

TOWN OF MASHPEE, MASSACHUSETTS

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

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, 2018, 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.

Opinions

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, 2018 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.

Emphasis of Matter

During the fiscal year ended June 30, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a result, the Town reported a restatement for a change in accounting principle (see Note 1). Our auditor's opinion was not modified with respect to the restatement.

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 postemployment benefits information (located on pages 60 through 67) 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 February 1, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Mashpee, Massachusetts' 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

Boston, Massachusetts
February 1, 2019

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$41,664,707 (net position).
- Implementation of GASB Statement No. 75 resulted in the restatement of the Town's beginning net position by \$28,240,914. See Note 1.
- The Town's total net position increased by \$3,620,905.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$15,070,681, or 24.2% of total general fund expenses and transfers out.
- The Town's total long-term debt decreased \$1,849,204 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 nonfiduciary 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, 2018**

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, culture and recreation, community development and debt service (interest). Business-type activities include the Town's preschool/daycare operation (nonmajor enterprise fund).

The government-wide financial statements can be found on pages 11-13 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 many 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, community preservation, Quashnet construction and street betterments funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 14-19 of this report.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 20-22 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 proprietary funds.

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 23-24 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 25-59 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 postemployment benefits information, which can be found on pages 60-67 of this report.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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 and deferred inflows of resources by \$41,664,707 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Assets						
Current Assets	\$ 44,144,917	\$ 39,789,043	\$ 298,725	\$ 234,748	\$ 44,443,642	\$ 40,023,791
Noncurrent Assets (Excluding Capital Assets)	3,780,426	3,692,860	-	-	3,780,426	3,692,860
Capital Assets (Net)	117,430,332	112,355,831	107,963	110,948	117,538,295	112,466,779
Total Assets	<u>165,355,675</u>	<u>155,837,734</u>	<u>406,688</u>	<u>345,696</u>	<u>165,762,363</u>	<u>156,183,430</u>
Deferred Outflows of Resources	<u>6,215,688</u>	<u>4,685,634</u>	<u>70,108</u>	<u>52,835</u>	<u>6,285,796</u>	<u>4,738,469</u>
Liabilities						
Current Liabilities (Excluding Debt)	8,051,202	4,526,345	24,062	4,539	8,075,264	4,530,884
Noncurrent Liabilities (Excluding Debt)	94,416,275	72,130,705	1,062,210	830,051	95,478,485	72,960,756
Current Debt	6,125,884	3,735,241	-	-	6,125,884	3,735,241
Noncurrent Debt	11,062,489	12,942,373	-	-	11,062,489	12,942,373
Total Liabilities	<u>119,655,850</u>	<u>93,334,664</u>	<u>1,086,272</u>	<u>834,590</u>	<u>120,742,122</u>	<u>94,169,254</u>
Deferred Inflows of Resources	<u>9,535,731</u>	<u>462,876</u>	<u>105,599</u>	<u>5,053</u>	<u>9,641,330</u>	<u>467,929</u>
Net Position						
Net Investment in Capital Assets	100,589,664	96,915,250	107,963	110,948	100,697,627	97,026,198
Restricted	19,104,611	18,342,790	-	-	19,104,611	18,342,790
Unrestricted	<u>(77,314,493)</u>	<u>(48,532,212)</u>	<u>(823,038)</u>	<u>(552,060)</u>	<u>(78,137,531)</u>	<u>(49,084,272)</u>
Total Net Position	<u>\$ 42,379,782</u>	<u>\$ 66,725,828</u>	<u>\$ (715,075)</u>	<u>\$ (441,112)</u>	<u>\$ 41,664,707</u>	<u>\$ 66,284,716</u>

The largest portion of the Town's net position 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 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 net pension and other postemployment benefit liabilities.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Changes in Net Position

Changes in net position are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 5,353,784	\$ 5,472,672	\$ 452,737	\$ 407,603	\$ 5,806,521	\$ 5,880,275
Operating Grants and Contributions	12,521,936	12,587,784	324	205	12,522,260	12,587,989
Capital Grants and Contributions	3,449,295	1,444,654	-	-	3,449,295	1,444,654
<i>General Revenues:</i>						
Real Estate and Property Taxes	46,049,761	44,954,852	-	-	46,049,761	44,954,852
Motor Vehicle and Other Excise Taxes	2,705,686	2,452,862	-	-	2,705,686	2,452,862
Penalties and Interest on Taxes	370,000	330,482	-	-	370,000	330,482
Payments in Lieu of Taxes	70,083	123,194	-	-	70,083	123,194
Community Preservation Surcharges	1,370,885	1,339,267	-	-	1,370,885	1,339,267
Grants and Contributions not Restricted to Specific Programs	896,761	858,405	-	-	896,761	858,405
Unrestricted Investment Income	265,929	120,480	-	-	265,929	120,480
Total Revenues	<u>73,054,120</u>	<u>69,684,652</u>	<u>453,061</u>	<u>407,808</u>	<u>73,507,181</u>	<u>70,092,460</u>
Expenses						
General Government	7,736,211	7,918,496	-	-	7,736,211	7,918,496
Public Safety	15,541,840	16,347,232	-	-	15,541,840	16,347,232
Education	34,114,692	35,267,840	-	-	34,114,692	35,267,840
Public Works	7,971,563	7,394,552	-	-	7,971,563	7,394,552
Health and Human Services	1,575,672	1,585,379	-	-	1,575,672	1,585,379
Culture and Recreation	2,215,445	2,238,396	-	-	2,215,445	2,238,396
Debt Service - Interest	302,320	395,033	-	-	302,320	395,033
Kids Klub	-	-	428,533	440,011	428,533	440,011
Total Expenses	<u>69,457,743</u>	<u>71,146,928</u>	<u>428,533</u>	<u>440,011</u>	<u>69,886,276</u>	<u>71,586,939</u>
Change in Net Position	3,596,377	(1,462,276)	24,528	(32,203)	3,620,905	(1,494,479)
Net Position - Beginning of Year*	<u>38,783,405</u>	<u>68,188,104</u>	<u>(739,603)</u>	<u>(408,909)</u>	<u>38,043,802</u>	<u>67,779,195</u>
Net Position - End of Year	<u>\$ 42,379,782</u>	<u>\$ 66,725,828</u>	<u>\$ (715,075)</u>	<u>\$ (441,112)</u>	<u>\$ 41,664,707</u>	<u>\$ 67,779,195</u>

*Restatement of beginning net position as a result of the implementation of GASB 75. See Note 1.

Governmental activities increased the Town's net position by \$3,596,377. In the prior year, governmental activities decreased the Town's net position by \$1,462,276. The key element of this change is an increase in capital grants and contributions and decrease in pension expense.

Business-type activities increased the Town's net position by \$24,528. In the prior year, business-type activities decreased the Town's net position by \$32,203. The key elements of this change is an increase in charges for services (higher enrollment) and decrease in pension expense.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$31,730,607, an increase of \$37,426 in comparison with the prior year. \$10,649,504 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$45,052)
- Restricted (\$15,794,188)
- Committed (\$5,071,299)
- Assigned (\$170,564)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the general fund's unassigned fund balance of the general fund totaled \$15,070,681, while total fund balance was \$20,810,749. 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 expenditures and transfers out. Unassigned fund balance represents 24.2% of total general fund expenditures and transfers out, while total fund balance represents 33.4% of that same amount.

The balance of the Town's general fund increased \$2,735,183 during the current fiscal year. The Town anticipated utilizing \$4,864,446 of reserves to fund the 2018 budget; however the Town ultimately recognized an approximate \$5,754,000 budgetary surplus.

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

The fund balance of the community preservation fund (special revenue) decreased by \$64,383 during the current fiscal year. The fund's receipts included \$1,367,563 in surcharges, \$255,355 in intergovernmental revenues, and investment loss of \$28,497. Expenditures of \$1,125,129 were incurred during the fiscal year and a transfer of \$533,675 was made to the general fund to cover community preservation related debt service.

