

OFFICIAL STATEMENT DATED NOVEMBER 13, 2013

Rating: See "Rating" herein.
Standard & Poor's Rating Group: AAA

New Issue

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

TOWN OF BARNSTABLE, MASSACHUSETTS
\$6,248,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2013 BONDS

DATED
Date of Delivery

DUE
November 15
(as shown below)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 with the exception of three \$1,000 denominations maturing November 15, 2014. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be paid on November 15 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on May 15 and November 15, commencing May 15, 2014, until the principal amount is paid. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Barnstable, Massachusetts (the "Town"), and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property within the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

MATURITIES, AMOUNTS, RATES, PRICES/YIELDS AND CUSIPS

<u>Due</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>068167</u>	<u>Due</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>068167</u>
2014	\$793,000	2.00 %	0.28 %	YB5	2019	\$540,000	3.00 %	1.40 %	YG4
2015	750,000	3.00	0.45	YC3	2020	520,000	3.00	1.80	YH2
2016	725,000	3.00	0.60	YD1	2021	510,000	3.00	2.10	YJ8
2017	710,000	2.00	0.70	YE9	2022	505,000	2.50	2.15	YK5
2018	695,000	2.00	1.10	YF6	2023	500,000	2.50	2.25	YL3

The Bonds are offered subject to the final approving opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the Town with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about November 22, 2013, against payment to the Town in federal reserve funds.

FTN FINANCIAL CAPITAL MARKETS

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY STATEMENT	3	Tax Increment Financing for Development Districts	27
NOTICE OF SALE	4	Cape Cod Open Space Land Acquisition Excise Tax	28
		Community Preservation Act	28
OFFICIAL STATEMENT	7		
INTRODUCTION	7	TOWN FINANCES:	
THE BONDS	7	General Fund Budget Comparison	30
Description of the Bonds	7	Revenues	30
Redemption Provisions	7	State Distributions	31
Record Date	7	State School Building Assistance Program	31
Book-Entry-Only System	8	Motor Vehicle Excise	32
Rating	9	Enterprise Funds	32
Authorization of the Bonds and Use of Proceeds	10	Annual Audits	32
Principal Payments by Purpose	10	Financial Statements	32
Opinion of Bond Counsel	10	Combined Balance Sheet - Governmental Funds	
Tax Exemption	11	Ending June 30, 2012	33
Security and Remedies	12	Combined Balance Sheet - Governmental Funds	
Bank Qualification	14	Ending June 30, 2011	34
Financial Advisory Services of First Southwest Company	14	Combined Balance Sheet - Governmental Funds	
Continuing Disclosure	14	Ending June 30, 2010	35
		Combined Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund	
TOWN OF BARNSTABLE, MASSACHUSETTS:		June 30, 2008 - 2012	36
General	15	Investments of the Town	41
Description	15	Undesignated Fund Balance and Free Cash	41
Governing Bodies and Officers	15	Surplus Enterprise Funds	41
Organization	16	Stabilization Fund	42
Financial and Management Systems	16		
Principal Executive Officers	17	INDEBTEDNESS:	
Principal Town Assets	17	Authorization Procedure and Limitations	43
Barnstable Municipal Airport	18	Debt Limits	43
Employment and Payroll	18	Types of Obligations	43
Economic Development	18	Direct Debt Summary	44
Largest Employers	18	Principal Payments by Purpose	45
Labor Force, Employment and Unemployment Rates	19	Debt Service Requirements	46
Building Permits	19	Debt Ratios	46
School Facilities	20	Authorized Unissued Debt and Prospective Financing	47
Public School Enrollments	20	Overlapping Debt	47
Population, Income and Wealth Levels	21	Contractual Obligations	48
Population Trends	21	RETIREMENT SYSTEM	49
PROPERTY TAXATION:		Current Funding Schedule	50
Tax Levy Computation	22	Other Post-Employment Benefits	51
Assessed Valuations and Tax Levies	22	EMPLOYEE RELATIONS	52
Classification of Real and Personal Property	23	LITIGATION	52
Largest Taxpayers	24		
State Equalized Valuation	24	APPENDIX A – Member Fire Districts	
Abatements and Overlay	24		
Tax Collections	25	APPENDIX B – Fiscal 2012 Audit	
Sale of Tax Receivables	25		
Tax Titles and Possessions	25	APPENDIX C – Proposed Form of Legal Opinion	
Taxation to Meet Deficits	25		
Tax Limitations	26	APPENDIX D – Proposed Form of Continuing Disclosure Certificate	
Unused Levy Capacity	27		
Pledged Taxes	27		

The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

- Date and Time of Sale:** Wednesday, November 13, 2013, at 11:00 A.M. (Eastern Standard Time).
- Location of Sale:** First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts.
- Issuer:** Town of Barnstable, Massachusetts.
- Issue:** \$6,248,000 General Obligation Municipal Purpose Loan of 2013 Bonds.
- Official Statement Dated:** November 13, 2013.
- Dated Date of the Bonds:** Date of Delivery.
- Principal Due:** Serially on November 15, 2014 through November 15, 2023, as detailed herein.
- Interest Payable:** Semiannually on May 15 and November 15, commencing May 15, 2014.
- Redemption:** The Bonds are not subject to redemption prior to their stated maturity dates.
- Security for the Bonds:** The Bonds are valid general obligations of the Town of Barnstable, and, to the extent not paid from other sources, the Bonds are payable from taxes which may be levied upon all taxable property within the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
- Credit Rating:** Standard & Poor's Rating Group has assigned a rating of AAA to the Bonds.
- Basis of Award:** Lowest true interest cost (TIC) as of the dated date. **NO BID OF LESS THAN PAR PLUS A PREMIUM OF AT LEAST \$60,000 WILL BE ACCEPTED.**
- Tax Exemption:** Refer to "THE BONDS - Tax Exemption," herein and Appendix C, "Proposed Form of Legal Opinion."
- Continuing Disclosure:** Refer to "THE BONDS - Continuing Disclosure" herein and Appendix D, "Proposed Form of Continuing Disclosure Certificate."
- Bank Qualification:** The Bonds WILL BE designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
- Paying Agent:** U.S. Bank National Association, Boston, Massachusetts.
- Bond Counsel:** Edwards Wildman Palmer LLP, Boston, Massachusetts.
- Financial Advisor:** First Southwest Company, Boston, Massachusetts.
- Delivery and Payment:** It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about November 22, 2013 against payment in federal reserve funds.
- Issuer Official:** Questions concerning the Official Statement should be addressed to: Ms. Debra M. Blanchette, Treasurer, Town of Barnstable, Massachusetts telephone (508) 862-4661 or Cynthia F. McNerney, Managing Director, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4408.

**NOTICE OF SALE
TOWN OF BARNSTABLE, MASSACHUSETTS
\$6,248,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2013 BONDS**

The Town of Barnstable, Massachusetts (the "Town") will receive sealed or electronic (as described herein) proposals until 11:00 A.M. (Eastern Time) on Wednesday, November 13, 2013, for the purchase of the following described Bonds of the Town:

\$6,248,000 General Obligation Municipal Purpose Loan of 2013 Bonds, payable on November 15 in the years and amounts as follows:

<u>Due November 15</u>	<u>Principal Amount</u>	<u>Due November 15</u>	<u>Principal Amount</u>
2014	\$ 793,000	2019	\$ 540,000
2015	750,000	2020	520,000
2016	725,000	2021	510,000
2017	710,000	2022	505,000
2018	695,000	2023	500,000

The Bonds will be dated as of their delivery date. Principal of the Bonds will be payable on November 15 of the years in which the Bonds mature as shown above. Interest on the Bonds will be payable semiannually on May 15 and November 15, commencing May 15, 2014.

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with the exception of three \$1,000 denominations maturing November 15, 2014, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to DTC participants will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company and their legality will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

Bidding Parameters

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. **No bid of less than par plus a premium of at least \$60,000 will be accepted.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date of the Bonds, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

Bids for the Bonds must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Debra M. Blanchette, Treasurer, Town of Barnstable, Massachusetts c/o First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400 at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to First Southwest Company by not later than 12:00 Noon on the date of sale. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner; or
- (b) Electronically via *Parity* in accordance with this Notice of Sale. To the extent any instructions or directions set forth in *Parity* conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about *Parity*, potential bidders may contact the Financial Advisor to the Town, or Dealcomp at 395 Hudson Street, New York, New York 10014, telephone (212) 404-8102.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Town Manager.

The right is reserved to reject any or all proposals and to reject any proposal not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

It shall be a condition of the successful bidder's obligation to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefore, it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, substantially in the form presented in Appendix C to the Preliminary Official Statement dated November 6, 2013 with respect to the Bonds, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment therefore, to the effect that there is no litigation pending, or to the knowledge of the signer or signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate substantially in the form presented in Appendix D of the Preliminary Official Statement.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of November 13, 2013 (the "Sale Date"), the Purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

The Town has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefore, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard and Poor's Rating Group for the rating on the Bonds. Any such fee paid to Standard and Poor's Rating Group would be borne by the Town.

Additional information concerning the Town of Barnstable and the Bonds is contained in the Preliminary Official Statement dated November 6, 2013, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. The Preliminary Official Statement is deemed final by the Town as of its date for purposes of SEC Rule 15c2-12(b)(1) except for the omission of the reoffering price(s), interest rate(s), delivery date, any other terms of the Bonds depending on such matters, and the identity of the underwriter(s), but is subject to change without notice and to completion or amendment in a Final Official Statement.

Copies of the Preliminary Official Statement and a suggested form of proposal of the Bonds may be obtained from First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (telephone: (617) 619-4400). Within 7 business days following award of the Bonds and receipt of the necessary information from the successful bidder, 50 copies of the Final Official Statement will be available to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided to the successful bidder to a maximum of one per \$100,000 of par amount purchased.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds, in definitive form, will be delivered to DTC or its custodial agent on or about November 22, 2013 against payment to the Town in federal reserve funds.

TOWN OF BARNSTABLE, MASSACHUSETTS
/s/ Ms. Debra M. Blanchette, Treasurer

November 6, 2013

OFFICIAL STATEMENT

TOWN OF BARNSTABLE, MASSACHUSETTS

\$6,248,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2013 BONDS

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Barnstable, Massachusetts (the "Town") in connection with the sale of its \$6,248,000 General Obligation Municipal Purpose Loan of 2013 Bonds, referred to herein as the "Bonds". The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

The Bonds are being offered for sale at public bidding on Wednesday, November 13, 2013, and a Notice of Sale dated November 6, 2013 has been furnished to prospective bidders. Reference is hereby made to the Notice of Sale for the terms and conditions of bidding.

The Bonds will be general obligations of the Town, for which its full faith and credit are pledged. Their payment is not limited to a particular fund or revenue source. For details, see "THE BONDS - Security and Remedies," below.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on May 15 and November 15 of each year until maturity, commencing May 15, 2014, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated November 6, 2013. The Bonds shall mature on November 15 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof, with the exception of three \$1,000 denominations maturing November 15, 2014. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal of and interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

Record Date

The record date for each payment of interest is the last day of the month preceding the interest payment date (the "Record Date"), provided that if such date is not a business day, the Record Date shall be the next succeeding business day, and further, provided that with respect to overdue interest or interest on any overdue amount, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the bondholders at least ten (10) days before the special record date.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it, DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Rating

Standard & Poor's Rating Group has assigned a rating of AAA to the Bonds. Said rating reflects only the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Authorization of the Bonds and Use of Proceeds

The following table sets forth the principal amounts, purposes, amounts authorized, statutory references and dates of approval, for the current offering of Bonds.

<u>This Issue</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>M.G.L. Chapter Reference</u>	<u>Loan Order Number</u>	<u>Date of Authorization</u>
\$ 600,000	School Roof Repairs	\$ 600,000	Ch. 44, s. 7(3A)	2013-106	4/4/2013
450,000	High School Library AC Unit Replacements	450,000	Ch. 44, s. 7(9)	2013-106	4/4/2013
200,000	School Fire, Intrusion & Communication System	200,000	Ch. 44, s. 7(14)	2013-106	4/4/2013
189,000	School Computer Network Infrastructure	189,000	Ch. 44, s. 7(28)	2013-106	4/4/2013
100,000	Intermediate School Roof & Façade Design	100,000	Ch. 44, s. 7(22)	2013-106	4/4/2013
85,000	School Hot Water Pump Replacement	85,000	Ch. 44, s. 7(9)	2013-106	4/4/2013
55,000	School Gym Bleacher Upgrades	55,000	Ch. 44, s. 7(9)	2013-106	4/4/2013
150,000	School Grounds Maintenance Equipment	150,000	Ch. 44, s. 7(9)	2013-107	4/4/2013
110,000	School Kitchen Equipment	110,000	Ch. 44, s. 7(9)	2013-107	4/4/2013
633,000	Private Road Repairs	633,000	Ch. 44, s. 7 & Ch. 174 of the Acts of 1994	2013-066	2/7/2013
230,000	Water Quality Evaluation	230,000	Ch. 44, s. 8(3A)	2013-114	4/4/2013
70,000	Sewer Expansion Analysis	70,000	Ch. 44, s. 7(22)	2013-114	4/4/2013
190,000	Sidewalk Overlays	190,000	Ch. 44, s. 7(6)	2013-115	4/4/2013
120,000	Bumps River Bridge Repairs	120,000	Ch. 44, s. 7(4)	2013-115	4/4/2013
60,000	Guardrail Replacements	60,000	Ch. 44, s. 7(9)	2013-115	4/4/2013
500,000	Tennis Courts	500,000	Ch. 44, s. 7(23)	2013-116	4/4/2013
263,000	US Customs House Upgrades	263,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
200,000	Osterville Community Building Upgrades	200,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
168,000	Police Station Upgrades	168,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
150,000	Town Hall Interior Upgrades	150,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
148,000	Guyer Barn Upgrades	148,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
131,000	Marine & Environmental Affairs Facility Upgrades	131,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
115,000	Beach Facility Design	115,000	Ch. 44, s. 7(22)	2013-116	4/4/2013
114,000	Pearl Street Building Upgrades	114,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
103,000	Structures & Grounds Facility Roof Upgrades	103,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
101,000	Lombard Parking & Ball Field Improvement Design	101,000	Ch. 44, s. 7(22)	2013-116	4/4/2013
72,000	West Barnstable Community Building Interior Improvements	72,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
66,000	Highway Operations Facility Design & Construction	66,000	Ch. 44, s. 7(3A)	2013-116	4/4/2013
600,000	East Bay Dredging	600,000	Ch. 44, s. 7(17A)	2013-117	4/4/2013
142,000	Hyannis Harbor Bulkhead Construction	142,000	Ch. 44, s. 7(33)	2013-117	4/4/2013
133,000	Millway Boat Ramp & Dock Upgrades	133,000	Ch. 44, s. 7(25)	2013-117	4/4/2013
<u>\$ 6,248,000</u>					

Principal Payments by Purpose

<u>Year</u>	<u>School</u>	<u>General</u>	<u>Total</u>
2014	\$ 259,000	\$ 534,000	\$ 793,000
2015	250,000	500,000	750,000
2016	240,000	485,000	725,000
2017	240,000	470,000	710,000
2018	240,000	455,000	695,000
2019	145,000	395,000	540,000
2020	145,000	375,000	520,000
2021	140,000	370,000	510,000
2022	140,000	365,000	505,000
2023	140,000	360,000	500,000
Totals	<u>\$ 1,939,000</u>	<u>\$ 4,309,000</u>	<u>\$ 6,248,000</u>

Opinion of Bond Counsel

The purchaser of the Bonds will be furnished, without cost, the legal opinion of the firm of Edwards Wildman Palmer LLP, of Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The proposed form of legal opinion is included herein as Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel are not passing upon and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Tax Exemption

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any

pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Types of Obligations- Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "Use of State Distributions to Pay Debt Service" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for and all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" under (See "Types of Obligation - *Serial Bonds and Notes*" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not currently authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Bank Qualification

The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. Other than the Town, there are no other obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and is incorporated by reference in the Bonds. **The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**

TOWN OF BARNSTABLE, MASSACHUSETTS

General

The Town was incorporated in 1639 and is located in the center of Cape Cod. The land area covers 62.05 square miles including 100 miles of shoreline and 55 freshwater ponds. The Town is comprised of seven villages: Hyannis, Osterville, Centerville, Cotuit, Barnstable, Marstons Mills, and West Barnstable. The Town spans the width of Cape Cod from the north to south and is bordered by the Towns of Mashpee and Sandwich to the west and Yarmouth to the east. The Town serves as the seat of Barnstable County government and the Village of Hyannis serves as the seat of town government.

Municipal Services

The Town provides general governmental services within its boundaries including public education in grades kindergarten through twelve, police protection, collection and treatment of sewage in certain sections, public works, streets, parks and recreation, public beaches and a municipal airport. The public water supply is provided by special districts (the Barnstable Fire District, the Cotuit Fire District, the Centerville-Osterville-Marstons Mills Fire District and the Village of Hyannis is serviced by the Town). The districts are special purpose units of government and collectively, service 96% of the residents while the remainder makes use of private onsite wells. Fire protection is provided by the above named districts and the West Barnstable Fire District and the Hyannis Fire District. The districts are special governmental units and are not part of the municipal structure. However, the Town does serve as collecting agent for taxes levied by these entities and transfers the funds directly to the districts.

The Cape Cod Regional Technical High School District provides education in grades nine through twelve. The Cape Cod Regional Transit Authority provides limited bus service within the Town. The Barnstable Housing Authority provides housing for eligible low income families and elderly and handicapped persons.

The principal services provided by Barnstable County are space for courts, a jail and house of correction and a registry of deeds. Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999, and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the State Treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

Governing Bodies and Officers

The Town is governed by the Council-Manager form of government with an elected thirteen member Town Council and a council-appointed Town Manager. Council terms are staggered for two and four year terms from thirteen precincts on a nonpartisan basis. Subject to the legislative decisions made by the Town Council, administrative authority is vested in the Town Manager. The Town Manager supervises and directs the administration of all municipal departments except for the School Department and the Barnstable Airport.

Local school affairs are administered by an elected school committee of five persons.

The municipal airport is governed by an eight member Airport Commission appointed by the Town Council with staggered three year terms. Administrative duties of the airport are executed by an airport manager.

Local taxes are assessed by a council appointed Board of Assessors who serves a three year staggered term.

Organization

The Town is organized in accordance with its Home Rule Charter which was adopted in the spring of 1989. The Charter outlines provisions for incorporation, the legislative branch, elected town offices, the Town Manager, administrative organization, financial procedures, nominations and elections and citizen relief mechanisms.

The Town is administratively organized through an administrative code ordinance into six departments reporting to the Town Manager and two elected officer departments. Staff departments include: Growth Management and Administrative Services. The elective offices of Town Clerk and Town Collector liaison with the Administrative Services department. Operational departments include: Department of Public Works, Regulatory Services Department, Police, and Department of Community Services. The Administrative Services department incorporates consolidated financial management of accounting, assessing and treasury, including school finance and personnel management.

The administrative code ordinance describes the responsibilities and relationships of all elective officers, all multiple member boards, and all administrative agencies; it further defines legislative policy on financial management, communications, ethics, fleet services, insurance, investment, information systems, personnel, procurement, trust fund management, volunteer services and property management. Administrative procedures are promulgated by the Town Manager to implement the legislative policy in each of these areas.

Financial and Management Systems

The Town annually prepares and updates a ten year financial forecast and five year capital improvement plan. The Town annually prepares and presents an annual operating budget. These documents are prepared by the Town Manager and submitted to the Town Council for adoption. The Town Council annually establishes financial policies which guide the preparation of the capital and operating budget plan.

The ten year forecast, submitted in the fall of each year, is a comprehensive review of economic trends on a local, regional and national basis; and it analyzes major municipal fund projections based upon service program assumptions. Based upon these projections and analyses, the forecast establishes a focal point each fall for the Town Council to establish a series of revenue and expenditure policies which guide in the formation of the capital and operating budget.

The five year capital improvement plan, submitted in the spring of each year, comprehensively identifies municipal infrastructure and improvement needs, by detailing on a project basis, project description, cost, potential source(s) of funding, priority need, impact upon the operating budget and ongoing capital maintenance costs. The plan is funded annually by the Town Council adopting a funding strategy for the first year of each plan. The annual update allows decision makers and voters the opportunity to regularly analyze and decide upon priority project funding.

The annual operating budget submitted in the spring of each year, follows a program management format which details source and use recommendations for all funds, details departmental missions, goals, objectives and annual work plans and details performance measurement and financial management criteria for each budget cycle. The budget maintains consistency with the Town Council's financial management standards, policies and strategic plan. The budget fund sources include the general fund, comprised of revenues from the property tax, auto, boat and hotel tax, user fee receipts, grants in aid, trust income and miscellaneous program income; and seven enterprise funds for the municipal airport, the golf course, the water pollution control facility, the solid waste program, the newly acquired water company servicing the village of Hyannis, town marinas, and Sandy Neck recreational area. These funds are entirely self supporting through user based charges.

The Town annually conducts a comprehensive cost of service analysis, the product of which describes all the services provided by the Town and their total direct and indirect cost. The Town utilizes the information produced from this analysis to annually update its legislative policy of user fee recovery percentage and concomitant fee assessments for a variety of licenses, permits and recreational programs issued or delivered by the Town's staff and operating agencies. The analysis also is utilized to provide data for use in the performance management system.

The Town has fully implemented a performance management system consistent with the Governmental Accounting Service Bureau standards for Service Effort and Accomplishment Reporting. This process enables measurement of service effectiveness in use of financial resources and focuses upon results oriented management processes. The Town has implemented a continuous quality improvement program to complement the performance management system. The Town consolidated town wide financial management, including the school department, in an effort to provide accountability, trust and transparency of all of its operations to the public.

These management system improvements complement the Town's customer driven principles of service delivery and are expected to provide the Town with additional ability to continue its aggressive approach toward effective service delivery to its residents and constituents.

Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Term</u>	<u>Term Expiration</u>
Town Manager	Thomas Lynch	Appointed	6/30/2014
Finance Director/ Town Accountant	Mark A. Milne	Appointed	7/1/2018
Treasurer	Debra Blanchette	Appointed	Indefinite
Tax Collector	Maureen E. Niemi	Elected	November 2015
Town Clerk	Ann Quirk	Appointed	November 2014
Town Attorney	Ruth J. Weil	Appointed	Indefinite
Assessors	William T. Garreffo	Appointed	6/30/2015
	Jeremy Gilmore	Appointed	6/30/2014
	Andrew Machado	Appointed	6/30/2016
Airport Manager	Roland Breault	Appointed	2/28/2015

Principal Town Assets

The maintenance and renovation of the Town's inventory of buildings and facilities and the construction of new ones are all covered by a facilities plan that is funded and updated on an annual basis. General Town assets include schools and associated land and many acres of land for recreational purposes, including a six mile long barrier beach known as Sandy Neck which is operated at no net cost to the Town.

The following table lists the current inventory of municipal assets along with their assessed valuations for fiscal 2014.

<u>Fixed Assets</u>	2014 <u>Assessed Valuation</u>
General:	
Schools	\$ 134,769,000
Town Landings	13,079,000
Beaches	87,036,900
Cemeteries	12,061,200
Conservation	158,995,200
Parks and Recreation	35,564,200
Airport Facilities	129,565,300
Municipal (1)	149,823,400
Barnstable Water Company (2)	8,034,200
TOTAL	<u>\$ 728,928,400</u>

(1) Includes Police Facility, Skating Rink, Sewer Treatment Facility, Department of Public Works, Golf Course, Open Space and Land Bank.

(2) The Barnstable Water Company serves the Village of Hyannis and was acquired by the Town in May 2005 from a private company.

Barnstable Municipal Airport

Listed below are some statistical facts about Barnstable Airport for 2013.

Acres	683
Miles of Runway	2 (5,425 and 5,252 feet, respectively)
Passenger Terminals	1
Commuter Carriers	2
Passengers per Year (1)	95,717
Takeoffs and Landings per Year (2)	104,149
Valuation	\$129,565,300

(1) Certified FAA calendar year 2012 information

(2) FAA contract tower reported airport operations for calendar year 2012.

Employment and Payrolls

Industry	Calendar Year Average				
	2008	2009	2010	2011	2012
Construction	1,428	1,112	985	1,019	1,042
Manufacturing	535	533	586	620	621
Trade, Transportation and Utilities	6,895	6,413	6,442	6,495	6,705
Information	682	6,652	642	608	589
Financial Activities	1,047	975	982	973	963
Professional and Business Services	1,824	1,617	1,620	1,595	1,633
Education and Health Services	7,799	7,915	8,017	7,921	8,257
Leisure and Hospitality	4,134	4,018	4,055	4,021	4,173
Total Employment	24,344	29,235	23,329	23,252	23,983
Number of Establishments	2,244	2,204	2,256	2,241	2,178
Average Weekly Wages	\$ 783	\$ 783	\$ 794	\$ 819	\$ 830
Total Wages	\$ 1,103,089,124	\$ 1,056,877,399	\$ 1,077,896,440	\$ 1,108,219,491	\$ 1,158,701,714

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor recently began using the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Economic Development

The following table sets forth the largest employers in the Town of Barnstable.

