,835	-
<u>934,015</u>	<u>1,021,368</u>	<u>1,955,383</u>	<u>10,452</u>
1,152,970	(1,021,368)	131,602	635,234
<u>(898,176)</u>	<u>-</u>	<u>(898,176)</u>	<u>-</u>
254,794	(1,021,368)	(766,574)	635,234
<u>6,261,828</u>	<u>6,261,828</u>	<u>6,261,828</u>	<u>-</u>
<u><u>\$ 6,516,622</u></u>	<u><u>\$ 5,240,460</u></u>	<u><u>\$ 5,495,254</u></u>	<u><u>\$ 635,234</u></u>

**TOWN OF MASHPEE, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
PENSION PLAN SCHEDULES  
JUNE 30, 2014**

The following schedules provide information related to the Association as a whole, for which the Town is one participating employer:

**SCHEDULES OF FUNDING PROGRESS (ASSOCIATION)**

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)
01/01/14	\$ 776,973,700	\$ 1,353,810,101	\$ 576,836,401	57.4%	\$ 253,920,106	227.2%
01/01/12	651,063,981	1,173,483,848	522,419,867	55.5%	239,437,303	218.2%
01/01/10	554,876,554	1,030,210,321	475,333,767	53.9%	234,374,075	202.8%
01/01/09	520,089,855	966,564,614	446,474,759	53.8%	249,971,296	178.6%
01/01/07	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%
01/01/06	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (ASSOCIATION)**

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2008	\$ 36,982,873	100%
2009	39,899,322	100%
2010	43,893,051	100%
2011	43,807,158	100%
2012	46,702,087	100%
2013	49,504,212	100%

The following schedule provides information related to the Town's portion of the Association's ARC:

**TOWN SHARE OF ASSOCIATION ARC**

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of Association ARC (%)
2009	\$ 1,755,569	100%	4.7%
2010	1,856,927	100%	4.7%
2011	1,973,785	100%	4.5%
2012	2,086,262	100%	4.8%
2013	2,168,624	100%	4.6%
2014	2,359,868	100%	4.8%

**TOWN OF MASHPEE, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST EMPLOYMENT BENEFITS SCHEDULE  
JUNE 30, 2014**

The following schedule provides information related to the Town's other post employment benefits plan:

**SCHEDULES OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/06	\$ -	\$ 52,979,263	\$ 52,979,263	0.0%	\$ 27,011,764	196.1%
07/01/08	-	70,968,008	70,968,008	0.0%	27,428,318	258.7%
07/01/10	-	62,486,927	62,486,927	0.0%	26,798,532	233.2%
07/01/12	250,000	62,263,573	62,013,573	0.4%	27,792,519	223.1%

The significant change to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress is that the 07/01/10 valuation reflects the Town's adoption of Massachusetts General Laws Chapter 32B, Section 18, which shifted certain other post employment benefits costs from the Town to a Medicare extension program

**TOWN OF MASHPEE, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**NOTE A BUDGETARY – GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts 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 and community preservation fund for the fiscal year ended June 30, 2014, is presented below:

**General Fund**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 51,511,115	\$ 54,836,813	\$ 3,576,405	\$ 9,513,081
<u>Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	130,324	-	-	4,119,705
Activity of OPEB fund recorded in the general fund for GAAP purposes.....	37,385	-	-	307,757
<u>Adjustments</u>				
Net change in recording 60-day receipts.....	(81,405)	-	-	272,707
To record activity for MW PAT subsidies.....	37,581	37,581	-	-
To record MTRS on-behalf payments.....	2,951,035	2,951,035	-	-
Net change in recording other expenditures.....	-	(3)	-	-
To record encumbrances and continuing appropriations.....	-	(1,896,719)	-	1,896,719
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 54,586,035</u>	<u>\$ 55,928,707</u>	<u>\$ 3,576,405</u>	<u>\$ 16,109,969</u>

**Community Preservation Fund**

	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 1,955,383	\$ 5,495,254
<u>Adjustments</u>		
To record additional liabilities found during search.....	147,050	(147,050)
To record encumbrances and continuing appropriations.....	(1,021,368)	1,021,368
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 1,081,065</u>	<u>\$ 6,369,572</u>