The fund balance of the Quashnet construction fund (capital project) decreased by \$1,866,395 during the current fiscal year. The fund's revenues consisted of \$1,404,889 in intergovernmental revenues and \$500,000 of transfers in. Expenditures of \$3,771,284 were incurred during the fiscal year.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The fund balance of the street betterment fund (special revenue) increased by \$198,187 during the current fiscal year. The fund's revenues consisted of \$716,848 in special assessments and \$9,415 in penalties and interest. Expenditures of \$1,126 were incurred during the fiscal year and a transfer of \$526,950 was made to the general fund to cover street betterment related debt service.

Proprietary Funds

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

Net position of the Kids Klub enterprise fund at the end of the year amounted to a deficit of \$715,075. The Kids Klub enterprise fund had an increase in net position for the year of \$24,528. 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 budget of \$60,072,106 was increased by \$719,821 (1.2%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Assessors Revaluation Expense	\$ 325,000	Unassigned Fund Balance
Snow & Ice Removal	160,000	Unassigned Fund Balance
Accrued Benefits	75,000	Unassigned Fund Balance
Popponeset Approach Channel Dredge	65,000	Transfer In
Great River/Little River Channel Dredging	39,000	Transfer in
Debt Principal	27,145	Unassigned Fund Balance
Department of Natural Resources Equipment Expense	20,000	Transfer In
Leather Leaf/Bog River Bend Road Project	8,000	Unassigned Fund Balance
Unpaid Bills	676	Unassigned Fund Balance
Total Increase	<u>\$ 719,821</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 \$5,753,503. Encumbrances and continuing appropriations totaled \$1,193,926 at year-end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Town's investment in capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$117,538,295 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

- Infrastructure, building improvement and other projects in progress (approximately \$5,300,000)
- Completed infrastructure projects (approximately \$1,200,000)

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Land	\$ 59,280,357	\$ 58,748,357	\$ -	\$ -	\$ 59,280,357	\$ 58,748,357
Buildings and Improvements	34,314,541	35,765,088	107,963	110,948	34,422,504	35,876,036
Machinery, Vehicles, and Equipment	1,963,607	1,613,090	-	-	1,963,607	1,613,090
Infrastructure	14,582,185	13,880,928	-	-	14,582,185	13,880,928
Construction in Progress	7,289,642	2,348,368	-	-	7,289,642	2,348,368
Total Capital Assets	<u>\$ 117,430,332</u>	<u>\$ 112,355,831</u>	<u>\$ 107,963</u>	<u>\$ 110,948</u>	<u>\$ 117,538,295</u>	<u>\$ 112,466,779</u>

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$12,511,302, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	2018	2017
General Obligation Bonds	\$ 12,155,000	\$ 13,865,000
MWPAT Notes	356,302	495,506
Total Bonds and Notes	<u>\$ 12,511,302</u>	<u>\$ 14,360,506</u>

The Town's gross bonded debt decreased by \$1,849,204 during the fiscal year.

The Town's bond rating from Standard & Poor's for the April 2016 bond issue (most recent bond issuance) was AAA.

Additional information on the Town's long-term debt can be found in Note 9 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 Finance Director/Town Accountant, Town Hall, 16 Great Neck Road North, Mashpee, Massachusetts 02649.

**TOWN OF MASHPEE, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 18,051,654	\$ 235,504	\$ 18,287,158
Restricted Cash and Cash Equivalents	8,567,513	63,221	8,630,734
Investments	4,956,712	-	4,956,712
Restricted Investments	7,854,110	-	7,854,110
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	737,467	-	737,467
Tax Liens	905,357	-	905,357
Motor Vehicle and Other Excise Taxes	411,396	-	411,396
Community Preservation Surcharges	45,263	-	45,263
Special Assessments	265,263	-	265,263
Departmental and Other	467,301	-	467,301
Intergovernmental	1,868,290	-	1,868,290
Loans	14,591	-	14,591
Total Current Assets	<u>44,144,917</u>	<u>298,725</u>	<u>44,443,642</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	22,654	-	22,654
Special Assessments	2,918,938	-	2,918,938
Intergovernmental	2,883	-	2,883
Loans	81,301	-	81,301
Tax Foreclosures	754,650	-	754,650
Capital Assets not being Depreciated	66,569,999	-	66,569,999
Capital Assets, Net of Accumulated Depreciation	50,860,333	107,963	50,968,296
Total Noncurrent Assets	<u>121,210,758</u>	<u>107,963</u>	<u>121,318,721</u>
Total Assets	<u>165,355,675</u>	<u>406,688</u>	<u>165,762,363</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	197,471	-	197,471
Related to OPEB	1,644,183	18,287	1,662,470
Related to Pensions	4,374,034	51,821	4,425,855
Total Deferred Outflows of Resources	<u>6,215,688</u>	<u>70,108</u>	<u>6,285,796</u>
LIABILITIES			
Current Liabilities:			
Warrants Payable	3,523,067	3,825	3,526,892
Accrued Payroll	1,957,837	-	1,957,837
Other Liabilities	322,462	1,950	324,412
Accrued Interest	155,783	-	155,783
Capital Lease Obligations	128,739	-	128,739
Landfill Post-Closure	15,000	-	15,000
Compensated Absences	304,131	-	304,131
Total OPEB Liability - Due within One Year	1,644,183	18,287	1,662,470
Short-Term Notes Payable	4,246,000	-	4,246,000
Long-Term Bonds and Notes Payable	1,879,884	-	1,879,884
Total Current Liabilities	<u>14,177,086</u>	<u>24,062</u>	<u>14,201,148</u>
Noncurrent Liabilities:			
Capital Lease Obligations	134,854	-	134,854
Landfill Post-Closure	368,679	-	368,679
Compensated Absences	2,737,177	-	2,737,177
Total OPEB Liability	59,719,436	664,220	60,383,656
Net Pension Liability	31,456,129	397,990	31,854,119
Long-Term Bonds and Notes Payable	11,062,489	-	11,062,489
Total Noncurrent Liabilities	<u>105,478,764</u>	<u>1,062,210</u>	<u>106,540,974</u>
Total Liabilities	<u>119,655,850</u>	<u>1,086,272</u>	<u>120,742,122</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	6,076,029	67,580	6,143,609
Related to Pensions	3,459,702	38,019	3,497,721
Total Deferred Inflows of Resources	<u>9,535,731</u>	<u>105,599</u>	<u>9,641,330</u>
NET POSITION			
Net Investment in Capital Assets	100,589,664	107,963	100,697,627
Restricted for:			
Community Preservation	7,496,306	-	7,496,306
Loans	95,892	-	95,892
OPEB	404,826	-	404,826
Debt Service	93,379	-	93,379
Permanent Funds:			
Expendable	1,148	-	1,148
Nonexpendable	45,052	-	45,052
Other Specific Purposes	10,968,008	-	10,968,008
Unrestricted	(77,314,493)	(823,038)	(78,137,531)
Total Net Position	<u>\$ 42,379,782</u>	<u>\$ (715,075)</u>	<u>\$ 41,664,707</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 7,736,211	\$ 947,119	\$ 464,386	\$ 1,652,955	\$ (4,671,751)
Public Safety	15,541,840	1,818,681	69,604	-	(13,653,555)
Education	34,114,692	870,411	11,767,954	1,404,889	(20,071,438)
Public Works	7,971,563	805,662	64,289	391,451	(6,710,161)
Health and Human Services	1,575,672	215,749	119,253	-	(1,240,670)
Culture and Recreation	2,215,445	696,162	36,450	-	(1,482,833)
Debt Service - Interest	302,320	-	-	-	(302,320)
Total Governmental Activities	<u>69,457,743</u>	<u>5,353,784</u>	<u>12,521,936</u>	<u>3,449,295</u>	<u>(48,132,728)</u>
Business-Type Activities:					
Kids Klub	<u>428,533</u>	<u>452,737</u>	<u>324</u>	<u>-</u>	<u>24,528</u>
Total Primary Government	<u>\$ 69,886,276</u>	<u>\$ 5,806,521</u>	<u>\$ 12,522,260</u>	<u>\$ 3,449,295</u>	<u>\$ (48,108,200)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	\$ (48,132,728)	\$ 24,528	\$ (48,108,200)
General Revenues:			
Real Estate and Personal Property Taxes	46,049,761	-	46,049,761
Motor Vehicle and Other Excise Taxes	2,705,686	-	2,705,686
Penalties and Interest on Taxes	370,000	-	370,000
Payments in Lieu of Taxes	70,083	-	70,083
Community Preservation Surcharges	1,370,885	-	1,370,885
Grants and Contributions not Restricted to Specific Programs	896,761	-	896,761
Unrestricted Investment Income	265,929	-	265,929
Total General Revenues and Transfers	<u>51,729,105</u>	<u>-</u>	<u>51,729,105</u>
CHANGE IN NET POSITION	3,596,377	24,528	3,620,905
Net Position - Beginning of Year	66,725,828	(441,112)	66,284,716
Prior Period Restatement - GASB 75 (Note 1)	<u>(27,942,423)</u>	<u>(298,491)</u>	<u>(28,240,914)</u>
NET POSITION - END OF YEAR	<u>\$ 42,379,782</u>	<u>\$ (715,075)</u>	<u>\$ 41,664,707</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>Quashnet Construction</u>
Cash and Cash Equivalents	\$ 18,051,654	\$ -	\$ -
Investments	4,956,712	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	737,468	-	-
Real Estate Tax Deferrals	22,654	-	-
Tax Liens	888,109	-	-
Motor Vehicle and Other Excise taxes	411,396	-	-
Community Preservation Surcharges	-	45,263	-
Special Assessments	-	-	-
Departmental and Other	2,250	-	-
Intergovernmental	20,247	-	1,144,402
Loans	-	-	-
Due from Other Funds	120,738	-	-
Tax Foreclosures	754,650	-	-
Restricted Assets:			
Cash and Cash Equivalents	100,855	115,021	1,137,497
Investments	397,350	7,456,760	-
Total Assets	<u>\$ 26,464,083</u>	<u>\$ 7,617,044</u>	<u>\$ 2,281,899</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Warrants Payable	\$ 939,427	\$ -	\$ 2,398,294
Accrued Payroll	1,957,837	-	-
Other Liabilities	322,462	-	-
Due to Other Funds	-	120,738	-
Short-Term Notes Payable	-	-	1,750,000
Total Liabilities	<u>3,219,726</u>	<u>120,738</u>	<u>4,148,294</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>2,433,608</u>	<u>45,263</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	498,205	7,451,043	-
Committed	5,071,299	-	-
Assigned	170,564	-	-
Unassigned	15,070,681	-	(1,866,395)
Total Fund Balances	<u>20,810,749</u>	<u>7,451,043</u>	<u>(1,866,395)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,464,083</u>	<u>\$ 7,617,044</u>	<u>\$ 2,281,899</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET (CONTINUED)
JUNE 30, 2018**