Largest Employers

<u>Name</u>	<u>Product/Function</u>	<u>Approximate Number of Employees</u>
Cape Cod Health Care, Inc.	Hospital	2,400
Town of Barnstable	Municipal Government	1,284 (1)
Cape Cod Times (Dow Jones Local Media Group)	Newspaper	289
Cape Air/Nantucket Airline	Airline	248
Cape Codder Resort & Spa	Hotel	230
Barnstable County	County Government	224
Cape Cod Community College	Education	221
Macy's (2 stores)	Retail Sales-General	210
Sears	Retail Store	173
Stop & Shop - Marstons Mills	Grocers - Retail	161
Super Stop and Shop - Hyannis	Grocers-Retail	148
Sencorp, Inc.	Manufacturing	143
Cape Cod Potato Chips	Food Processor	107
Star Market West Main	Grocers-Retail	105
Star Market (Rt. 132)	Grocers-Retail	102
Sheraton Hyannis Resort	Hotel	65

(1) Full and part-time employees.

SOURCE: The employer listed.

Labor Force, Employment and Unemployment Rates

According to the Massachusetts Department of Employment and Training preliminary data, in August 2013, the Town had a labor force of 29,411 of which 27,835 were employed and 1,576 or 5.4% were unemployed as compared with 6.8% for the Commonwealth. The following table sets forth the trend in the Town's average labor force and unemployment rates and the unemployment rates for Barnstable County and the Commonwealth as a whole for the same period.

Unemployment Rates

Calendar Year	Town of Barnstable			Barnstable County	Massachusetts
	Labor Force	Employment	Unemployment Rate	Unemployment Rate	Unemployment Rate
2012	26,327	24,579	6.6 %	7.4 %	6.7 %
2011	26,110	24,195	7.3	8.2	7.4
2010	26,647	24,443	8.3	9.2	8.5
2009	26,663	24,513	8.1	8.7	8.4
2008	26,419	25,075	5.1	5.8	5.3

Source: Massachusetts Department of Employment and Training. Data based upon place of residence, not place of employment. Monthly data is unadjusted.

Building Permits

The following table sets forth the trend in the number of building permits issued and the estimated dollar values for residential and non-residential construction.

Calendar Year	Residential (1)		Non-Residential (1)		Totals	
	Number	Estimated Value	Number	Estimated Value	Number	Estimated Value
2013 (2)	2,311	\$ 78,046,031	308	\$ 38,719,807	2,619	\$ 116,765,838
2012	2,582	70,190,876	365	22,332,725	2,947	92,523,601
2011	2,298	70,697,604	422	59,353,634	2,720	130,051,238
2010	2,318	53,425,589	384	37,652,154	2,702	91,077,743
2009	1,932	45,701,693	312	20,225,510	2,244	65,927,203

(1) Source: Town of Barnstable, Building Division.

(2) Through October 15, 2013.

School Facilities

The Town presently maintains eight school buildings with a combined capacity of 6,585 students. Enrollment as of October 2013 was 5,118, which represents approximately 78% capacity.

<u>School</u>	<u>Grades</u>	<u>Date Built</u>	<u>Remodeled</u>	<u>Capacity</u>	<u>Enrollment (1)</u>
Barnstable & West Barnstable	K-3	1957	1984	310	271
Centerville	Pre K-3	1953		570	261
BCHMCPS	K-3	1951		525	286
Hyannis West	K-3	1963		480	336
West Villages	Pre K-3	1989		500	447
BHMCS	4 & 5	1994		900	804
Middle School	6 & 7	1976	2000	900	778
High School	8-12	1957	1960, 1976, 1998	2,400	1,935
TOTAL				6,585	5,118 (2)

(1) As of October 2013.

(2) Excludes Cape Cod Regional Technical High School District.

Public School Enrollments – October 1 (Barnstable Students Only)

	Actual				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Elementary (K-3)	2,877	2,736	1,675	1,603	1,653
Horace Mann Charter School (4-5)	N.A.	822	812	798	768
Middle School (6-7)	838	806	773	775	763
High School (8-12)	1,819	1,713	2,082	1,944	1,908
	<u>5,534</u>	<u>6,077</u>	<u>5,342</u>	<u>5,120</u>	<u>5,092</u>
Sturgis Charter School	80	156	116	143	153
Cape Cod Regional Technical High School	185	255	156	176	168
TOTALS	<u>5,799</u>	<u>6,488</u>	<u>5,614</u>	<u>5,439</u>	<u>5,413</u>

SOURCE: Superintendent of Schools – Barnstable Public School, Cape Cod Regional Technical High School and Sturgis School.

Population, Income and Wealth Levels

The following table compares the Federal Bureau of the Census figures to prior years' averages for Barnstable, Barnstable County, and the Commonwealth.

	Income and Population		
	<u>Barnstable</u>	<u>Barnstable County</u>	<u>Massachusetts</u>
Median Age			
2011 5-year estimates	47.0	49.4	38.9
2000	42.3	44.6	36.5
1990	38.1	39.5	33.6
1980	36.4	37.7	31.2
Median Family Income			
2011 5-year estimates	\$75,620	\$76,708	\$83,371
2000	54,026	54,728	61,664
1990	40,299	38,117	44,367
1980	19,208	18,314	21,166
Per Capita Income			
2011 5-year estimates	\$36,121	\$36,000	\$35,051
2000	25,554	25,318	25,952
1990	17,376	16,402	17,224
1980	7,539	7,428	7,459

SOURCE: Federal Bureau of the Census.

On the basis of 2010 federal census, the Town has a population density of 752 persons per square mile. The following table sets forth the trend in the year-round population of the Town of Barnstable. The Town's summer population is estimated to average approximately 120,000.

	Population Trends			
	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
	45,193	47,821	40,949	30,898

SOURCE: Federal Bureau of the Census.

PROPERTY TAX

Tax Levy Computation

The principal general fund revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (See "Taxation to Meet Deficits").

The following table illustrates the manner in which the tax levy was determined for the current and last four fiscal years.

Tax Levy Computation

	Fiscal Year				Estimated (5)
	2010	2011	2012	2013	2014
Gross Amount to be raised:					
Appropriations (1)	\$ 154,117,504	\$ 156,720,798	\$ 163,298,418	\$ 160,655,649	\$ 166,901,387
Other Local Expenditures	1,192,081	1,056,683	1,523,511	551,519	2,182,907
State & County Charges	5,775,451	5,843,024	6,310,234	6,672,617	7,200,080
Overlay Reserve	1,089,775	1,676,671	1,494,713	1,528,524	1,400,000
Total	<u>\$ 162,174,811</u>	<u>\$ 165,297,176</u>	<u>\$ 172,626,876</u>	<u>\$ 169,408,309</u>	<u>\$ 177,684,374</u>
Less:					
Estimated State Aid (2)	\$ 14,342,801	\$ 13,812,868	\$ 14,081,183	\$ 14,471,546	\$ 15,199,026
Local	43,734,247	43,539,206	47,769,360	46,028,004	43,084,590
Available Funds (3)					
Free Cash	2,271,904	1,080,758	3,195,000	687,330	9,806,836
Other	10,055,997	12,285,241	10,255,954	7,835,408	6,197,997
Total	<u>\$ 70,404,949</u>	<u>\$ 70,718,073</u>	<u>\$ 75,301,497</u>	<u>\$ 69,022,288</u>	<u>\$ 74,288,449</u>
Tax Levy (4)	<u>\$ 91,769,862</u>	<u>\$ 94,579,103</u>	<u>\$ 97,325,379</u>	<u>\$ 100,386,021</u>	<u>\$ 103,395,925</u>
Property Valuation	<u>\$ 13,360,218,025</u>	<u>\$ 12,987,343,865</u>	<u>\$ 12,825,115,470</u>	<u>\$ 12,721,413,515</u>	<u>\$ 12,600,000,000</u>
Tax Rate per \$1,000	<u>\$ 6.87</u>	<u>\$ 7.28</u>	<u>\$ 8.42</u>	<u>\$ 8.76</u>	<u>\$ 8.21</u>

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold (generally quarterly) payments pending receipt of State and County assessments. See "TOWN FINANCES- Revenues-State Aid."
- (3) Transfers from other available funds, including "Free Cash", are generally made as an offset to a particular appropriation item.
- (4) Excludes Land Bank surtax. See "PROPERTY TAXATION – Cape Cod Open Space Land Acquisition Excise Tax" below.
- (5) Subject to change.

Assessed Valuation and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

The Town underwent a professional revaluation in accordance with State law for use in setting the 2010 fiscal year tax rate and levy and most recently for fiscal 2013.

The following table sets forth the trend in the Town's assessed valuations (as of January 1 prior to the fiscal year indicated), tax rates and tax levies.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Average Tax Rate Per \$1,000 Property Valuation			Tax Levy
				Real Estate	Comm./Ind. Property	Personal Property	
2013 (1)	\$ 12,524,357,645	\$ 197,055,870	\$ 12,721,413,515	\$ 8.76	\$ 7.89	\$ 7.89	\$ 100,386,021
2012	12,628,178,180	196,937,290	12,825,115,470	8.42	7.59	7.59	97,325,379
2011	12,792,461,045	194,882,820	12,987,343,865	8.05	7.28	7.28	94,579,103
2010 (1)	13,183,865,045	176,352,980	13,360,218,025	7.77	6.87	6.87	91,769,862
2009	14,365,508,735	179,274,450	14,544,783,185	6.90	6.12	6.12	89,064,457

(1) Revaluation years.

Classification of Real and Personal Property

Type	Fiscal 2013 (1)		Fiscal 2012		Fiscal 2011	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 11,220,887,767	88.2 %	\$ 11,343,180,287	88.4 %	\$ 11,474,497,625	88.4 %
Commercial	1,223,179,078	9.6	1,205,426,293	9.4	1,235,696,120	9.5
Industrial	80,290,800	0.6	79,571,600	0.6	82,267,300	0.6
Personal	197,055,870	1.5	196,937,290	1.5	194,882,820	1.5
Total	\$ 12,721,413,515	100.0 %	\$ 12,825,115,470	100.0 %	\$ 12,987,343,865	100.0 %

(1) Revaluation year.

Largest Taxpayers

The following is a list of the largest taxpayers in the Town based upon assessed valuations for fiscal 2014.

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2014 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Mayflower Cape Cod LLC	Shopping Center	\$ 99,080,800	0.78 %
Nstar	Utility	79,663,190	0.57
National Grid	Utility	35,196,480	0.26
Individual	Various Residential	28,949,220	0.30
Verizon	Utility	28,321,440	0.30
Individual	Various Residential	25,854,100	0.21
Oyster Harbors Club Inc.	Country Club/Land	23,943,270	0.21
Festival of Hyannis LLC	Shopping Center	23,517,900	0.19
OCW Retail Hyannis LLC	Shopping Center	23,165,800	0.19
Cape Harbor Associates	Shopping Center	22,514,600	0.18
			<u>3.19 %</u>

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value." The following table sets forth the trend in equalized valuations of the Town.

<u>January 1,</u>	<u>State Equalized Valuations</u>
2012	\$ 13,864,305,700
2010	14,945,861,000
2008	16,142,285,200
2006	14,974,792,700
2004	11,747,239,700

Abatements and Overlay

The Town is authorized to set aside from each tax levy an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant "overlay deficit" is required to be added to the next tax levy. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table sets forth the amount of the overlay reserve for each of the last five fiscal years and actual abatements granted during the fiscal year against each levy and through June 30, 2013.

<u>Fiscal Year</u>	<u>Gross Tax Levy (1)</u>	<u>Overlay Reserve</u>		<u>Abatements Granted During Fiscal Year of Levy</u>	<u>Abatements Granted Through June 30, 2013</u>
		<u>Dollar Amount</u>	<u>As a % of Net Levy</u>		
2013	\$ 100,386,021	\$ 1,528,524	1.5 %	\$ 770,430	\$ 770,430
2012	97,325,379	1,494,713	1.5	745,946	752,733
2011	94,579,102	1,676,671	1.8	1,055,224	1,073,699
2010	91,769,862	1,089,775	1.2	1,095,738	1,223,512
2009	89,064,457	1,139,801	1.3	966,253	1,211,256

Tax Collections

The taxes for each fiscal year are due in four installments. Preliminary tax payments are due on August 1 and December 1 with payment of the actual tax bill (after credit is given for preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of a fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for each of the last five fiscal years.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of June 30, 2013 (1)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2013	\$ 100,386,021	\$ 1,528,524	\$ 98,857,497	\$ 96,403,147	97.5 %	\$ 96,403,147	97.5 %
2012	97,325,379	1,494,713	95,830,666	92,898,355	96.9	95,295,948	99.4
2011	94,579,103	1,676,671	92,902,432	89,189,575	96.0	92,895,379	100.0
2010	91,769,862	1,089,775	90,680,087	88,036,305	97.1	89,742,733	99.0
2009	89,064,457	1,139,801	87,924,656	86,057,818	97.9	87,489,568	99.5

(1) Actual dollar collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the land court.

Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus.

	June 30	Tax Titles	Tax Possessions (1)
2013		\$ 1,929,089	\$ 1,460,388
2012		2,524,604	1,460,388
2011		1,348,203	1,460,388
2010		696,876	1,460,388
2009		579,274	1,460,388

(1) The Town has not seen any foreclosures in the past 5 fiscal years.

Taxation to Meet Deficits

As noted elsewhere (see “Abatements and Overlay,” above) overlay deficits, i.e., tax abatement in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Tax Limitations. Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year’s valuation.

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality’s sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The following table sets forth the Town's tax levies and levy limits under Proposition 2 ½ for the last five fiscal years.

Unused Levy Capacity (1)

	For Fiscal Year				
	2009	2010	2011	2012	2013
Primary Levy Limit (2)	\$ 327,110,997	\$ 299,721,715	\$ 324,683,597	\$ 320,627,887	\$ 320,627,887
Prior Fiscal Year Levy Limit	83,305,745	86,265,093	89,040,527 (6)	91,966,048	94,853,893
2.5% Levy Growth	2,082,644	2,156,627	2,226,013	2,299,151	2,371,347
Current Fiscal Year New Growth (3)	876,704	618,549	699,508	588,694	757,411
Current Fiscal Year Override	-	-	-	-	-
Growth Levy Limit	86,265,093	89,040,269	91,966,048	94,853,893	97,982,651
Debt Exclusions	2,425,852	2,302,882	2,199,772	2,099,658	1,961,784
Other Adjustments	487,258	498,778	511,249	515,806	528,700
Tax Levy Limit	89,178,203	91,841,929	94,677,069	97,469,357	100,473,135
Tax Levy	89,064,457	91,769,862	94,579,103	97,325,379	100,386,021
Unused Levy Capacity (4)	\$ 113,746	\$ 72,067	\$ 97,967	\$ 143,978	\$ 87,114
Unused Primary Levy Capacity (5)	\$ 240,845,904	\$ 210,681,446	\$ 232,717,549	\$ 225,773,994	\$ 222,645,236

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations – certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

(6) Includes \$258 amended fiscal 2010 growth.

Pledged Taxes

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½ (see "Tax Limitations" above).

The Town currently has an agreement with F.W. Webb Company that was certified on March 25, 2009, whereby the project, when completed and fully operational, will transfer approximately 25 permanent full-time jobs from the Company's existing facility in Barnstable and create at least 10 new jobs during the next 5 years. The fiscal 2014 assessed valuation of the facility is \$4,675,300. The term of the TIF Plan and TIF Zone is 20 years, which began in fiscal 2010.

Cape Cod Open Space Land Acquisition Excise Tax

An excise tax of 3% of the real estate tax levy against real property is levied by the towns on Cape Cod that have accepted the Cape Cod Open Space Land Acquisition Program authorized by Chapter 293 of the Acts of 1998, as amended (the "Land Bank Act"). This levy is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 ½ (see "Property Tax Limitations" under "PROPERTY TAXATION" above). The proceeds of the excise tax, together with any state matching funds, are deposited in the Land Bank Fund held by each town and may be appropriated, upon the recommendation of the designated open space committee, for the purposes of acquiring land and interests in land for the protection of public drinking water supplies, open space and conservation and the creation of walking trails, bicycling trails and recreational areas. The Land Bank Act also authorized the issuance of bonds and notes for these purposes and the payment of debt service on such bonds and notes from amounts on deposit in the Land Bank Fund. Under the terms of the Land Bank Act, the excise tax expires on January 1, 2020.

The following table sets forth the Town's excise tax receipts under the Act for the last five fiscal years.

Fiscal Year	Land Bank Excise Tax Receipts
2013	\$ 2,959,276
2012	2,863,892
2011	2,733,634
2010	2,634,789
2009	2,588,282

Since fiscal 2000, the Town has received state matching funds aggregating \$15,794,542. As of June 30, 2013, the fund balance was approximately \$8.8 million, \$5.7 million of which is undesignated and \$3.1 million of which is designated for specific projects.

Pursuant to recent legislation, towns on Cape Cod that have adopted the Land Bank Act may, by vote of its legislative body and subsequent approval by the voters at a state or municipal election, replace its Cape Cod Open Space Land Acquisition Program with a Community Preservation Program. (See "COMMUNITY PRESERVATION ACT" below.) If any such town votes to adopt the Community Preservation Act (the "CPA") in place of the Land Bank Act, the 3% excise tax receipts previously deposited in the town's Land Bank Fund will be deposited in a Community Preservation Fund, together with state matching funds available under the CPA. The revenues in the Community Preservation Fund will be expended pursuant to recommendations of a community preservation committee not just for open space land acquisitions, but also for affordable housing, historic preservation and recreation purposes in accordance with the CPA. Notwithstanding the minimum spending requirements for each of such purposes imposed by the CPA described in "COMMUNITY PRESERVATION ACT" below, revenues deposited in the Community Preservation Fund under the CPA will be available to pay debt service on the portion of any bonds previously authorized by the town under the Land Bank Act. Although other municipalities may set the surcharge tax under the CPA at any rate up to 3% and may revoke its acceptance of the CPA at any time after 5 years from the date of such acceptance, towns on Cape Cod that adopt the CPA as a replacement for the Land Bank Act are required to maintain the surcharge rate at 3%, and may not revoke their acceptance of the CPA until fiscal year 2020.

The Town voted on November 2, 2004 to replace its Cape Cod Open Space Land Acquisition Program with a Community Preservation Program as described below. The Town's termination of the Cape Cod Open Space Land Acquisition Program and the commencement of the Community Preservation Program took effect on July 1, 2005.

Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA" or the "Community Preservation Act") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town of Barnstable adopted the Community Preservation Act (CPA) in 2004. The CPA allows for a surcharge of 3% on the tax assessment for real property which began in fiscal 2005. See above discussion under "Cape Cod Open Space Land Acquisition Excise Tax" for a summary of revenues and the Community Preservation Fund.

TOWN FINANCE

General Fund Budget Comparison

The following sets forth the allocation by purpose of the Town's approved budgets for fiscal years 2010 through 2014. The Town's budgets are prepared in a manner consistent with the method required by the State's Bureau of Accounts and are used by the Town in the formulation of its appropriations and the calculation of its property tax levy.

	2010	2011	2012	2013	2014
General Government	\$ 7,139,088	\$ 7,164,828	\$ 7,227,563	\$ 6,988,566	\$ 7,199,930
Police	11,413,905	11,404,968	11,758,549	11,178,649	11,601,168
Regulatory Services	2,351,783	2,285,769	2,458,332	2,515,246	2,585,679
Community Services/Recreation	2,539,565	2,601,879	2,618,544	2,529,990	2,670,058
Department of Public Works (1)	8,834,315	8,934,209	9,298,119	7,863,952	9,514,348
Schools	57,868,178	57,530,731	58,746,878	55,900,835	57,255,360
Libraries (2)	1,473,565	1,473,565	1,489,184	1,525,444	1,630,979
Debt Service	9,646,553	10,019,813	10,390,994	9,366,875	8,778,309
Capital Outlay (3)	6,725,000	6,725,000	10,492,250	13,996,125	7,224,528
Employee Benefits/Insurance	12,780,099	12,038,003	12,723,165	19,589,846	21,141,235
Overlay	1,089,775	1,676,671	1,494,713	1,528,524	1,472,000
Other	241,631	235,446	267,489	335,158	337,369
TOTAL LOCAL	\$ 122,103,457	\$ 122,090,882	\$ 128,965,780	\$ 133,319,210	\$ 131,410,963
ASSESSMENTS:					
Regional School Assessment	\$ 2,823,678	\$ 2,861,840	\$ 2,707,304	\$ 2,657,683	\$ 2,810,364
Commonwealth Charter School Assessment (3)	1,476,612	1,494,201	1,897,739	2,741,172	2,884,080
State & County Assessments	2,288,134	2,345,699	2,351,211	2,394,547	2,429,252
TOTAL ASSESSMENTS	\$ 6,588,424	\$ 6,701,740	\$ 6,956,254	\$ 7,793,402	\$ 8,123,696
TOTAL EXPENDITURES	\$ 128,691,881	\$ 128,792,622	\$ 135,922,034	\$ 141,112,612	\$ 139,534,659

- (1) The fiscal 2014 budget includes a \$1.4 million snow and ice deficit from fiscal 2013. The fiscal 2013 budget did not include a snow and ice deficit as there was none from the fiscal 2012 operations.
- (2) The fiscal year 2014 budget for the libraries was increased 7% so that it can continue to participate in the "State Aid to Libraries" program without having to file for a waiver.
- (3) The fiscal 2013 budget included a one-time transfer of \$7 million from general fund reserves to the capital trust fund.

Revenues

Property Taxes. Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION-Property Tax Limitation" above.

Room Occupancy Tax. Under this tax, local governments may tax the provision of hotel, motel and lodging house, and bed and breakfast rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town increased its levy from 4% to 6% effective October 1, 2010. Room occupancy tax collections in fiscal 2012 and fiscal 2013 totaled \$2,468,674 and \$2,537,046, respectively.

Local Options Meals Tax. On July 15, 2010, the Town adopted the local meals excise tax effective October 1, 2010. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. Local option meals tax collections in fiscal 2012 and fiscal 2013 totaled \$1,197,380 and \$1,255,113, respectively.

Federal Aid. The Town annually receives aid from the United States Government. The following are federal aid payments received for the last five fiscal years. The increases in 2010, 2011 and 2012 are mainly attributable to the receipt of ARRA funds. Fiscal 2013 receipts included approximately \$346,000 of ARRA funds. Fiscal 2013 also included \$2.7 million for the replacement of county-wide communications equipment for public safety operations. Barnstable was the pass through agency for this grant. These were not ARRA funds.

The following are the federal aid payments received for the last five fiscal years.

The following are the federal aid payments received for the last five fiscal years.

<u>Fiscal Year</u>	<u>Federal Aid</u>
2013	\$10,351,753
2012	10,472,166
2011	12,914,822
2010	9,777,131
2009	5,916,333

State Distributions

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State’s personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality’s state aid entitlement is based on a number of different formulas, of which the “schools” and “lottery” formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality’s state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

The following are the state aid payments received for the last five fiscal years.

<u>Fiscal Year</u>	<u>School Construction Aid</u>	<u>School Operating Aid</u>	<u>Other State Aid</u>	<u>Total State Aid</u>
2013	\$ 3,509,074	\$ 14,344,578	\$ 3,502,046	\$ 21,355,698
2012	3,509,074	11,842,243	17,180,192	32,531,509
2011	3,509,074	9,559,675	18,736,050	31,804,799
2010	3,509,075	11,005,467	7,411,883	21,926,425
2009	3,509,075	10,750,894	9,919,019	24,178,988

State School Building Assistance Program

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the “Authority”) to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Motor Vehicle Excise

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles.

Enterprise Funds

The Town maintains seven enterprise funds for the activities of the municipal airport, the golf course, the water pollution control facility, the solid waste program, the newly acquired water company serving the Village of Hyannis, town marinas, and Sandy Neck recreational area. See Appendix B for financial statements related to such funds.

Annual Audits

The Town's accounts were most recently audited for the fiscal year ended June 30, 2012, by Powers and Sullivan, Certified Public Accountants, a copy of which is attached as Appendix B. A similar audit report for the fiscal year ended June 30, 2013 is currently underway and is expected to be available in December 2013.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix B. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix B and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years 2012, 2011 and 2010 and Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2012 through 2008. Said financials were extracted from annual audited financial statements.

TOWN OF BARNSTABLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012 (1)

	General	Capital Projects	Highway Projects	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 16,887,912	\$ 13,635,379	\$ 406,636	\$ 8,715,851	\$ 14,991,418	\$ 54,637,196
Investments	22,369,177	-	-	-	10,371,183	32,740,360
Receivables, net of uncollectibles						
Real estate and personal property taxes	5,326,922	-	-	-	-	5,326,922
Tax liens	1,935,282	-	-	37,411	2,636	1,975,329
Motor vehicle and other excise taxes	1,168,118	-	-	-	-	1,168,118
Community preservation fund surtaxes	-	-	-	140,468	-	140,468
Departmental and other	273,542	-	-	-	-	273,542
Special assessments	-	-	-	-	754,517	754,517
Intergovernmental	23,619,162	1,558,457	5,226,739	798,927	496,318	31,699,603
Tax foreclosures	1,185,252	-	-	-	-	1,185,252
Other assets	6,025	-	-	-	-	6,025
Total Assets	\$ 72,771,392	\$ 15,193,836	\$ 5,633,375	\$ 9,692,657	\$ 26,616,072	\$ 129,907,332
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable	\$ 1,498,652	\$ 1,046,684	\$ 1,785	\$ 128,303	\$ 356,317	\$ 3,031,741
Accrued liabilities	379,690	-	-	-	-	379,690
Accrued payroll	7,877,027	10,462	-	1,165	226,031	8,114,685
Tax refunds payable	84,900	-	-	-	-	84,900
Liabilities due depositors	5,120	-	-	-	-	5,120
Other liabilities	11,818	-	-	-	-	11,818
Deferred revenues	29,511,886	-	5,226,739	976,806	757,153	36,472,584
Total Liabilities	39,369,093	1,057,146	5,228,524	1,106,274	1,339,501	48,100,538
FUND BALANCES:						
Nonspendable	-	-	-	-	10,467,992	10,467,992
Restricted	2,660,805	14,136,690	404,851	8,586,383	14,808,579	40,597,308
Assigned	2,007,306	-	-	-	-	2,007,306
Unassigned	28,734,188	-	-	-	-	28,734,188
Total Fund Balances	33,402,299	14,136,690	404,851	8,586,383	25,276,571	81,806,794
Total Liabilities and Fund Balances	\$ 72,771,392	\$ 15,193,836	\$ 5,633,375	\$ 9,692,657	\$ 26,616,072	\$ 129,907,332

(1) Extracted from annual audit.

