

TOWN OF MASHPEE, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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**TOWN OF MASHPEE, MASSACHUSETTS
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JUNE 30, 2020**

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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, 2020, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mashpee, Massachusetts, as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information 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 August 13, 2021 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
August 13, 2021

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020.

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 \$35,502,885 (net position).
- The Town's total net position decreased by \$8,898,261.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$20,655,416, or 30.3% of total general fund expenses and transfers out.
- The Town's total long-term debt decreased \$2,142,459 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, 2020**

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 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 14-17 of this report.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 18-20 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 21-22 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 23-58 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 59-66 of this report.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 \$35,502,885 at the close of the fiscal year and are summarized as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Assets | | | | | | |
| Current Assets | \$ 55,043,219 | \$ 50,347,116 | \$ 342,843 | \$ 356,435 | \$ 55,386,062 | \$ 50,703,551 |
| Noncurrent Assets (Excluding Capital Assets) | 3,053,835 | 3,385,307 | - | - | 3,053,835 | 3,385,307 |
| Capital Assets (Net) | 124,006,686 | 121,813,723 | 163,722 | 132,679 | 124,170,408 | 121,946,402 |
| Total Assets | <u>182,103,740</u> | <u>175,546,146</u> | <u>506,565</u> | <u>489,114</u> | <u>182,610,305</u> | <u>176,035,260</u> |
| Deferred Outflows of Resources | <u>31,758,385</u> | <u>17,624,187</u> | <u>329,029</u> | <u>198,146</u> | <u>32,087,414</u> | <u>17,822,333</u> |
| Liabilities | | | | | | |
| Current Liabilities (Excluding Debt) | 8,888,561 | 7,550,764 | 35,398 | 35,248 | 8,923,959 | 7,586,012 |
| Noncurrent Liabilities (Excluding Debt) | 145,817,378 | 115,261,044 | 1,526,503 | 1,294,916 | 147,343,881 | 116,555,960 |
| Current Debt | 2,571,904 | 2,298,813 | - | - | 2,571,904 | 2,298,813 |
| Noncurrent Debt | 14,841,703 | 16,983,607 | - | - | 14,841,703 | 16,983,607 |
| Total Liabilities | <u>172,119,546</u> | <u>142,094,228</u> | <u>1,561,901</u> | <u>1,330,164</u> | <u>173,681,447</u> | <u>143,424,392</u> |
| Deferred Inflows of Resources | <u>5,455,912</u> | <u>5,969,378</u> | <u>57,475</u> | <u>62,677</u> | <u>5,513,387</u> | <u>6,032,055</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 107,085,916 | 103,569,612 | 163,722 | 132,679 | 107,249,638 | 103,702,291 |
| Restricted | 22,665,882 | 20,706,023 | - | - | 22,665,882 | 20,706,023 |
| Unrestricted | <u>(93,465,131)</u> | <u>(79,168,908)</u> | <u>(947,504)</u> | <u>(838,260)</u> | <u>(94,412,635)</u> | <u>(80,007,168)</u> |
| Total Net Position | <u>\$ 36,286,667</u> | <u>\$ 45,106,727</u> | <u>\$ (783,782)</u> | <u>\$ (705,581)</u> | <u>\$ 35,502,885</u> | <u>\$ 44,401,146</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, 2020**

Changes in Net Position

Changes in net position are summarized as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 5,636,034 | \$ 5,797,301 | \$ 411,461 | \$ 474,467 | \$ 6,047,495 | \$ 6,271,768 |
| Operating Grants and Contributions | 15,947,022 | 13,953,503 | 500 | 441 | 15,947,522 | 13,953,944 |
| Capital Grants and Contributions | 2,261,843 | 2,206,555 | - | - | 2,261,843 | 2,206,555 |
| <i>General Revenues:</i> | | | | | | |
| Real Estate and Property Taxes | 49,960,084 | 47,682,750 | - | - | 49,960,084 | 47,682,750 |
| Motor Vehicle and Other Excise Taxes | 3,245,020 | 3,024,665 | - | - | 3,245,020 | 3,024,665 |
| Penalties and Interest on Taxes | 313,991 | 331,511 | - | - | 313,991 | 331,511 |
| Payments in Lieu of Taxes | 50,993 | 55,421 | - | - | 50,993 | 55,421 |
| Community Preservation Surcharges | 1,482,740 | 1,415,384 | - | - | 1,482,740 | 1,415,384 |
| Grants and Contributions not Restricted to Specific Programs | 1,059,703 | 890,001 | - | - | 1,059,703 | 890,001 |
| Unrestricted Investment Income | 660,853 | 626,926 | - | - | 660,853 | 626,926 |
| Total Revenues | 80,618,283 | 75,984,017 | 411,961 | 474,908 | 81,030,244 | 76,458,925 |
| Expenses | | | | | | |
| General Government | 10,989,033 | 7,903,514 | - | - | 10,989,033 | 7,903,514 |
| Public Safety | 21,249,839 | 17,078,444 | - | - | 21,249,839 | 17,078,444 |
| Education | 43,079,778 | 35,951,404 | - | - | 43,079,778 | 35,951,404 |
| Public Works | 8,994,187 | 7,845,549 | - | - | 8,994,187 | 7,845,549 |
| Health and Human Services | 1,858,005 | 1,622,935 | - | - | 1,858,005 | 1,622,935 |
| Culture and Recreation | 2,661,282 | 2,484,044 | - | - | 2,661,282 | 2,484,044 |
| Debt Service - Interest | 606,219 | 371,658 | - | - | 606,219 | 371,658 |
| Kids Klub | - | - | 490,162 | 465,414 | 490,162 | 465,414 |
| Total Expenses | 89,438,343 | 73,257,072 | 490,162 | 465,414 | 89,928,505 | 73,722,486 |
| Change in Net Position | (8,820,060) | 2,726,945 | (78,201) | 9,494 | (8,898,261) | 2,736,439 |
| Net Position - Beginning of Year | 45,106,727 | 42,379,782 | (705,581) | (715,075) | 44,401,146 | 41,664,707 |
| Net Position - End of Year | \$ 36,286,667 | \$ 45,106,727 | \$ (783,782) | \$ (705,581) | \$ 35,502,885 | \$ 44,401,146 |

Governmental activities decreased the Town's net position by \$8,820,060, compared to the prior year increase of \$2,726,945. The key element of this change is a net increase in the total OPEB liability and related deferred inflows/outflows of approximately \$15 million.

Business-type activities decreased the Town's net position by \$78,201, compared to the prior year increase of \$9,494. The key element of this change is a net increase in the total OPEB liability and related deferred inflows/outflows of approximately \$82,000.

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. 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.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$46,630,859, an increase of \$3,759,975 in comparison with the prior year. \$20,006,676 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$45,052)
- Restricted (\$20,522,267)
- Committed (\$5,546,902)
- Assigned (\$509,962)

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 \$20,655,416, while total fund balance was \$27,709,252. 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 30.3% of total general fund expenditures and transfers out, while total fund balance represents 40.6% of that same amount.

The balance of the Town's general fund increased \$2,557,320 during the current fiscal year. The Town anticipated utilizing \$9,354,116 of reserves to fund the 2020 budget; however the Town ultimately recognized an approximate \$5,914,000 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) increased by \$612,652 during the current fiscal year. The fund's receipts included \$1,475,430 in surcharges, \$383,163 in intergovernmental revenues, and investment income of \$518,891. Expenditures of \$568,032 were incurred during the fiscal year and transfers of \$494,300 and \$702,500 were made to the general fund to cover community preservation related debt service and to the affordable housing trust fund, respectively.

The fund balance of the street betterment fund (special revenue) decreased by \$94,980 during the current fiscal year. The fund's revenues consisted of \$463,848 in special assessments and \$4,897 in penalties and interest. A transfer of \$563,725 was made to the general fund to fund the operating budget.

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 \$783,782. The Kids Klub enterprise fund had a decrease in net position for the year of \$78,201. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

General Fund Budgetary Highlights

The original general fund budget of \$65,160,217 was increased by \$4,204,758 (6.5%) during the fiscal year. 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 \$5,913,580. Encumbrances and continuing appropriations totaled \$2,509,125 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 \$124,170,408 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress.

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

- Various Public Works projects in progress (approximately \$1,136,000)
- Road maintenance and improvements (approximately \$2,333,000)

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> | |
|------------------------------------|--------------------------------|-----------------------|---------------------------------|-------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 59,753,157 | \$ 59,753,157 | \$ - | \$ - | \$ 59,753,157 | \$ 59,753,157 |
| Buildings and Improvements | 32,199,883 | 32,763,619 | 163,722 | 132,679 | 32,363,605 | 32,896,298 |
| Machinery, Vehicles, and Equipment | 2,283,798 | 2,388,366 | - | - | 2,283,798 | 2,388,366 |
| Infrastructure | 16,944,204 | 15,178,643 | - | - | 16,944,204 | 15,178,643 |
| Construction in Progress | 12,825,644 | 11,729,938 | - | - | 12,825,644 | 11,729,938 |
| Total Capital Assets | <u>\$ 124,006,686</u> | <u>\$ 121,813,723</u> | <u>\$ 163,722</u> | <u>\$ 132,679</u> | <u>\$ 124,170,408</u> | <u>\$ 121,946,402</u> |

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

**TOWN OF MASHPEE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$16,048,411, which is backed by the full faith and credit of the Town, and is summarized as follows:

| | <i>Governmental Activities</i> | |
|--------------------------|---------------------------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| General Obligation Bonds | \$ 15,915,000 | \$ 17,975,000 |
| MCWT Notes | 133,411 | 215,870 |
| Total Bonds and Notes | <u>\$ 16,048,411</u> | <u>\$ 18,190,870</u> |

The Town's gross bonded debt decreased by \$2,142,459 during the fiscal year.