Street Betterments	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 18,051,654
-	-	4,956,712
-	-	737,468
-	-	22,654
16,670	578	905,357
-	-	411,396
-	-	45,263
3,178,070	6,130	3,184,200
-	465,051	467,301
-	706,524	1,871,173
-	95,892	95,892
-	-	120,738
-	-	754,650
1,558,603	5,655,537	8,567,513
-	-	7,854,110
<u>\$ 4,753,343</u>	<u>\$ 6,929,712</u>	<u>\$ 48,046,081</u>
\$ -	\$ 185,345	\$ 3,523,066
-	-	1,957,837
-	-	322,462
-	-	120,738
-	2,496,000	4,246,000
-	2,681,345	10,170,103
3,194,740	471,760	6,145,371
-	45,052	45,052
1,558,603	6,286,337	15,794,188
-	-	5,071,299
-	-	170,564
-	(2,554,782)	10,649,504
<u>1,558,603</u>	<u>3,776,607</u>	<u>31,730,607</u>
<u>\$ 4,753,343</u>	<u>\$ 6,929,712</u>	<u>\$ 48,046,081</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Community Preservation</u>	<u>Quashnet Construction</u>
REVENUES			
Real Estate and Personal Property Taxes	\$ 45,880,296	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	2,739,910	-	-
Tax and Trash Liens	208,875	-	-
Payments in Lieu of Taxes	70,083	-	-
Community Preservation Surcharges	-	1,367,563	-
Charges for Services	262,153	-	-
Trash Disposal	750,686	-	-
Intergovernmental	10,869,048	255,355	1,404,889
Special Assessments	-	-	-
Penalties and Interest on Taxes	360,578	-	-
Licenses and Permits	504,556	-	-
Fines and Forfeitures	25,186	-	-
Departmental and Other Contributions	362,668	-	-
Investment Income (Loss)	250,892	(28,497)	-
Total Revenues	<u>62,284,931</u>	<u>1,594,421</u>	<u>1,404,889</u>
EXPENDITURES			
Current:			
General Government	3,868,130	137,968	-
Public Safety	9,022,587	414,145	-
Education	21,869,566	358,750	3,771,284
Public Works	5,391,296	-	-
Health and Human Services	757,848	-	-
Culture and Recreation	859,292	214,266	-
Pension Benefits	7,671,063	-	-
Employee Benefits	7,241,423	-	-
Property and Liability Insurance	616,702	-	-
State and County Charges	2,081,377	-	-
Debt Service:			
Principal	1,849,204	-	-
Interest	440,365	-	-
Total Expenditures	<u>61,668,853</u>	<u>1,125,129</u>	<u>3,771,284</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>616,078</u>	<u>469,292</u>	<u>(2,366,395)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital Leases	404,852	-	-
Transfers In	2,274,253	-	500,000
Transfer Out	(560,000)	(533,675)	-
Total Other Financing Sources (Uses)	<u>2,119,105</u>	<u>(533,675)</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCES	2,735,183	(64,383)	(1,866,395)
Fund Balances - Beginning of Year	<u>18,075,566</u>	<u>7,515,426</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 20,810,749</u>	<u>\$ 7,451,043</u>	<u>\$ (1,866,395)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Street Betterments	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 45,880,296
-	-	2,739,910
-	-	208,875
-	-	70,083
-	-	1,367,563
-	2,231,816	2,493,969
-	-	750,686
-	2,799,285	15,328,577
716,848	-	716,848
9,415	7	370,000
-	23,003	527,559
-	-	25,186
-	1,320,751	1,683,419
-	64,364	64,364
-	1,604	223,999
<u>726,263</u>	<u>6,440,830</u>	<u>72,451,334</u>
-	1,013,072	5,019,170
-	1,257,118	10,693,850
-	2,754,795	28,754,395
1,126	626,688	6,019,110
-	72,494	830,342
-	528,201	1,601,759
-	-	7,671,063
-	-	7,241,423
-	-	616,702
-	-	2,081,377
-	-	1,849,204
-	-	440,365
<u>1,126</u>	<u>6,252,368</u>	<u>72,818,760</u>
<u>725,137</u>	<u>188,462</u>	<u>(367,426)</u>
-	-	404,852
-	60,000	2,834,253
<u>(526,950)</u>	<u>(1,213,628)</u>	<u>(2,834,253)</u>
<u>(526,950)</u>	<u>(1,153,628)</u>	<u>404,852</u>
198,187	(965,166)	37,426
<u>1,360,416</u>	<u>4,741,773</u>	<u>31,693,181</u>
<u>\$ 1,558,603</u>	<u>\$ 3,776,607</u>	<u>\$ 31,730,607</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund Balances	\$ 31,730,607
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	117,430,332
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	6,145,371
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	(155,784)
Deferred losses on refunding of bonds payable are deferred outflows of resources on the statement of net position	197,471
In the statement of net position, deferred outflows/inflows of resources are reported for amounts related to pensions	914,332
In the statement of net position, deferred outflows/inflows of resources are reported for amounts related to OPEB	(4,431,846)
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	(12,942,373)
Capital Lease Obligations	(263,593)
Landfill Post-Closure	(383,679)
Compensated Absences	(3,041,308)
Total OPEB Liability	(61,363,619)
Net Pension Liability	<u>(31,456,129)</u>
Net Position of Governmental Activities	<u>\$ 42,379,782</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, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	37,426
<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		8,116,183
Depreciation		(3,009,610)
<p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed</p>		
		(32,072)
<p>In the statement of activities, deferred outflows related to pensions and refundings are amortized and recognized as expense over time. This amount represents the net change in deferred outflows related to pensions and refundings.</p>		
		(92,188)
<p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.</p>		
		(2,996,826)
<p>In the statement of activities, deferred outflows and inflows related to OPEB are amortized and recognized as OPEB expense. This amount represents the net change in deferred outflows and inflows related to pensions.</p>		
		(5,897,469)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 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 deferred inflows of resources.</p>		
		70,785
<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. These amounts represent the related activity of the current period.</p>		
Bond Maturities		1,849,204
Amortization of Bond Premiums		61,037
Capital Lease Proceeds		(404,852)
Capital Lease Maturities		227,737
Deferred Loss on Refunding		(21,941)
<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>		
		98,949
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Landfill Post-Closure		11,175
Compensated Absences		(231,330)
Total OPEB Liability		3,541,240
Net Pension Liability		2,268,929
Changes in Net Position of Governmental Activities	\$	<u><u>3,596,377</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2018**