TOWN OF BARNSTABLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011 (1)

	General	Capital Projects	Chapter 90 Highway Projects	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 12,696,078	\$ 18,251,405	\$ -	\$ 8,468,504	\$ 14,454,394	\$ 53,870,381
Investments	23,753,995	-	-	-	10,603,684	34,357,679
Receivables, net of uncollectibles						
Real estate and personal property taxes	6,568,598	-	-	-	-	6,568,598
Tax liens	1,010,991	-	-	17,850	1,335	1,030,176
Motor vehicle and other excise taxes	1,262,306	-	-	-	-	1,262,306
Community preservation fund surtaxes	-	-	-	171,814	-	171,814
Departmental and other	211,880	-	-	-	35,789	247,669
Special assessments	-	-	-	-	888,619	888,619
Intergovernmental	24,202,367	582,110	6,215,707	765,460	2,280	31,767,924
Tax foreclosures	1,185,252	-	-	-	-	1,185,252
Due from other funds	-	82,875	-	-	-	82,875
Other assets	594	-	-	-	-	594
Prepaid expenses	6,259	-	-	-	-	6,259
Total Assets	\$ 70,898,320	\$ 18,916,390	\$ 6,215,707	\$ 9,423,628	\$ 25,986,101	\$ 131,440,146
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable	\$ 581,636	\$ 266,409	\$ 6,882	\$ 206,381	\$ 153,066	\$ 1,214,374
Accrued liabilities	292,091	-	-	-	-	292,091
Accrued payroll	6,213,476	9,515	-	872	176,893	6,400,756
Tax refunds payable	105,600	-	-	-	-	105,600
Liabilities due depositors	9,351	-	-	-	-	9,351
Other liabilities	15,752	-	-	-	128,591	144,343
Deferred revenues	33,082,143	-	6,125,950	955,124	889,954	41,053,171
Due to other funds	-	-	82,875	-	-	82,875
Total Liabilities	40,300,049	275,924	6,215,707	1,162,377	1,348,504	49,302,561
FUND BALANCES:						
Nonspendable	-	-	-	-	10,326,319	10,326,319
Restricted	2,863,023	18,640,466	-	8,261,251	14,311,278	44,076,018
Assigned	6,122,506	-	-	-	-	6,122,506
Unassigned	21,612,742	-	-	-	-	21,612,742
Total Fund Balances	30,598,271	18,640,466	-	8,261,251	24,637,597	82,137,585
Total Liabilities and Fund Balances	\$ 70,898,320	\$ 18,916,390	\$ 6,215,707	\$ 9,423,628	\$ 25,986,101	\$ 131,440,146

(1) Extracted from annual audit.

TOWN OF BARNSTABLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010 (1)

	General	Municipal Purpose Stabilization	Pension Stabilization	Insurance Stabilization	Capital Projects	Chapter 90 Highway Projects	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 11,667,281	\$ 409,631	\$ 62,973	\$ 16,926	\$ 15,765,556	\$ -	\$ 10,085,261	\$ 12,644,322	\$ 50,651,950
Investments	10,816,367	11,228,386	2,720,630	663,239	-	-	-	9,670,724	35,099,346
Receivables, net of uncollectibles									
Real estate and personal property taxes	6,240,518	-	-	-	-	-	-	-	6,240,518
Tax liens	502,046	-	-	-	-	-	7,975	-	510,021
Motor vehicle and other excise taxes	1,149,913	-	-	-	-	-	-	-	1,149,913
Community preservation fund surtaxes	-	-	-	-	-	-	159,602	-	159,602
Departmental and other	307,784	-	-	-	-	-	-	2,149	309,933
Special assessments	-	-	-	-	-	-	-	636,485	636,485
Intergovernmental	26,375,815	-	-	-	1,060,584	6,741,037	760,719	414,520	35,352,675
Tax foreclosures	1,185,252	-	-	-	-	-	-	-	1,185,252
Due from other funds	-	-	-	-	78,221	-	-	-	78,221
Other assets	18,102	-	-	-	-	-	-	-	18,102
Total Assets	\$ 58,263,078	\$ 11,638,017	\$ 2,783,603	\$ 680,165	\$ 16,904,361	\$ 6,741,037	\$ 11,013,557	\$ 23,368,200	\$ 131,392,018
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Warrants payable	\$ 643,122	\$ -	\$ -	\$ -	\$ 328,310	\$ 320,197	\$ 1,529	\$ 207,176	\$ 1,500,334
Accrued liabilities	268,033	-	-	-	-	-	-	-	268,033
Accrued payroll	5,662,840	-	-	-	13,212	-	821	450,408	6,127,281
Tax refunds payable	235,000	-	-	-	-	-	-	-	235,000
Liabilities due depositors	12,501	-	-	-	-	-	-	-	12,501
Other liabilities	48,494	-	-	-	-	-	54	160,143	208,691
Deferred revenues	33,674,637	-	-	-	-	6,342,619	928,297	641,578	41,587,131
Due to other funds	-	-	-	-	-	78,221	-	-	78,221
Notes payable	-	-	-	-	725,000	-	-	-	725,000
Total Liabilities	40,544,627	-	-	-	1,066,522	6,741,037	930,701	1,459,305	50,742,192
FUND BALANCES:									
Reserved for:									
Encumbrances and continuing appropriations	2,816,525	-	-	-	-	-	-	-	2,816,525
Perpetual permanent funds	-	-	-	-	-	-	-	9,504,307	9,504,307
Unreserved:									
Designated for subsequent year's expenditures	954,758	-	-	-	-	-	-	-	954,758
Undesignated, reported in:									
General fund	13,947,168	-	-	-	-	-	-	-	13,947,168
Special revenue funds	-	11,638,017	2,783,603	680,165	-	-	10,082,856	11,382,078	36,566,719
Capital project funds	-	-	-	-	15,837,839	-	-	-	15,837,839
Permanent funds	-	-	-	-	-	-	-	1,022,510	1,022,510
Total Fund Balances	17,718,451	11,638,017	2,783,603	680,165	15,837,839	-	10,082,856	21,908,895	80,649,826
Total Liabilities and Fund Balances	\$ 58,263,078	\$ 11,638,017	\$ 2,783,603	\$ 680,165	\$ 16,904,361	\$ 6,741,037	\$ 11,013,557	\$ 23,368,200	\$ 131,392,018

(1) Extracted from annual audit.

TOWN OF BARNSTABLE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds and Similar Trust Funds
For the Fiscal Year Ended June 30, 2012 (1)

	General Fund	Capital Projects	Highway Projects	Community Preservation Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:						
Real estate and personal property taxes, net of tax refunds	97,818,235	\$ -	\$ -	\$ -	\$ -	\$ 97,818,235
Motor Vehicle and other excise taxes	5,510,517	-	-	-	-	5,510,517
Hotel/Motel tax	2,468,674	-	-	-	-	2,468,674
Meals tax	1,197,380	-	-	-	-	1,197,380
Charges for services	1,743,423	-	-	-	3,233,050	4,976,473
Penalties and interest on taxes	1,359,907	-	-	-	-	1,359,907
Fees and rentals	965,313	-	-	-	527,516	1,492,829
Licenses and permits	1,966,244	-	-	-	1,044,147	3,010,391
Intergovernmental	27,415,062	1,559,477	849,462	765,460	8,759,919	39,349,380
Department and other	757,460	-	-	-	225,247	982,707
Special assessments	231,285	-	-	-	114,535	345,820
Community preservation fund surtax	-	-	-	2,863,995	-	2,863,995
Contributions	-	-	-	-	296,185	296,185
Investment income	1,236,432	-	-	141,911	485,158	1,863,501
Miscellaneous	-	-	-	-	6,885	6,885
Total Revenues	142,669,932	1,559,477	849,462	3,771,366	14,692,642	163,542,879
Expenditures:						
Current:						
Town Council	309,303	-	-	-	-	309,303
Town Manager	596,044	-	-	-	-	596,044
Administrative Services	5,468,000	-	-	-	1,083,177	6,551,177
Growth Management	853,046	37,218	-	839,750	163,674	1,893,688
Public safety	11,814,200	563,675	-	-	950,228	13,328,103
Education	63,717,437	1,594,661	-	-	9,223,892	74,535,990
Public works	8,091,381	6,071,827	1,022,697	-	356,931	15,542,836
Community services	2,571,635	475,244	-	-	606,523	3,653,402
Regulatory services	2,381,963	332,413	-	-	545,152	3,259,528
Culture and recreation	1,695,154	-	-	-	352,796	2,047,950
Pension benefits	17,683,703	-	-	-	-	17,683,703
Property and liability insurance	1,312,879	-	-	-	-	1,312,879
Employee benefits	2,196,548	-	-	-	-	2,196,548
Other assessments	375,478	-	-	-	-	375,478
State and county charges	6,443,074	-	-	-	-	6,443,074
Debt service:						
Principal	7,954,569	-	-	1,927,000	50,420	9,931,989
Interest	2,551,658	-	-	739,299	-	3,290,957
Total Expenditures	136,016,072	9,075,038	1,022,697	3,506,049	13,332,793	162,952,649
Excess (deficiency) of revenues over/under expenditures	6,653,860	(7,515,561)	(173,235)	265,317	1,359,849	590,230
Other Financing Sources (Uses):						
Issuance of refunding bonds	10,037,900	-	-	-	-	10,037,900
Premium from issuance of bonds and notes	30,765	-	-	-	-	30,765
Premium from issuance of refunding bonds	966,394	-	-	-	-	966,394
Payments to refunded bonds escrow agent	(10,871,591)	-	-	-	-	(10,871,591)
Transfers in	2,596,479	3,604,000	578,086	59,815	176,672	7,015,052
Transfers out	(6,609,779)	(592,215)	-	-	(897,547)	(8,099,541)
Total Other Financing Sources (Uses)	(3,849,832)	3,011,785	578,086	59,815	(720,875)	(921,021)
Net change in fund balance	2,804,028	(4,503,776)	404,851	325,132	638,974	(330,791)
Fund Balance Beginning of Year, As Revised	30,598,271	18,640,466	-	8,261,251	24,637,597	82,137,585
Fund Balance end of Year	\$ 33,402,299	\$ 14,136,690	\$ 404,851	\$ 8,586,383	\$ 25,276,571	\$ 81,806,794

(1) Extracted from annual audit.

TOWN OF BARNSTABLE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds and Similar Trust Funds
For the Fiscal Year Ended June 30, 2011 (1)

	General Fund	Capital Projects	Chapter 90 Highway Projects	Community Preservation Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:						
Real estate and personal property taxes net of refunds	92,202,438	\$ -	\$ -	\$ -	\$ -	\$ 92,202,438
Motor Vehicle and other excise taxes	5,938,937	-	-	-	-	5,938,937
Hotel/Motel tax	1,739,536	-	-	-	-	1,739,536
Meals tax	490,193	-	-	-	-	490,193
Charges for services	1,808,987	-	-	-	3,259,127	5,068,114
Penalties and interest on taxes	1,199,934	-	-	-	-	1,199,934
Fees and rentals	969,806	-	-	-	482,696	1,452,502
Licenses and permits	1,705,550	-	-	-	1,149,734	2,855,284
Intergovernmental	24,950,532	114,643	2,221,549	761,229	9,496,447	37,544,400
Department and other	619,887	-	-	-	474,030	1,093,917
Special assessments	107,722	-	-	-	197,299	305,021
Community preservation fund surtax	-	-	-	2,734,079	-	2,734,079
Contributions	-	-	-	500	296,781	297,281
Investment income	1,729,384	-	-	203,280	1,489,717	3,422,381
Miscellaneous	-	453,411	-	-	6,605	460,016
Total Revenues	133,462,906	568,054	2,221,549	3,699,088	16,852,436	156,804,033
Expenditures:						
Current:						
Town Council	315,151	-	-	-	-	315,151
Town Manager	540,036	-	-	-	-	540,036
Administrative Services	5,078,993	-	-	-	1,386,271	6,465,264
Growth Management	917,501	94,682	-	2,752,242	65,237	3,829,662
Public safety	11,423,950	134,187	-	-	682,877	12,241,014
Education	61,354,543	3,019,225	-	-	10,268,684	74,642,452
Public works	8,733,319	4,325,240	-	-	121,858	13,180,417
Community services	2,502,152	243,696	-	-	957,957	3,703,805
Regulatory services	2,217,216	284,688	2,221,549	-	469,529	5,192,982
Culture and recreation	1,673,945	-	-	-	-	1,673,945
Pension benefits	16,380,911	-	-	-	-	16,380,911
Property and liability insurance	1,281,890	-	-	-	-	1,281,890
Employee benefits	2,572,731	-	-	-	-	2,572,731
Other assessments	423,836	-	-	-	-	423,836
State and county charges	5,864,464	-	-	-	-	5,864,464
Debt service:						
Principal	7,461,399	10,000	-	1,882,520	50,420	9,404,339
Interest	2,415,106	4,044	-	885,931	-	3,305,081
Total Expenditures	131,157,143	8,115,762	2,221,549	5,520,693	14,002,833	161,017,980
Excess (deficiency) of revenues over/under expenditures	2,305,763	(7,547,708)	-	(1,821,605)	2,849,603	(4,213,947)
Other Financing Sources (Uses):						
Issuance of bonds and notes	-	7,535,000	-	-	-	7,535,000
Issuance of refunding bonds	8,641,000	-	-	-	-	8,641,000
Premium from issuance of bonds	360,689	-	-	-	-	360,689
Premium from issuance of refunding bonds	641,187	-	-	-	-	641,187
Payments to refunded bonds escrow agent	(9,282,187)	-	-	-	-	(9,282,187)
Transfers in	2,482,911	3,345,000	-	-	1,026,723	6,854,634
Transfers out	(7,371,328)	(529,665)	-	-	(1,147,624)	(9,048,617)
Total Other Financing Sources (Uses)	(4,527,728)	10,350,335	-	-	(120,901)	5,701,706
Net change in fund balance	(2,221,965)	2,802,627	-	(1,821,605)	2,728,702	1,487,759
Fund Balance Beginning of Year, As Revised	32,820,236	15,837,839	-	10,082,856	21,908,895	80,649,826
Fund Balance end of Year	\$ 30,598,271	\$ 18,640,466	\$ -	\$ 8,261,251	\$ 24,637,597	\$ 82,137,585

(1) Extracted from annual audit.

TOWN OF BARNSTABLE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds and Similar Trust Funds
For the Fiscal Year Ended June 30, 2010(1)

	General Fund	Municipal Purpose Stabilization	Pension Stabilization	Insurance Stabilization	Capital Projects	Chapter 90 Highway Projects	Community Preservation Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:									
Real estate and personal property taxes net of refunds	89,592,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,592,295
Motor Vehicle and other excise taxes	5,249,626	-	-	-	-	-	-	-	5,249,626
Hotel/Motel tax	1,481,471	-	-	-	-	-	-	-	1,481,471
Charges for services	1,528,746	-	-	-	-	-	-	3,279,625	4,808,371
Penalties and interest on taxes	1,070,307	-	-	-	-	-	-	-	1,070,307
Fees and rentals	929,313	-	-	-	-	-	-	270,175	1,199,488
Licenses and permits	1,606,421	-	-	-	-	-	-	524,965	2,131,386
Intergovernmental	24,491,472	-	-	-	174,075	998,815	1,102,052	9,856,544	36,622,958
Department and other	693,298	-	-	-	-	-	-	544,798	1,238,096
Special assessments	97,197	-	-	-	-	-	-	123,072	220,269
Community preservation fund surtax	-	-	-	-	-	-	2,651,234	-	2,651,234
Contributions	-	-	-	-	-	-	-	123,891	123,891
Investment income	1,796,159	623,736	309,166	35,867	-	-	108,140	850,151	3,723,219
Miscellaneous	-	-	-	-	262,658	-	-	-	262,658
Legal Settlements	-	-	-	-	-	-	-	262,307	262,307
Total Revenues	128,536,305	623,736	309,166	35,867	436,733	998,815	3,861,426	15,835,528	150,637,576
Expenditures:									
Charter Commission	15,000	-	-	-	-	-	-	-	15,000
Town Council	321,346	-	-	-	-	-	-	-	321,346
Town Manager	600,291	-	-	-	-	-	-	-	600,291
Administrative Services	5,186,289	29,217	7,097	1,646	41,156	-	-	1,019,816	6,285,221
Growth Management	888,274	-	-	-	-	-	1,251,611	115,921	2,255,806
Public safety	11,421,975	-	-	-	311,818	-	-	712,781	12,446,574
Education	59,805,093	-	-	-	1,408,775	-	-	9,638,495	70,852,363
Public works	8,276,690	-	-	-	3,425,907	998,815	-	111,522	12,812,934
Community services	2,446,375	-	-	-	33,643	-	-	880,708	3,360,726
Regulatory services	2,233,361	-	-	-	29,810	-	-	369,016	2,632,187
Culture and recreation	1,689,753	-	-	-	-	-	-	-	1,689,753
Pension benefits	15,273,624	-	-	-	-	-	-	-	15,273,624
Property and liability insurance	1,205,171	-	-	-	-	-	-	-	1,205,171
Employee benefits	1,823,358	-	-	-	-	-	-	-	1,823,358
Other assessments	492,852	-	-	-	-	-	-	-	492,852
State and county charges	5,670,113	-	-	-	-	-	-	-	5,670,113
Debt service:									
Principal	7,033,193	-	-	-	10,000	-	1,815,000	50,420	8,908,613
Interest	2,614,341	-	-	-	4,000	-	1,073,000	-	3,691,341
Total Expenditures	126,997,099	29,217	7,097	1,646	5,265,109	998,815	4,139,611	12,898,679	150,337,273
Excess (deficiency) of revenues over/under expenditures	1,539,206	594,519	302,069	34,221	(4,828,376)	-	(278,185)	2,936,849	300,303
Other Financing Sources (Uses):									
Issuance of bonds and notes	-	-	-	-	3,626,480	-	1,332,520	-	4,959,000
Sale of capital assets	-	-	-	-	31,831	-	-	-	31,831
Transfers in	6,659,626	6,871,485	-	-	6,600,146	-	-	343,387	20,474,644
Transfers out	(6,901,687)	(9,358,465)	(370,000)	-	(5,437,971)	-	-	(3,897,419)	(25,965,542)
Total Other Financing Sources (Uses)	(242,061)	(2,486,980)	(370,000)	-	4,820,486	-	1,332,520	(3,554,032)	(500,067)
Net change in fund balance	1,297,145	(1,892,461)	(67,931)	34,221	(7,890)	-	1,054,335	(617,183)	(199,764)
Fund Balance Beginning of Year	16,421,306	13,530,478	2,851,534	645,944	15,845,729	-	9,028,521	22,526,078	80,849,590
Fund Balance end of Year	\$ 17,718,451	\$ 11,638,017	\$ 2,783,603	\$ 680,165	\$ 15,837,839	\$ -	\$ 10,082,856	\$ 21,908,895	\$ 80,649,826

(1) Extracted from annual audit.

TOWN OF BARNSTABLE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds and Similar Trust Funds
For the Fiscal Year Ended June 30, 2009(1)

	General Fund	Municipal Purpose Stabilization	Pension Stabilization	Insurance Stabilization	State Fiscal Stabilization	Town Capital Projects	Chapter 90 Highway Projects	Community Preservation Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:										
Real estate and personal property taxes										
net of refunds	\$ 88,165,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,165,857
Motor Vehicle and other excise taxes	5,646,089	-	-	-	-	-	-	-	-	5,646,089
Hotel/Motel tax	1,624,723	-	-	-	-	-	-	-	-	1,624,723
Charges for services	2,839,585	-	-	-	-	-	-	-	3,952,613	6,792,198
Penalties and interest on taxes	1,206,383	-	-	-	-	-	-	-	-	1,206,383
Fees and rentals	986,050	-	-	-	-	-	-	-	121,076	1,107,126
Licenses and permits	1,562,705	-	-	-	-	-	-	-	530,280	2,092,985
Intergovernmental	22,509,928	-	-	-	814,460	568,684	530,708	1,765,694	9,160,156	35,349,630
Department and other	1,033,905	-	-	-	-	-	-	-	895,620	1,929,525
Special assessments	98,692	-	-	-	-	-	-	-	44,517	143,209
Community preservation fund surtax	-	-	-	-	-	-	-	2,619,643	-	2,619,643
Contributions	-	-	-	-	-	-	-	-	153,455	153,455
Net increase (decrease) in fair value of investments	-	320,384	(424,085)	19,379	-	-	-	-	(880,502)	(964,824)
Investment income	495,314	459,408	106,442	27,416	-	-	-	220,157	403,757	1,712,494
Legal Settlements	-	-	-	-	-	-	-	-	3,492,881	3,492,881
Total Revenues	126,169,231	779,792	(317,643)	46,795	814,460	568,684	530,708	4,605,494	17,873,853	151,071,374
Expenditures:										
Charter Commission	46,380	-	-	-	-	-	-	-	-	46,380
Town Council	296,316	-	-	-	-	-	-	-	-	296,316
Town Manager	541,963.00	-	-	-	-	-	-	-	-	541,963
Administrative Services	5,161,056	26,715	7,126	1,585	-	233,219	-	-	970,679	6,400,380
Growth Management	842,544	-	-	-	-	-	-	2,180,623	-	3,023,167
Public safety	11,409,149	-	-	-	-	30,443	-	-	483,001	11,922,593
Education	64,550,729	-	-	-	814,460	4,000	-	-	10,209,883	75,579,072
Public works	8,736,294	-	-	-	-	9,903,544	530,708	-	86,015	19,256,561
Community services	2,628,571	-	-	-	-	11,757,463	-	-	1,411,657	15,797,691
Regulatory services	2,200,667	-	-	-	-	82,217	-	-	423,116	2,706,000
Culture and recreation	1,722,811	-	-	-	-	-	-	-	4,258	1,727,069
Pension benefits	13,477,597	-	-	-	-	-	-	-	-	13,477,597
Property and liability insurance	1,151,284	-	-	-	-	-	-	-	-	1,151,284
Employee benefits	1,810,176	-	-	-	-	-	-	-	-	1,810,176
Other assessments	424,848	-	-	-	-	-	-	-	-	424,848
State and county charges	5,500,040	-	-	-	-	-	-	-	-	5,500,040
Debt service:										
Principal	7,946,419	-	-	-	-	10,000	-	1,835,000	50,420	9,841,839
Interest	3,583,732	-	-	-	-	-	-	1,146,075	-	4,729,807
Total Expenditures	132,030,576	26,715	7,126	1,585	814,460	22,020,886	530,708	5,161,698	13,639,029	174,232,783
Excess (deficiency) of revenues over/under expenditures	(5,861,345)	753,077	(324,769)	45,210	-	(21,452,202)	-	(556,204)	4,234,824	(23,161,409)
Other Financing Sources (Uses):										
Transfers in	7,816,153	9,567,068	-	-	-	3,460,620	-	-	427,695	21,271,536
Transfers out	(7,162,695)	(9,168,973)	(381,500)	-	-	(50,662)	-	-	(3,995,603)	(20,759,433)
Total Other Financing Sources (Uses)	653,458	398,095	(381,500)	-	-	3,409,958	-	-	(3,567,908)	512,103
Net change in fund balance	(5,207,887)	1,151,172	(706,269)	45,210	-	(18,042,244)	-	(556,204)	666,916	(22,649,306)
Fund Balance Beginning of Year	21,629,193	12,379,306	3,557,803	600,734	-	33,746,027	-	9,584,725	22,001,108	103,498,896
Fund Balance end of Year	\$ 16,421,306	\$ 13,530,478	\$ 2,851,534	\$ 645,944	\$ -	\$ 15,703,783	\$ -	\$ 9,028,521	\$ 22,668,024	\$ 80,849,590

(1) Extracted from annual audit.