The Town's bond rating from Standard & Poor's for the April 2019 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, 2020

| | Primary Government | | |
|--|-------------------------|--------------------------|---------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 22,080,589 | \$ 342,843 | \$ 22,423,432 |
| Restricted Cash and Cash Equivalents | 10,300,694 | - | 10,300,694 |
| Investments | 9,166,194 | - | 9,166,194 |
| Restricted Investments | 9,438,192 | - | 9,438,192 |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | |
| Real Estate and Personal Property Taxes | 1,039,133 | - | 1,039,133 |
| Tax Liens | 695,300 | - | 695,300 |
| Motor Vehicle and Other Excise Taxes | 476,046 | - | 476,046 |
| Community Preservation Surcharges | 49,452 | - | 49,452 |
| Special Assessments | 233,178 | - | 233,178 |
| Departmental and Other | 452,132 | - | 452,132 |
| Intergovernmental | 1,101,350 | - | 1,101,350 |
| Loans | 10,959 | - | 10,959 |
| Total Current Assets | 55,043,219 | 342,843 | 55,386,062 |
| Noncurrent Assets: | | | |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | |
| Real Estate Tax Deferrals | 26,789 | - | 26,789 |
| Special Assessments | 2,180,069 | - | 2,180,069 |
| Loans | 41,220 | - | 41,220 |
| Tax Foreclosures | 805,757 | - | 805,757 |
| Capital Assets not being Depreciated | 72,578,801 | - | 72,578,801 |
| Capital Assets, Net of Accumulated Depreciation | 51,427,885 | 163,722 | 51,591,607 |
| Total Noncurrent Assets | 127,060,521 | 163,722 | 127,224,243 |
| Total Assets | 182,103,740 | 506,565 | 182,610,305 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Loss on Refunding | 153,588 | - | 153,588 |
| Related to OPEB | 26,257,888 | 265,231 | 26,523,119 |
| Related to Pensions | 5,346,909 | 63,798 | 5,410,707 |
| Total Deferred Outflows of Resources | 31,758,385 | 329,029 | 32,087,414 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Warrants Payable | 1,839,054 | 981 | 1,840,035 |
| Accrued Payroll | 3,142,938 | 7,731 | 3,150,669 |
| Other Liabilities | 580,262 | 1,725 | 581,987 |
| Unearned Revenue | 150,177 | - | 150,177 |
| Accrued Interest | 188,498 | - | 188,498 |
| Capital Lease Obligations | 135,116 | - | 135,116 |
| Landfill Post-Closure | 15,000 | - | 15,000 |
| Compensated Absences | 366,422 | - | 366,422 |
| Total OPEB Liability - Due within One Year | 2,471,094 | 24,961 | 2,496,055 |
| Short-Term Notes Payable | 430,000 | - | 430,000 |
| Long-Term Bonds and Notes Payable | 2,141,904 | - | 2,141,904 |
| Total Current Liabilities | 11,460,465 | 35,398 | 11,495,863 |
| Noncurrent Liabilities: | | | |
| Landfill Post-Closure | 345,554 | - | 345,554 |
| Compensated Absences | 3,297,797 | - | 3,297,797 |
| Total OPEB Liability | 106,192,523 | 1,072,651 | 107,265,174 |
| Net Pension Liability | 35,981,504 | 453,852 | 36,435,356 |
| Long-Term Bonds and Notes Payable | 14,841,703 | - | 14,841,703 |
| Total Noncurrent Liabilities | 160,659,081 | 1,526,503 | 162,185,584 |
| Total Liabilities | 172,119,546 | 1,561,901 | 173,681,447 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to OPEB | 2,432,869 | 24,574 | 2,457,443 |
| Related to Pensions | 3,023,043 | 32,901 | 3,055,944 |
| Total Deferred Inflows of Resources | 5,455,912 | 57,475 | 5,513,387 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 107,085,916 | 163,722 | 107,249,638 |
| Restricted for: | | | |
| Community Preservation | 9,198,266 | - | 9,198,266 |
| Street Betterments | 3,602,858 | - | 3,602,858 |
| Ambulance | 1,777,820 | - | 1,777,820 |
| Loans | 52,178 | - | 52,178 |
| OPEB | 933,479 | - | 933,479 |
| Debt Service | 63,493 | - | 63,493 |
| Permanent Funds: | | | |
| Expendable | 2,315 | - | 2,315 |
| Nonexpendable | 45,052 | - | 45,052 |
| Other Specific Purposes | 6,990,421 | - | 6,990,421 |
| Unrestricted | (93,465,131) | (947,504) | (94,412,635) |
| Total Net Position | \$ 36,286,667 | \$ (783,782) | \$ 35,502,885 |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

| 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 | \$ 10,989,033 | \$ 1,369,562 | \$ 1,982,444 | \$ 513,937 | \$ (7,123,090) |
| Public Safety | 21,249,839 | 1,807,550 | 122,776 | - | (19,319,513) |
| Education | 43,079,778 | 627,921 | 12,970,788 | - | (29,481,069) |
| Public Works | 8,994,187 | 1,135,111 | 690,735 | 1,747,906 | (5,420,435) |
| Health and Human Services | 1,858,005 | 149,373 | 121,077 | - | (1,587,555) |
| Culture and Recreation | 2,661,282 | 546,517 | 53,330 | - | (2,061,435) |
| Debt Service - Interest | 606,219 | - | 5,872 | - | (600,347) |
| Total Governmental Activities | 89,438,343 | 5,636,034 | 15,947,022 | 2,261,843 | (65,593,444) |
| Business-Type Activities: | | | | | |
| Kids Klub | 490,162 | 411,461 | 500 | - | (78,201) |
| Total Primary Government | \$ 89,928,505 | \$ 6,047,495 | \$ 15,947,522 | \$ 2,261,843 | \$ (65,671,645) |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| CHANGES IN NET POSITION | | | |
| Net (Expense) Revenue (From Previous Page) | \$ (65,593,444) | \$ (78,201) | \$ (65,671,645) |
| General Revenues: | | | |
| Real Estate and Personal Property Taxes | 49,960,084 | - | 49,960,084 |
| Motor Vehicle and Other Excise Taxes | 3,245,020 | - | 3,245,020 |
| Penalties and Interest on Taxes | 313,991 | - | 313,991 |
| Payments in Lieu of Taxes | 50,993 | - | 50,993 |
| Community Preservation Surcharges | 1,482,740 | - | 1,482,740 |
| Grants and Contributions not Restricted to Specific Programs | 1,059,703 | - | 1,059,703 |
| Unrestricted Investment Income | 660,853 | - | 660,853 |
| Total General Revenues and Transfers | <u>56,773,384</u> | <u>-</u> | <u>56,773,384</u> |
| CHANGE IN NET POSITION | (8,820,060) | (78,201) | (8,898,261) |
| Net Position - Beginning of Year | <u>45,106,727</u> | <u>(705,581)</u> | <u>44,401,146</u> |
| NET POSITION - END OF YEAR | <u>\$ 36,286,667</u> | <u>\$ (783,782)</u> | <u>\$ 35,502,885</u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

| ASSETS | General | Community Preservation | Street Betterments | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|-------------------------------|--|---|
| Cash and Cash Equivalents | \$ 22,080,589 | \$ - | \$ - | \$ - | \$ 22,080,589 |
| Investments | 9,166,194 | - | - | - | 9,166,194 |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | | | |
| Real Estate and Personal Property Taxes | 1,039,133 | - | - | - | 1,039,133 |
| Real Estate Tax Deferrals | 26,789 | - | - | - | 26,789 |
| Tax Liens | 682,054 | - | 11,459 | 1,787 | 695,300 |
| Motor Vehicle and Other Excise taxes | 476,046 | - | - | - | 476,046 |
| Community Preservation Surcharges | - | 49,452 | - | - | 49,452 |
| Special Assessments | - | - | 2,406,423 | 6,825 | 2,413,248 |
| Departmental and Other | 1,750 | - | - | 450,382 | 452,132 |
| Intergovernmental | 608 | - | - | 1,100,742 | 1,101,350 |
| Loans | - | - | - | 52,178 | 52,178 |
| Tax Foreclosures | 805,757 | - | - | - | 805,757 |
| Restricted Assets: | | | | | |
| Cash and Cash Equivalents | 76,258 | 633,161 | 1,184,976 | 8,406,299 | 10,300,694 |
| Investments | 920,714 | 8,517,478 | - | - | 9,438,192 |
| Total Assets | <u>\$ 35,275,892</u> | <u>\$ 9,200,091</u> | <u>\$ 3,602,858</u> | <u>\$ 10,018,213</u> | <u>\$ 58,097,054</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Warrants Payable | \$ 1,397,343 | \$ 1,825 | \$ - | \$ 439,886 | \$ 1,839,054 |
| Accrued Payroll | 3,071,923 | - | - | 71,015 | 3,142,938 |
| Other Liabilities | 580,262 | - | - | - | 580,262 |
| Unearned Revenue | - | - | - | 150,177 | 150,177 |
| Short-Term Notes Payable | - | - | - | 430,000 | 430,000 |
| Total Liabilities | <u>5,049,528</u> | <u>1,825</u> | <u>-</u> | <u>1,091,078</u> | <u>6,142,431</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue | <u>2,517,112</u> | <u>49,452</u> | <u>2,417,883</u> | <u>339,317</u> | <u>5,323,764</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | 45,052 | 45,052 |
| Restricted | 996,972 | 9,148,814 | 1,184,975 | 9,191,506 | 20,522,267 |
| Committed | 5,546,902 | - | - | - | 5,546,902 |
| Assigned | 509,962 | - | - | - | 509,962 |
| Unassigned | 20,655,416 | - | - | (648,740) | 20,006,676 |
| Total Fund Balances | <u>27,709,252</u> | <u>9,148,814</u> | <u>1,184,975</u> | <u>8,587,818</u> | <u>46,630,859</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 35,275,892</u> | <u>\$ 9,200,091</u> | <u>\$ 3,602,858</u> | <u>\$ 10,018,213</u> | <u>\$ 58,097,054</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, 2020**