	Business-Type Activities - Kids Klub <u>Enterprise Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 235,504
Restricted Cash and Cash Equivalents	63,221
Total Current Assets	<u>298,725</u>
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	107,963
Total Noncurrent Assets	<u>107,963</u>
Total Assets	<u>406,688</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to OPEB	18,287
Related to Pensions	51,821
Total Deferred Outflows	<u>70,108</u>
LIABILITIES	
Current Liabilities:	
Warrants Payable	3,825
Other Liabilities	1,950
Total OPEB Liability - Due within One Year	18,287
Total Current Liabilities	<u>24,062</u>
Noncurrent Liabilities:	
Total OPEB Liability	664,220
Net Pension Liability	397,990
Total Noncurrent Liabilities	<u>1,062,210</u>
Total Liabilities	<u>1,086,272</u>
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	67,580
Related to Pensions	38,019
Total Deferred Inflows	<u>105,599</u>
FUND NET POSITION	
Net Investment in Capital Assets	107,963
Unrestricted	(823,038)
Total Net Position	<u>\$ (715,075)</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, 2018**

	Business-Type Activities - Kids Klub <u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for Services	\$ 452,737
OPERATING EXPENSES	
Cost of Service and Administration	425,548
Depreciation	2,985
Total Operating Expenses	<u>428,533</u>
OPERATING INCOME	24,204
NONOPERATING REVENUES (EXPENSES)	
Investment Income	<u>324</u>
CHANGE IN FUND NET POSITION	24,528
Fund Net Position - Beginning of Year	(441,112)
Prior Period Restatement - Implementation of GASB 75	<u>(298,491)</u>
FUND NET POSITION - END OF YEAR	<u><u>\$ (715,075)</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2018**

	<u>Business-Type Activities - Kids Klub Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	\$ 452,737
Payments to Vendors	(58,790)
Payments to Employees	(330,294)
Net Cash Provided by Operating Activities	<u>63,653</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>324</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	63,977
Cash and Cash Equivalents - Beginning of Year (Includes \$3,731 Reported as Restricted in the Kids Klub Enterprise Fund)	<u>234,748</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$63,221 Reported as Restricted in the Kids Klub Enterprise Fund)	<u><u>\$ 298,725</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating Income	\$ 24,204
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	2,985
Change in Net Pension Liability	(24,959)
Change in Total OPEB Liability	(39,387)
Change in Deferred Outflows of Resources Related to Pension	1,014
Change in Deferred Inflows of Resources Related to Pension	32,966
Change in Deferred Outflows of Resources Related to OPEB	(1,986)
Change in Deferred Inflows of Resources Related to OPEB	67,580
Effect of Changes in Operating Assets and Liabilities:	
Warrants Payable	2,996
Other Liabilities	(1,760)
Total Adjustments	<u>39,449</u>
Net Cash Provided by Operating Activities	<u><u>\$ 63,653</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018**

ASSETS	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 6,800	\$ 632,786
LIABILITIES		
Warrants Payable	-	3,415
Liabilities Due Depositors	-	629,371
Total Liabilities	<u>-</u>	<u>\$ 632,786</u>
NET POSITION		
Held in Trust for Scholarships	<u>\$ 6,800</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, 2018**

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net Investment Income:	
Interest	\$ 107
DEDUCTIONS	
Other	<u>25</u>
CHANGE IN NET POSITION	82
Net Position - Beginning of Year	<u>6,718</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,800</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, account groups, 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 2018 Assessment</u>
Cape Cod Regional Technical High School	To provide vocational educational services	351 Pleasant Lake Avenue Harwich, MA 02645	\$ 1,135,010

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 FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Principles

For the year ending June 30, 2018, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*

The implementation of GASB Statement No. 75 resulted in, among other things, the establishment of the total other postemployment benefit (OPEB) liability in the statement of net position and enhanced disclosures related to the OPEB. As a result, the Town has restated its 2018 beginning net position in the amount of \$27,942,423 and \$298,491 for governmental activities and business-type activities, respectively, to reflect the implementation of the Statement.

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 FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide Financial Statements (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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide Financial Statements (Continued)

Fund Financial Statements (Continued)

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.

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 betterments 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 *Quashnet construction fund* is a capital project fund used to account for capital expenditures related to Quashnet school construction. Project to be funded with debt issuances and grants.

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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide Financial Statements (Continued)

Fund Financial Statements (Continued)

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.

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 trust arrangements, 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. Cash and Cash Equivalents 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; with the exception of money market mutual funds (presented as cash and cash equivalents) which are held at amortized cost.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

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.

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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 acquisition 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 to 40
Machinery, Vehicles, and Equipment	3 to 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.

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".

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables (Continued)

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, 2018, there was \$120,738 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.

Deferred outflows of resources related to pensions, OPEB and losses on refundings are reported in the government-wide and proprietary fund financial statements statement of net position.

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.

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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources (Continued)

Deferred inflows of resources related to pensions and OPEB are reported in the government-wide and proprietary fund financial statements statement of net position.

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 postemployment benefits.

“Debt service” represents amounts accumulated for future debt principal and interest obligations.

“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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

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.

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.

TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

T. Pensions

Government-Wide and Fund Financial Statements

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

U. Other Postemployment Benefits

Government-Wide and Fund Financial Statements

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the other postemployment benefits trust fund (OPEB Trust), if any, and additions to/deductions from the OPEB Trust's fiduciary net position are determined on the same basis as they are reported by the OPEB Trust, if any. For this purpose, the OPEB Trust, if any, recognizes benefits payments when due and payable in accordance with the benefits terms. Investments are reported at fair value.

V. 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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. 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 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.

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2018 approved budget for the general fund authorized \$60,072,106 in appropriations. During fiscal year 2018, supplemental appropriations totaling \$719,821 were authorized. The original and final 2018 approved budgets for the community preservation fund authorized \$1,674,210 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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Fund Deficits

At June 30, 2018, the following temporary fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Quashnet Construction Project	\$ 1,866,395	Issuance of Debt/Grants
Sunset Strip Road Project	691,037	Issuance of Debt
Fire Pumper Truck	629,548	Issuance of Debt
Spring Hill Roadways Project	383,662	Issuance of Debt
Jonas Drive/Valeria Circle Road Projects	249,745	Issuance of Debt
Bldg & Improvement Bond	228,217	Issuance of Debt
Fire Sub-Station Project	110,164	Issuance of Debt
Leeward Lane Road Project	89,046	Issuance of Debt
Saddleback Road Project	73,929	Issuance of Debt
Police Off Duty	41,906	Available Funds
Emma Oakley Mills Rd Project	35,909	Issuance of Debt
Anthony's Way Road Project	21,619	Issuance of Debt

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). The Treasurer also has expanded investment powers as it related to certain trust funds (as defined by the Commonwealth), permanent funds and fiduciary funds.

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of the pool shares.