TOWN OF BARNSTABLE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds and Similar Trust Funds
For the Fiscal Year Ended June 30, 2008(1)

	General Fund	Municipal Purpose Stabilization	Pension Stabilization	Insurance Stabilization	Town Capital Projects	Community Preservation Fund	Nonmajor Governmental Fund	Total (Memorandum Only)
Revenues:								
Real estate and personal property taxes net of refunds	\$ 84,855,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,855,790
Motor Vehicle and other excise taxes	6,617,601	-	-	-	-	-	-	6,617,601
Hotel/Motel tax	1,670,130	-	-	-	-	-	-	1,670,130
Charges for services	2,767,183	-	-	-	-	-	3,943,092	6,710,275
Penalties and interest on taxes	1,210,709	-	-	-	-	-	-	1,210,709
Fees and rentals	1,161,558	-	-	-	-	-	49,334	1,210,892
Licenses and permits	1,629,879	-	-	-	-	-	540,249	2,170,128
Intergovernmental	22,368,255	-	-	-	563,520	3,011,510	9,482,964	35,426,249
Department and other	984,699	-	-	-	-	-	618,791	1,603,490
Special assessments	103,586	-	-	-	-	-	48,397	151,983
Community preservation fund surtax	-	-	-	-	-	2,474,265	-	2,474,265
Contributions	-	-	-	-	-	-	99,882	99,882
Investment income	2,081,148	498,993	(150,776)	42,575	-	472,543	(386,254)	2,558,229
Total Revenues	125,450,538	498,993	(150,776)	42,575	563,520	5,958,318	14,396,455	146,759,623
Expenditures:								
Charter Commission	2,065	-	-	-	-	-	-	2,065
Town Council	289,995	-	-	-	-	-	-	289,995
Town Manager	574,215.00	-	-	-	-	-	-	574,215
Administrative Services	5,070,109	17,011	10,350	1,415	-	-	806,442	5,905,327
Growth Management	938,676	-	-	-	-	2,223,635	-	3,162,311
Public safety	11,259,491	-	-	-	36,119	-	355,918	11,651,528
Education	62,556,193	-	-	-	4,000	-	13,072,474	75,632,667
Public works	8,179,220	-	-	-	2,524,264	-	66,810	10,770,294
Community services	2,479,807	-	-	-	7,208,996	-	1,097,899	10,786,702
Regulatory services	2,200,803	-	-	-	130,546	-	329,932	2,661,281
Culture and recreation	1,700,461	-	-	-	-	-	15,257	1,715,718
Pension benefits	12,167,348	-	-	-	-	-	-	12,167,348
Property and liability insurance	1,202,223	-	-	-	-	-	-	1,202,223
Employee benefits	1,625,698	-	-	-	-	-	-	1,625,698
Claims and Judgements	450,972	-	-	-	-	-	-	450,972
Other assessments	325,747	-	-	-	-	-	-	325,747
State and county charges	5,283,974	-	-	-	-	-	-	5,283,974
Debt service:								
Principal	7,112,568	-	-	-	10,000	1,835,000	50,420	9,007,988
Interest	3,399,146	-	-	-	-	1,220,506	-	4,619,652
Total Expenditures	126,818,711	17,011	10,350	1,415	9,913,925	5,279,141	15,795,152	157,833,640
Excess (deficiency) of revenues over/under expenditures	(1,368,173)	481,982	(161,126)	41,160	(9,350,405)	679,177	(1,398,697)	(11,076,082)
Other Financing Sources (Uses):								
Issuance of bonds and notes	-	-	-	-	12,709,400	679,177	916,600	14,305,177
Transfers in	6,444,595	13,208,397	-	-	3,600,000	-	-	23,252,992
Transfers out	(13,160,000)	(7,830,213)	(391,500)	-	-	-	(693,962)	(22,075,675)
Total Other Financing Sources (Uses)	(6,715,405)	5,378,184	(391,500)	-	16,309,400	679,177	222,638	15,482,494
Net change in fund balance	(8,083,578)	5,860,166	(552,626)	41,160	6,958,995	679,177	(1,176,059)	3,727,235
Fund Balance Beginning of Year	29,712,771	6,519,140	4,110,429	559,574	26,787,032	8,905,548	23,177,167	99,771,661
Fund Balance end of Year	\$ 21,629,193	\$ 12,379,306	\$ 3,557,803	\$ 600,734	\$ 33,746,027	\$ 9,584,725	\$ 22,001,108	\$ 103,498,896

(1) Extracted from annual audit.

Investments

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §54 and §55 do not apply to city and town retirement systems.

Undesignated Fund Balance and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is undesignated fund balance less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

Fiscal Year	Unassigned/ Undesignated Fund Balance (June 30) (1)	Free Cash (July 1)
2013	\$ 28,678,088 (Estimate)	\$ 11,095,664
2012	28,734,188	17,272,393
2011	21,612,742	12,320,185
2010	14,070,550	10,746,572
2009	13,249,667	8,411,317
2008	11,242,379	7,932,920

(1) Reflects Unassigned Fund Balance in accordance with the reporting requirements of GASB 54 beginning in fiscal 2011, and Undesignated Fund Balance in prior years. Except for 2013, which is an unaudited estimate of the Town prepared by the Town Accountant pursuant to the GASB 54 reporting requirements, and is subject to change, this information is audited.

Surplus Enterprise Funds

The amounts of free cash certified by the Department of Revenue in each of the Town's Enterprise Funds are set forth below.

July 1,	Airport	Solid Waste	Sewer	Golf	Water	Marina Recreation Facilities	Sandy Neck Recreational Facility	HYCC
2013	\$ 4,614,776	\$ 3,428,857	\$ 12,070,154	\$ 384,601	\$ 2,347,932	\$ 570,096	\$ 623,677	\$ 264,623
2012	3,211,359	3,854,114	6,997,924	414,712	1,944,267	422,111	645,858	141,734
2011	6,520,729	3,460,970	2,749,077	70,879	312,442	327,309	500,177	130,526
2010	5,321,792	2,390,996	4,442,790	23,355	598,879	297,445	377,556	125,728
2009	8,411,317	2,243,244	5,662,245	4,812	684,261	202,553	280,890	-

Stabilization Fund

The Town maintains a stabilization fund which is accounted for in the Trust Funds. Funded by an annual appropriation, the stabilization fund plus interest income may be appropriated by a two-thirds vote of Town Council for any lawful Town purpose. The following table lists the Stabilization Fund balances as of the end of each of the last five fiscal years.

<u>June 30,</u>	<u>Stabilization Fund Balance</u>
2013	\$ 12,185,903
2012	7,034,144
2011	7,250,334
2010	11,638,017
2009	13,530,478

Other Reserves

In addition, at June 30, 2013 the Town had a \$1,024,420 OPEB fund reserve (see "Other Post-Employment Benefits" herein), a \$2,660,174 pension fund stabilization reserve (see "Retirement System" herein), approximately \$2,175,000 of special revenue fund reserves, and \$6,553,874 in revolving fund balances.

INDEBTEDNESS

Authorization Procedure and Limitations

Serial bonds and notes are authorized on behalf of the Town by vote of two-thirds of all the members of the Town Council. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Borrowings for certain purposes require state administrative approval. Temporary loans in anticipation of the revenues of the fiscal year in which debt is incurred, or in anticipation of state and federal grants generally can be incurred without town meeting authorization.

The general debt limit of the Town of Barnstable consists of a normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of a state board consisting of the Attorney General, the State Treasurer, the State Auditor and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the general debt limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal, and economic development (subject to various debt limits), and electric, gas, community antenna television systems and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The general debt limit and the special debt limit for water bonds apply at the time debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as "tax credit bonds" to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue. The Town of Barnstable has not issued revenue anticipation notes in the last five fiscal years.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. This article is not intended to summarize laws relating to revenue bonds or to notes issued in anticipation of them. Industrial revenue bonds are also outside the scope of this article.

**TOWN OF BARNSTABLE
Direct Debt Summary
As of June 30, 2013 – Includes the Bonds**

General Obligation Bonds:		
Sewer	\$ 1,290,000	
Water (1)	7,795,000	
School (2)	31,198,000	
MWPAT (3)	27,225,608	
General (4)	41,387,000	
Golf Course	6,450,000	
Airport (5)	680,000	
Sandy Neck	1,165,000	
Solid Waste	420,000	
Marina	485,000	
Total Long-Term Outstanding		\$ 118,095,608
This Issue		6,248,000
Total Direct Debt		\$ 124,343,608

- (1) Outside of the Town's debt limit.
- (2) \$24,641,900 is outside of the Town's debt limit and exempt from the limits of Proposition 2 ½.
- (3) Does not reflect subsidy from the Massachusetts Water Pollution Abatement Trust. \$12,898,961 is outside of the Town's debt limit and \$583,184 is exempt from the limits of Proposition 2 ½.
- (4) \$361,500 is outside of the Town's debt limit.
- (5) Outside of the Town's debt limit.

Principal Payments by Purpose – Excludes the Bonds

The following table sets forth, as of June 30, 2013, the principal payments by purpose on the outstanding general obligation bonds of the Town of Barnstable.

Year	Sewer	Water (1)	School (2)	MWPAT (3)	General (4)	Golf Course	Airport (5)	Sandy Neck	Solid Waste	Marina	Total
2014	\$ 324,000	\$ 420,000	\$ 5,226,000	\$ 1,979,415	\$ 4,355,000	\$ 525,000	\$ 30,000	\$ 50,000	\$ 30,000	\$ 20,000	\$ 12,959,415
2015	319,000	435,000	4,541,000	1,983,180	4,210,000	535,000	30,000	50,000	30,000	20,000	12,153,180
2016	134,000	455,000	4,351,000	2,027,851	4,155,000	545,000	30,000	55,000	30,000	25,000	11,807,851
2017	114,000	475,000	4,401,000	2,082,917	3,790,000	555,000	30,000	55,000	30,000	25,000	11,557,917
2018	54,000	490,000	4,406,200	1,936,906	3,729,800	500,000	30,000	55,000	30,000	25,000	11,256,906
2019	53,000	515,000	4,549,100	1,978,156	3,602,900	510,000	30,000	60,000	30,000	25,000	11,353,156
2020	53,000	540,000	1,251,000	1,568,096	3,456,000	520,000	35,000	60,000	30,000	25,000	7,538,096
2021	53,000	565,000	445,900	1,432,221	3,271,100	530,000	35,000	60,000	30,000	25,000	6,447,221
2022	23,000	585,000	387,000	1,315,040	2,970,000	540,000	35,000	65,000	30,000	30,000	5,980,040
2023	23,000	610,000	314,800	1,342,715	2,422,200	550,000	40,000	65,000	30,000	30,000	5,427,715
2024	28,000	635,000	280,000	1,325,659	1,252,000	565,000	40,000	65,000	30,000	30,000	4,250,659
2025	28,000	660,000	275,000	1,194,287	1,222,000	575,000	40,000	70,000	30,000	30,000	4,124,287
2026	28,000	690,000	275,000	1,218,404	1,172,000	-	40,000	75,000	30,000	30,000	3,558,404
2027	28,000	720,000	170,000	1,223,021	1,052,000	-	45,000	70,000	30,000	35,000	3,373,021
2028	28,000	-	115,000	1,238,148	472,000	-	45,000	75,000	-	35,000	2,008,148
2029	-	-	85,000	825,569	130,000	-	45,000	75,000	-	35,000	1,195,569
2030	-	-	85,000	800,854	125,000	-	50,000	80,000	-	40,000	1,180,854
2031	-	-	40,000	817,712	-	-	50,000	80,000	-	-	987,712
2032	-	-	-	462,700	-	-	-	-	-	-	462,700
2033	-	-	-	472,756	-	-	-	-	-	-	472,756
	<u>\$ 1,290,000</u>	<u>\$ 7,795,000</u>	<u>\$ 31,198,000</u>	<u>\$ 27,225,608</u>	<u>\$ 41,387,000</u>	<u>\$ 6,450,000</u>	<u>\$ 680,000</u>	<u>\$ 1,165,000</u>	<u>\$ 420,000</u>	<u>\$ 485,000</u>	<u>\$ 118,095,608</u>

(1) Outside of the Town's debt limit.

(2) \$24,641,900 is outside of the Town's debt limit and exempt from the limits of Proposition 2 ½.

(3) Does not reflect subsidy from the Massachusetts Water Pollution Abatement Trust. \$12,898,961 is outside of the Town's debt limit and \$583,184 is exempt from the limits of Proposition 2 ½.

(4) \$361,500 is outside of the Town's debt limit.

(5) Outside of the Town's debt limit.

**Debt Service Requirements
General Obligation Bonds
As of June 30, 2013- Excludes the Bonds**

Fiscal Year	Outstanding Debt (1)		Less	Less	Total
	Principal	Interest	MSBA School Grants	MWPAT Subsidies	
2014	\$ 12,959,415	\$ 4,258,050	\$ (3,509,074)	\$ (447,410)	\$ 13,260,982
2015	12,153,180	3,825,883	(3,509,074)	(418,168)	12,051,822
2016	11,807,851	3,395,039	(3,509,074)	(395,703)	11,298,114
2017	11,557,917	2,954,568	(3,509,074)	(373,749)	10,629,662
2018	11,256,906	2,512,817	(3,509,074)	(286,073)	9,974,576
2019	11,353,156	2,036,508	(3,509,074)	(267,302)	9,613,288
2020	7,538,096	1,561,356	-	(127,359)	8,972,093
2021	6,447,221	1,297,281	-	(69,798)	7,674,704
2022	5,980,040	1,072,126	-	(65,822)	6,986,344
2023	5,427,715	852,446	-	(61,107)	6,219,054
2024	4,250,659	672,369	-	(46,526)	4,876,501
2025	4,124,287	530,537	-	-	4,654,824
2026	3,558,404	386,527	-	-	3,944,931
2027	3,373,021	265,130	-	-	3,638,151
2028	2,008,148	150,261	-	-	2,158,409
2029	1,195,569	97,191	-	-	1,292,761
2030	1,180,854	66,145	-	-	1,246,999
2031	987,712	34,778	-	-	1,022,490
2032	462,700	14,981	-	-	477,681
2033	472,756	5,646	-	-	478,402
Total	<u>\$ 118,095,608</u>	<u>\$ 25,989,640</u>	<u>\$ (21,054,444)</u>	<u>\$ (2,559,016)</u>	<u>\$ 120,471,788</u>

(1) Principal totaling \$25,225,084 and interest totaling \$3,991,375 is exempt from the limits of Proposition 2 ½.

Debt Ratios

The following table sets forth the ratio of debt to equalized valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the Town only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues. (See "Direct Debt Summary.")

Fiscal Year End	General Obligation Bonds Outstanding	Population (1)	Equalized Valuation (2)	Per Capita Debt (1)	Ratio Debt To Equalized Valuation
2013	\$ 118,095,608	45,193	\$ 13,864,305,700	\$ 2,613	0.85 %
2012	129,300,493	45,193	14,945,861,000	2,861	0.87
2011	136,501,604	45,193	14,945,861,000	3,020	0.91
2010	133,588,339	45,193	16,142,285,200	2,956	0.83
2009	141,278,659	45,193	16,142,285,200	3,126	0.88

(1) Based on 2010 Federal Census.

(2) 2012 Equalized Valuation is used for fiscal year 2013; 2010 Equalized Valuation is used for fiscal years 2011 and 2012; 2008 Equalized Valuation is used for fiscal years 2009 and 2010.

Authorized Unissued Debt and Prospective Financing

The Town currently has approximately \$78 million in authorized unissued debt for various public improvements. The Town has no definitive plans for the issuance of any of this debt, the majority of which is expected to be offset with grants and/or be self-supporting.

Overlapping Debt (1)

The following table sets forth the outstanding bonded debt and authorized unissued debt, exclusive of temporary loans in anticipation of bonds or current revenue, of the overlapping entities and the Town's gross share of such debt and the fiscal 2013 dollar assessment for each.

	<u>Debt Outstanding as of June 30, 2013</u>	<u>Barnstable's Estimated Share</u>	<u>Share of Assessments for Operations & Debt Service (1)</u>
Barnstable County (2)	\$ 22,471,578	17.42 %	\$ 1,034,155
Cape Cod Regional Transit Authority (3)	-	32.02	497,009
Cape Cod Regional Technical High School District (4)	-	25.07 (5)	2,657,683
Barnstable Fire District	1,420,000	N.A. (6)	N.A. (6)
Centerville-Osterville- Marstons Mills Fire District	4,906,479	N.A. (6)	N.A. (6)
Cotuit Fire District	1,720,000	N.A. (6)	N.A. (6)
Hyannis Fire District	-	N.A. (6)	N.A. (6)
West Barnstable Fire District	36,000	N.A. (6)	N.A. (6)

(1) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(2) SOURCE: Barnstable County Treasurer. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Estimated share and 2013 dollar assessment shown here are based on the 2012 equalized valuation. Includes Environmental Protection Fund Tax. (See Town of Barnstable Municipal Services above for information on abolishment of counties.)

(3) SOURCE: Cape Cod Regional Transit Authority. The municipal share is based on a percentage furnished by the Cape Cod Regional Transit Authority as that used in the most recent assessment of aggregate net cost of service of the Transit Authority, including debt service and net operating expenses, although assessments for various categories of service are separately calculated by different formulae. Shares vary from year to year. It has been state practice in recent years to absorb up to approximately 50 percent of the net cost of service of the Authority, including debt service on the Authority's bonds. The remainder of the net cost of service is assessed on the member municipalities within the territory of the Cape Cod Regional Transit Authority.

(4) SOURCE: Cape Cod Regional Technical High School District. Towns may organize regional school districts to participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts. Fiscal 2013 assessment for operations and debt service.

(5) The municipal share is based on the ratio of that member's pupil enrollment to the total pupil enrollment from all the member municipalities in the regional school district as of October 1 of the year proceeding the year for which the apportionment is being determined.

(6) SOURCE: Respective Fire Districts. To meet expenses of operations and debt service each Fire District levies its own taxes based on the assessed valuation as established by the Town, of the property within each Fire District. The tax rates per \$1,000 of assessed valuation, the tax levies and the total assessed valuation of each Fire District for the last five fiscal years were as follows (for more information regarding each Fire District, see Appendix A).

Fiscal Year	Barnstable Fire District	Centerville-Osterville Marstons Mills Fire District	Cotuit Fire District	Hyannis Fire District	West Barnstable Fire District
Assessed Valuation:					
2013	\$ 1,167,032,500	\$ 6,643,077,130	\$ 1,289,127,700	\$ 3,063,743,355	\$ 556,715,830
2012	1,156,416,040	6,739,529,240	1,318,874,260	3,040,402,330	567,902,100
2011	1,174,618,510	6,841,757,750	1,323,011,940	3,071,303,015	574,632,150
2010	1,186,837,050	7,057,314,870	1,322,964,570	3,206,710,355	584,332,080
2009	1,203,736,220	7,684,540,070	1,550,967,840	3,485,539,015	617,946,640
Tax Levies:					
2013	\$ 2,999,274	\$ 9,831,574	\$ 2,255,973	\$ 7,211,891	\$ 1,394,021
2012	2,914,168	9,637,527	2,901,523	7,992,181	1,344,741
2011	2,713,369	9,099,538	2,222,660	7,363,834	1,345,754
2010	2,884,014	8,892,217	2,063,825	6,836,967	1,332,277
2009	2,827,506	8,299,303	2,217,884	7,152,301	1,303,869
Full Value Tax Rate:					
2013	\$ 2.57	\$ 1.48	\$ 1.75	\$ 2.00	\$ 2.85
2012	2.52	1.43	2.20	2.24	2.70
2011	2.31	1.33	1.68	2.04	2.65
2010	2.43	1.26	1.56	1.82	2.28
2009	2.37	1.08	1.43	1.78	2.11

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has a limited number of long-term contractual obligations.

In January of 1985 the Town signed a 27-year agreement with the SEMASS partnership for the incineration of solid waste at the SEMASS waste-to-energy plant in Rochester, Massachusetts, starting in 1990. In order to deliver the solid waste to the incinerator the waste needs to be consolidated first at a transfer station. In March of 1989 the Town signed an inter-municipal agreement with the Town of Yarmouth to participate in the design and construction of such a facility to be located at the Yarmouth landfill. The Town's share of the construction cost is being covered by user fees over the life of the contract.

RETIREMENT SYSTEM

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

The Town participates in the contributory retirement system of Barnstable County, a retirement system under the Massachusetts Contributory Retirement Law that is partially funded by employee contributions. The retirement system covers substantially all municipal employees except schoolteachers, whose pensions are paid by the Commonwealth.

The following table shows the trend in recent annual contributions of the Town to the Barnstable County Retirement System (the "Retirement System").

<u>Year</u>	<u>Contributory</u>	<u>Non-Contributory</u>
2014 (budgeted)	\$ 7,542,493	\$ 1,063 (1)
2013	6,956,781	13,495
2012	6,538,491	17,501
2011	5,978,699	15,000
2010	5,718,412	12,212

(1) Decrease represents one individual on workmen's compensation, reduced from four individuals in fiscal 2013.

The foregoing data does not include the retirement system costs or liabilities attributable to employees of the county or the Retirement System or liabilities of any other entity of which the Town is a constituent part.

As of January 1, 2012, the unfunded actuarial accrued liability (UAAL) of the Retirement System was \$522,419,867 assuming an actuarial accrued liability of \$1,173,483,848, an actuarial value of assets of \$651,063,981 and a 7.875% investment rate of return. Approximately 14.8%, or \$77,755,000, of the Retirement System's UAAL is allocated to the Town. At the 1984 town meeting, the Town adopted an article to start funding a pension fund stabilization reserve to pay the Town's unfunded pension liability obligation. At June 30, 2013, the value of this fund was \$2,660,174.

The Retirement System's current funding schedule amortizes its unfunded pension liability through fiscal 2038 as shown below.

Current Barnstable County Funding Schedule

Fiscal Year	Employer Normal Cost	Amortization of 2002 ERI Liability	Amortization of 2003 ERI Liability	Amortization of 2010 ERI Liability	Amortization of Remaining Unfunded Liability	Appropriation Without Retired County Sheriffs Liability	Amortization of Retired County Sheriffs Liability	Total Plan Cost	Total Unfunded Accrued Liability at Beginning of Fiscal Year
2013	\$ 13,832,331	\$ 352,408	\$ 165,804	\$ 265,076	\$ 31,082,430	\$ 45,698,049	\$ 1,004,038	\$ 46,702,087	\$ 542,600,374
2014	14,612,392	366,504	172,436	265,076	33,043,605	48,460,013	1,044,199	49,504,212	570,108,943
2015	15,269,950	381,164	179,334	265,076	35,292,974	51,388,498	1,085,967	52,474,465	589,532,190
2016	15,957,098	396,411	186,507	265,076	37,233,688	54,038,780	1,129,406	55,168,186	606,682,686
2017	16,675,167	412,267	193,967	265,076	39,316,001	56,862,478	1,174,582	58,037,060	621,908,448
2018	17,425,550	428,758	201,726	265,076	41,432,872	59,753,982	1,221,565	60,975,547	635,072,981
2019	18,209,700	445,908	209,795	265,076	43,593,534	62,724,013	1,270,428	63,994,441	646,121,710
2020	19,029,137	463,744	218,187	265,076	45,806,805	65,782,949	1,321,245	67,104,194	654,965,808
2021	19,885,448	482,294	226,914	265,076	47,639,077	68,498,809	1,374,095	69,872,904	655,656,948
2022	20,780,293	501,586	235,991	265,076	49,544,640	71,327,586	1,429,059	72,756,645	654,378,242
2023	21,715,406	521,649	245,431	-	51,526,425	74,008,911	1,486,221	75,495,132	650,893,592
2024	22,692,599	542,515	255,248	-	53,587,482	77,077,844	1,545,670	78,623,514	645,225,656
2025	23,713,766	564,216	265,458	-	55,730,982	80,274,422	1,607,497	81,881,919	636,834,337
2026	24,780,885	586,784	276,076	-	57,960,221	83,603,966	1,671,796	85,275,762	625,414,089
2027	25,896,025	610,256	287,119	-	60,278,630	87,072,030	1,738,668	88,810,698	610,631,659
2028	27,061,346	634,666	298,604	-	62,689,775	90,684,391	1,808,215	92,492,606	592,123,759
2029	28,279,107	660,053	310,548	-	65,197,366	94,447,074	1,880,544	96,327,618	569,494,558
2030	29,551,667	686,455	322,970	-	67,805,261	98,366,353	1,955,765	100,322,118	542,312,948
2031	30,881,492	713,913	335,889	-	70,517,471	102,448,765	2,033,996	104,482,761	510,109,615
2032	32,271,159	742,469	349,324	-	73,338,170	106,701,122	2,115,356	108,816,478	472,373,850
2033	33,723,361	772,168	363,297	-	76,271,697	111,130,523	2,199,970	113,330,493	428,550,118
2034	35,240,912	803,055	377,829	-	79,322,565	115,744,361	2,287,969	118,032,330	378,034,340
2035	36,826,753	835,177	392,942	-	82,495,467	120,550,339	2,379,488	122,929,827	320,169,880
2036	38,483,957	868,584	408,660	-	85,795,286	125,556,487	2,474,667	128,031,154	254,243,208
2037	40,215,735	903,328	425,007	-	89,227,097	130,771,167	2,573,654	133,344,821	179,479,208
2038	42,025,443	939,500	442,007	-	92,796,182	136,203,132	2,676,608	138,879,740	95,036,117

SOURCE: January 1, 2012 Barnstable County Retirement System Actuarial Valuation, The Segal Group, Inc.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Pay-As-You-Go Cost (1)</u>
2013	\$ 4,916,640
2012	5,657,922
2011	5,777,561
2010	4,657,322
2009	5,060,171

(1) Includes assessment by state for retired teachers' health insurance, which is included in state and county assessments on the Town's tax recapitulation sheet.