| | |
|---|----------------------|
| Total Governmental Fund Balances | \$ 46,630,859 |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds | 124,006,686 |
| Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds | 5,323,764 |
| 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 | (188,498) |
| Deferred losses on refunding of bonds payable are deferred outflows of resources on the statement of net position | 153,588 |
| In the statement of net position, deferred outflows/inflows of resources are reported for amounts related to OPEB | 23,825,019 |
| In the statement of net position, deferred outflows/inflows of resources are reported for amounts related to pensions | 2,323,866 |
| 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 | (16,983,607) |
| Capital Lease Obligations | (135,116) |
| Landfill Post-Closure | (360,554) |
| Compensated Absences | (3,664,219) |
| Total OPEB Liability | (108,663,617) |
| Net Pension Liability | (35,981,504) |
| Net Position of Governmental Activities | <u>\$ 36,286,667</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, 2020**

| | General | Community Preservation | Street Betterments | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------------|-----------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | |
| Real Estate and Personal Property Taxes | \$ 49,728,541 | \$ - | \$ - | \$ - | \$ 49,728,541 |
| Motor Vehicle and Other Excise Taxes | 2,958,763 | - | - | 200,664 | 3,159,427 |
| Tax and Trash Liens | 172,558 | - | - | - | 172,558 |
| Payments in Lieu of Taxes | 50,993 | - | - | - | 50,993 |
| Community Preservation Surcharges | - | 1,475,430 | - | - | 1,475,430 |
| Charges for Services | 295,073 | - | - | 2,153,202 | 2,448,275 |
| Trash Disposal | 1,067,185 | - | - | - | 1,067,185 |
| Intergovernmental | 12,007,057 | 383,163 | - | 5,163,108 | 17,553,328 |
| Special Assessments | - | - | 463,848 | 1,950 | 465,798 |
| Penalties and Interest on Taxes | 309,075 | - | 4,897 | 19 | 313,991 |
| Licenses and Permits | 526,422 | - | - | 26,610 | 553,032 |
| Fines and Forfeitures | 19,543 | - | - | - | 19,543 |
| Departmental and Other | 577,301 | - | - | 1,391,873 | 1,969,174 |
| Contributions | - | - | - | 515,576 | 515,576 |
| Investment Income (Loss) | 968,628 | 518,891 | - | 1,798 | 1,489,317 |
| Total Revenues | 68,681,139 | 2,377,484 | 468,745 | 9,454,800 | 80,982,168 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 4,388,668 | 523,356 | - | 1,680,628 | 6,592,652 |
| Public Safety | 9,864,296 | 4,775 | - | 551,315 | 10,420,386 |
| Education | 23,449,986 | - | - | 2,534,582 | 25,984,568 |
| Public Works | 5,968,540 | 9,862 | - | 3,485,701 | 9,464,103 |
| Health and Human Services | 753,732 | - | - | 83,073 | 836,805 |
| Culture and Recreation | 938,685 | 30,039 | - | 509,488 | 1,478,212 |
| Pension Benefits | 8,993,734 | - | - | - | 8,993,734 |
| Employee Benefits | 7,554,222 | - | - | - | 7,554,222 |
| Property and Liability Insurance | 667,280 | - | - | - | 667,280 |
| State and County Charges | 2,474,942 | - | - | - | 2,474,942 |
| Debt Service: | | | | | |
| Principal | 2,142,459 | - | - | - | 2,142,459 |
| Interest | 612,830 | - | - | - | 612,830 |
| Total Expenditures | 67,809,374 | 568,032 | - | 8,844,787 | 77,222,193 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 871,765 | 1,809,452 | 468,745 | 610,013 | 3,759,975 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 2,112,273 | - | - | 1,129,218 | 3,241,491 |
| Transfer Out | (426,718) | (1,196,800) | (563,725) | (1,054,248) | (3,241,491) |
| Total Other Financing Sources (Uses) | 1,685,555 | (1,196,800) | (563,725) | 74,970 | - |
| NET CHANGE IN FUND BALANCES | 2,557,320 | 612,652 | (94,980) | 684,983 | 3,759,975 |
| Fund Balances - Beginning of Year | 25,151,932 | 8,536,162 | 1,279,955 | 7,902,835 | 42,870,884 |
| FUND BALANCES - END OF YEAR | \$ 27,709,252 | \$ 9,148,814 | \$ 1,184,975 | \$ 8,587,818 | \$ 46,630,859 |

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, 2020**

| | |
|---|----------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 3,759,975 |
| <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 | 5,118,886 |
| Depreciation | (2,925,923) |
| <p>In the statement of activities, deferred outflows and inflows related to Pensions are amortized and recognized as Pension expense. This amount represents the net change in deferred outflows and inflows related to pensions.</p> | |
| | (2,292,416) |
| <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 OPEB.</p> | |
| | 16,962,021 |
| <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> | |
| | (363,886) |
| <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 | 2,142,459 |
| Amortization of Bond Premiums | 81,354 |
| Capital Lease Maturities | 262,710 |
| 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> | |
| | (52,801) |
| <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 | (547,437) |
| Total OPEB Liability | (31,724,981) |
| Net Pension Liability | 770,745 |
| Changes in Net Position of Governmental Activities | \$ (8,820,060) |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
PROPRIETARY FUND
STATEMENT OF FUND NET POSITION
JUNE 30, 2020**

| | Business-Type Activities - Kids Klub Enterprise Fund |
|---|---|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 342,843 |
| Noncurrent Assets: | |
| Capital Assets, Net of Accumulated Depreciation | 163,722 |
| Total Noncurrent Assets | <u>163,722</u> |
| Total Assets | <u>506,565</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to OPEB | 265,231 |
| Related to Pensions | 63,798 |
| Total Deferred Outflows | <u>329,029</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Warrants Payable | 981 |
| Accrued Payroll | 7,731 |
| Other Liabilities | 1,725 |
| Total OPEB Liability - Due within One Year | 24,961 |
| Total Current Liabilities | <u>35,398</u> |
| Noncurrent Liabilities: | |
| Total OPEB Liability | 1,072,651 |
| Net Pension Liability | 453,852 |
| Total Noncurrent Liabilities | <u>1,526,503</u> |
| Total Liabilities | <u>1,561,901</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to OPEB | 24,574 |
| Related to Pensions | 32,901 |
| Total Deferred Inflows | <u>57,475</u> |
| FUND NET POSITION | |
| Net Investment in Capital Assets | 163,722 |
| Unrestricted | (947,504) |
| Total Net Position | <u><u>\$ (783,782)</u></u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2020**

| | |
|---|---|
| | Business-Type Activities - Kids Klub Enterprise Fund |
| OPERATING REVENUES | |
| Charges for Services | <u>\$ 411,461</u> |
| OPERATING EXPENSES | |
| Cost of Service and Administration | 486,037 |
| Depreciation | <u>4,127</u> |
| Total Operating Expenses | <u>490,162</u> |
| OPERATING LOSS | (78,701) |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment Income | <u>500</u> |
| CHANGE IN FUND NET POSITION | (78,201) |
| Fund Net Position - Beginning of Year | <u>(705,581)</u> |
| FUND NET POSITION - END OF YEAR | <u><u>\$ (783,782)</u></u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

| | Business-Type Activities - Kids Klub Enterprise Fund |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from Customers and Users | \$ 411,461 |
| Payments to Vendors | (63,138) |
| Payments to Employees | (327,245) |
| Net Cash Provided by Operating Activities | <u>21,078</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and Construction of Capital Assets | (35,170) |
| Net Cash Used by Capital and Related Financing Activities | <u>(35,170)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment Income | <u>500</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (13,592) |
| Cash and Cash Equivalents - Beginning of Year (Includes \$39,590 Reported as Restricted in the Kids Klub Enterprise Fund) | <u>356,435</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 342,843</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES | |
| Operating Loss | \$ (78,701) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | |
| Changes in Assets and Liabilities not Requiring Current Cash Flows: | |
| Depreciation | 4,127 |
| Change in Net Pension Liability | (9,647) |
| Change in Total OPEB Liability | 246,989 |
| Change in Deferred Outflows of Resources Related to Pension | 4,727 |
| Change in Deferred Inflows of Resources Related to Pension | 23,968 |
| Change in Deferred Outflows of Resources Related to OPEB | (135,610) |
| Change in Deferred Inflows of Resources Related to OPEB | (29,170) |
| Effect of Changes in Operating Assets and Liabilities: | |
| Warrants Payable | (4,480) |
| Other Liabilities | (1,125) |
| Total Adjustments | <u>99,779</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 21,078</u></u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

| | Private Purpose Trust Funds | Agency Funds |
|--------------------------------|-----------------------------------|-----------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 7,039 | \$ 637,243 |
| LIABILITIES | | |
| Warrants Payable | - | 464 |
| Liabilities Due Depositors | - | 636,779 |
| Total Liabilities | - | \$ 637,243 |
| NET POSITION | | |
| Held in Trust for Scholarships | \$ 7,039 | |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

| | Private Purpose Trust Funds |
|-----------------------------------|-----------------------------------|
| ADDITIONS | |
| Net Investment Income: | |
| Interest | \$ 118 |
| DEDUCTIONS | |
| Scholarships Awarded | 25 |
| CHANGE IN NET POSITION | 93 |
| Net Position - Beginning of Year | 6,946 |
| NET POSITION - END OF YEAR | <u>\$ 7,039</u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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:

| Name | Purpose | Address | Fiscal Year |
|--|---|---|--------------------|
| | | | 2020 Assessment |
| Cape Cod Regional Technical High School | To provide vocational educational services | 351 Pleasant Lake Avenue Harwich, MA 02645 | \$ 1,026,999 |

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

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Principles

For the year ending June 30, 2020, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*

The implementation of this GASB Statement postponed the implementation dates of certain GASB Statements and had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column. Fiduciary funds are reported by fund type.