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 Federal Deposit Insurance Coverage (FDIC) and Depositors Insurance Fund (DIF) insurance coverage and to collateralize an additional portion of their deposits. As of June 30, 2018, \$9,919,417 of the Town's bank balance of \$20,816,808 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk. The carrying value of the Town's deposits totaled \$19,822,595 as of June 30, 2018.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Summary

The Town's investments at June 30, 2018 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries	\$ 4,078,472	\$ 225,695	\$ 2,091,892	\$ 1,760,885
U.S. Agencies	3,914,067	699,377	2,704,320	510,370
Corporate Bonds	967,872	-	474,579	493,293
Money Market Mutual Funds	198,954	198,954	-	-
Mutual Bond Funds	562,254	562,254	-	-
External Investment Pool (MMDT)	7,535,929	7,535,929	-	-
Total Debt Securities	<u>17,257,548</u>	<u>\$ 9,222,209</u>	<u>\$ 5,270,791</u>	<u>\$ 2,764,548</u>
<u>Other Investments:</u>				
Equity Securities	3,063,013			
Equity Mutual Funds	225,144			
Total Other Investments	<u>3,288,157</u>			
Total Investments	<u>\$ 20,545,705</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, 2018, the Town was not exposed to custodial credit risk.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *						
		AAA	AA2	A3	A2	BAA1	BA2	Unrated
U.S. Agencies	\$ 3,914,067	\$ 3,914,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Mutual Funds	198,954	-	-	-	-	-	-	198,954
Corporate Bonds	967,872	-	142,236	213,126	173,945	290,784	147,781	-
Mutual Bond Funds	562,254	-	-	-	-	-	-	562,254
External Investment Pools	7,535,929	-	-	-	-	-	-	7,535,929
Total	\$ 13,179,076	\$ 3,914,067	\$ 142,236	\$ 213,126	\$ 173,945	\$ 290,784	\$ 147,781	\$ 8,297,137

* Per the ratings scale of Moody's (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, 2018, following investments were greater than 5% of the Town's total investments

Issuer	Fair Value	Percentage of Total Investments
Federal Home Loan Mortgage Corp	\$ 1,979,036	9.6%
Federal National Mortgage Association	1,935,033	9.4%

Investments – Fair Market Value

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

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>				
Equity Securities	\$ 3,063,013	\$ 3,063,013	\$ -	\$ -
Equity Mutual Funds	225,144	225,144	-	-
Money Market Mutual Funds	198,954	198,954	-	-
U.S. Treasuries	4,078,472	4,078,472	-	-
U.S. Agencies	3,914,067	3,914,067	-	-
Corporate Bonds	967,872	-	967,872	-
Mutual Bond Funds	562,254	562,254	-	-
Total Investments by Fair Value Level	13,009,776	\$ 12,041,904	\$ 967,872	\$ -
<u>Investments measured at Amortized Cost:</u>				
External Investment Pool (MMDT)	7,535,929			
Total Investments	\$ 20,545,705			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2018, 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	\$ 737,468	\$ -	\$ 737,468
Real Estate Tax Deferrals	22,654	-	22,654
Tax Liens	905,357	-	905,357
Motor Vehicle and Other Excise Taxes	717,690	(306,294)	411,396
Community Preservation Surcharges	45,263	-	45,263
Special Assessments	3,184,200	-	3,184,200
Departmental and Other	588,932	(121,631)	467,301
Intergovernmental	1,871,173	-	1,871,173
Loans	95,892	-	95,892
Total	\$ 8,168,629	\$ (427,925)	\$ 7,740,704

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets not Being Depreciated:</u>				
Land	\$ 58,748,357	\$ 532,000	\$ -	\$ 59,280,357
Construction in Progress	2,348,368	5,345,220	(403,946)	7,289,642
Total Capital Assets not Being Depreciated	61,096,725	5,877,220	(403,946)	66,569,999
<u>Capital Assets being Depreciated:</u>				
Buildings and Improvements	76,230,805	502,371	-	76,733,176
Machinery, Vehicles, and Equipment	6,740,351	913,672	(160,368)	7,493,655
Infrastructure	22,268,051	1,226,866	-	23,494,917
Total Capital Assets Being Depreciated	105,239,207	2,642,909	(160,368)	107,721,748
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(40,465,717)	(1,952,918)	-	(42,418,635)
Machinery, Vehicles, and Equipment	(5,127,261)	(531,083)	128,296	(5,530,048)
Infrastructure	(8,387,123)	(525,609)	-	(8,912,732)
Total Accumulated Depreciation	(53,980,101)	(3,009,610)	128,296	(56,861,415)
Total Capital Assets Being Depreciated, Net	51,259,106	(366,701)	(32,072)	50,860,333
Total Governmental Activities Capital Assets, Net	<u>\$ 112,355,831</u>	<u>\$ 5,510,519</u>	<u>\$ (436,018)</u>	<u>\$ 117,430,332</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital Assets being Depreciated:</u>				
Buildings and Improvements	\$ 119,390	\$ -	\$ -	\$ 119,390
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(8,442)	(2,985)	-	(11,427)
Total Capital Assets being Depreciated, Net	110,948	(2,985)	-	107,963
Total Business-Type Activities Capital Assets, Net	<u>\$ 110,948</u>	<u>\$ (2,985)</u>	<u>\$ -</u>	<u>\$ 107,963</u>

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

Governmental Activities:	
General Government	\$ 138,034
Public Safety	541,533
Education	1,256,955
Public Works	764,072
Health and Human Services	56,160
Culture and Recreation	252,856
Total Depreciation Expense - Governmental Activities	<u>\$ 3,009,610</u>
Business-Type Activities:	
Kids Klub	<u>\$ 2,985</u>

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2018 are summarized as follows:

Transfers Out:	Transfers In:			Total	
	General Fund	Nonmajor Governmental Funds	Quashnet Construction Fund		
General Fund	\$ -	\$ 60,000	\$ 500,000	\$ 560,000	(1)
Community Preservation Fund	533,675	-	-	533,675	(2)
Street Betterments Fund	526,950	-	-	526,950	(3)
Nonmajor Governmental Funds	1,213,628	-	-	1,213,628	(4)
	<u>\$ 2,274,253</u>	<u>\$ 60,000</u>	<u>\$ 500,000</u>	<u>\$ 2,834,253</u>	

- (1) Represents budgeted transfer to the unemployment special revenue fund (\$60,000); and the Quashnet Construction Major Fund (\$500,000).
- (2) Represents budgeted transfer from the CPA Major Fund to the General Fund to fund the operating budget.
- (3) Represents budgeted transfers to the general fund from Street Betterments Major Fund to fund the operating budget.
- (4) Represents budgeted transfers to the general fund from the Ambulance Receipts (\$856,800), Waterways Improvement (\$124,000), Hotel/Motel (\$65,000), PEG Access/Cable Fund (\$50,000), Septic Repair Program (\$52,908), Cemetery Sale of Plots (\$15,000), Shellfish Permits (\$25,000), Conservation Revolving (\$15,000), and the Leisure Service Revolving Fund (\$9,920).

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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term activity for the fiscal year ended June 30, 2018 are as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
BAN	Roadways - Jonas Drive	6/1/17	6/1/18	1.20%	\$ 255,255	\$ -	\$ (255,255)	\$ -
BAN	Roadways - Saddleback Road	6/1/17	6/1/18	1.20%	77,314	-	(77,314)	-
BAN	Roadways - Sunset Strip	6/1/17	6/1/18	1.20%	693,364	-	(693,364)	-
BAN	Roadways - Anthony's Way	6/1/17	6/1/18	1.20%	26,441	-	(26,441)	-
BAN	Roadways - Windsor Way	6/1/17	6/1/18	1.20%	518,459	-	(518,459)	-
BAN	Roadways - Leeward Lane	6/1/17	6/1/18	1.20%	104,167	-	(104,167)	-
BAN	Fire Truck	6/1/17	6/1/18	1.20%	150,000	-	(150,000)	-
BAN	Roadways - Jonas Drive	6/1/18	4/1/19	1.95%	-	255,255	-	255,255
BAN	Roadways - Saddleback Road	6/1/18	4/1/19	1.95%	-	77,314	-	77,314
BAN	Roadways - Sunset Strip	6/1/18	4/1/19	1.95%	-	693,364	-	693,364
BAN	Roadways - Anthony's Way	6/1/18	4/1/19	1.95%	-	26,441	-	26,441
BAN	Roadways - Various	6/1/18	4/1/19	1.95%	-	389,900	-	389,900
BAN	Roadways - Leeward Lane	6/1/18	4/1/19	1.95%	-	92,726	-	92,726
BAN	Fire Truck	6/1/18	4/1/19	1.95%	-	650,000	-	650,000
BAN	Roadways - Emma Oakly Mills	5/1/18	4/1/19	1.80%	-	270,000	-	270,000
BAN	Capital Improvement	5/1/18	4/1/19	1.80%	-	1,750,000	-	1,750,000
BAN	Quashnet School	5/1/18	4/1/19	1.80%	-	41,000	-	41,000
Total					<u>\$ 1,825,000</u>	<u>\$ 4,246,000</u>	<u>\$ (1,825,000)</u>	<u>\$ 4,246,000</u>