The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town implemented the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2008. The Town hired Segal Consulting to perform an actuarial valuation of its non-pension, post-employment benefit liability, and Town's unfunded accrued actuarial liability (UAAL) as of June 30, 2012 was \$130,375,865 assuming an actuarial accrued liability of \$131,158,217, an actuarial value of assets of \$782,352, and a 5.25% investment rate of return amortized over 30 years with payments increasing at 4.0% per year. The Town's annual required contribution (ARC) for the fiscal year ended June 30, 2013 was \$8,389,868.

In June 2011, the Town established an OPEB Liability Trust Fund and the value from the Town's Insurance Reserve Trust Fund was transferred into the OPEB Liability Trust Fund. The balance of this fund on June 30, 2012 and June 30, 2013 was \$782,352 and \$1,024,420, respectively. The Town appropriated \$50,000 to this fund in fiscal 2012, \$200,000 in fiscal 2013, and plans to make annual appropriations increasing by \$50,000 per year thereafter.

For further information relating to the Town's other post-employment benefits, please refer to Appendix B.

EMPLOYEE RELATIONS

City and town employees (other than managerial or confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. The Town has approximately 1,218 full-time, 127 part-time and an average of 360 seasonal employees. Of the full and part-time employees of the Town, 1,197 are represented by unions.

Union	Department	No. of People	Contract Expires
Barnstable Teachers Assoc.	School Teachers, Nurses, Clerks & Paraprofessionals	681	6/30/2015
BMEA	Municipal (white collar)	166	6/30/2016
AFSCME	DPW Workers & Golf Course	91	6/30/2016
Food Service	School Cafeteria Cooks & Workers	10	6/30/2015
Mass Cop	Police Patrolmen	89	6/30/2016
AFSCME	School Custodians/Maintenance	56	6/30/2015
Teamsters	Airport	27	6/30/2014
BMEA	Department Head Unit	26	6/30/2016
Mass Cop	Police Superior Officers	22	6/30/2013 (1)
BAO	School Administrators	29	6/30/2015
TOTAL		<u>1,197</u>	

(1) New contract negotiations are currently underway for expired contract.

LITIGATION

At present there are several cases pending in various courts throughout the Commonwealth where the Town is a defendant. In the opinion of the Town Attorney, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgment against the Town that would material affect its financial position.

TOWN OF BARNSTABLE, MASSACHUSETTS
/s/ Debra M. Blanchette, Treasurer

November 13, 2013

BARNSTABLE FIRE DISTRICT

Nature and Powers of District

The Barnstable Fire District, established in 1927, is located in the Town of Barnstable, Massachusetts. The District serves residents of the village of Barnstable. The function of the District is to provide fire protection, street lights, and a water supply and distribution system.

The principal executive body of the District is the Prudential Committee, a three-member elected body. Management of the fire department rests with the Fire Chief and that of the Water Department with an elected Board of Water Commissioners.

The District's legislative body is the District meeting, consisting of the registered voters of the Town of Barnstable residing within the District's territory. The District is empowered, subject to authorization by a vote of the District meeting, to provide its inhabitants with street lights, a fire department and a public water system, and to raise funds by taxation and other lawful means and to establish water rates and charges to provide water service and to defray the operating expenses of same. Bonds are authorized by a two-thirds vote of the District meeting.

Taxes levied by the District are assessed and collected by the Town of Barnstable upon the property located within the territorial limits of the District in the same manner as Town taxes. Such tax collections by the Town are paid to the District.

The District employs 18 full time fire personnel, which includes the Chief, and 5 water personnel.

Revenues

Property Taxes: The District has the power to levy ad valorem taxes upon all the property within its territorial limits that is or could be served by it for the payment of capital and operating expenses, including debt service.

Water Rates: All users (commercial and residential) are charged for water used at the rate of \$1.70 per 1,000 gallons for the first 45,000 gallons and \$2.50 for each 1,000 gallons thereafter. Bills are mailed by the District semiannually in January and July with overage for the previous year being charged on the first bill of the year. Unpaid water bills become a lien on the property served. In addition to water rates, the District receives income from sales of water and hydrant services and one time systems improvement charges.

Property Taxation

The District has the power to levy ad valorem taxes upon all taxable property within its boundaries to pay debt service and operating expenses, except to the extent such expenses are met from use charges. The following table illustrates the manner in which the tax levy was determined in recent years.

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Gross Amount to be Raised:					
Appropriations	\$ 3,939,648	\$ 4,076,173	\$ 4,185,122	\$ 4,705,814	\$ 4,496,539
Overlay for Current Year (1)	47,682	45,553	24,547	20,355	22,630
Other Local Expenditures	126	-	-	-	105
Total	<u>3,987,456</u>	<u>4,121,726</u>	<u>4,209,669</u>	<u>4,726,168</u>	<u>4,519,274</u>
Offsets:					
Local Estimated Receipts (water)	765,349	740,000	875,000	850,000	870,000
Local Estimated Receipts (other)	27,500	27,500	26,500	15,700	-
Other Available Funds (2)	367,101	470,212	594,800	946,300	650,000
Total	<u>1,159,950</u>	<u>1,237,712</u>	<u>1,496,300</u>	<u>1,812,000</u>	<u>1,520,000</u>
Tax Levy	<u>\$ 2,827,506</u>	<u>\$ 2,884,014</u>	<u>\$ 2,713,369</u>	<u>\$ 2,914,168</u>	<u>\$ 2,999,274</u>

(1) Allowance for abatements.

(2) Includes appropriations from "free cash".

Assessed Valuations and Tax Levies

The responsibility for assessing the value of property within the District rests with the Board of Assessors of the Town of Barnstable. The property within the District is assessed on the same basis as the rest of the Town. The following table sets forth the recent trend in the assessed value of taxable real and personal property within the District, and tax rates and tax levies.

Fiscal Year	Assessed Valuations			Tax Rate
	Real Property	Personal Property	Total	
2013	\$ 1,144,834,400	\$ 22,198,100	\$ 1,167,032,500	\$2.57
2012	1,134,437,500	21,978,540	1,156,416,040	2.52
2011	1,152,134,200	22,484,310	1,174,618,510	2.31
2010	1,165,464,100	21,372,950	1,186,837,050	2.43
2009	1,181,552,100	22,184,120	1,203,736,220	2.37

Classification of Real Property

Type	Fiscal 2013		Fiscal 2012		Fiscal 2011	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 952,971,101	81.66 %	\$ 947,381,907	81.92 %	\$ 959,118,895	81.65 %
Commercial	135,713,999	11.63	131,071,993	11.33	133,951,805	11.40
Industrial	56,149,300	4.81	55,983,600	4.84	59,063,500	5.03
Open Space	-	-	-	-	-	-
Personal	22,198,100	1.90	21,978,540	1.90	22,484,310	1.91
Total	<u>\$ 1,167,032,500</u>	<u>100.00 %</u>	<u>\$ 1,156,416,040</u>	<u>100.00 %</u>	<u>\$ 1,174,618,510</u>	<u>100.00 %</u>

Free Cash

Year	July 1 Free Cash
2013	N.A.
2012	\$ 408,601
2011	494,600
2010	592,151
2009	573,903
2008	410,071

SOURCE: Barnstable Fire District audited financial statements.

District Five Years' Outstanding Debt

Fiscal Year End	General Obligation Bonds & Serial Notes Outstanding
2013	\$ 1,420,000
2012	1,595,000
2011	1,775,000
2010	1,960,000
2009	2,145,000

CENTERVILLE-OSTERVILLE-MARSTONS MILLS FIRE DISTRICT

Nature and Powers of District

The Centerville-Osterville-Marstons Mills Fire District, established in 1926, is located in the Town of Barnstable, Massachusetts. The District serves residents of Centerville, Marstons Mills, and Osterville, all villages in Barnstable. The function of the District is to provide fire protection and water.

The principal governing body of the District is the Prudential Committee, an elected body. Management of the fire department rests with an elected Board of Engineers and that of the Water Department with an elected Board of Water Commissioners.

The District is empowered, subject to authorization by a vote of the District meeting, to raise money by taxation for water and fire protection services, and for repair and related expenses. Bonds are authorized by a two-thirds vote of the District meeting.

Taxes for the District are assessed and collected by the Town of Barnstable in the same manner as Town taxes. Such tax collections by the Town are paid to the District.

The District employs 3 full time Prudential Operation Personnel and 1 part-time person, 58 full time fire personnel, which includes the Chief and Deputy Chief, 4 dispatchers, and 14 full time water personnel.

Revenues

Property Taxes: The District has the power to levy ad valorem taxes upon all the property within its territorial limits that is or could be served by it for the payment of capital and operating expenses, including debt service.

Water Rates: District customers are charged a \$35.00 minimum for the first 20,000 gallons per each six months. Excess is charged at \$2.90 per 1,000 gallons from 21,000 to 200,000 gallons and \$3.95 per 1,000 gallons from 201,000 and over. Bills are mailed by the District semi-annually with overage being billed semi-annually. Unpaid water bills become a lien on the property served.

Water Betterments: In addition to water rates and property taxes, the District levies betterment assessments for all related improvement costs to the District's water system. Assessments are levied on a property frontage basis. District users are given options of repayment varying from 30 days to over twenty years. Interest accrues on outstanding assessments currently at the rate of 2% above the respective bond issue interest rate for the improvements. Bills are paid to the District.

Property Taxation

The District has the power to levy ad valorem taxes upon all taxable property within its boundaries to pay debt service and operating expenses, except to the extent such expenses are met from user charges. The following table illustrates the manner in which the tax levy was determined in recent years.

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Gross Amount to be Raised:					
Appropriations	\$ 12,788,228	\$ 14,095,954	\$ 13,856,803	\$ 14,462,858	\$ 14,712,977
Overlay for Current Year	214,657	232,850	95,110	96,718	114,814
Other Local Expenditures	19	33	-	93	30
Total	<u>\$ 13,002,904</u>	<u>\$ 14,328,837</u>	<u>\$ 13,951,913</u>	<u>\$ 14,559,670</u>	<u>\$ 14,827,821</u>
Offsets:					
Local Estimated Receipts	\$ 2,738,328	\$ 2,735,657	\$ 2,472,771	\$ 2,736,489	\$ 2,701,854
Other Available Funds	1,502,240	2,207,142	2,379,605	2,185,654	2,294,214
Free Cash Used to Reduce Taxes	463,033	493,823	-	-	-
Total	<u>\$ 4,703,601</u>	<u>\$ 5,436,622</u>	<u>\$ 4,852,376</u>	<u>\$ 4,922,143</u>	<u>\$ 4,996,067</u>
Tax Levy	\$ 8,299,303	\$ 8,892,217	\$ 9,099,538	\$ 9,637,527	\$ 9,831,754

Assessed Valuations and Tax Levies

The responsibility of assessing the value of property within the District rests with the Board of Assessors of the Town of Barnstable. The property within the District is assessed on the same basis as the rest of the Town. The following table sets forth the recent trend in the assessed value of taxable real and personal property within the District and tax rates and tax levies.

Fiscal Year	Assessed Valuations			Tax Rate
	Real Property	Personal Property	Total	
2013	\$ 6,569,951,700	\$ 73,125,430	\$ 6,643,077,130	\$1.48
2012	6,668,337,400	71,191,840	6,739,529,240	1.43
2011	6,770,501,100	71,256,650	6,841,757,750	1.33
2010	6,995,236,400	62,078,470	7,057,314,870	1.26
2009	7,621,386,900	63,153,170	7,684,540,070	1.08

Classification of Real Property

Type	Fiscal 2013		Fiscal 2012		Fiscal 2011	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 6,326,480,360	95.23 %	\$ 6,420,992,143	95.27 %	\$ 6,511,165,644	95.17 %
Commercial	237,511,540	3.58	241,489,457	3.58	255,534,356	3.73
Industrial	5,959,800	0.09	5,855,800	0.09	3,801,100	0.06
Open Space	-	-	-	-	-	-
Personal	73,125,430	1.10	71,191,840	1.06	71,256,650	1.04
Total	<u>\$ 6,643,077,130</u>	<u>100.00 %</u>	<u>\$ 6,739,529,240</u>	<u>100.00 %</u>	<u>\$ 6,841,757,750</u>	<u>100.00 %</u>

Free Cash

Year	July 1 Free Cash
2013 (Estimate)	\$ 532,850
2012	505,035
2011	414,960
2010	334,483
2009	375,636

SOURCE: Bureau of Accounts, Massachusetts Department of Revenue.

District Five Years' Outstanding Debt

Fiscal Year End	General Obligation Bonds & Serial Notes Outstanding
2013	\$ 4,906,479
2012	5,956,542
2011	6,210,377
2010	4,505,000
2009	5,545,000

COTUIT FIRE DISTRICT

Nature and Powers of District

The Cotuit Fire District, established in 1926, is located in the Town of Barnstable, Massachusetts. The function of the District is to provide the village of Cotuit with water and fire protection.

The principal governing body of the District is the Prudential Committee, an elected body. Management of the fire department rests with an elected Board of Engineers and that of the Water Department with an elected Board of Water Commissioners.

The District is empowered, subject to authorization by a vote of the District meeting, to raise money by taxation for water and fire protection services, and for repair and related expenses. Bonds are authorized by a two-thirds vote of the District meeting.

Taxes for the District are assessed and collected by the Town of Barnstable in the same manner as Town taxes. Such tax collections by the Town are paid to the District.

The District employs 10 full time fire personnel, which includes the Chief and administrative assistant and 4 water personnel. Additionally, there are approximately 13 "call fire fighters" to man the fire stations.

Revenues

Property Taxes: The District has the power to levy ad valorem taxes upon all the property within its territorial limits that is or could be served by it for the payment of capital and operating expenses, including debt service.

Water Rates: All users (commercial and residential) are charged for water used at a flat rate of \$72.00 when their annual use is between 1,000 gallons and 40,000 gallons. Between 41,000 gallons and 80,000 gallons, the rate is \$2.45 per 1,000 gallons and a rate of \$2.70 per 1,000 gallons will be charged for all quantities above 80,000 gallons used in a billing year. Bills are mailed by the District annually on March 1 with overage being charged on October 1. Unpaid water bills become a lien on the property served. In addition to water rates the District receives income from sales of water services.

Property Taxation

The District has the power to levy ad valorem taxes upon all taxable property within its boundaries to pay debt service and operating expenses, except to the extent such expenses are met from user charges. The following table illustrates the manner in which the tax levy was determined in recent years.

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Gross Amount to be Raised:					
Appropriations	\$ 3,212,190	\$ 3,574,400	\$ 3,457,598	\$ 3,528,718	\$ 3,490,990
Overlay for Current Year (1)	53,194	47,625	31,062	19,805	24,984
Other Local Expenditures	-	-	-	-	-
Total	<u>\$ 3,265,384</u>	<u>\$ 3,622,025</u>	<u>\$ 3,488,660</u>	<u>\$ 3,548,523</u>	<u>\$ 3,515,973</u>
Offsets:					
Local Estimated Receipts	\$ 495,000	\$ 590,000	\$ 536,000	\$ 647,000	\$ 560,000
Other Available Funds (2)	552,500	968,200	130,000	-	700,000
Free Cash Used to Reduce Taxes	-	-	600,000	-	-
Total	<u>\$ 1,047,500</u>	<u>\$ 1,558,200</u>	<u>\$ 1,266,000</u>	<u>\$ 647,000</u>	<u>\$ 1,260,000</u>
Tax Levy	\$ 2,217,884	\$ 2,063,825	\$ 2,222,660	\$ 2,901,523	\$ 2,255,973

(1) Allowance for abatements.

(2) Includes appropriations from "free cash".

Assessed Valuations and Tax Levies

The responsibility of assessing the value of property within the District rests with the Board of Assessors of the Town of Barnstable. The property within the District is assessed on the same basis as the rest of the Town. The following table sets forth the recent trend in the assessed value of taxable real and personal property within the District, and tax rates and tax levies.

Fiscal Year	Assessed Valuations			Tax Rate
	Real Property	Personal Property	Total	
2013	\$ 1,277,250,900	\$ 11,876,800	\$ 1,289,127,700	\$ 1.75
2012	1,307,297,500	11,576,760	1,318,874,260	2.20
2011	1,312,068,800	10,943,140	1,323,011,940	1.68
2010	1,313,455,100	9,509,470	1,322,964,570	1.56
2009	1,540,953,300	10,014,540	1,550,967,840	1.43

Classification of Real Property

Type	Fiscal 2011		Fiscal 2012		Fiscal 2013	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 1,297,513,833	98.07 %	\$ 1,292,664,941	98.01 %	\$ 1,263,588,549	98.02 %
Commercial	14,459,267	1.09	14,537,159	1.10	13,558,851	1.05
Industrial	95,700	0.01	95,400	0.01	103,500	0.01
Open Space	-	0.00	-	0.00	-	0.00
Personal	10,943,140	0.83	11,576,760	0.88	11,876,800	0.92
Total	<u>\$ 1,323,011,940</u>	<u>100.00 %</u>	<u>\$ 1,318,874,260</u>	<u>100.00 %</u>	<u>\$ 1,289,127,700</u>	<u>100.00 %</u>

Free Cash

Year	July 1 Free Cash
2013	N.A.
2012	\$ 1,100,854
2011	1,328,017
2010	936,454
2009	1,358,731
2008	518,168

SOURCE: Bureau of Accounts, Massachusetts Department of Revenue.

District Five Years' Outstanding Debt

Fiscal Year End	General Obligation Bonds & Serial Notes Outstanding
2013	\$1,720,000
2012	1,825,000
2011	1,930,000
2010	2,035,000
2009	69,400

HYANNIS FIRE DISTRICT

Nature and Powers of the District

The Hyannis Fire District, established in 1896, is located in the Town of Barnstable, Massachusetts. The function of the District is to provide the village of Hyannis with fire protection.

The principal governing body of the District is the Board of Commissioners, an elected body. Management of the fire department rests with the elected Board of Commissioners.

The District is empowered, subject to authorization by a vote of the District meeting, to raise money by taxation for fire protection services, and for repair and related expenses. Bonds are authorized by a two-thirds vote of the District meeting.

Taxes for the District are assessed and collected by the Town of Barnstable in the same manner as Town taxes. Such tax collections by the Town are paid to the District.

The District employs 54 full time fire personnel, which includes the Chief.

Revenues

Property Taxes: The District has the power to levy ad valorem taxes upon all the property within its territorial limits that is or could be served by it for the payment of capital and operating expenses, including debt service.

Property Taxation

The District has the power to levy ad valorem taxes upon all taxable property within its boundaries to pay debt service and operating expenses, except to the extent such expenses are met from user charges. The following table illustrates the manner in which the tax levy was determined in recent years.

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Gross Amount to be Raised:					
Appropriations	\$ 8,847,807	\$ 9,011,627	\$ 9,170,256	\$ 10,038,009	\$ 9,396,070
Overlay for Current Year	139,869	146,676	98,591	113,005	82,134
Other Local Expenditures	-	-	-	-	-
Total	\$ 8,987,676	\$ 9,158,303	\$ 9,268,847	\$ 10,151,014	\$ 9,478,204
Offsets:					
Local Estimated Receipts	\$ 129,375	\$ 110,336	\$ 94,013	\$ 92,883	\$ 96,313
Other Available Funds	1,356,000	1,461,000	1,461,000	2,066,000	1,670,000
Free Cash Used to Reduce Taxes	350,000	750,000	350,000	-	500,000
Total	\$ 1,835,375	\$ 2,321,336	\$ 1,905,013	\$ 2,158,883	\$ 2,266,313
Tax Levy	\$ 7,152,301	\$ 6,836,967	\$ 7,363,834	\$ 7,992,181	\$ 7,211,891

Assessed Valuations and Tax Levies

The responsibility for assessing the value of property within the District rests with the Board of Assessors of the Town of Barnstable. The property within the District is assessed on the same basis as the rest of the Town. The following table sets forth the recent trend in the assessed value of taxable real and personal property within the District, and tax rates and tax levies.

Fiscal Year	Assessed Valuations			Tax Rates	
	Real Property	Personal Property	Total	Residential	Commercial
2013	\$ 2,979,692,945	\$ 84,050,410	\$ 3,063,743,355	\$ 2.00	\$ 3.18
2012	2,954,103,080	86,299,250	3,040,402,330	2.24	3.55
2011	2,986,486,745	84,816,270	3,071,303,015	2.04	3.24
2010	3,127,914,945	78,795,410	3,206,710,355	1.82	2.88
2009	3,406,376,235	79,162,780	3,485,539,015	1.78	2.77

Classification of Real Property

Type	Fiscal 2013		Fiscal 2012		Fiscal 2011	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 2,144,756,360	70.00 %	\$ 2,138,356,574	70.33 %	\$ 2,155,990,143	70.20 %
Commercial	818,704,885	26.72	799,976,506	26.31	812,969,902	26.47
Industrial	16,231,700	0.53	15,770,000	0.52	17,526,700	0.57
Personal	84,050,410	2.74	86,299,250	2.84	84,816,270	2.76
Total	\$ 3,063,743,355	100.00 %	\$ 3,040,402,330	100.00 %	\$ 3,071,303,015	100.00 %

Free Cash

Year	July 1 Free Cash
2013	N.A.
2012	\$ 1,080,574
2011	907,659
2010	1,065,264
2009	N.A.
2008	1,226,511

SOURCE: Bureau of Accounts, Massachusetts Department of Revenue.

District Five Years' Outstanding Debt

The District has had no general obligation bonds or notes outstanding during the last five fiscal years.

WEST BARNSTABLE FIRE DISTRICT

Nature and Powers of District

The West Barnstable Fire District, established in 1949, is located in the Town of Barnstable, Massachusetts. The function of the District is to provide the village of West Barnstable with fire and rescue protection as well as street lights.

The principal governing body of the District is the prudential Committee, an elected body. Management of the fire department rests with the appointed fire chief.

The District is empowered, subject to authorization by a vote of the District meeting, to raise money by taxation for fire protection services, and for repair and related expenses. Bonds are authorized by two-thirds vote of the District meeting.

Taxes for the District are assessed and collected by the Town of Barnstable in the same manner as Town taxes. Such tax collections by the Town are paid to the District.

The District presently employs 6 full time fire personnel, which includes the Chief. Additionally, there are approximately 40 "call fire fighters" to man the fire station. 5 employees are members of the West Barnstable Permanent Fire Fighters Local 3642 union. Their contract expires June 30, 2013.

Revenues

Property Taxes: The District has the power to levy ad valorem taxes upon all the property within its territorial limits that is or could be served by it for the payment of capital and operating expenses, including debt service.

Property Taxation

The District has the power to levy ad valorem taxes upon all taxable property within its boundaries to pay debt service and operating expenses, except to the extent such expenses are met from user charges. The following table illustrates the manner in which the tax levy was determined in recent years.

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Gross Amount to be Raised:					
Appropriations	\$ 1,382,762	\$ 1,417,353	\$ 1,540,825	\$ 2,059,492	\$ 1,624,200
Overlay for Current Year	25,137	25,924	26,529	19,055	24,028
Other Local Expenditures	595	-	-	459	43
Total	<u>\$ 1,408,494</u>	<u>\$ 1,443,277</u>	<u>\$ 1,567,354</u>	<u>\$ 2,079,006</u>	<u>\$ 1,648,271</u>
Offsets:					
Local Estimated Receipts	\$ 93,000	\$ 111,000	\$ 150,000	\$ 183,000	\$ 194,250
Other Available Funds (3)	11,627	-	71,600	551,265	60,000
Free Cash Used to Reduce Taxes	-	-	-	-	-
Total	<u>\$ 104,627</u>	<u>\$ 111,000</u>	<u>\$ 221,600</u>	<u>\$ 734,265</u>	<u>\$ 254,250</u>
Tax Levy	<u>\$ 1,303,867</u>	<u>\$ 1,332,277</u>	<u>\$ 1,345,754</u>	<u>\$ 1,344,741</u>	<u>\$ 1,394,021</u>

Assessed Valuations and Tax Levies

The responsibility for assessing the value of property within the District rests with the Board of Assessors of the Town of Barnstable. The property within the District is assessed on the same basis as the rest of the Town. The following table sets forth the recent trend in the assessed value of taxable real and personal property within the District, and tax rates and tax levies.

Fiscal Year	Real Property	Personal Property	Total	Tax Rate
2013	\$ 550,910,700	\$ 5,805,130	\$ 556,715,830	\$2.85/2.50 (1)
2012	562,011,200	5,890,900	567,902,100	2.70/2.37 (2)
2011	569,249,700	5,382,450	574,632,150	2.65/2.34 (3)
2010 (4)	579,735,400	4,596,680	584,332,080	2.28
2009	613,186,800	4,759,840	617,946,640	2.11

(1) In 2013, the Residential Property Tax Rate is \$2.85 and the other classes are taxed at \$2.50.

(2) In 2012, the Residential Property Tax Rate is \$2.70 and the other classes are taxed at \$2.37.

(3) In 2011, the Residential Property Tax Rate was \$2.65 and other classes were taxed at \$2.34.

(4) Revaluation year.