E. Measurement Focus, Basis of Accounting, and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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:

| <u>Capital Asset Type</u> | <u>Estimated Useful Life (in Years)</u> |
|------------------------------------|---|
| 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, there were no 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 reports 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 reports 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

"Street betterments" represents amounts restricted for street betterments.

"Ambulance" represents amounts restricted for ambulance services.

"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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 2020 approved budget for the general fund authorized \$65,160,217 in appropriations. During fiscal year 2020, supplemental appropriations totaling \$4,204,758 were authorized. The original and final 2020 approved budgets for the community preservation fund authorized \$1,477,647 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Fund Deficits

At June 30, 2020, the following temporary fund deficits exist:

| Fund | Amount | Funding Source |
|---|------------|----------------------------|
| Pimlico Heights Street Betterment Project | \$ 269,198 | Issuance of long-term debt |
| COVID-19 FEMA | 158,781 | Federal Grant |
| Quashnet Windows Project | 78,136 | Issuance of long-term debt |
| Ch.90 Expenses | 77,487 | State Grant |
| USDA NRCS Grant | 65,138 | Federal Grant |
| Total | \$ 648,740 | |

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, expenditures exceeded appropriations for state and county charges in the general fund.

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, 2020, \$16,317,404 of the Town's bank balance of \$28,604,882 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk. The carrying value of the Town's deposits totaled \$28,344,510 as of June 30, 2020.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Summary

The Town's investments at June 30, 2020 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 | More Than 10 |
| <u>Debt Securities:</u> | | | | | |
| U.S. Treasuries | \$ 4,685,691 | \$ 152,309 | \$ 3,752,767 | \$ 780,615 | \$ - |
| U.S. Agencies | 3,867,509 | 277,350 | 2,776,189 | 813,970 | - |
| Corporate Bonds | 2,768,069 | 507,174 | 1,708,148 | 552,747 | - |
| Money Market Mutual Funds | 1,607,023 | 1,607,023 | - | - | - |
| Mutual Bond Funds | 1,675,787 | 1,675,787 | - | - | - |
| Fixed Income Securities | 318,246 | - | - | - | 318,246 |
| External Investment Pool (MMDT) | 3,416,874 | 3,416,874 | - | - | - |
| Total Debt Securities | 18,339,199 | <u>\$ 7,636,517</u> | <u>\$ 8,237,104</u> | <u>\$ 2,147,332</u> | <u>\$ 318,246</u> |
| <u>Other Investments:</u> | | | | | |
| Equity Securities | 4,750,309 | | | | |
| Equity Mutual Funds | <u>538,775</u> | | | | |
| Total Other Investments | <u>5,289,084</u> | | | | |
| Total Investments | <u>\$ 23,628,283</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, 2020, the Town was not exposed to custodial credit risk.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, the credit quality ratings of the Town's debt securities are as follows:

| Investment Type | Fair Value | Quality Ratings * | | | | | | |
|---------------------------|----------------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| | | AAA | AA2 | A3 | A2 | BAA1 | BAA2 | Unrated |
| U.S. Agencies | \$ 3,867,509 | \$ 3,867,509 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Money Market Mutual Funds | 1,607,023 | - | - | - | - | - | - | 1,607,023 |
| Corporate Bonds | 2,768,069 | - | 444,251 | 447,640 | 332,440 | 1,060,727 | 483,011 | - |
| Mutual Bond Funds | 1,675,787 | - | - | - | - | - | - | 1,675,787 |
| Fixed Income Securities | 318,246 | - | 318,246 | - | - | - | - | - |
| External Investment Pools | 3,416,874 | - | - | - | - | - | - | 3,416,874 |
| Total | <u>\$ 13,653,508</u> | <u>\$ 3,867,509</u> | <u>\$ 762,497</u> | <u>\$ 447,640</u> | <u>\$ 332,440</u> | <u>\$ 1,060,727</u> | <u>\$ 483,011</u> | <u>\$ 6,699,684</u> |

* 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, 2020, the Town was not exposed to concentration of credit risk.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2020:

| Investment Type | Fair Value | Fair Value Measurements Using | |
|--|----------------------|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| <u>Investments by Fair Value Level</u> | | | |
| Equity Securities | \$ 4,750,309 | \$ 4,750,309 | \$ - |
| Equity Mutual Funds | 538,775 | 538,775 | - |
| Money Market Mutual Funds | 1,607,023 | 1,607,023 | - |
| U.S. Treasuries | 4,685,691 | - | 4,685,691 |
| U.S. Agencies | 3,867,509 | 3,867,509 | - |
| Corporate Bonds | 2,768,069 | - | 2,768,069 |
| Mutual Bond Funds | 1,675,787 | 1,675,787 | - |
| Fixed Income Securities | 318,246 | - | 318,246 |
| Total Investments by Fair Value Level | 20,211,409 | <u>\$ 12,439,403</u> | <u>\$ 7,772,006</u> |
| <u>Investments measured at Amortized Cost:</u> | | | |
| External Investment Pool (MMDT) | 3,416,874 | | |
| Total Investments | <u>\$ 23,628,283</u> | | |

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, 2020, 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 | \$ 1,039,133 | \$ - | \$ 1,039,133 |
| Real Estate Tax Deferrals | 26,789 | - | 26,789 |
| Tax Liens | 695,300 | - | 695,300 |
| Motor Vehicle and Other Excise Taxes | 676,784 | (200,738) | 476,046 |
| Community Preservation Surcharges | 49,452 | - | 49,452 |
| Special Assessments | 2,413,248 | - | 2,413,248 |
| Departmental and Other | 603,194 | (151,062) | 452,132 |
| Intergovernmental | 1,101,350 | - | 1,101,350 |
| Loans | 52,178 | - | 52,178 |
| Total | <u>\$ 6,657,428</u> | <u>\$ (351,800)</u> | <u>\$ 6,305,628</u> |

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| Governmental Activities: | | | | |
| <u>Capital Assets not Being Depreciated:</u> | | | | |
| Land | \$ 59,753,157 | \$ - | \$ - | \$ 59,753,157 |
| Construction in Progress | 11,729,938 | 1,095,706 | - | 12,825,644 |
| Total Capital Assets not Being Depreciated | 71,483,095 | 1,095,706 | - | 72,578,801 |
| <u>Capital Assets being Depreciated:</u> | | | | |
| Buildings and Improvements | 77,022,918 | 1,166,749 | - | 78,189,667 |
| Machinery, Vehicles, and Equipment | 8,323,112 | 523,725 | (354,568) | 8,492,269 |
| Infrastructure | 24,627,907 | 2,332,706 | - | 26,960,613 |
| Total Capital Assets Being Depreciated | 109,973,937 | 4,023,180 | (354,568) | 113,642,549 |
| <u>Less Accumulated Depreciation for:</u> | | | | |
| Buildings and Improvements | (44,259,299) | (1,730,485) | - | (45,989,784) |
| Machinery, Vehicles, and Equipment | (5,934,746) | (628,293) | 354,568 | (6,208,471) |
| Infrastructure | (9,449,264) | (567,145) | - | (10,016,409) |
| Total Accumulated Depreciation | (59,643,309) | (2,925,923) | 354,568 | (62,214,664) |
| Total Capital Assets Being Depreciated, Net | 50,330,628 | 1,097,257 | - | 51,427,885 |
| Total Governmental Activities Capital Assets, Net | \$ 121,813,723 | \$ 2,192,963 | \$ - | \$ 124,006,686 |
| Business-Type Activities: | | | | |
| <u>Capital Assets being Depreciated:</u> | | | | |
| Buildings and Improvements | \$ 147,441 | \$ 35,170 | \$ - | \$ 182,611 |
| <u>Less Accumulated Depreciation for:</u> | | | | |
| Buildings and Improvements | (14,762) | (4,127) | - | (18,889) |
| Total Capital Assets being Depreciated, Net | 132,679 | 31,043 | - | 163,722 |
| Total Business-Type Activities Capital Assets, Net | \$ 132,679 | \$ 31,043 | \$ - | \$ 163,722 |

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

Governmental Activities:

| | |
|--|--------------|
| General Government | \$ 160,777 |
| Public Safety | 585,456 |
| Education | 1,026,233 |
| Public Works | 834,542 |
| Health and Human Services | 56,160 |
| Culture and Recreation | 262,755 |
| Total Depreciation Expense - Governmental Activities | \$ 2,925,923 |

Business-Type Activities:

| | |
|-----------|----------|
| Kids Klub | \$ 4,127 |
|-----------|----------|

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2020 are summarized as follows:

| Transfers Out: | Transfers In: | | |
|-----------------------------|---------------------|-----------------------------|---------------------|
| | General Fund | Nonmajor Governmental Funds | Total |
| General Fund | \$ - | \$ 426,718 | \$ 426,718 (1) |
| Community Preservation Fund | 494,300 | 702,500 | 1,196,800 (2) |
| Street Betterments Fund | 563,725 | - | 563,725 (3) |
| Nonmajor Governmental Funds | 1,054,248 | - | 1,054,248 (4) |
| Total | <u>\$ 2,112,273</u> | <u>\$ 1,129,218</u> | <u>\$ 3,241,491</u> |

- (1) Represents budgeted transfers to the unemployment special revenue fund (\$60,000); and various capital project funds for debt service payments (\$366,718).
- (2) Represents budgeted transfer from the CPA Major Fund to the General Fund to fund the operating budget (\$494,300), and Affordable Housing Trust Fund (\$702,500).
- (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 (\$662,500), Waterways Improvement (\$127,950), Hotel/Motel (\$75,000), Peg Cable Access (\$50,000), Septic Repair Program (\$41,056), Shellfish Permits (\$25,000), School Lunch Revolving (\$25,000), Leisure Service Revolving (\$17,742), Cemetery Sale of Plots (\$15,000), and Conservation Revolving (\$15,000).