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, 2018:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 14,360,506	\$ -	\$ (1,849,204)	\$ 12,511,302	\$ 1,820,432
Unamortized Premium	492,108	-	(61,037)	431,071	59,452
Bonds and Notes Payable, Net	<u>14,852,614</u>	<u>-</u>	<u>(1,910,241)</u>	<u>12,942,373</u>	<u>1,879,884</u>
Capital Lease Obligations	86,478	404,852	(227,737)	263,593	128,739
Landfill Closure and Post-Closure	394,854	-	(11,175)	383,679	15,000
Net Pension Liability	33,725,058	-	(2,268,929)	31,456,129	-
Total OPEB Liability	64,904,859 *	-	(3,541,240)	61,363,619	1,644,183
Compensated Absences	2,809,978	231,330	-	3,041,308	304,131
Total	<u>\$ 116,773,841</u>	<u>\$ 636,182</u>	<u>\$ (7,959,322)</u>	<u>\$ 109,450,701</u>	<u>\$ 3,971,937</u>
Business-Type Activities:					
Total OPEB Liability	\$ 721,894 *	\$ -	\$ (39,387)	\$ 682,507	\$ 18,287
Net Pension Liability	422,949	-	(24,959)	397,990	-
Total	<u>\$ 1,144,843</u>	<u>\$ -</u>	<u>\$ (64,346)</u>	<u>\$ 1,080,497</u>	<u>\$ 18,287</u>

*Beginning balances include restatement for the implementation of GASB Statement No. 75

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

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.

NOTE 9 LONG-TERM DEBT

Details related to the Town's outstanding indebtedness at June 30, 2018 are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
Landfill Capping (MCWT)	8/1/2018	4.90%	\$ 114,800	\$ -	\$ (56,800)	\$ 58,000
Landfill Capping (MCWT)	8/1/2019	5.30%	15,000	-	(5,000)	10,000
Septic Repair (MCWT)	8/1/2020	5.00%	41,402	-	(10,402)	31,000
Sewer Facilities (MCWT)	2/1/2021	4.90%	7,139	-	(1,787)	5,352
Septic Repair (MCWT)	7/15/2025	0.00%	76,500	-	(8,500)	68,000
Septic Replacement (MCWT)	7/15/2020	0.00%	38,743	-	(9,684)	29,059
Septic Replacement (MCWT)	7/15/2020	0.00%	40,411	-	(10,121)	30,290
Septic Replacement (MCWT)	1/15/2020	0.00%	79,966	-	(26,614)	53,352
Septic Replacement (MCWT)	8/1/2024	0.00%	81,545	-	(10,296)	71,249
Municipal Purpose	8/15/2027	3.25-5.00%	580,000	-	(290,000)	290,000
Municipal Purpose	1/15/2029	2.50-4.00%	3,675,000	-	(340,000)	3,335,000
Municipal Purpose of 2014	1/15/2029	2.00-4.00%	3,380,000	-	(420,000)	2,960,000
Refunding Municipal Purpose of 2013	9/1/2021	2.00-3.00%	995,000	-	(210,000)	785,000
Refunding Municipal Purpose of 2016	8/15/2027	2%	5,235,000	-	(450,000)	4,785,000
Sub-Total			<u>14,360,506</u>	<u>-</u>	<u>(1,849,204)</u>	<u>12,511,302</u>
Unamortized Premium			492,108	-	(61,037)	431,071
Total Governmental Activities, Net			<u>\$ 14,852,614</u>	<u>\$ -</u>	<u>\$ (1,910,241)</u>	<u>\$ 12,942,373</u>

The Town receives subsidy assistance for the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2018, the Town's subsidy totaled approximately \$27,000. Future subsidies total approximately \$34,000. The amount of MCWT bonds outstanding at June 30, 2018, totaled \$356,302.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Governmental Funds (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>
2019	\$ 1,820,432	\$ 442,282	\$ 2,262,714
2020	1,567,459	303,360	1,870,819
2021	1,485,550	263,481	1,749,031
2022	1,403,796	220,863	1,624,659
2023	1,213,796	179,663	1,393,459
2024	1,183,385	144,163	1,327,548
2025	1,083,384	110,213	1,193,597
2026	1,028,500	83,525	1,112,025
2027	740,000	56,925	796,925
2028	600,000	34,875	634,875
2029	385,000	14,925	399,925
Total	<u>\$ 12,511,302</u>	<u>\$ 1,854,272</u>	<u>\$ 14,365,574</u>

The Town is subject to debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2018, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Quashnet School Building	\$ 8,227,884
Road projects	1,355,656
Mashpee River dredge	275,000
Solar Power	50,000
Total	<u>\$ 9,908,540</u>

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.

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

<u>Asset:</u>	<u>Governmental Activities</u>
Vehicles	\$ 390,655
Less: Accumulated Amortization	(65,109)
Total	<u>\$ 325,546</u>

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 CAPITAL LEASES (CONTINUED)

The following schedule presents future minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 141,259
2020	141,259
Total Minimum Lease Payments	282,518
Less: Amounts Representing Interest	(18,925)
Present Value of Minimum Lease Payments	<u>\$ 263,593</u>

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

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 \$383,679 as the estimate of the landfill postclosure care liability at June 30, 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 12 OTHER POSTEMPLOYMENT 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 Postemployment 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, state law, or Town ordinances. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The Town provides health, dental, and life insurance coverage for its retirees and survivors. 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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees covered by benefit terms – At June 30, 2016, actuarial valuation date, the following employees were covered by the benefit terms.

Active Employees	324
Retired Employees	273
Total	597

Total OPEB Liability

The Town’s total OPEB liability of \$62,046,126 as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the June 30, 2017 measurement date.

Actuarial assumptions – The following actuarial methods and assumptions used in the June 30, 2016 actuarial valuation apply to all periods included in the measurement.

Discount Rate:	3.58% (20-year municipal bond rate)
Medical/Prescription Drug Cost Trend Rate:	Under 65: 10.5%, then 7.0% decreasing by 0.5% for six years to an ultimate level of 4.5% per year. Over 65: 10.9%, then 7.0% decreasing by 0.5% for six years to an ultimate level of 4.5% per year.
Inflation Rate:	3.5% annually
Mortality Rates:	Preretirement: Healthy Non-Teachers RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009; Healthy Teachers RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016 Postretirement: Healthy Non-Teachers RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009; Healthy Teachers RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with MP-2016; Disabled Non-Teachers RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BBRD from 2015; Disabled Teachers RP-2014 Healthy Annuitant Table set forward four years and projected generationally with Scale BB2D from 2014.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at June 30, 2016	\$ 65,626,753
Changes for the year:	
Service Cost	3,329,347
Interest	1,944,280
Changes of Assumptions	(7,372,331)
Benefits Payments	(1,481,923)
Net Changes	<u>(3,580,627)</u>
Balances at June 30, 2017	<u>\$ 62,046,126</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability	\$ 72,476,752	\$ 62,046,126	\$ 53,713,700

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 52,353,337	\$ 62,046,126	\$ 74,549,948

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB Expense of \$4,044,905. At June 30, 2018, the Town reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ -	\$ 6,143,609
Contributions made Subsequent to Measurement Date	1,662,470	-
Total	<u>\$ 1,662,470</u>	<u>\$ 6,143,609</u>

The \$1,662,470 reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during fiscal year 2019. All other amounts reported as deferred inflows of resources are related to OPEB and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ (1,228,722)
2020	(1,228,722)
2021	(1,228,722)
2022	(1,228,722)
2023	(1,228,721)
Totals	<u>\$ (6,143,609)</u>