Classification of Real Property

Type	Fiscal 2013		Fiscal 2012		Fiscal 2011	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 531,374,397	95.45 %	\$ 541,793,222	95.40 %	\$ 548,688,610	95.49 %
Commercial	17,689,803	3.18	18,351,178	3.23	18,780,790	3.27
Industrial	1,846,500	0.33	1,866,800	0.33	1,780,300	0.31
Personal	5,805,130	1.04	5,890,900	1.04	5,382,450	0.94
Total	\$ 556,715,830	100.00 %	\$ 567,902,100	100.00 %	\$ 574,632,150	100.00 %

Free Cash

Year	July 1 Free Cash
2013	\$ 165,140
2012	164,023
2011	123,014
2010	614,569
2009	N.A.

SOURCE: Bureau of Accounts, Massachusetts Department of Revenue.

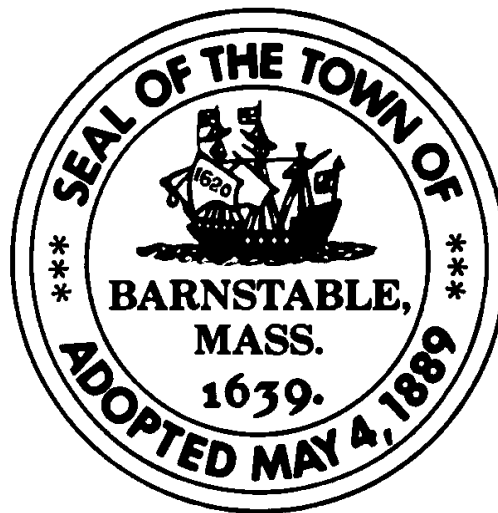
District Five Years' Outstanding Debt

Fiscal Year End	General Obligation Bonds & Serial Notes Outstanding
2013	\$36,000
2012	72,000
2011	108,000
2010	144,000
2009	210,000

TOWN OF BARNSTABLE, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
June 30, 2012



Prepared by:
Finance Department

TOWN OF BARNSTABLE, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

Independent Auditors' Report	B-1
Management's Discussion and Analysis	B-3
Basic Financial Statements.....	B-25
Statement of net assets.....	B-27
Statement of activities	B-28
Governmental funds – balance sheet.....	B-30
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets.....	B-31
Governmental funds – statement of revenues, expenditures and changes in fund balances	B-32
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	B-33
General fund - statement of revenues, expenditures, and changes in fund balance – budgetary basis – budget and actual	B-34
Proprietary funds – statement of net assets.....	B-35
Proprietary funds – statement of revenues, expenses and changes in fund net assets.....	B-36
Proprietary funds – statement of cash flows	B-40
Fiduciary funds – statement of fiduciary net assets	B-42
Fiduciary funds – statement of changes in fiduciary net assets.....	B-43
Component units – combining statement of net assets	B-44
Component units – combining statement of revenues, expenses, and changes in net assets	B-46
Notes to basic financial statements.....	B-49



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Independent Auditors' Report

To the Honorable Town Council
Town of Barnstable, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Barnstable, Massachusetts, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Barnstable, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Barnstable Horace Mann Charter School and the Barnstable Community Horace Mann Charter Public School, which represents 1% of the governmental activities assets, 1% of the governmental fund assets, 1% of the governmental activities net assets, 2% of the governmental fund balance, 2% of the governmental activities revenues, and 2% of the governmental fund revenues. We did not audit the financial statements of five of the Town of Barnstable, Massachusetts' library component units listed in Note 1, which reflect 95% of the total assets and 91% of the total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Barnstable Horace Mann Charter School, the Barnstable Community Horace Mann Charter Public School, and the discretely presented component units referred to above, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Barnstable, Massachusetts, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the Town of Barnstable, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying schedule of expenditures of passenger facility charges collected and expended and interest credited, as listed in the table of contents, is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financials statements, is required by accounting principles generally accepted in the United States of America 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.

The introductory section and statistical tables, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Powers & Sullivan LLC

December 18, 2012, except for the Barnstable Horace Mann Charter School, the Barnstable Community Horace Mann Charter Public School, and the library component units listed in Note 1, which were audited by other auditors and whose reports are dated on various dates through November 30, 2012.

Management's Discussion and Analysis

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Management's Discussion and Analysis

As management of the Town of Barnstable, Massachusetts, we offer readers of the Town of Barnstable's financial statements this narrative overview and analysis of the financial activities of the Town of Barnstable for the fiscal year ended June 30, 2012. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. If the Town of Barnstable's financial statements have significant departures from GAAP the independent auditors' may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on the Town's bond rating and our ability to borrow money at favorable interest rates as well as obtaining grants. The Town of Barnstable has achieved an unqualified opinion on its financial statements since the fiscal year ended June 30, 1984.

Financial Highlights

- The assets of the Town of Barnstable exceeded its liabilities at the close of the most recent fiscal year by \$392.3 million. Of this amount, \$61.9 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- The primary government's total net assets increased by \$14.7 million. The increase was the net result of increases in the Town's governmental activities of \$4.4 million and \$10.2 million attributable to the Town's business type activities. The governmental activities increase is mainly attributable to the \$2.9 million in capital grants, \$8.7 million raised through the budget process for the Town's stabilization fund and because principal payments on long-term debt, which are raised through the budget process, are higher than the depreciation expense recognized on assets by approximately \$1.1 million; offset by the recognition of an additional \$5.1 million in the other postemployment benefit obligations. The \$10.2 million growth in business type activities is largely attributable to the \$9.5 million in capital grants received in relation to construction projects within the airport, wastewater, marina and Hyannis Youth and Community Center enterprise funds.
- At the close of the current fiscal year, the Town of Barnstable's governmental funds reported combined ending fund balances of \$81.8 million, a decrease of \$331,000 in comparison with the prior year. Approximately \$28.7 million of this total amount is available for appropriation at the government's discretion.
- At the end of the current fiscal year, fund balance for the general fund totaled \$33.4 million, or 25% of total general fund expenditures.
- Expenditures for the general fund totaled \$136 million or \$4.9 million more than the prior fiscal year. The area with the largest change was education which increased \$2.4 million. The second largest area to change was pension which increased \$1.3 million.

- The Town of Barnstable's total long-term debt decreased by \$7.8 million during the current fiscal year. The Town issued \$18 million of long-term debt of which \$11.7 million was for refunding debt and \$6.3 million was for wastewater and water projects. A total of \$25.8 million in long-term debt principal was either paid down or refunded.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Barnstable's basic financial statements. The Town of Barnstable's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the Town of Barnstable's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Barnstable is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 and earned but unused vacation leave).

Both the government-wide financial statements include not only the Town of Barnstable itself (known as the primary government), but also the seven village libraries for which the Town of Barnstable contributes a majority of funding for their annual operations. Although they are legally separate, the libraries receive a significant portion of their annual operating budget from the Town of Barnstable and, therefore, the financial information for these component units is reported separately from the financial information presented for the primary government itself.

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 of Barnstable, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Barnstable can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable 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 government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Barnstable maintains four major governmental funds that are presented separately in the governmental fund financial statements. The remaining eight nonmajor funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Barnstable adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

The Town of Barnstable maintains eight different enterprise funds within the proprietary fund type. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town of Barnstable uses enterprise funds to account for its airport, municipal golf course, solid waste disposal and recycling center, wastewater, water supply, marina, Sandy Neck recreation area and the Hyannis Youth and Community Center activities.

The Town maintains an internal service fund within the proprietary fund type which is reported in governmental activities in the government-wide financial statements. This fund is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to workers' compensation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for airport, golf, solid waste, wastewater operations, water supply, marina, Sandy Neck recreation and Hyannis Youth and Community Center all of which are considered major funds of the Town of Barnstable.

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 of Barnstable's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The other postemployment benefits fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

Notes to 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 combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Barnstable, assets exceeded liabilities by \$392.3 million at the close of the most recent fiscal year.

By far the largest portion of the Town of Barnstable's net assets (\$307.6 million or 78%) reflects its investment in capital assets (e.g., land, buildings, vehicles, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Barnstable uses these assets to provide services to citizens;

consequently, these assets are not available for future spending. Although the Town of Barnstable's 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Barnstable's net assets (\$22.9 million, or 6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$61.9 million, or 16%) may be used to meet the government's ongoing obligations to citizens and creditors.

The change in net assets by activity (governmental and business-type) is also a useful measure to assess the financial position of the Town. By understanding the underlying reasons for these changes, communities may be better prepared to make decisions in regards to the allocation of resources from year to year.

Comparative Net Assets

	Governmental Activities			Business-type Activities		
	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2010	June 30, 2011	June 30, 2012
Current and other assets	\$ 131,313,797	\$ 131,357,271	\$ 130,433,658	\$ 49,005,073	\$ 45,187,010	\$ 37,967,130
Capital assets	\$ 221,548,475	\$ 227,660,554	\$ 231,456,619	\$ 132,185,727	\$ 158,296,129	\$ 174,623,690
Total assets	\$ 352,862,272	\$ 359,017,825	\$ 361,890,277	\$ 181,190,800	\$ 203,483,139	\$ 212,590,820
Current liabilities	\$ 21,715,391	\$ 21,287,543	\$ 24,075,419	\$ 14,610,686	\$ 11,003,728	\$ 6,832,219
Long-term liabilities	\$ 95,395,930	\$ 98,244,028	\$ 93,904,058	\$ 55,024,752	\$ 54,288,350	\$ 57,336,659
Total liabilities	\$ 117,111,321	\$ 119,531,571	\$ 117,979,477	\$ 69,635,438	\$ 65,292,078	\$ 64,168,878
Net assets:						
Invested in capital assets, net of related debt	\$ 167,732,404	\$ 178,881,293	\$ 184,421,601	\$ 88,038,076	\$ 111,054,493	\$ 123,154,596
Restricted	\$ 22,256,610	\$ 23,188,546	\$ 22,899,121	\$ -	\$ -	\$ -
Unrestricted	\$ 45,761,937	\$ 37,416,415	\$ 36,590,078	\$ 23,517,286	\$ 27,136,568	\$ 25,267,346
Total net assets	\$ 235,750,951	\$ 239,486,254	\$ 243,910,800	\$ 111,555,362	\$ 138,191,061	\$ 148,421,942

The Town has realized an increase in its net assets from 2010 to 2012 within its governmental activities and its business type activities. Total net assets have increased \$8.2 million over this period for governmental activities and \$36.9 million for business-type activities. Fiscal year 2012 increases are mainly attributable to capital grants, better than anticipated budgetary results in the general fund, and annual principal payments on debt service exceeding depreciation. These increases were partially offset by the recognition of other postemployment benefit obligations which increased by \$5.8 million. The amortization of this liability will continue to deteriorate the Town's overall financial position unless it is pre-funded. In fiscal year 2012, capital grants totaled \$2.9 million for governmental activities, \$8.5 million for the airport enterprise fund, \$686,000 for wastewater enterprise fund, \$40,000 for the water supply enterprise fund, \$272,000 for the marina enterprise fund, and \$10,000 for the Hyannis Youth and Community Center enterprise fund. Principal payments on debt service for governmental and business-type activities totaled \$20.1 million and \$5.7 million, respectively, inclusive of debt refunding. Depreciation on capital assets totaled \$6.8 million and \$5.1 million, respectively.

The majority of the increase to the Town's capital assets during fiscal year 2012 were in the form of road and drainage improvements and Town Hall renovations. Capital asset growth within the business-type activities for 2012 consisted mainly of the construction for the new terminal at the airport and various sewer upgrades.

Current assets and current liabilities have increased in governmental activities and decreased in business-type activities. In governmental activities, current and other assets decreased by \$880,000 from fiscal year 2010. This is a direct result of several of the Town's capital projects nearing completion resulting in a decrease in their cash

and cash equivalents. The governmental activities' current liabilities have increased \$2.4 million from fiscal year 2010 due to an increase in warrants payable and accrued payroll. For business-type activities, current and other assets decreased by \$11 million due to the decrease in capital grants from the Massachusetts Water Pollution Abatement Trust. There was a \$7.8 million decrease in current liabilities of which \$3.7 million was the result of short-term borrowing. This represents temporary financing for capital projects that have not yet been financed through the issuance of long-term bonds.

Long-term liabilities have decreased from the fiscal year 2010 levels for governmental and increased for business-type activities. For governmental activities, the net decrease is largely due an \$11.5 million decrease in long-term bonds and notes payable, as bonds have been retired, offset by a \$9.6 million increase in the liability for other postemployment benefits.

Investments in capital assets have increased in governmental activities and business-type activities. This is mainly attributable to capital asset acquisitions and payments on bond principal exceeding depreciation on capital assets.

Restricted net assets have decreased \$289,000 for governmental activities from 2011 to 2012 mainly due to the increase in capital projects. The **unrestricted net assets** amount has decreased \$826,000 in the current year which was the net result of the recognition of an additional \$5.1 million for other postemployment benefits obligation and the results of current operations.

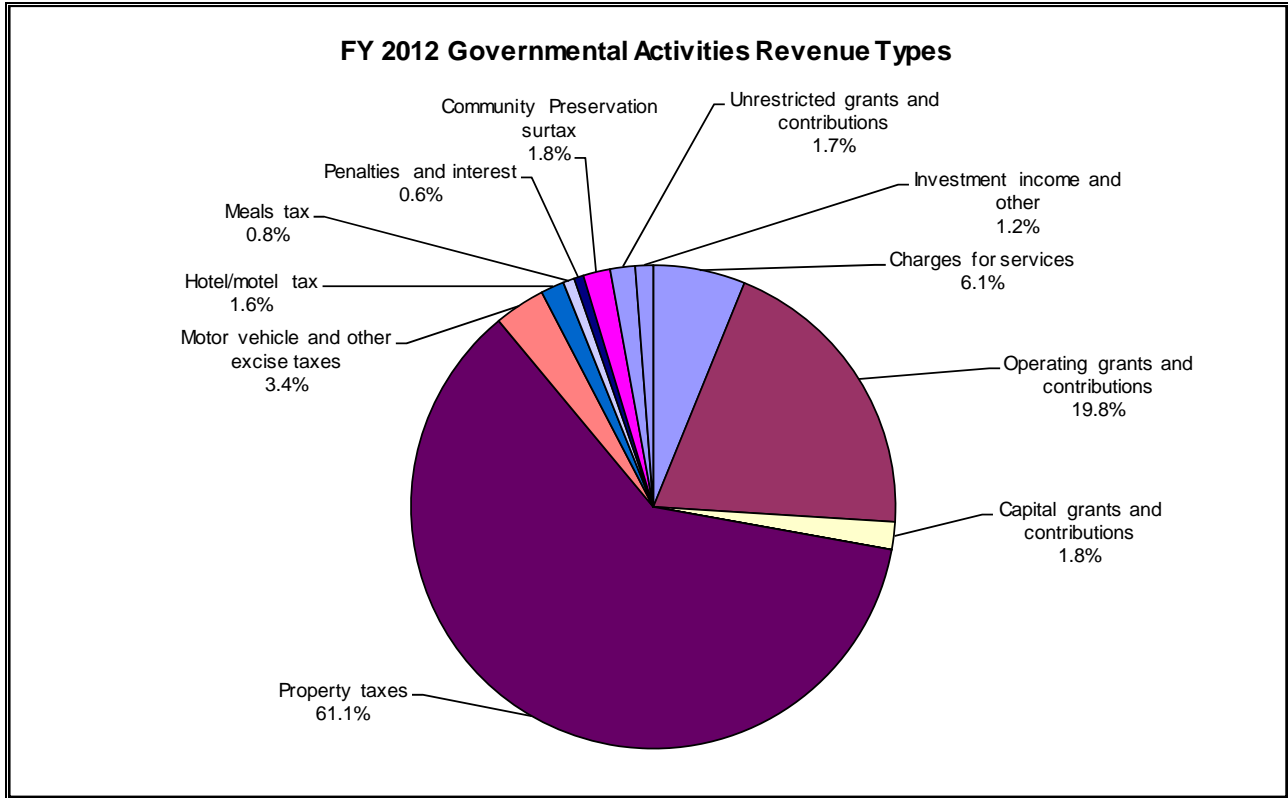
At the end of the current fiscal year, The Town of Barnstable is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. In 2012, governmental activities increased the Town of Barnstable's net assets by \$4.4 million. Key elements of this increase are as follows:

- In fiscal year 2008, the Town implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In fiscal year 2012, the Town recognized an additional \$5.1 million of postemployment benefits obligation which resulted in a decrease in net assets. The total liability reported in governmental activities for OPEB is \$28.7 million as of June 30, 2012.
- The Town received \$2.9 million in capital grants, which includes \$1.5 million from state funding of Chapter 90 highway projects.
- Positive budgetary results in the general fund contributed to the increase in net assets by approximately \$2.7 million.
- The Town raised approximately \$1.1 million more to retire outstanding governmental debt than was recorded as depreciation on governmental capital assets, this has a positive impact on the Town's net assets.

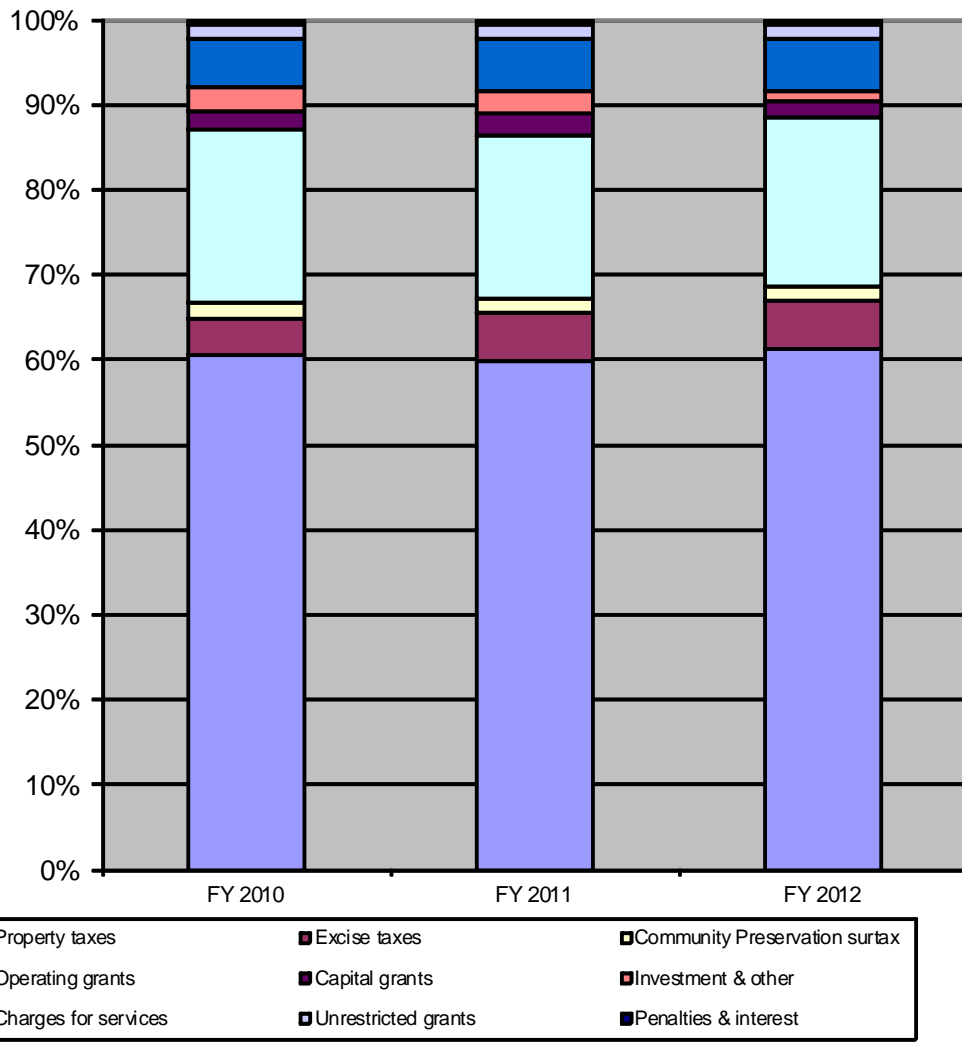
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	FY 2012	FY 2011	FY 2012	FY 2011
Revenues:				
Program Revenues:				
Charges for services.....	\$ 9,763,172	\$ 9,655,618	\$ 22,326,596	\$ 21,772,321
Operating grants and contributions.....	31,552,139	30,178,585	357,529	383,432
Capital grants and contributions.....	2,938,336	4,058,312	9,483,491	23,235,870
General revenues:				
Property taxes.....	97,222,576	93,673,200	-	-
Motor vehicle and other excise taxes.....	5,416,330	6,051,330	-	-
Hotel/motel tax.....	2,470,674	1,866,536	-	-
Meals tax.....	1,206,380	619,193	-	-
Penalties and interest.....	1,019,421	897,236	-	-
Community Preservation surtax.....	2,863,995	2,734,079	-	-
Unrestricted grants and contributions.....	2,645,768	2,665,950	-	-
Investment income and other.....	1,897,694	3,870,034	188,452	316,300
Total revenues.....	<u>158,996,485</u>	<u>156,270,073</u>	<u>32,356,068</u>	<u>45,707,923</u>
Expenses:				
Town Council.....	382,055	380,018	-	-
Town Manager.....	745,955	683,316	-	-
Administrative services.....	10,330,594	10,601,542	-	-
Growth management.....	2,164,979	2,197,204	-	-
Public safety.....	16,445,394	15,656,195	-	-
Education.....	96,294,013	93,652,265	-	-
Public works.....	12,804,945	13,669,363	-	-
Community services.....	4,591,089	4,395,115	-	-
Regulatory services.....	4,480,702	4,204,140	-	-
Culture and recreation.....	2,047,950	1,673,945	-	-
Interest.....	3,199,774	3,227,684	-	-
Airport.....	-	-	7,468,840	6,908,268
Golf course.....	-	-	2,634,335	2,507,382
Solid waste.....	-	-	2,011,718	1,887,556
Waste water.....	-	-	4,924,221	4,307,355
Water supply.....	-	-	2,695,528	2,309,337
Marina.....	-	-	572,555	521,888
Sandy Neck.....	-	-	617,232	537,561
Hyannis Youth and Community Center.....	-	-	2,285,247	2,286,860
Total expenses.....	<u>153,487,450</u>	<u>150,340,787</u>	<u>23,209,676</u>	<u>21,266,207</u>
Excess before transfers.....	5,509,035	5,929,286	9,146,392	24,441,716
Transfers, net.....	<u>(1,084,489)</u>	<u>(2,193,983)</u>	<u>1,084,489</u>	<u>2,193,983</u>
Change in net assets.....	4,424,546	3,735,303	10,230,881	26,635,699
Net assets - Beginning of Year.....	<u>239,486,254</u>	<u>235,750,951</u>	<u>138,191,061</u>	<u>111,555,362</u>
Net assets - End of Year.....	<u>\$ 243,910,800</u>	<u>\$ 239,486,254</u>	<u>\$ 148,421,942</u>	<u>\$ 138,191,061</u>



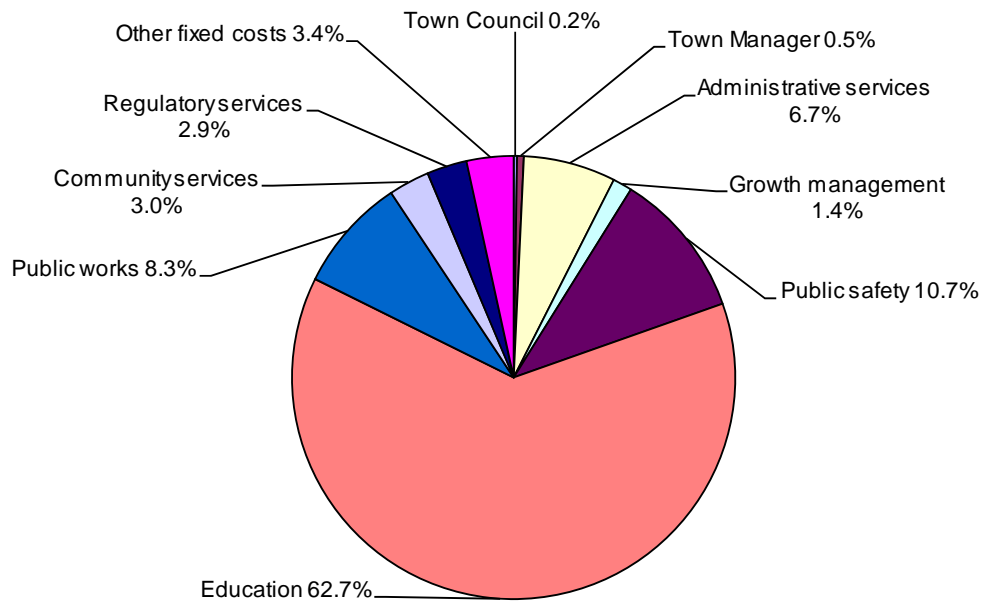
- Charges for services represent 6.1% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the Council and Manager are included in this category.
- Operating and capital grants and contributions account for 21.6% of the governmental activities resources. Most of these resources apply to education operations. These resources offset costs within the school department in addition to their general fund operating budget.
- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprise 61.1% of all resources.
- Other taxes and other revenues comprise a total of 11.2% of the governmental activity's resources.