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term activity for the fiscal year ended June 30, 2020 are as follows:

Notes Payable - Governmental Funds

| Type | Description | Origination Date | Maturity Date | Interest Rate | Balance at June 30, 2019 | Increases | Decreases | Balance at June 30, 2020 |
|------|------------------|------------------|---------------|---------------|--------------------------|-------------------|--------------------|--------------------------|
| BAN | Various Projects | 6/11/19 | 11/12/19 | 2.20% | \$ 75,000 | \$ - | \$ (75,000) | \$ - |
| BAN | Various Projects | 5/12/20 | 5/12/21 | 1.34% | - | 430,000 | - | 430,000 |
| | Total | | | | <u>\$ 75,000</u> | <u>\$ 430,000</u> | <u>\$ (75,000)</u> | <u>\$ 430,000</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, 2020:

| | Balance June 30, 2019 | Increases | Decreases | Balance June 30, 2020 | Current Portion |
|-----------------------------------|-----------------------|-------------------|-----------------------|-----------------------|---------------------|
| Governmental Activities: | | | | | |
| Bonds and Notes Payable | \$ 17,975,000 | \$ - | \$ (2,060,000) | \$ 15,915,000 | \$ 2,010,000 |
| Direct Borrowings | 215,870 | - | (82,459) | 133,411 | 50,550 |
| Unamortized Premium | 1,016,550 | - | (81,354) | 935,196 | 81,354 |
| Bonds and Notes Payable, Net | <u>19,207,420</u> | <u>-</u> | <u>(2,223,813)</u> | <u>16,983,607</u> | <u>2,141,904</u> |
| Capital Lease Obligations | 397,826 | - | (262,710) | 135,116 | 135,116 |
| Landfill Closure and Post-Closure | 371,729 | - | (11,175) | 360,554 | 15,000 |
| Compensated Absences | 3,116,782 | 579,003 | (31,566) | 3,664,219 | 366,422 |
| Total | <u>\$ 23,093,757</u> | <u>\$ 579,003</u> | <u>\$ (2,529,264)</u> | <u>\$ 21,143,496</u> | <u>\$ 2,658,442</u> |

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

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT

Details related to the Town's outstanding indebtedness at June 30, 2020 are as follows:

Bonds and Notes Payable – Governmental Funds

| Project | Maturity Date | Interest Rate | Outstanding at June 30, 2019 | Issued | Redeemed | Outstanding at June 30, 2020 |
|-------------------------------------|---------------|---------------|------------------------------|-------------|-----------------------|------------------------------|
| Landfill Capping (MCWT)* | 8/1/2019 | 5.30% | \$ 5,000 | \$ - | \$ (5,000) | \$ - |
| Septic Repair (MCWT)* | 8/1/2020 | 5.00% | 20,600 | - | (10,400) | 10,200 |
| Sewer Facilities (MCWT)* | 2/1/2021 | 4.90% | 3,568 | - | (1,784) | 1,784 |
| Septic Repair (MCWT)* | 7/15/2025 | 0.00% | 59,500 | - | (8,500) | 51,000 |
| Septic Replacement (MCWT)* | 7/15/2020 | 0.00% | 19,373 | - | (9,686) | 9,687 |
| Septic Replacement (MCWT)* | 7/15/2020 | 0.00% | 20,180 | - | (10,097) | 10,083 |
| Septic Replacement (MCWT)* | 1/15/2020 | 0.00% | 26,696 | - | (26,696) | - |
| Septic Replacement (MCWT)* | 8/1/2024 | 0.00% | 60,953 | - | (10,296) | 50,657 |
| Municipal Purpose | 1/15/2029 | 2.50-4.00% | 2,995,000 | - | (335,000) | 2,660,000 |
| Municipal Purpose of 2014 | 1/15/2029 | 2.00-4.00% | 2,555,000 | - | (295,000) | 2,260,000 |
| Refunding Municipal Purpose of 2013 | 9/1/2021 | 2.00-3.00% | 580,000 | - | (200,000) | 380,000 |
| Refunding Municipal Purpose of 2016 | 8/15/2027 | 2.00% | 4,345,000 | - | (655,000) | 3,690,000 |
| Municipal Purpose 2019 | 4/1/2019 | 2.50% | 7,500,000 | - | (575,000) | 6,925,000 |
| Subtotal | | | 18,190,870 | - | (2,142,459) | 16,048,411 |
| Unamortized Premium | | | 1,016,550 | - | (81,354) | 935,196 |
| Total Governmental Activities, Net | | | <u>\$ 19,207,420</u> | <u>\$ -</u> | <u>\$ (2,223,813)</u> | <u>\$ 16,983,607</u> |

*** Notes from direct borrowings**

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 2020, the Town's subsidy totaled approximately \$6,000. Future subsidies total approximately \$7,000. The amount of MCWT bonds outstanding at June 30, 2020, totaled \$133,411.

For direct borrowings, there are no terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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:

| Fiscal Year | Bonded Debt | | Direct Borrowings | | Total | |
|-------------|----------------------|---------------------|-------------------|---------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 2,010,000 | \$ 544,063 | \$ 50,550 | \$ 268 | \$ 2,060,550 | \$ 544,331 |
| 2022 | 1,960,000 | 472,963 | 18,796 | - | 1,978,796 | 472,963 |
| 2023 | 1,755,000 | 403,012 | 18,796 | - | 1,773,796 | 403,012 |
| 2024 | 1,660,000 | 339,512 | 18,385 | - | 1,678,385 | 339,512 |
| 2025 | 1,435,000 | 280,813 | 18,384 | - | 1,453,384 | 280,813 |
| 2026 | 1,380,000 | 235,625 | 8,500 | - | 1,388,500 | 235,625 |
| 2027 | 1,100,000 | 191,025 | - | - | 1,100,000 | 191,025 |
| 2028 | 960,000 | 150,975 | - | - | 960,000 | 150,975 |
| 2029 | 745,000 | 113,025 | - | - | 745,000 | 113,025 |
| 2030 | 350,000 | 87,300 | - | - | 350,000 | 87,300 |
| 2031 | 350,000 | 76,800 | - | - | 350,000 | 76,800 |
| 2032 | 295,000 | 66,300 | - | - | 295,000 | 66,300 |
| 2033 | 275,000 | 57,450 | - | - | 275,000 | 57,450 |
| 2034 | 275,000 | 49,200 | - | - | 275,000 | 49,200 |
| 2035 | 275,000 | 40,950 | - | - | 275,000 | 40,950 |
| 2036 | 275,000 | 32,700 | - | - | 275,000 | 32,700 |
| 2037 | 275,000 | 24,450 | - | - | 275,000 | 24,450 |
| 2038 | 270,000 | 16,200 | - | - | 270,000 | 16,200 |
| 2039 | 270,000 | 8,100 | - | - | 270,000 | 8,100 |
| Total | <u>\$ 15,915,000</u> | <u>\$ 3,190,463</u> | <u>\$ 133,411</u> | <u>\$ 268</u> | <u>\$ 16,048,411</u> | <u>\$ 3,190,731</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, 2020, the Town had the following authorized and unissued debt:

| Purpose | Amount |
|--------------------------|---------------------|
| Quashnet School Building | \$ 1,141,318 |
| Road projects | 644,639 |
| Mashpee River dredge | 275,000 |
| Solar Power | 50,000 |
| Total | <u>\$ 2,110,957</u> |

TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 | \$ 397,826 |
| Less: Accumulated Amortization | (229,629) |
| Total | <u>\$ 168,197</u> |

The following schedule presents future minimum lease payments as of June 30, 2020:

| <u>Fiscal Year Ending June 30,</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2021 | \$ 142,463 |
| Less: Amounts Representing Interest | (7,347) |
| Present Value of Minimum Lease Payments | <u>\$ 135,116</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 \$360,554 as the estimate of the landfill postclosure care liability at June 30, 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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.

Employees covered by benefit terms – At June 30, 2018, actuarial valuation date, the following employees were covered by the benefit terms.

| | |
|-------------------|------------|
| Active Employees | 323 |
| Retired Employees | 302 |
| Total | <u>625</u> |

Total OPEB Liability

The Town's total OPEB liability of \$109,761,229 as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date of June 30, 2020.

Actuarial assumptions – The following actuarial methods and assumptions used in the June 30, 2018 actuarial valuation apply to all periods included in the measurement. The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2016–June 30, 2018.

| | |
|--------------------------|---|
| Discount Rate: | 2.21% (20-year municipal bond rate) |
| Health Care Trend Rates: | Non-Medicare: 0% for 1 year, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Medicare: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year. |
| Inflation Rate: | 3.25% annually |

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Mortality Rates: Preretirement: Healthy Non-Teachers RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017; Healthy Teachers RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016

Postretirement: Healthy Non-Teachers RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017; Healthy Teachers RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with MP-2016; Disabled Non-Teachers RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017; Disabled Teachers RP-2014 Healthy Annuitant Table set forward four years and projected generationally with Scale BB2D from 2014.