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 FUND BALANCES

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

	General	Community Preservation	Street Betterments	Quashnet Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -	\$ 45,052	\$ 45,052
Restricted:						
Loans	-	-	-	-	95,892	95,892
Debt Service	93,379	-	-	-	-	93,379
Other Post Employment Benefits	404,826	-	-	-	-	404,826
Community Preservation	-	7,451,043	-	-	-	7,451,043
Ambulance Receipts Reserved	-	-	-	-	1,209,315	1,209,315
Street Betterments	-	-	1,558,603	-	-	1,558,603
Septic Betterments	-	-	-	-	502,413	502,413
General Government	-	-	-	-	1,123,937	1,123,937
Public Safety	-	-	-	-	506,060	506,060
Education	-	-	-	-	1,820,300	1,820,300
Public Works	-	-	-	-	366,379	366,379
Health and Human Services	-	-	-	-	99,854	99,854
Culture and Recreation	-	-	-	-	562,187	562,187
Subtotal - Restricted	<u>498,205</u>	<u>7,451,043</u>	<u>1,558,603</u>	<u>-</u>	<u>6,286,337</u>	<u>15,794,188</u>
Committed:						
General Government	666,877	-	-	-	-	666,877
Public Safety	332,940	-	-	-	-	332,940
Public Works	23,545	-	-	-	-	23,545
Subsequent Year's Expenditures	4,047,937	-	-	-	-	4,047,937
Subtotal - Committed	<u>5,071,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,071,299</u>
Assigned:						
General Government	26,388	-	-	-	-	26,388
Public Safety	63,045	-	-	-	-	63,045
Public Works	73,531	-	-	-	-	73,531
Culture and Recreation	600	-	-	-	-	600
Other	7,000	-	-	-	-	7,000
Subtotal - Assigned	<u>170,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,564</u>
Unassigned	<u>15,070,681</u>	<u>-</u>	<u>-</u>	<u>(1,866,395)</u>	<u>(2,554,782)</u>	<u>10,649,504</u>
Total Fund Balances	<u>\$ 20,810,749</u>	<u>\$ 7,451,043</u>	<u>\$ 1,558,603</u>	<u>\$ (1,866,395)</u>	<u>\$ 3,776,607</u>	<u>\$ 31,730,607</u>

NOTE 14 STABILIZATION FUNDS

The Town maintains a general stabilization fund and a capital stabilization fund that were 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 funds.

The balances of the general stabilization and capital stabilization funds at June 30, 2018 totaled \$4,536,560 and \$496,610, respectively, and are reported in the general fund as unassigned fund balance.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, and therefore is not reported.

NOTE 16 PENSION PLAN

General Information about the Pension Plan

Plan description. Employees of the Town deemed eligible by the Barnstable County Retirement Board are provided with pensions through the BCRA - a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Membership in the BCRA is mandatory immediately upon the commencement of employment for all permanent employees (except for school department employees who serve in a teaching capacity) working a minimum of 25 hours per week. The BCRA issues a publicly available financial report that can be obtained by contacting the BCRA located at 750 Attucks Lane, Hyannis, Massachusetts, 02601.

Benefits provided. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

There are three classes of membership in the plan; Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed.

There are no minimum vesting requirements for individuals in Group 4.

Members in Groups 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon the completion of 10 years of service and upon reaching the age of 55.

Members in Groups 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching the age of 60 (Group 1) or age 55 (Group 2).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5 and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$2,793,731 for the year ended June 30, 2018.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$31,854,119 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives, and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2017, the Town proportion was 4.681%, which was 0.179% lower than the proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$3,622,837. At June 30, 2018, the Town reported deferred outflows of resources related to pensions of \$3,969,581 from changes in assumptions and \$456,274 from changes in proportion. The Town also reported deferred inflows of resources related to pensions of \$2,078,926 from the net difference between projected and actual investment earnings, \$456,341 for differences between expected and actual experience, and \$962,454 for changes in proportion.

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

<u>Year Ended June 30,</u>	<u>Total</u>
2019	\$ 466,650
2020	455,334
2021	(120,957)
2022	(145,871)
2023	272,978
Totals	<u>\$ 928,134</u>

Actuarial assumptions. The total pension liability was determined using the following actuarial assumptions:

Salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living:	3.00% of first \$18,000 of retirement income.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Mortality Rates: Pre-Retirement - The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.

Healthy Retiree – The RP 2014 Blue Collar Healthy Annuitant Mortality table projected generationally with Scale MP-2017.

Disabled Retiree - The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

Investment rate of return 7.375% net of pension plan investment expense, including inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.50 %	6.15 %
International Equity - Developed Markets	15.50	7.11
International Equity - Emerging Markets	6.00	9.41
Core Fixed Income	12.00	1.68
High-Yield Fixed Income	10.00	4.13
Real Estate	10.00	4.90
Commodities	4.00	4.71
Hedge Fund, GTAA, Risk Parity	13.00	3.94
Private Equity	12.00	10.28
Totals	<u>100.00 %</u>	

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

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
Town of Mashpee's Proportionate Share of the Net Pension Liability	\$ 41,782,051	\$ 31,854,119	\$ 23,506,674

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued BCRA financial report

NOTE 17 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

Benefits provided. MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions. The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions and the Commonwealth is a nonemployer contributing entity in MTRS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2018. The Commonwealth's net pension liability associated with the Town was \$46,309,827.

The MTRS' net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$4,833,491 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions. The MTRS' total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

Investment rate of return 7.5%

Salary increases Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

Mortality Rates: Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).

Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Disability - assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward four years.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other 3.5% interest rate credited to the annuity savings fund.

3.0% cost of living increase per year.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40 %	5.0 %
Portfolio Completion Strategies	13	3.6
Core Fixed Income	12	1.1
Private Equity	11	6.6
Value Added Fixed Income	10	3.8
Real Estate	10	3.6
Timber/Natural Resources	4	3.2
Hedge Funds	-	3.6
Totals	<u>100 %</u>	

Discount rate. The discount rate used to measure the MTRS' total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements

TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 COMMITMENTS

Significant commitments include encumbrances and continuing appropriations outstanding for the general fund and community preservation fund, which totaled \$1,193,926 and \$1,213,477, respectively, at June 30, 2018.

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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2018.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Uniform Guidance through June 30, 2018, 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.

**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, 2018**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 45,877,789	\$ -	\$ 45,877,789
Motor Vehicle and Other Excise Taxes	-	1,494,900	-	1,494,900
Tax and Trash Liens	-	-	-	-
Payments in Lieu of Taxes	-	9,250	-	9,250
Charges for Services	-	75,000	-	75,000
Trash Disposal	-	452,000	-	452,000
Intergovernmental	-	5,775,670	-	5,775,670
Penalties and Interest on Taxes	-	200,000	-	200,000
Licenses and Permits	-	375,000	-	375,000
Fines and Forfeitures	-	39,000	-	39,000
Departmental and Other	-	314,850	-	314,850
Investment Income	-	50,000	-	50,000
Total Revenues	-	54,663,459	-	54,663,459
EXPENDITURES				
Current:				
General Government	383,768	4,211,763	433,667	5,029,198
Public Safety	488,274	9,096,742	82,071	9,667,087
Education	-	22,030,393	-	22,030,393
Public Works	125,577	5,643,655	128,892	5,898,124
Health and Human Services	-	780,992	26,197	807,189
Culture and Recreation	632	943,950	17,856	962,438
Pension Benefits	-	2,843,559	-	2,843,559
Employee Benefits	12,000	8,180,100	(8,682)	8,183,418
Property and Liability Insurance	-	792,000	12,675	804,675
State and County Charges	-	2,195,399	-	2,195,399
Debt Service:				
Principal	-	1,805,403	27,145	1,832,548
Interest	-	438,150	-	438,150
Total Expenditures	1,010,251	58,962,106	719,821	60,692,178
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(1,010,251)	(4,298,647)	(719,821)	(6,028,719)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	2,150,253	124,000	2,274,253
Transfers Out	-	(1,110,000)	-	(1,110,000)
Total Other Financing Sources (Uses)	-	1,040,253	124,000	1,164,253
NET CHANGE IN FUND BALANCE				
	(1,010,251)	(3,258,394)	(595,821)	(4,864,466)
Fund Balance at Beginning of Year	12,886,628	12,886,628	12,886,628	12,886,628
FUND BALANCE AT END OF YEAR				
	\$ 11,876,377	\$ 9,628,234	\$ 12,290,807	\$ 8,022,162