Three Year Comparison of Governmental Activities Revenue Composition



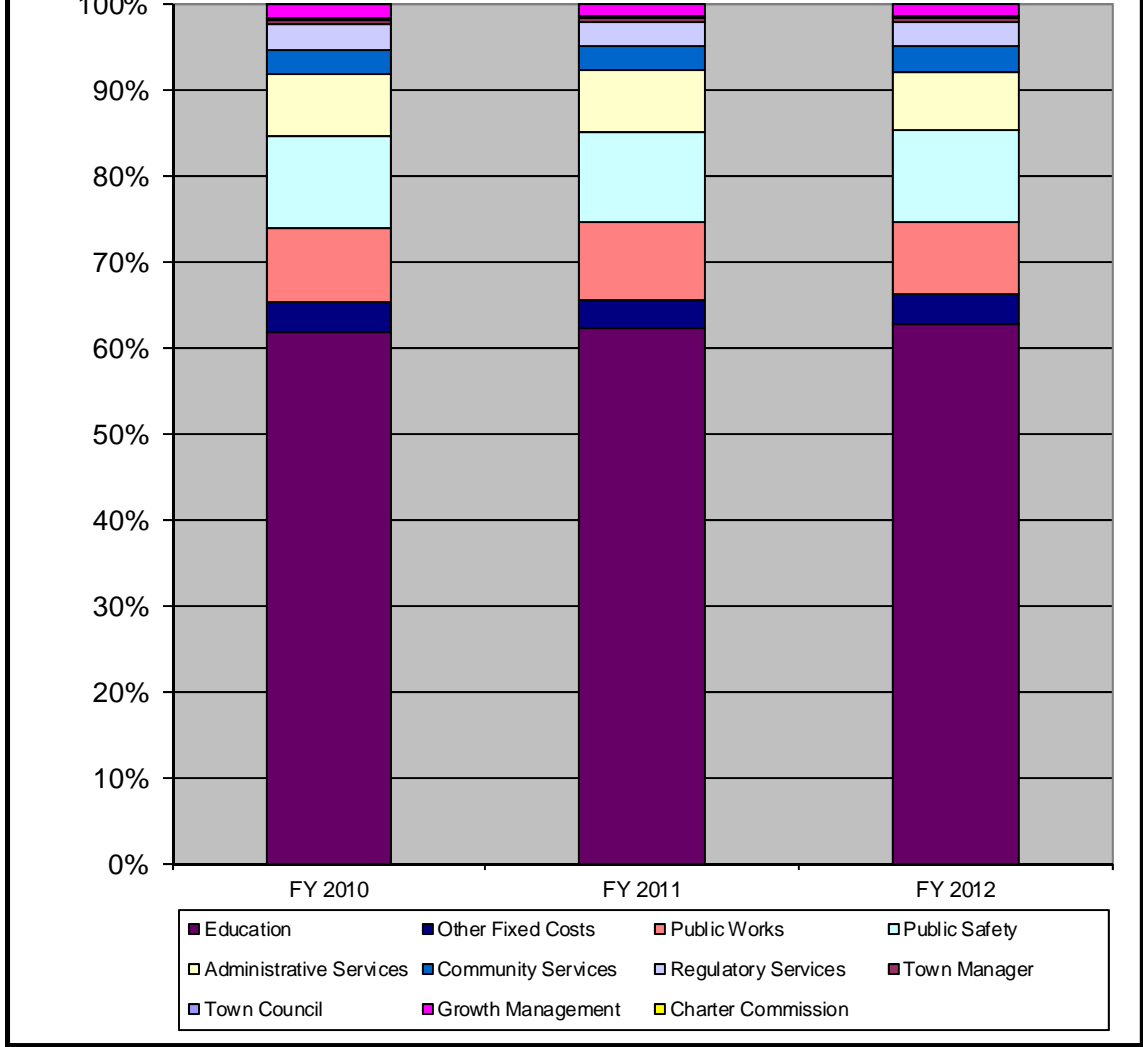
- Capital grants decreased by \$1.1 million which is due to the timing of road construction projects.
- Operating grants increased by \$1.4 million due to additional grant funds.
- Property taxes increased by \$3.5 million which is the result of budgeted property tax increases.
- Investment income decreased by \$2 million due to decreases in interest rates.
- All other categories have remained fairly consistent.

FY 2012 Governmental Activity Expenses



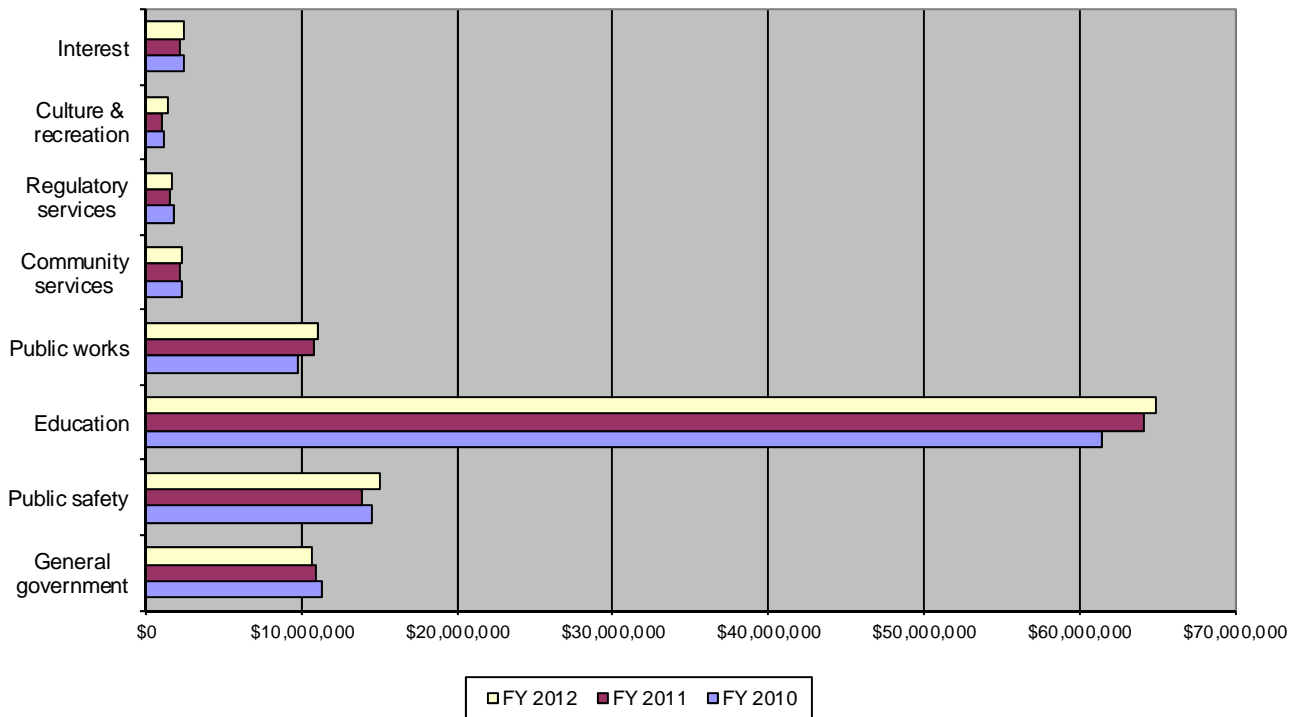
- Education is by far the largest governmental activity of the Town totaling \$96.3 million or 62.7% of all expenses.
- Public safety is the second largest activity consisting of \$16.4 million each or 10.7%.
- Public works is the third largest category at \$12.8 million or 8.3%.
- 85.2% of all governmental activity is associated with public safety, education, public works, and other fixed costs. The remaining activity, or 14.8%, is associated with community services, regulatory services, growth management, administrative services, town council, and town manager.

Three Year Comparison of Governmental Activities Expense Composition



- Education is by far the largest category of governmental activity expenses and has consistently been above 60% of all expenses.
- Public safety, public works and other fixed costs are the other three main expense categories, as these expenses along with education comprise 85.2% of the Town's governmental activity expenses.

Net Expense (Revenue) By Function

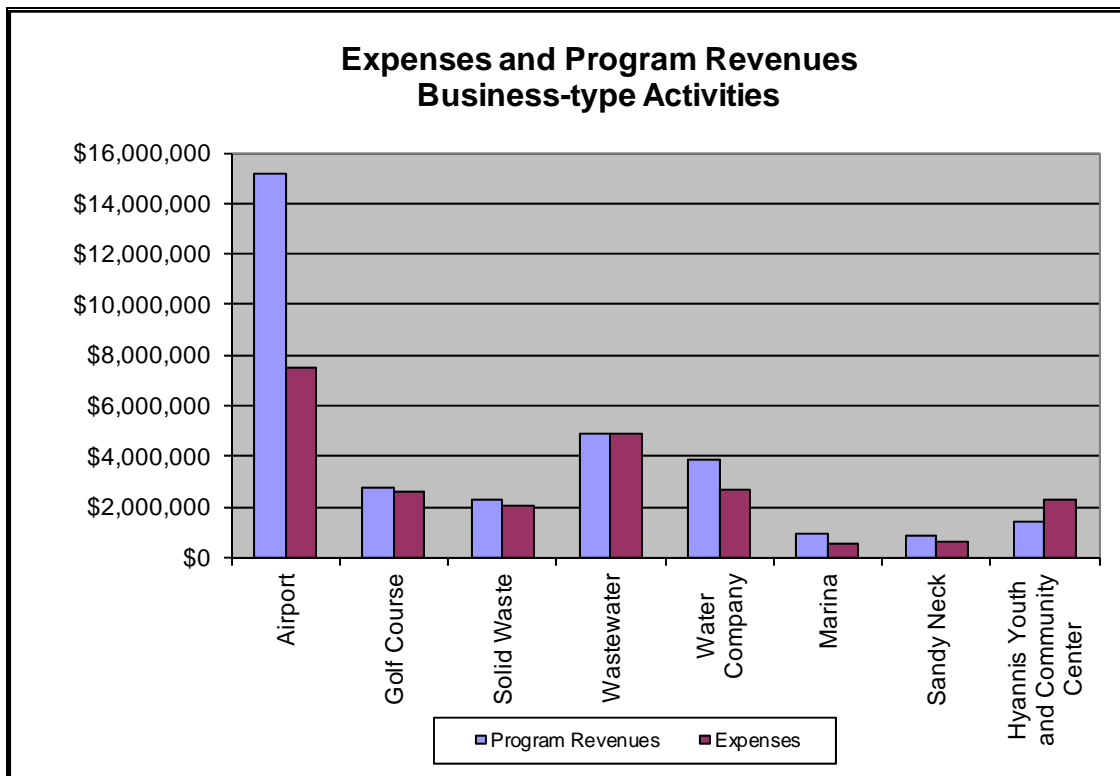


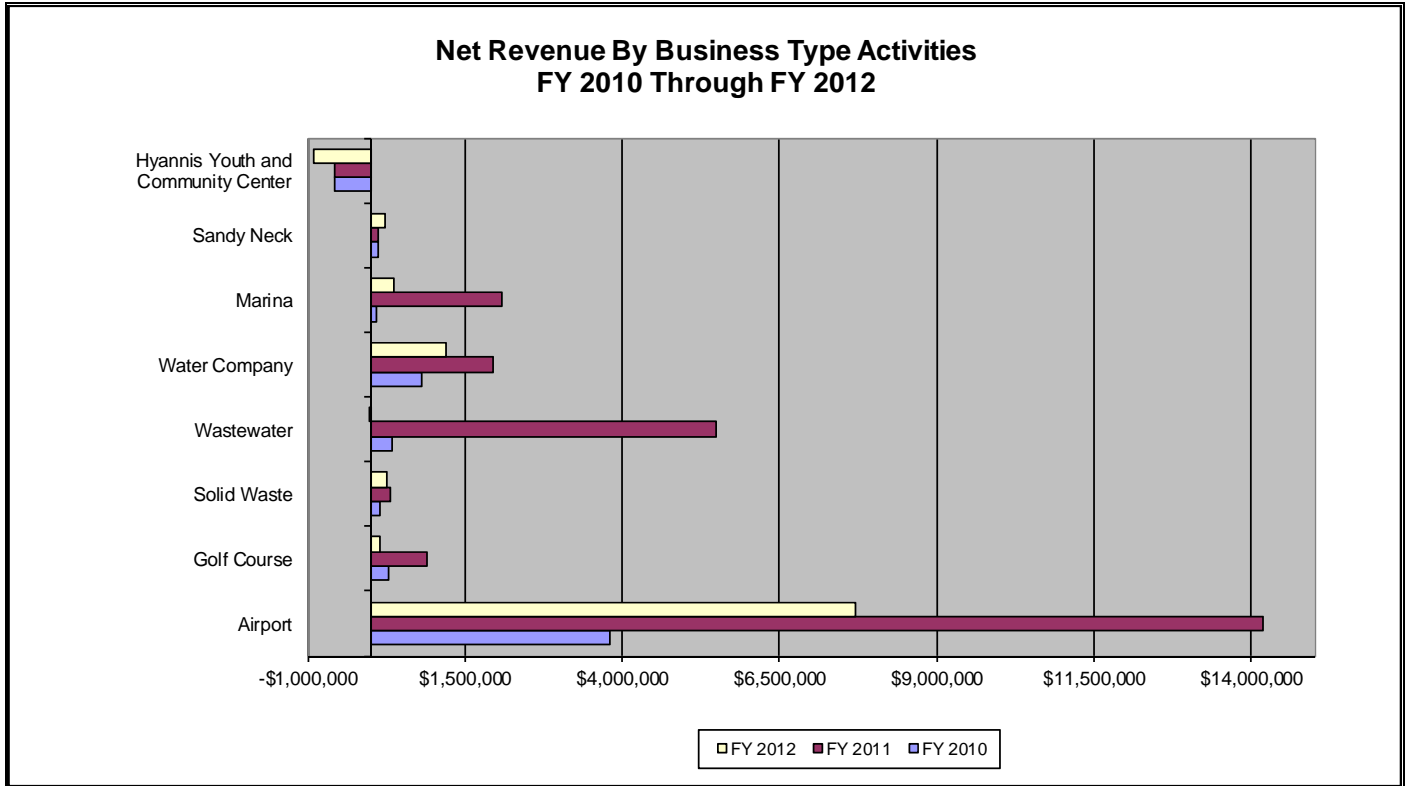
The change in the net expenses by function from year to year is useful to understand where tax dollars and other general revenues not restricted for particular purposes are being allocated.

- Public safety realized the largest increase in net expenses from fiscal year 2011 to fiscal year 2012 (\$1.1 million).
- Education realized the second largest increase in net expenses from fiscal year 2011 to fiscal year 2012 (\$818,000). This was due to an increase in their operating budget.

Business-type activities. Business-type activities increased the Town of Barnstable’s net assets by \$10.2 million. Key elements of this increase are as follows:

- \$7.2 million increase was attributable to airport operations. This was down from the prior year increase of \$13.8 million due to capital contributions received in fiscal year 2011 totaling \$14.5 million and in fiscal year 2012 totaling \$8.5 million.
- \$154,000 decrease was attributable to golf course operations.
- \$19,000 decrease was attributable to solid waste operations.
- \$1.3 million increase was attributable to wastewater operations.
- \$1 million increase was attributable to water supply operations.
- \$349,000 increase was attributable to the marina enterprise fund.
- \$154,000 increase was attributable to the Sandy Neck recreation fund.
- \$326,000 increase was attributable to the Hyannis Youth and Community Center.
- The business-type activities transferred \$1.9 million of its net operating income to governmental activities to pay for costs associated with running the business-type activities which are paid for out of governmental activities.





- All business type activities have generated net revenue (program revenue less expenses) for the past three years except for the Hyannis Youth and Community Center.
- The airport realized a decrease in their net revenue generated from fiscal year 2011 to fiscal year 2012. This is principally due to capital grant funded construction nearing completion for the airport renovation project.
- Net revenue does not include investment income and transfers, which have been necessary to allow some of the enterprise funds to meet their debt service obligations.

Financial Analysis of the Government’s Funds

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

Governmental funds. The focus of the Town of Barnstable’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Barnstable’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 the fiscal year.

At the end of the current fiscal year, the Town of Barnstable’s governmental funds reported combined ending fund balances of \$81.8 million, a decrease of \$331,000 in comparison with the prior year.

The general fund is the chief operating fund of the Town of Barnstable. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$28.7 million, while total fund balance was \$33.4 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures.

Analysis of Fund Balance and General Fund Expenditures

	FY 2010	FY 2011	FY 2012	Increase (Decrease) FY10-FY12
Unassigned fund balance	\$ 26,539,943	\$ 21,612,742	\$ 28,734,188	\$ 2,194,245
Total fund balance	\$ 32,820,236	\$ 30,598,271	\$ 33,402,299	\$ 582,063
Total General Fund expenditures	\$ 126,997,099	\$ 131,157,143	\$ 136,016,072	\$ 9,018,973
Unassigned fund balance as a % of total GF expenditures	20.90%	16.48%	21.13%	0.23%
Total fund balance as a % of total GF expenditures	25.84%	23.33%	24.56%	-1.28%

Unassigned fund balance and total fund balance as a percentage of total general fund expenditures increased in fiscal year 2012 from the fiscal year 2010 and 2011 levels. The Town's general fund expenditures for fiscal year 2012 are \$4.9 million more than fiscal year 2011 and \$9 million more than fiscal year 2010.

Unassigned fund balance has increased by \$2.2 million over the past three years mainly as a result of the planned use of high reserves to fund the capital program.

The Town has planned to use \$435,000 of fund balance to balance the fiscal year 2013 general fund budget, which is reported within assigned fund balance.

General Fund Comparison

	FY 2010	FY 2011	FY 2012	Increase (Decrease) FY10-FY12
Cash and investments	\$ 37,585,433	\$ 36,450,073	\$ 39,257,089	\$ 1,671,656
Receivables and other assets	\$ 35,779,430	\$ 34,448,247	\$ 33,514,303	\$ (2,265,127)
Total liabilities	\$ 40,544,627	\$ 40,300,049	\$ 39,369,093	\$ (1,175,534)
Total fund balance	\$ 32,820,236	\$ 30,598,271	\$ 33,402,299	\$ 582,063
Revenues	\$ 129,505,074	\$ 133,462,906	\$ 142,669,932	\$ 13,164,858
Expenditures	\$ 127,035,059	\$ 131,157,143	\$ 136,016,072	\$ 8,981,013

- Cash and investments have increased mainly as a result of actual revenues exceeding actual expenditures.
- Receivables have decreased by \$2.3 million from fiscal year 2010, mostly due to receipts coming in from state reimbursement programs.
- Total fund balance has increased mainly due to favorable results in operations.
- The \$13.2 million increase in revenue is comprised mostly of the increase of \$8.2 million in property tax growth, \$2.9 million in intergovernmental, \$1.2 million in meals tax, \$987,000 in hotel/motel taxes and \$660,000 in the departmental and other offset by the decrease of \$1.5 million in investment income.
- The \$9 million increase in expenditures was mainly due to an increase in education of \$3.9 million, pension benefits of \$2.4 million, debt principal expense of \$921,000 and state and county charges of \$773,000.

In accordance with GASB #54, the Town has included the Municipal Purpose Stabilization fund within the unassigned fund balance of the general fund. The fund balance in the municipal purpose stabilization fund has decreased \$4.9 million since fiscal year 2010. This fund is more commonly referred to in town as the "Capital Trust Fund". Resources are accumulated in this fund to provide for future capital improvements on a pay-as-you-go basis and to pay debt service on borrowing authorizations issued to finance capital improvements. This fund receives an annual transfer from the General Fund (\$8.7 million in fiscal year 2012) and transfers out a sum of

money that equals the annual debt service payments on projects authorized as well as cash appropriations for capital improvements. The difference between the transfer in and out contributes to the increase or decrease in this fund balance at the end of any fiscal year.

In accordance with GASB #54, the Town has classified the fund balance in the pension stabilization fund within the category of restricted fund balance within the general fund. The balance of the pension stabilization fund has remained consistent with a slight decrease of \$123,000 since fiscal year 2010.

	Fund Balance			Increase (Decrease)
	FY 2010	FY 2011	FY 2012	FY10-FY12
Capital Projects	\$ 15,837,839	\$ 18,640,466	\$ 14,136,690	\$ (1,701,149)
Highway Projects	\$ -	\$ -	\$ 404,851	\$ 404,851
Community Preservation Fund	\$ 10,082,856	\$ 8,261,251	\$ 8,586,383	\$ (1,496,473)
Nonmajor Governmental Funds	\$ 21,908,895	\$ 24,637,597	\$ 25,276,571	\$ 3,367,676

The capital projects fund has decreased by \$1.7 million since fiscal year 2010. This is due to the Town's ongoing capital construction and improvement projects. In fiscal year 2012, the Town's major projects included \$1.3 million in school improvements and \$4.9 million for infrastructure.

The highway projects fund reported expenditures of \$1 million against \$849,000 of reimbursements on projects in fiscal year 2012 which are fully supported by state grants on a reimbursable basis. The highway projects fund had a transfer in of \$578,000 from capital projects fund for old projects that were closed out.

The community preservation fund balance has decreased \$1.5 million since fiscal year 2010. This is due to the Town's ongoing community preservation project expenditures exceeding revenue.

The nonmajor funds increased in fund balance by approximately \$3.4 million since fiscal year 2010. During fiscal year 2012, revenues exceeded expenditures by \$1.4 million and transfers netted to (\$721,000).

Proprietary funds. The Town of Barnstable's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the Town of Barnstable's business-type activities.

General Fund Budgetary Highlights

The \$216,000 increase from the original budget to the final amended budget resulted from supplemental appropriations of \$252,000 offset with a decrease in the education budget of \$36,000.

General fund revenues came in more than budgeted by \$4.7 million. All categories of revenues exceeded the budget, including charges for services, fees and rentals, licenses and permits, and investment income. Real estate and personal property taxes realized the largest positive variance at \$2 million.

General Fund expenditures came in approximately \$1.7 million less than budgeted. All departments realized budget savings except for state and county charges. This is an area where municipalities are allowed to deficit spend under state law.

Capital Assets and Debt Management

Capital assets. The Town of Barnstable's investment in capital assets for its governmental and business type activities as of June 30, 2012 amount to \$406.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, vehicles, roads, sidewalks, bridges, runways and sewer lines. The total increase in the Town of Barnstable's net investment in capital assets for the current fiscal year was \$20.1 million (a \$3.8 million increase for governmental activities and a \$16.3 million increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- The Town spent \$16 million for various infrastructure improvements including roads, drainage and sidewalks.
- The Town spent \$11.7 million on various building improvements. Of this amount \$9.7 million was spent on the new airport terminal, \$1.3 million in school projects and \$564,000 in public safety projects.
- The Town spent \$2.9 million on construction in progress. Of this amount \$2.2 million was spent on DPW projects, and \$672,000 was spent on miscellaneous projects.

	Capital Assets		
	Cost of Capital Assets at end of year	Accumulated Depreciation at end of year	Capital Assets, net
Governmental activities			
<u>Function:</u>			
General government.....	\$ 10,969,127	\$ (5,188,451)	\$ 5,780,676
Growth management.....	2,008,968	(1,472)	2,007,496
Public safety.....	11,234,558	(7,204,464)	4,030,094
Education.....	133,448,911	(66,293,711)	67,155,200
Public works.....	116,025,587	(41,144,666)	74,880,921
Regulatory services.....	71,300,522	(1,125,830)	70,174,692
Community services.....	11,941,237	(4,513,697)	7,427,540
Total by function.....	<u>356,928,910</u>	<u>(125,472,291)</u>	<u>231,456,619</u>
Business-type activities			
<u>Function:</u>			
Airport.....	84,884,278	(19,864,629)	65,019,649
Golf.....	17,503,613	(3,602,639)	13,900,974
Solid Waste.....	4,524,316	(1,993,861)	2,530,455
Wastewater.....	60,414,683	(16,121,838)	44,292,845
Water Supply.....	19,813,015	(1,046,420)	18,766,595
Marina.....	7,143,906	(1,504,137)	5,639,769
Sandy Neck recreation.....	1,697,525	(268,820)	1,428,705
Hyannis Youth and Community Center.....	24,217,739	(1,173,041)	23,044,698
Total by function.....	<u>220,199,075</u>	<u>(45,575,385)</u>	<u>174,623,690</u>
Grand Total.....	\$ <u>577,127,985</u>	\$ <u>(171,047,676)</u>	\$ <u>406,080,309</u>

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

Long-term debt. At the end of the current fiscal year, the Town of Barnstable had total bonded debt outstanding of \$129.6 million. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the Town. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources.