Changes in Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--------------------------|---------------------------------|
| Balance at June 30, 2019 | \$ 86,964,313 |
| Changes for the year: | |
| Service Cost | 3,594,349 |
| Interest | 3,131,266 |
| Changes of Assumptions | 18,259,122 |
| Benefits Payments | <u>(2,187,821)</u> |
| Net Changes | <u>22,796,916</u> |
| Balance at June 30, 2020 | <u>\$ 109,761,229</u> |

The change in assumption that affected the measurement of the total OPEB liability since the prior measurement date was the change in discount rate from 3.87% to 2.21%.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

| | <u>1% Decrease (1.21%)</u> | <u>Current Discount Rate (2.21%)</u> | <u>1% Increase (3.21%)</u> |
|--------------------|--------------------------------|--|--------------------------------|
| Net OPEB Liability | \$ 131,411,472 | \$ 109,761,229 | \$ 92,905,082 |

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend – The following presents the net OPEB liability of the Town, as well as what the Town's net 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> |
|--------------------|--------------------|--|--------------------|
| Net OPEB Liability | \$ 89,761,119 | \$ 109,761,229 | \$ 136,264,219 |

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

For the year ended June 30, 2020, the Town recognized OPEB Expense of \$11,469,134. At June 30, 2020, 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 | \$ 25,175,989 | \$ 2,457,443 |
| Differences between expected and actual experience | 1,347,130 | - |
| Total | <u>\$ 26,523,119</u> | <u>\$ 2,457,443</u> |

The amounts reported as deferred outflows and 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> |
|----------------------------|----------------------|
| 2021 | \$ 4,743,519 |
| 2022 | 4,743,520 |
| 2023 | 5,972,239 |
| 2024 | 5,563,211 |
| 2025 | 3,043,187 |
| Totals | <u>\$ 24,065,676</u> |

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------|----------------------|---------------------------|-----------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | | |
| Permanent Fund Principal | \$ - | \$ - | \$ - | \$ 45,052 | \$ 45,052 |
| Restricted: | | | | | |
| Loans | - | - | - | 52,178 | 52,178 |
| Debt Service | 63,493 | - | - | - | 63,493 |
| Other Post Employment Benefits | 933,479 | - | - | - | 933,479 |
| Community Preservation | - | 9,148,814 | - | - | 9,148,814 |
| Ambulance Receipts Reserved | - | - | - | 1,447,115 | 1,447,115 |
| Street Betterments | - | - | 1,184,975 | - | 1,184,975 |
| Septic Betterments | - | - | - | 471,120 | 471,120 |
| School Lunch | - | - | - | 6,696 | 6,696 |
| General Government | - | - | - | 2,822,678 | 2,822,678 |
| Public Safety | - | - | - | 466,064 | 466,064 |
| Education | - | - | - | 2,545,389 | 2,545,389 |
| Public Works | - | - | - | 687,215 | 687,215 |
| Health and Human Services | - | - | - | 87,857 | 87,857 |
| Culture and Recreation | - | - | - | 605,194 | 605,194 |
| Subtotal - Restricted | 996,972 | 9,148,814 | 1,184,975 | 9,191,506 | 20,522,267 |
| Committed: | | | | | |
| General Government | 1,353,295 | - | - | - | 1,353,295 |
| Public Safety | 413,126 | - | - | - | 413,126 |
| Public Works | 32,742 | - | - | - | 32,742 |
| Health and Human Services | 150,000 | - | - | - | 150,000 |
| Culture and Recreation | 50,000 | - | - | - | 50,000 |
| Subsequent Year's Expenditures | 3,547,739 | - | - | - | 3,547,739 |
| Subtotal - Committed | 5,546,902 | - | - | - | 5,546,902 |
| Assigned: | | | | | |
| General Government | 150,475 | - | - | - | 150,475 |
| Public Safety | 52,325 | - | - | - | 52,325 |
| Education | 100,000 | - | - | - | 100,000 |
| Public Works | 206,122 | - | - | - | 206,122 |
| Culture and Recreation | 1,040 | - | - | - | 1,040 |
| Other | - | - | - | - | - |
| Subtotal - Assigned | 509,962 | - | - | - | 509,962 |
| Unassigned | 20,655,416 | - | - | (648,740) | 20,006,676 |
| Total Fund Balances | \$ 27,709,252 | \$ 9,148,814 | \$ 1,184,975 | \$ 8,587,818 | \$ 46,630,859 |

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 totaled \$5,182,547 and \$4,810,019, respectively, and are reported in the general fund as unassigned fund balance.

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, 2020, and therefore is not reported.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

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 \$3,193,061 for the year ended June 30, 2020.

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

At June 30, 2020, the Town reported a liability of \$36,435,356 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2019, the Town proportion was 4.850%, which was 0.141% higher than the proportion 4.709% measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense related to the BCRA of \$4,747,089 and aggregate pension expense (which includes the Massachusetts Teachers' Retirement System) of \$10,487,206. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$5,410,707 from changes in assumptions, \$4,235,859, and \$1,174,848 from changes in proportion. The Town also reported deferred inflows of resources related to pensions of \$3,055,944 from changes in proportion \$571,396, from differences between expected and actual experience \$307,118, and the net difference between projected and actual investment earnings on pension plan investments (\$2,177,430).

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 PENSION PLAN (CONTINUED)

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> |
|----------------------------|---------------------|
| 2021 | \$ 587,730 |
| 2022 | 561,754 |
| 2023 | 999,554 |
| 2024 | (332,080) |
| 2025 | 537,805 |
| Totals | <u>\$ 2,354,763</u> |

Actuarial assumptions. The total pension liability was determined using the following actuarial assumptions. The actuarial assumptions were based on the results of an actuarial experience study for the period January 1, 2018–December 31, 2019.

| | |
|---------------------------|---|
| Inflation | 3.25% |
| 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. |
| Mortality Rates: | <p>Pre-Retirement – The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.</p> <p>Healthy Retiree – The RP 2014 Blue Collar Healthy Annuitant Mortality table projected generationally with Scale MP-2017.</p> <p>Disabled Retiree – The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.</p> |
| Investment rate of return | 7.15% 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:

TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 PENSION PLAN (CONTINUED)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|----------------------|--|
| Domestic Equity | 21.00 % | 6.15 % |
| International Equity - Developed Markets | 13.00 | 6.78 |
| International Equity - Emerging Markets | 5.00 | 8.65 |
| Core Fixed Income | 15.00 | 1.11 |
| High-Yield Fixed Income | 8.00 | 3.51 |
| Real Estate | 10.00 | 4.33 |
| Commodities | 4.00 | 4.13 |
| Hedge Fund, GTAA, Risk Parity | 11.00 | 3.19 |
| Private Equity | 13.00 | 9.99 |
| Totals | <u>100.00 %</u> | |

Discount rate. The discount rate used to measure the total pension liability was 7.15%. 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.

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 7.15%, 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 (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|---|------------------------|-------------------------------------|------------------------|
| Town of Mashpee's Proportionate Share of the Net Pension Liability | \$ 47,914,348 | \$ 36,435,356 | \$ 26,791,680 |

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

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

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.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 17 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

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, 2020. The Commonwealth's net pension liability associated with the Town was \$47,334,396.

The MTRS' net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$5,740,117 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, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions. The actuarial assumptions were based on the results of an actuarial experience study for the period January 1, 2006–December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

Investment rate of return 7.25%

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 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

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

3.0% cost of living increase on the first \$13,000 of allowance per year.

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 17 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

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, 2019 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|----------------------|--|
| Global Equity | 39.0 % | 4.9 % |
| Portfolio Completion Strategies | 11.0 % | 3.9 |
| Core Fixed Income | 15.0 % | 1.3 |
| Private Equity | 13.0 % | 8.2 |
| Value Added Fixed Income | 8.0 % | 4.7 |
| Real Estate | 10.0 % | 3.6 |
| Timber/Natural Resources | 4.0 % | 4.1 |
| Totals | 100 % | |

Discount rate. The discount rate used to measure the MTRS' total pension liability was 7.25%. 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.

NOTE 18 COMMITMENTS

Significant commitments include encumbrances and continuing appropriations outstanding for the general fund and community preservation fund, which totaled \$2,509,125 and \$2,388,776 respectively, at June 30, 2020.

TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2020.

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, 2020, 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, 2020**

| | Prior Year Encumbrances and Continuing Appropriations | Original Budget | Supplemental Appropriations and Transfers | Final Budget |
|--|--|--------------------|---|-----------------|
| REVENUES | | | | |
| Real Estate and Personal Property Taxes | \$ - | \$ 49,797,401 | \$ - | \$ 49,797,401 |
| Motor Vehicle and Other Excise Taxes | - | 2,155,475 | - | 2,155,475 |
| Tax and Trash Liens | - | - | - | - |
| Payments in Lieu of Taxes | - | 20,000 | - | 20,000 |
| Charges for Services | - | 60,000 | - | 60,000 |
| Trash Disposal | - | 500,000 | - | 500,000 |
| Intergovernmental | - | 5,863,085 | - | 5,863,085 |
| 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 | - | 500,525 | - | 500,525 |
| Investment Income | - | 150,000 | - | 150,000 |
| Total Revenues | - | 59,660,486 | - | 59,660,486 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 738,704 | 4,514,115 | 1,024,309 | 6,277,128 |
| Public Safety | 695,142 | 9,271,635 | 605,164 | 10,571,941 |
| Education | - | 23,825,836 | 402,000 | 24,227,836 |
| Public Works | 320,654 | 5,815,707 | 446,424 | 6,582,785 |
| Health and Human Services | - | 841,399 | 229,135 | 1,070,534 |
| Culture and Recreation | 400 | 1,037,079 | 67,342 | 1,104,821 |
| Pension Benefits | - | 3,273,346 | 13,246 | 3,286,592 |
| Employee Benefits | 7,000 | 8,531,200 | 19,353 | 8,557,553 |
| Property and Liability Insurance | - | 869,765 | 8,251 | 878,016 |
| State and County Charges | - | 2,263,575 | - | 2,263,575 |
| Debt Service: | | | | |
| Principal | - | 2,097,685 | 43,550 | 2,141,235 |
| Interest | - | 760,477 | (93,550) | 666,927 |
| Total Expenditures | 1,761,900 | 63,101,819 | 2,765,224 | 67,628,943 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,761,900) | (3,441,333) | (2,765,224) | (7,968,457) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 2,034,323 | 77,950 | 2,112,273 |
| Transfers Out | - | (2,058,398) | (1,439,534) | (3,497,932) |
| Total Other Financing Sources (Uses) | - | (24,075) | (1,361,584) | (1,385,659) |
| NET CHANGE IN FUND BALANCE | (1,761,900) | (3,465,408) | (4,126,808) | (9,354,116) |
| Fund Balance at Beginning of Year | 17,471,409 | 17,471,409 | 17,471,409 | 17,471,409 |
| FUND BALANCE AT END OF YEAR | \$ 15,709,509 | \$ 14,006,001 | \$ 13,344,601 | \$ 8,117,293 |