**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 (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive (Negative)
\$ 45,759,649	\$ -	\$ 45,759,649	\$ (118,140)
2,739,910	-	2,739,910	1,245,010
208,875	-	208,875	208,875
70,083	-	70,083	60,833
262,153	-	262,153	187,153
750,686	-	750,686	298,686
6,008,800	-	6,008,800	233,130
360,578	-	360,578	160,578
504,556	-	504,556	129,556
25,186	-	25,186	(13,814)
362,668	-	362,668	47,818
269,319	-	269,319	219,319
<u>57,322,463</u>	<u>-</u>	<u>57,322,463</u>	<u>2,659,004</u>
3,868,130	693,265	4,561,395	467,803
8,617,735	395,985	9,013,720	653,367
21,869,566	-	21,869,566	160,827
5,391,296	97,076	5,488,372	409,752
757,848	-	757,848	49,341
859,292	600	859,892	102,546
2,837,572	-	2,837,572	5,987
7,241,423	7,000	7,248,423	934,995
616,702	-	616,702	187,973
2,081,377	-	2,081,377	114,022
1,832,017	-	1,832,017	531
430,795	-	430,795	7,355
<u>56,403,753</u>	<u>1,193,926</u>	<u>57,597,679</u>	<u>3,094,499</u>
<u>918,710</u>	<u>(1,193,926)</u>	<u>(275,216)</u>	<u>5,753,503</u>
2,274,253	-	2,274,253	-
(1,110,000)	-	(1,110,000)	-
<u>1,164,253</u>	<u>-</u>	<u>1,164,253</u>	<u>-</u>
2,082,963	(1,193,926)	889,037	5,753,503
<u>12,886,628</u>	<u>-</u>	<u>12,886,628</u>	<u>-</u>
<u>\$ 14,969,591</u>	<u>\$ (1,193,926)</u>	<u>\$ 13,775,665</u>	<u>\$ 5,753,503</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, 2018**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 1,308,741	\$ -	\$ 1,308,741
Intergovernmental	-	200,318	-	200,318
Investment Income (Loss)	-	-	-	-
Total Revenues	-	1,509,059	-	1,509,059
EXPENDITURES				
Current:				
Administrative	62,988	40,000	-	102,988
Acquisitions and Projects	1,520,795	1,100,535	-	2,621,330
Total Expenditures	1,583,783	1,140,535	-	2,724,318
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,583,783)	368,524	-	(1,215,259)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(533,675)	-	(533,675)
Total Other Financing Sources (Uses)	-	(533,675)	-	(533,675)
NET CHANGE IN FUND BALANCE	(1,583,783)	(165,151)	-	(1,748,934)
Fund Balance at Beginning of Year	7,515,426	7,515,426	-	7,515,426
FUND BALANCE AT END OF YEAR	\$ 5,931,643	\$ 7,350,275	\$ -	\$ 5,766,492

**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 (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 1,367,563	\$ -	\$ 1,367,563	\$ 58,822
255,355	-	255,355	55,037
<u>(28,497)</u>	<u>-</u>	<u>(28,497)</u>	<u>(28,497)</u>
1,594,421	-	1,594,421	85,362
8,506	94,482	102,988	-
<u>1,116,623</u>	<u>1,118,995</u>	<u>2,235,618</u>	<u>385,712</u>
<u>1,125,129</u>	<u>1,213,477</u>	<u>2,338,606</u>	<u>385,712</u>
469,292	(1,213,477)	(744,185)	471,074
<u>(533,675)</u>	<u>-</u>	<u>(533,675)</u>	<u>-</u>
<u>(533,675)</u>	<u>-</u>	<u>(533,675)</u>	<u>-</u>
(64,383)	(1,213,477)	(1,277,860)	471,074
<u>7,515,426</u>	<u>-</u>	<u>7,515,426</u>	<u>-</u>
<u>\$ 7,451,043</u>	<u>\$ (1,213,477)</u>	<u>\$ 6,237,566</u>	<u>\$ 471,074</u>

**TOWN OF MASHPEE, MASSACHUSETTS
PENSION PLAN SCHEDULES
JUNE 30, 2018**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
BARNSTABLE COUNTY RETIREMENT ASSOCIATION (1)(2)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Proportion of the Net Pension Liability	4.681%	4.860%	4.752%	4.760%
Town's Proportionate Share of the Net Pension Liability	\$ 31,854,119	\$ 34,148,007	\$ 29,920,777	\$ 26,873,570
Town's Covered Payroll	\$ 13,141,101	\$ 13,564,542	\$ 12,992,584	\$ 12,485,531
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	242.40%	251.74%	230.29%	215.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.86%	57.28%	58.10%	60.43%

(1) Amounts presented were determined as of December 31 of the applicable fiscal year.

(2) Data is being accumulated annually to present 10 years of the reported information.

SCHEDULE OF CONTRIBUTIONS – BARNSTABLE COUNTY RETIREMENT ASSOCIATION (1)(2)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Required Contribution	\$ 2,793,731	\$ 2,754,998	\$ 2,566,216	\$ 2,479,065
Contributions in Relation to the Actuarially Required Contribution	(2,793,731)	(2,754,998)	(2,566,216)	(2,479,065)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 13,141,101	\$ 13,564,542	\$ 12,992,584	\$ 12,485,531
Contributions as a Percentage of Covered Payroll	21.26%	20.31%	19.75%	19.86%

(1) Amounts presented were determined as of December 31 of the applicable fiscal year.

(2) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF MASHPEE, MASSACHUSETTS
PENSION PLAN SCHEDULES
JUNE 30, 2018**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1)(2)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Share of the Net Pension Liability	\$ 46,309,827	\$ 46,239,419	\$ 41,610,752	\$ 33,206,774
Commonwealth's Share of the Town's Net Pension Liability	<u>46,309,827</u>	<u>46,239,419</u>	<u>41,610,752</u>	<u>33,206,774</u>
Town's Net Pension Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 4,833,491	\$ 4,716,724	\$ 3,375,002	\$ 2,307,034
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.25%	52.73%	55.38%	61.64%

(1) Amounts presented were determined as of June 30 of the previous fiscal year.

(2) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF MASHPEE, MASSACHUSETTS
OPEB SCHEDULES
JUNE 30, 2018**

**SCHEDULE OF CHANGES IN THE TOWN'S
TOTAL OPEB LIABILITY AND RELATED RATIOS (1)**

	2018
<u>Total OPEB Liability</u>	
Service Cost	\$ 3,329,347
Interest	1,944,280
Changes of Assumptions	(7,372,331)
Benefit Payments	(1,481,923)
Net Change in Total OPEB Liability	(3,580,627)
 Total OPEB Liability - Beginning	 65,626,753
Total OPEB Liability - Ending	\$ 62,046,126

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

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, 2018, 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	\$ 57,322,463	\$ 57,597,679	\$ 1,164,253	\$ 13,775,665
<u>Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes	(30,972)	-	-	4,536,560
Activity of OPEB fund recorded in the general fund for GAAP purposes	15,935	-	50,000	404,826
Activity of Capital Stabilization fund recorded in the general fund for GAAP purposes	(3,390)	-	500,000	496,610
<u>Adjustments</u>				
To record gross up of capital lease proceeds	-	404,852	404,852	-
Net change in recording 60-day receipts	120,647	-	-	403,162
To record activity for MCWT subsidies	26,757	26,757	-	-
To record MTRS on-behalf payments	4,833,491	4,833,491	-	-
To record encumbrances and continuing appropriations	-	(1,193,926)	-	1,193,926
GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 62,284,931</u>	<u>\$ 61,668,853</u>	<u>\$ 2,119,105</u>	<u>\$ 20,810,749</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	\$ 2,338,606	\$ 6,237,566
<u>Adjustments</u>		
To record encumbrances and continuing appropriations	<u>(1,213,477)</u>	<u>1,213,477</u>
GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 1,125,129</u>	<u>\$ 7,451,043</u>