**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, 2020**

| | Actual | Current Year Encumbrances and Continuing Appropriations | Actual and Encumbrances and Continuing Appropriations | Variance Positive (Negative) |
|--|----------------------|--|--|------------------------------------|
| REVENUES | | | | |
| Real Estate and Personal Property Taxes | \$ 49,526,752 | \$ - | \$ 49,526,752 | \$ (270,649) |
| Motor Vehicle and Other Excise Taxes | 2,958,763 | - | 2,958,763 | 803,288 |
| Tax and Trash Liens | 172,558 | - | 172,558 | 172,558 |
| Payments in Lieu of Taxes | 50,993 | - | 50,993 | 30,993 |
| Charges for Services | 295,073 | - | 295,073 | 235,073 |
| Trash Disposal | 1,067,185 | - | 1,067,185 | 567,185 |
| Intergovernmental | 6,532,679 | - | 6,532,679 | 669,594 |
| Penalties and Interest on Taxes | 309,075 | - | 309,075 | 109,075 |
| Licenses and Permits | 526,422 | - | 526,422 | 151,422 |
| Fines and Forfeitures | 19,543 | - | 19,543 | (19,457) |
| Departmental and Other | 577,301 | - | 577,301 | 76,776 |
| Investment Income | 481,085 | - | 481,085 | 331,085 |
| Total Revenues | <u>62,517,429</u> | <u>-</u> | <u>62,517,429</u> | <u>2,856,943</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 4,388,668 | 1,503,770 | 5,892,438 | 384,690 |
| Public Safety | 9,864,296 | 465,451 | 10,329,747 | 242,194 |
| Education | 23,449,986 | 100,000 | 23,549,986 | 677,850 |
| Public Works | 5,968,540 | 238,864 | 6,207,404 | 375,381 |
| Health and Human Services | 753,732 | 150,000 | 903,732 | 166,802 |
| Culture and Recreation | 938,685 | 51,040 | 989,725 | 115,096 |
| Pension Benefits | 3,253,617 | - | 3,253,617 | 32,975 |
| Employee Benefits | 7,554,222 | - | 7,554,222 | 1,003,331 |
| Property and Liability Insurance | 667,280 | - | 667,280 | 210,736 |
| State and County Charges | 2,474,942 | - | 2,474,942 | (211,367) |
| Debt Service: | | | | |
| Principal | 2,138,253 | - | 2,138,253 | 2,982 |
| Interest | 610,960 | - | 610,960 | 55,967 |
| Total Expenditures | <u>62,063,181</u> | <u>2,509,125</u> | <u>64,572,306</u> | <u>3,056,637</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>454,248</u> | <u>(2,509,125)</u> | <u>(2,054,877)</u> | <u>5,913,580</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 2,112,273 | - | 2,112,273 | - |
| Transfers Out | (3,497,932) | - | (3,497,932) | - |
| Total Other Financing Sources (Uses) | <u>(1,385,659)</u> | <u>-</u> | <u>(1,385,659)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>(931,411)</u> | <u>(2,509,125)</u> | <u>(3,440,536)</u> | <u>5,913,580</u> |
| Fund Balance at Beginning of Year | <u>17,471,409</u> | <u>-</u> | <u>17,471,409</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 16,539,998</u> | <u>\$ (2,509,125)</u> | <u>\$ 14,030,873</u> | <u>\$ 5,913,580</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, 2020**

| | Prior Year Encumbrances and Continuing Appropriations | Original Budget | Supplemental Appropriations and Transfers | Final Budget |
|--|--|---------------------|---|---------------------|
| REVENUES | | | | |
| Community Preservation Surcharges | \$ - | \$ 1,384,480 | \$ - | \$ 1,384,480 |
| Intergovernmental | - | 163,453 | - | 163,453 |
| Investment Income (Loss) | - | - | - | - |
| Total Revenues | - | 1,547,933 | - | 1,547,933 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative | 30,670 | 9,330 | - | 40,000 |
| Acquisitions and Projects | 2,651,218 | 271,517 | - | 2,922,735 |
| Total Expenditures | 2,681,888 | 280,847 | - | 2,962,735 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,681,888) | 1,267,086 | - | (1,414,802) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | - | (1,196,800) | - | (1,196,800) |
| NET CHANGE IN FUND BALANCE | (2,681,888) | 70,286 | - | (2,611,602) |
| Fund Balance at Beginning of Year | 8,536,162 | 8,536,162 | 8,536,162 | 8,536,162 |
| FUND BALANCE AT END OF YEAR | <u>\$ 5,854,274</u> | <u>\$ 8,606,448</u> | <u>\$ 8,536,162</u> | <u>\$ 5,924,560</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 (CONTINUED)
YEAR ENDED JUNE 30, 2020**

| | Actual | Current Year Encumbrances and Continuing Appropriations | Actual and Encumbrances and Continuing Appropriations | Variance Positive/ (Negative) |
|--|---------------------|--|--|-------------------------------------|
| REVENUES | | | | |
| Community Preservation Surcharges | \$ 1,475,430 | \$ - | \$ 1,475,430 | \$ 90,950 |
| Intergovernmental | 383,163 | - | 383,163 | 219,710 |
| Investment Income (Loss) | 518,891 | - | 518,891 | 518,891 |
| Total Revenues | 2,377,484 | - | 2,377,484 | 829,551 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative | 34,073 | - | 34,073 | 5,927 |
| Acquisitions and Projects | 533,959 | 2,388,776 | 2,922,735 | - |
| Total Expenditures | 568,032 | 2,388,776 | 2,956,808 | 5,927 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 1,809,452 | (2,388,776) | (579,324) | 835,478 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | (1,196,800) | - | (1,196,800) | - |
| NET CHANGE IN FUND BALANCE | 612,652 | (2,388,776) | (1,776,124) | 835,478 |
| Fund Balance at Beginning of Year | 8,536,162 | - | 8,536,162 | - |
| FUND BALANCE AT END OF YEAR | <u>\$ 9,148,814</u> | <u>\$ (2,388,776)</u> | <u>\$ 6,760,038</u> | <u>\$ 835,478</u> |

**TOWN OF MASHPEE, MASSACHUSETTS
PENSION PLAN SCHEDULES
JUNE 30, 2020**

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Town's Proportion of the Net Pension Liability | 4.850% | 4.709% | 4.681% | 4.860% | 4.752% | 4.760% |
| Town's Proportionate Share of the Net Pension Liability | \$ 36,435,356 | \$ 37,215,748 | \$ 31,854,119 | \$ 34,148,007 | \$ 29,920,777 | \$ 26,873,570 |
| Town's Covered Payroll | \$ 14,716,697 | \$ 13,789,203 | \$ 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 | 247.58% | 269.89% | 242.40% | 251.74% | 230.29% | 215.24% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 62.34% | 57.63% | 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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially Required Contribution | \$ 3,193,061 | \$ 2,962,112 | \$ 2,793,731 | \$ 2,754,998 | \$ 2,566,216 | \$ 2,479,065 |
| Contributions in Relation to the Actuarially Required Contribution | (3,193,061) | (2,962,112) | (2,793,731) | (2,754,998) | (2,566,216) | (2,479,065) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Town's Covered Payroll | \$ 14,716,697 | \$ 14,129,236 | \$ 13,465,152 | \$ 13,352,822 | \$ 13,278,563 | \$ 12,739,058 |
| Contributions as a Percentage of Covered Payroll | 21.70% | 20.96% | 20.75% | 20.63% | 19.33% | 19.46% |

- (1) Amounts presented were determined as of June 30 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, 2020**

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Town's Share of the Net Pension Liability | \$ 47,334,396 | \$ 48,499,799 | \$ 46,309,827 | \$ 46,239,419 | \$ 41,610,752 | \$ 33,206,774 |
| Commonwealth's Share of the Town's Net Pension Liability | 47,334,396 | 48,499,799 | 46,309,827 | 46,239,419 | 41,610,752 | 33,206,774 |
| Town's Net Pension Liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 53.95% | 54.84% | 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, 2020**

**SCHEDULE OF CHANGES IN THE TOWN'S
TOTAL OPEB LIABILITY AND RELATED RATIOS (1)(2)**

| | <u>2020</u> | <u>2019</u> |
|--|------------------------------|-----------------------------|
| <u>Total OPEB Liability</u> | | |
| Service Cost | \$ 3,594,349 | \$ 2,895,331 |
| Interest | 3,131,266 | 2,712,084 |
| Differences between expected and actual experience | - | 2,020,694 |
| Changes of Assumptions | 18,259,122 | 13,099,440 |
| Benefit Payments | <u>(2,187,821)</u> | <u>(1,877,365)</u> |
| Net Change in Total OPEB Liability | 22,796,916 | 18,850,184 |
| Total OPEB Liability - Beginning | <u>86,964,313</u> | <u>68,114,129</u> |
| Total OPEB Liability - Ending | <u><u>\$ 109,761,229</u></u> | <u><u>\$ 86,964,313</u></u> |
| Covered employee payroll | 32,303,380 | 31,441,941 |
| Total OPEB liability as a percentage of covered employee payroll | 339.8% | 276.6% |

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

(2) No assets are accumulated in a trust for the payment of OPEB

TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

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, 2020, is presented below:

General Fund

| | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balance |
|--|----------------------|----------------------|--------------------------------------|----------------------|
| Budgetary basis as reported on the schedule of revenues, expenditures, and changes in fund balance - budget and actual | \$ 62,517,429 | \$ 64,572,306 | \$ (1,385,659) | \$ 14,030,873 |
| <u>Reclassifications</u> | | | | |
| Activity of stabilization fund recorded in the general fund for GAAP purposes | 277,536 | - | - | 5,182,547 |
| Activity of OPEB fund recorded in the general fund for GAAP purposes | 30,239 | - | 250,000 | 933,479 |
| Activity of Capital Stabilization fund recorded in the general fund for GAAP purposes | 179,768 | - | 2,821,214 | 4,810,019 |
| <u>Adjustments</u> | | | | |
| Net change in recording 60-day receipts | 201,789 | - | - | 515,024 |
| Net change in recording other revenue accruals | (271,815) | - | - | (271,815) |
| To record activity for MCWT subsidies | 6,076 | 6,076 | - | - |
| To record MTRS on-behalf payments | 5,740,117 | 5,740,117 | - | - |
| To record encumbrances and continuing appropriations | - | (2,509,125) | - | 2,509,125 |
| GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances | <u>\$ 68,681,139</u> | <u>\$ 67,809,374</u> | <u>\$ 1,685,555</u> | <u>\$ 27,709,252</u> |

Community Preservation Fund

| | Expenditures | Fund Balance |
|--|--------------------|---------------------|
| Budgetary basis as reported on the schedule of revenues, expenditures, and changes in fund balance - budget and actual | \$ 2,956,808 | \$ 6,760,038 |
| <u>Adjustments</u> | | |
| To record encumbrances and continuing appropriations | <u>(2,388,776)</u> | <u>2,388,776</u> |
| GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances | <u>\$ 568,032</u> | <u>\$ 9,148,814</u> |

**TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE B PENSION – CHANGES IN METHODS AND ASSUMPTIONS

The following are changes in actuarial methods and assumptions used to determine amounts reported in the pension plan schedules:

| | |
|--|---|
| Salary increases (2015-2016): | Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4 |
| Salary increases (2017-2020): | 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 (2015): | 3.0% of the first \$15,000 of retirement income |
| Cost of living (2016): | 3.0% of the first \$16,000 of retirement income |
| Cost of living (2017): | 3.0% of the first \$17,000 of retirement income |
| Cost of living (2018-2020): | 3.0% of the first \$18,000 of retirement income |
| Investment rate of return (2015): | 7.75% |
| Investment rate of return (2016): | 7.625% |
| Investment rate of return (2017-2018): | 7.375% |
| Investment rate of return (2019-2020): | 7.15% |

NOTE C OPEB – CHANGES IN METHODS AND ASSUMPTIONS

The following are changes in actuarial methods and assumptions used to determine amounts reported in the OPEB schedules:

| | |
|-----------------------|-------|
| Discount Rate (2019): | 3.87% |
| Discount Rate (2020): | 2.21% |

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**TOWN OF MASHPEE, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2020**



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TOWN OF MASHPEE, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2020

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Board of Selectmen
Town of Mashpee, Massachusetts
Mashpee, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mashpee, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Mashpee, Massachusetts basic financial statements, and have issued our report thereon dated August 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Mashpee, Massachusetts' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Mashpee, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Mashpee, Massachusetts' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Board of Selectmen
Town of Mashpee, Massachusetts

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mashpee, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
August 13, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Board of Selectmen
Town of Mashpee, Massachusetts
Mashpee, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Mashpee, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Mashpee, Massachusetts' major federal programs for the year ended June 30, 2020. The Town of Mashpee, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Mashpee, Massachusetts, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Mashpee, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Mashpee, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Mashpee, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town of Mashpee, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Mashpee, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Mashpee, Massachusetts' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Mashpee, Massachusetts. We issued our report thereon dated August 13, 2021 which contained unmodified opinions on those financial statements.

Honorable Board of Selectmen
Town of Mashpee, Massachusetts

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
August 13, 2021

**TOWN OF MASHPEE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

| <u>Federal Grantor/ Pass-Through Grantor/ Program</u> | <u>Federal CFDA Number</u> | <u>Pass-through Identifying Number</u> | <u>Federal Expenditures</u> | <u>Passed Through to Subrecipients</u> |
|---|------------------------------------|--|---------------------------------|--|
| U.S. Department of Agriculture | | | | |
| <u>Direct Programs:</u> | | | | |
| Conservation Reserve Program | 10.069 | Not Applicable | \$ 558,263 | \$ - |
| <u>Passed through the State Department of Elementary & Secondary Education:</u> | | | | |
| <u>Child Nutrition Cluster</u> | | | | |
| School Breakfast Program - Cash Assistance | 10.553 | 01-172 | 33,532 | - |
| National School Lunch Program - Cash Assistance | 10.555 | 01-172 | 180,811 | - |
| National School Lunch Program - Non-Cash Assistance (Commodities) | 10.555 | 01-172 | 26,650 | - |
| Sub-Total Child Nutrition Cluster | | | 240,993 | - |
| <u>NRCS Grant</u> | | | | |
| Watershed Protection and Flood Prevention | 10.904 | NR181320XXXXC010 | 9,100 | - |
| Total U.S. Department of Agriculture | | | 808,356 | - |
| U.S. Department of the Interior | | | | |
| <u>Passed through the Massachusetts Division of Marine Fisheries:</u> | | | | |
| Clean Vessel Act | 15.616 | CT FWE 042707-3622 | 2,118 | - |
| U.S. Department of Justice | | | | |
| <u>Direct Programs:</u> | | | | |
| Equitable Sharing Program | 16.922 | Not Applicable | 190 | - |
| <u>Passed through the State Executive Office of Public Safety:</u> | | | | |
| Violence Against Women Formula Grants (fiscal year 2019) | 16.588 | SCEPS3001VAWA19MASHP | 25,075 | - |
| Violence Against Women Formula Grants (fiscal year 2020) | 16.588 | SCEPS3001VAWA20MASHP | 27,513 | - |
| Sub-Total CFDA #16.588 | | | 52,588 | - |
| Total U.S. Department of Justice | | | 52,778 | - |
| U.S. Department of the Treasury | | | | |
| COVID-19 - Coronavirus Relief Fund | 21.019 | Not Available | 270,317 | - |
| U.S. Department of Education | | | | |
| <u>Direct Programs:</u> | | | | |
| Indian Education Grants to Local Educational Agencies (fiscal year 2019) | 84.060 | Not Applicable | 1,703 | - |
| Indian Education Grants to Local Educational Agencies (fiscal year 2020) | 84.060 | Not Applicable | 49,671 | - |
| Sub-Total CFDA #84.006 | | | 51,374 | - |
| <u>Passed through the State Department of Elementary & Secondary Education:</u> | | | | |
| <u>Title I Grants to Local Educational Agencies (fiscal year 2018)</u> | 84.010 | 305-149398-2018-0172-8.0 | 28 | - |
| Title I Grants to Local Educational Agencies (fiscal year 2019) | 84.010 | 305-219363-2019-0172-4.0 | 27,703 | - |
| Title I Grants to Local Educational Agencies (fiscal year 2020) | 84.010 | 305-298571-2020-0172 | 171,469 | - |
| Sub-Total CFDA #84.010 | | | 199,200 | - |
| <u>Special Education Cluster</u> | | | | |
| Special Education Grants to States (fiscal year 2019) | 84.027 | 240-212584-2019-0172 | 70,479 | - |
| Special Education Grants to States (fiscal year 2020) | 84.027 | 240-292258-2020-172 | 335,208 | - |
| Sub-Total CFDA #84.027 | | | 405,687 | - |
| <u>Passed through the State Department of Early Education and Care:</u> | | | | |
| <u>Special Education Cluster (continued)</u> | | | | |
| Special Education Preschool Grants (fiscal year 2019) | 84.173 | 262-212585-2019-0172 | 2,695 | - |
| Special Education Preschool Grants (fiscal year 2020) | 84.173 | 262-292271-2020-0172 | 18,628 | - |
| Subtotal CFDA #84.173 | | | 21,323 | - |
| Subtotal Special Education Cluster | | | 427,010 | - |
| <u>Passed through the State Department of Elementary & Secondary Education:</u> | | | | |
| Supporting Effective Instruction State Grants (fiscal year 2020) | 84.367 | 140-298572-2020-0172 | 37,836 | - |
| Student Support and Academic Enrichment Program (fiscal year 2018) | 84.424 | 309-2018-0172 | 1,711 | - |
| Student Support and Academic Enrichment Program (fiscal year 2019) | 84.424 | 309-219365-2019-0172 | 5,187 | - |
| Student Support and Academic Enrichment Program (fiscal year 2020) | 84.424 | 309-292258-2020-172 | 5,477 | - |
| Sub-Total CFDA #84.424 | | | 12,375 | - |
| Total U.S. Department of Education | | | 727,795 | - |
| U.S. Department of Health and Human Services | | | | |
| <u>Passed through the State Executive Office of Health and Human Services:</u> | | | | |
| Medical Assistance Program (part of Medicaid Cluster) | 93.778 | Not Available | 103,069 | - |
| Total | | | \$ 1,964,433 | \$ - |

See notes to schedule of expenditures of federal awards.

See accompanying Notes to Schedule of Expenditures of Federal Awards

TOWN OF MASHPEE, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town of Mashpee, Massachusetts under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Mashpee, Massachusetts, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Town of Mashpee, Massachusetts.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Costs

The Town of Mashpee, Massachusetts did not elect to use the 10% de minimis indirect cost rate identified in §200.414 of the Uniform Guidance.

Note 4 – U.S. Department of Agriculture

The amount reported for the National School Lunch Program – Non-Cash Assistance (Commodities) represents non-monetary assistance and is reported in the schedule at the fair market value of the commodities received. The amounts reported for the National School Lunch Program – Cash Assistance and School Breakfast Program – Cash Assistance represent cash receipts from federal reimbursements.

Note 5 – U.S. Department of Health and Human Services

The amount reported for the School-Based Medicaid Reimbursement Program represents federal reimbursements for the Administrative Activity Claims.

**TOWN OF MASHPEE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

84.IDEA

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

**TOWN OF MASHPEE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any findings or questioned costs related to major federal programs.

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