Governmental Activities:

Projects	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWPAT Title V Bond of 1997.....	2021	\$ 200,000	0.00	\$ 103,803	\$ -	\$ (10,400)	\$ 93,403
Municipal Purpose Refunding of 2002.....	2012	8,340,062	4.00	2,786,903	-	(2,786,903)	-
MWPAT Title V Bond of 2002.....	2023	200,000	0.00	119,928	-	(10,020)	109,908
Municipal Purpose Bonds of 2002.....	2022	20,949,000	4.00 - 5.00	1,160,000	-	(1,160,000)	-
Municipal Purpose Bonds of 2003.....	2013	7,014,000	2.00 - 4.00	3,310,000	-	(2,955,000)	355,000
Municipal Purpose Bonds of 2004.....	2014	11,783,000	3.00 - 5.00	7,415,000	-	(6,175,000)	1,240,000
Municipal Purpose Bonds of 2005.....	2025	6,280,000	3.25 - 5.00	4,390,000	-	(315,000)	4,075,000
MWPAT Title V Bonds of 2006.....	2026	400,000	0.00	300,000	-	(20,000)	280,000
MWPAT Title V Bond of 2007.....	2027	200,000	0.00	160,000	-	(10,000)	150,000
Municipal Purpose Bonds of 2007.....	2027	46,664,000	3.38 - 4.75	36,805,000	-	(4,460,000)	32,345,000
MWPAT Bond of 2008 (CW-04-31).....	2021	389,216	2.00	308,161	-	(28,117)	280,044
Municipal Purpose Bonds of 2008.....	2028	6,861,000	3.75 - 4.50	4,859,000	-	(637,000)	4,222,000
MWPAT Debt of 2009.....	2021	1,059,374	2.00	751,320	-	(19,294)	732,026
Municipal Purpose Bonds of 2010.....	2030	4,959,000	2.00 - 5.00	4,380,000	-	(550,000)	3,830,000
Municipal Purpose Bonds of 2011.....	2031	16,176,000	2.00 - 4.00	16,176,000	-	(876,000)	15,300,000
Municipal Purpose Refunding of 2012.....	2023	11,715,000	2.00 - 4.00	-	10,037,900	-	10,037,900
Total Bonds Payable.....				83,025,115	10,037,900	(20,012,734)	73,050,281
Add: unamortized premium.....				360,689	-	(65,866)	294,823
Total Bonds Payable, net.....				\$ 83,385,804	\$ 10,037,900	\$ (20,078,600)	\$ 73,345,104

Business-type Activities:

Projects	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Golf Course.....	2025	\$ 4,450,000	5.00	\$ 3,620,000	\$ -	\$ (230,000)	\$ 3,390,000
Wastewater.....	2032	34,940,442	0.00 - 4.75	17,201,545	5,919,680	(2,341,574)	20,779,651
Water.....	2032	13,699,618	4.00 - 5.00	11,378,911	910,707	(504,552)	11,785,066
Solid Waste Transfer Station.....	2027	8,405,700	0.00 - 4.50	3,907,900	241,500	(691,900)	3,457,500
Sandy Neck.....	2031	1,365,000	4.00	1,280,000	-	(65,000)	1,215,000
Marinas.....	2030	3,774,000	3.00 - 5.00	1,675,000	864,000	(975,000)	1,564,000
Hyannis Youth and Community Center.....	2028	17,365,000	3.375 - 5.00	14,223,000	-	(869,000)	13,354,000
Airport.....	2031	730,000	2.00 - 4.12	730,000	-	(25,000)	705,000
Total Bonds Payable.....				\$ 54,016,356	\$ 7,935,887	\$ (5,702,026)	\$ 56,250,217

The Town of Barnstable's total long-term debt decreased by \$7.8 million during the current fiscal year. The decrease was the net result of the issuance of \$6.3 million in new long-term debt used to finance new capital projects, \$11.7 million of refunding bonds, and principal payments of approximately \$25.7 million.

The Town of Barnstable has maintained its bond rating from Standard & Poor's of AAA which was upgraded in June of 2007.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized property valuation. This limit could go to 10% with the State's Municipal Finance Oversight Board's approval. Additionally, certain general obligation debt is exempt from this limit such as debt associated with school construction and many water improvement projects. The current debt limitation for the Town of Barnstable is \$693.2 million, which is significantly in excess of the Town of Barnstable's outstanding general obligation debt that is subject to this limitation.

Additional information on the Town of Barnstable's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budget and Rates

- New building growth continues to be much less than what the town was experiencing in pre-recession times. New residential construction is restricted by available vacant land and a higher than normal for sale housing inventory. A higher percentage of new growth is being derived from commercial and redevelopment activity which is limited due to various economic factors. Property taxes from new building growth in fiscal year 2012 were \$589,000, well below the recent growth figure of \$1.2 million in fiscal year 2008. The Town is estimating \$767,000 of property taxes from new building growth in fiscal year 2013; mainly due to a new Stop & Shop being constructed as well as an investment made in properties by local automobile dealerships.
- Motor vehicle excise taxes are conservatively projected in fiscal year 2013 at \$4.8 million even though the actual collections in fiscal year 2012 were \$5.4 million. This was down from the actual collections in fiscal year 2011 of \$5.7 million. A continued decline is projected. This category of revenue has been very volatile over the past few years as fewer new cars are being purchased and more of the new cars purchased tend to be less expensive fuel efficient models. This has a direct impact on the excise tax collected by the town as the tax bill is based on the MSRP of the vehicle.
- Hotel/Motel excise taxes for fiscal year 2013 are projected to be level with the amount budgeted in fiscal year 2012.
- The Town Council approved a local meals tax rate of 0.75% effective October 1, 2010. The estimated annual revenue from this new tax is \$1.2 million. One hundred percent of this tax revenue will be credited to a new sewer construction trust fund and none of it will be used to balance the general fund operating budget.
- Chapter 70 Aid for education and unrestricted general government aid are budgeted at \$346,000 more in fiscal year 2013. The state restored its prior year cut to the unrestricted aid category and provided a minimum increase of \$25 per student in Chapter 70 aid for all communities.
- Charter school reimbursement aid from the state in fiscal year 2013 will remain relatively the same with the fiscal year 2012 amount. The Sturgis Charter School has opened a second campus and the state aid formula includes reimbursement of 100 percent of the first year costs increase with declining reimbursement rates in subsequent years. The town will incur significant declines in state aid in the subsequent years.
- Penalties and interest on the late payment of taxes are expected to decrease in fiscal year 2013 as tax collections in fiscal year 2012 improved and outstanding receivable balances declined.
- Interest rates on investments continue to be the lowest in years. The Town estimates that general fund investment income will be about \$50,000 less in fiscal year 2013.
- Interest rates on bond issues are at historical lows and this trend is expected to continue in fiscal year 2013.

- Consumer price inflation is currently low which should have positive impact on the Town's utility and fuel costs in fiscal year 2013.
- The fiscal year 2013 General Fund operating budget of \$125,586,153 (net of transfers) is \$1,288,765 more than the fiscal year 2012 budget.
- School operations are up \$1,363,419 and municipal operations are up \$718,434.
- Employee benefits are up \$460,683.
- Debt service is down \$934,668; school assessments are up \$522,631 and other fixed costs are up \$174,927.
- The Town had no snow and ice deficit spending in fiscal year 2012 significantly reducing the budget for fiscal year 2013 by \$1,016,641.
- The Regulatory Services Department saw the largest dollar increase in the municipal operations at \$229,410. This is the result of an increase in personnel costs and additional funding provided for a new parking ticket processing vendor.
- The Regulatory Services operations saw the largest percentage increase as well in the fiscal year 2013 municipal operating budget at 10%.
- The Public Works Department is the only department for fiscal year 2013 that realized a decline in its budget. This was the result of a change in accounting for shared personnel with the enterprise funds.
- The Town implemented municipal health care reform in fiscal year 2013 realizing a total of \$1.6 million in gross savings. One-half of the savings will directly benefit subscribers in the form of lower premiums. Additionally, one-half of the town's share of the savings (approximately \$400,000) will be shared with subscribers in the form of a mitigation fund used to assist employees with paying for higher copays and deductibles.
- Subsequent to the passage of the fiscal year 2013 operating budget the Governor signed into law the Town's request to create a sewer construction fund. All meals tax revenue and one-third of the rooms tax revenue is credited to the fund and will no longer be part of general fund revenue.
- Fiscal year 2013 is a revaluation year for the Town of Barnstable. Property values are expected to decline by less than 1 percent subject to state certification
- The tax levy for fiscal year 2013 is \$100.4 million, or \$3.1 million higher than fiscal year 2012.
- The fiscal year 2013 single town tax rate is estimated to increase from \$7.59 to \$7.89 per \$1,000 of valuation. The median home value in town is approximately \$311,000. This equates to a \$93 increase in the annual median tax bill before any residential exemption.
- It is expected that the Town Council will continue to support a residential exemption of 20% in fiscal year 2013. A vote is scheduled for December 2012. The estimated exemption value for fiscal 2013 is \$87,228. Qualifying residential property owners will receive this deduction off their taxable values before the tax rate is applied.
- The residential tax rate for fiscal year 2013 if the residential exemption is adopted is estimated to be \$8.76 per \$1,000 of valuation.
- It is expected that Town Council will not adopt a split tax rate or a small business exemption for fiscal year 2013 consistent with the previous year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Barnstable's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 1st Floor, School Administration Building, 230 South Street, Hyannis, MA, 02601.

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Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		Libraries
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 55,163,522	\$ 16,448,188	\$ 71,611,710	\$ 1,396,076
Restricted cash.....	-	-	-	81,571
Investments.....	32,740,360	12,458,453	45,198,813	6,513,075
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	5,326,922	-	5,326,922	-
Tax liens.....	1,975,329	-	1,975,329	-
Wastewater liens.....	-	19,237	19,237	-
Motor vehicle and other excise taxes.....	1,168,118	-	1,168,118	-
User fees.....	-	2,859,790	2,859,790	-
Community Preservation Fund surtaxes.....	140,468	-	140,468	-
Departmental and other.....	273,542	-	273,542	841,734
Special assessments.....	6,137	197,847	203,984	-
Intergovernmental.....	14,274,514	2,646,331	16,920,845	4,803
Tax foreclosures.....	1,185,252	-	1,185,252	-
Inventory.....	-	146,620	146,620	5,653
Prepaid expenses.....	-	-	-	26,433
Total current assets.....	<u>112,254,164</u>	<u>34,776,466</u>	<u>147,030,630</u>	<u>8,869,345</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	748,380	1,561,781	2,310,161	-
Intergovernmental.....	17,425,089	1,628,883	19,053,972	-
Other assets.....	6,025	-	6,025	-
Capital assets, net of accumulated depreciation:				
Depreciable.....	139,134,952	126,099,927	265,234,879	7,594,029
Nondepreciable.....	92,321,667	48,523,763	140,845,430	715,619
Total noncurrent assets.....	<u>249,636,113</u>	<u>177,814,354</u>	<u>427,450,467</u>	<u>8,309,648</u>
TOTAL ASSETS.....	<u>361,890,277</u>	<u>212,590,820</u>	<u>574,481,097</u>	<u>17,178,993</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	3,041,271	431,068	3,472,339	116,541
Accrued liabilities.....	379,690	39,040	418,730	4,499
Accrued payroll.....	8,114,685	165,323	8,280,008	-
Tax refunds payable.....	84,900	-	84,900	-
Accrued interest.....	668,897	346,310	1,015,207	-
Other liabilities.....	11,818	59,061	70,879	7,039
Unearned revenue.....	-	72,752	72,752	-
Customer deposits payable.....	5,120	-	5,120	-
Landfill closure.....	-	70,000	70,000	-
Compensated absences.....	2,370,815	271,028	2,641,843	-
Workers' compensation.....	42,000	-	42,000	-
Notes payable.....	-	1,671,000	1,671,000	-
Bonds payable.....	9,356,223	3,706,637	13,062,860	-
Total current liabilities.....	<u>24,075,419</u>	<u>6,832,219</u>	<u>30,907,638</u>	<u>128,079</u>
NONCURRENT:				
Landfill closure.....	-	980,000	980,000	-
Compensated absences.....	529,318	42,079	571,397	-
Workers' compensation.....	637,000	-	637,000	-
Other postemployment benefits obligation.....	28,748,859	3,771,000	32,519,859	-
Bonds payable.....	63,988,881	52,543,580	116,532,461	-
Total noncurrent liabilities.....	<u>93,904,058</u>	<u>57,336,659</u>	<u>151,240,717</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>117,979,477</u>	<u>64,168,878</u>	<u>182,148,355</u>	<u>128,079</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	184,421,601	123,154,596	307,576,197	8,309,648
Restricted for:				
Highway projects.....	5,184,227	-	5,184,227	-
Permanent funds:				
Expendable.....	1,605,936	-	1,605,936	-
Nonexpendable.....	10,467,992	-	10,467,992	-
Grants and gifts.....	5,640,966	-	5,640,966	-
Unrestricted.....	36,590,078	25,267,346	61,857,424	8,741,266
TOTAL NET ASSETS.....	<u>\$ 243,910,800</u>	<u>\$ 148,421,942</u>	<u>\$ 392,332,742</u>	<u>\$ 17,050,914</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
Town Council.....	\$ 382,055	\$ -	\$ -	\$ -	\$ (382,055)
Town Manager.....	745,955	36,111	-	-	(709,844)
Administrative services.....	10,330,594	845,002	596,851	646,630	(8,242,111)
Growth management.....	2,164,979	47,640	86,468	767,581	(1,263,290)
Public safety.....	16,445,394	792,683	670,617	-	(14,982,094)
Education.....	96,294,013	2,552,873	28,792,193	-	(64,948,947)
Public works.....	12,804,945	107,502	199,373	1,509,125	(10,988,945)
Community services.....	4,591,089	1,973,424	370,078	15,000	(2,232,587)
Regulatory services.....	4,480,702	2,826,890	19,950	-	(1,633,862)
Culture and recreation.....	2,047,950	581,047	15,647	-	(1,451,256)
Interest.....	3,199,774	-	800,962	-	(2,398,812)
Total Governmental Activities.....	153,487,450	9,763,172	31,552,139	2,938,336	(109,233,803)
<i>Business-Type Activities:</i>					
Airport activities.....	7,468,840	6,585,493	114,490	8,475,447	7,706,590
Golf Course activities.....	2,634,335	2,774,195	-	-	139,860
Solid Waste activities.....	2,011,718	2,189,147	70,337	-	247,766
Wastewater activities.....	4,924,221	4,048,083	172,702	686,169	(17,267)
Water Supply activities.....	2,695,528	3,848,765	-	40,000	1,193,237
Marina activities.....	572,555	680,419	-	271,875	379,739
Sandy Neck activities.....	617,232	839,323	-	-	222,091
Hyannis Youth and Community Center activities.....	2,285,247	1,361,171	-	10,000	(914,076)
Total Business-Type Activities.....	23,209,676	22,326,596	357,529	9,483,491	8,957,940
Total Primary Government.....	\$ 176,697,126	\$ 32,089,768	\$ 31,909,668	\$ 12,421,827	\$ (100,275,863)
Component Units:					
Libraries.....	\$ 3,043,301	\$ 226,229	\$ 4,098,654	\$ -	\$ 1,281,582

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Libraries
Changes in net assets:				
Net (expense) revenue from previous page.....	\$ (109,233,803)	\$ 8,957,940	\$ (100,275,863)	\$ 1,281,582
<i>General revenues:</i>				
Real estate and personal property taxes, net of tax refunds payable.....	97,222,576	-	97,222,576	-
Motor vehicle and other excise taxes.....	5,416,330	-	5,416,330	-
Hotel/motel tax.....	2,470,674	-	2,470,674	-
Meals tax.....	1,206,380	-	1,206,380	-
Penalties and interest on taxes.....	1,019,421	-	1,019,421	-
Community Preservation Fund surtax.....	2,863,995	-	2,863,995	-
Grants and contributions not restricted to specific programs.....	2,645,768	-	2,645,768	-
Unrestricted investment income (loss).....	1,866,929	188,452	2,055,381	216,658
Miscellaneous.....	30,765	-	30,765	-
<i>Transfers, net</i>	<u>(1,084,489)</u>	<u>1,084,489</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers.....	<u>113,658,349</u>	<u>1,272,941</u>	<u>114,931,290</u>	<u>216,658</u>
Change in net assets.....	4,424,546	10,230,881	14,655,427	1,498,240
<i>Net Assets:</i>				
Beginning of year	<u>239,486,254</u>	<u>138,191,061</u>	<u>377,677,315</u>	<u>15,552,674</u>
End of year.....	\$ <u><u>243,910,800</u></u>	\$ <u><u>148,421,942</u></u>	\$ <u><u>392,332,742</u></u>	\$ <u><u>17,050,914</u></u>

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	General	Capital Projects	Highway Projects	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 16,887,912	\$ 13,635,379	\$ 406,636	\$ 8,715,851	\$ 14,991,418	\$ 54,637,196
Investments.....	22,369,177	-	-	-	10,371,183	32,740,360
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	5,326,922	-	-	-	-	5,326,922
Tax liens.....	1,935,282	-	-	37,411	2,636	1,975,329
Motor vehicle and other excise taxes.....	1,168,118	-	-	-	-	1,168,118
Community Preservation Fund surtaxes.....	-	-	-	140,468	-	140,468
Departmental and other.....	273,542	-	-	-	-	273,542
Special assessments.....	-	-	-	-	754,517	754,517
Intergovernmental.....	23,619,162	1,558,457	5,226,739	798,927	496,318	31,699,603
Tax foreclosures.....	1,185,252	-	-	-	-	1,185,252
Other assets.....	6,025	-	-	-	-	6,025
TOTAL ASSETS.....	\$ 72,771,392	\$ 15,193,836	\$ 5,633,375	\$ 9,692,657	\$ 26,616,072	\$ 129,907,332
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ 1,498,652	\$ 1,046,684	\$ 1,785	\$ 128,303	\$ 356,317	\$ 3,031,741
Accrued liabilities.....	379,690	-	-	-	-	379,690
Accrued payroll.....	7,877,027	10,462	-	1,165	226,031	8,114,685
Tax refunds payable.....	84,900	-	-	-	-	84,900
Liabilities due depositors.....	5,120	-	-	-	-	5,120
Other liabilities.....	11,818	-	-	-	-	11,818
Deferred revenues.....	29,511,886	-	5,226,739	976,806	757,153	36,472,584
TOTAL LIABILITIES.....	39,369,093	1,057,146	5,228,524	1,106,274	1,339,501	48,100,538
FUND BALANCES:						
Nonspendable.....	-	-	-	-	10,467,992	10,467,992
Restricted.....	2,660,805	14,136,690	404,851	8,586,383	14,808,579	40,597,308
Assigned.....	2,007,306	-	-	-	-	2,007,306
Unassigned.....	28,734,188	-	-	-	-	28,734,188
TOTAL FUND BALANCES.....	33,402,299	14,136,690	404,851	8,586,383	25,276,571	81,806,794
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 72,771,392	\$ 15,193,836	\$ 5,633,375	\$ 9,692,657	\$ 26,616,072	\$ 129,907,332

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2012

Total governmental fund balances.....	\$	81,806,794
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		231,456,619
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		36,472,584
Internal service funds are used by management to account for employees and retirees' health insurance compensation activities.		
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.....		(162,204)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(668,897)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(73,345,104)	
Compensated absences.....	(2,900,133)	
Other postemployment benefits obligation.....	<u>(28,748,859)</u>	
Net effect of reporting long-term liabilities.....		<u>(104,994,096)</u>
Net assets of governmental activities.....	\$	<u><u>243,910,800</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Highway Projects	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 97,818,235	\$ -	\$ -	\$ -	\$ -	\$ 97,818,235
Motor vehicle and other excise taxes.....	5,510,517	-	-	-	-	5,510,517
Hotel/motel tax.....	2,468,674	-	-	-	-	2,468,674
Meals tax.....	1,197,380	-	-	-	-	1,197,380
Charges for services.....	1,743,423	-	-	-	3,233,050	4,976,473
Penalties and interest on taxes.....	1,359,907	-	-	-	-	1,359,907
Fees and rentals.....	965,313	-	-	-	527,516	1,492,829
Licenses and permits.....	1,966,244	-	-	-	1,044,147	3,010,391
Intergovernmental.....	27,415,062	1,559,477	849,462	765,460	8,759,919	39,349,380
Departmental and other.....	757,460	-	-	-	225,247	982,707
Special assessments.....	231,285	-	-	-	114,535	345,820
Community Preservation Fund surtax.....	-	-	-	2,863,995	-	2,863,995
Contributions.....	-	-	-	-	296,185	296,185
Investment income.....	1,236,432	-	-	141,911	485,158	1,863,501
Miscellaneous.....	-	-	-	-	6,885	6,885
TOTAL REVENUES.....	142,669,932	1,559,477	849,462	3,771,366	14,692,642	163,542,879
EXPENDITURES:						
Current:						
Town Council.....	309,303	-	-	-	-	309,303
Town Manager.....	596,044	-	-	-	-	596,044
Administrative services.....	5,468,000	-	-	-	1,083,177	6,551,177
Growth management.....	853,046	37,218	-	839,750	163,674	1,893,688
Public safety.....	11,814,200	563,675	-	-	950,228	13,328,103
Education.....	63,717,437	1,594,661	-	-	9,223,892	74,535,990
Public works.....	8,091,381	6,071,827	1,022,697	-	356,931	15,542,836
Community services.....	2,571,635	475,244	-	-	606,523	3,653,402
Regulatory services.....	2,381,963	332,413	-	-	545,152	3,259,528
Culture and recreation.....	1,695,154	-	-	-	352,796	2,047,950
Pension benefits.....	17,683,703	-	-	-	-	17,683,703
Property and liability insurance.....	1,312,879	-	-	-	-	1,312,879
Employee benefits.....	2,196,548	-	-	-	-	2,196,548
Other assessments.....	375,478	-	-	-	-	375,478
State and county charges.....	6,443,074	-	-	-	-	6,443,074
Debt service:						
Principal.....	7,954,569	-	-	1,927,000	50,420	9,931,989
Interest.....	2,551,658	-	-	739,299	-	3,290,957
TOTAL EXPENDITURES.....	136,016,072	9,075,038	1,022,697	3,506,049	13,332,793	162,952,649
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	6,653,860	(7,515,561)	(173,235)	265,317	1,359,849	590,230
OTHER FINANCING SOURCES (USES):						
Issuance of refunding bonds.....	10,037,900	-	-	-	-	10,037,900
Premium from issuance of bonds and notes.....	30,765	-	-	-	-	30,765
Premium from issuance of refunding bonds.....	966,394	-	-	-	-	966,394
Payments to refunded bonds escrow agent.....	(10,871,591)	-	-	-	-	(10,871,591)
Transfers in.....	2,596,479	3,604,000	578,086	59,815	176,672	7,015,052
Transfers out.....	(6,609,779)	(592,215)	-	-	(897,547)	(8,099,541)
TOTAL OTHER FINANCING SOURCES (USES).....	(3,849,832)	3,011,785	578,086	59,815	(720,875)	(921,021)
NET CHANGE IN FUND BALANCES.....	2,804,028	(4,503,776)	404,851	325,132	638,974	(330,791)
FUND BALANCES AT BEGINNING OF YEAR.....	30,598,271	18,640,466	-	8,261,251	24,637,597	82,137,585
FUND BALANCES AT END OF YEAR.....	\$ 33,402,299	\$ 14,136,690	\$ 404,851	\$ 8,586,383	\$ 25,276,571	\$ 81,806,794

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds..... \$ (330,791)

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.

Capital outlay.....	10,637,388	
Depreciation expense.....	(6,841,323)	
Net effect of reporting capital assets.....		3,796,065

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... (4,580,587)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Issuance of refunding bonds.....	(10,037,900)	
Premium from issuance of refunding bonds, net of issue costs.....	(790,846)	
Payment to refunded bond escrow agent.....	10,871,591	
Debt service principal payments.....	9,931,989	
Net effect of reporting long-term debt.....		9,974,834

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	66,742	
Net change in accrued interest on long-term debt.....	25,317	
Net change in other postemployment benefits obligation.....	(5,082,696)	
Amortization of premium from issuance of bonds.....	65,866	
Net effect of recording long-term liabilities.....		(4,924,771)

Internal service fund is used by management to account for workers' compensation activities.

The net activity of internal service fund is reported with governmental activities.....		489,796
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Change in net assets of governmental activities.....		\$ 4,424,546
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See notes to basic financial statements.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 95,830,663	\$ 95,830,663	\$ 97,797,535	\$ -	\$ 1,966,872
Motor vehicle and other excise taxes.....	4,924,402	4,924,402	5,510,517	-	586,115
Hotel/motel tax.....	2,325,000	2,325,000	2,468,674	-	143,674
Meals tax.....	1,000,000	1,000,000	1,197,380	-	197,380
Charges for services.....	1,400,000	1,400,000	1,743,423	-	343,423
Penalties and interest on taxes.....	1,133,650	1,133,650	1,359,907	-	226,257
Fees and rentals.....	925,000	925,000	965,313	-	40,313
Licenses and permits.....	1,500,000	1,500,000	1,966,244	-	466,244
Intergovernmental.....	13,594,313	13,594,313	13,883,247	-	288,934
Special assessments.....	100,000	100,000	231,285	-	131,285
Departmental and other.....	438,412	438,412	580,895	-	142,483
Investment income.....	500,000	500,000	707,750	-	207,750
TOTAL REVENUES.....	123,671,440	123,671,440	128,412,170	-	4,740,730
EXPENDITURES:					
Current:					
Town Council:					
Personnel.....	312,333	296,333	262,986	-	33,347
Operating Expenditures.....	29,800	54,800	46,317	180	8,303
TOTAL.....	342,133	351,133	309,303	180	41,650
Town Manager:					
Personnel.....	441,488	513,941	512,696	-	1,245
Operating Expenditures.....	136,127	136,126	83,348	27,812	24,966
TOTAL.....	577,615	650,067	596,044	27,812	26,211
Administrative Services:					
Personnel.....	4,359,014	4,359,014	4,244,851	-	114,163
Operating Expenditures.....	1,196,837	1,196,846	1,044,074	105,138	47,634
Capital Outlay.....	157,524	157,515	153,666	2,972	877
TOTAL.....	5,713,375	5,713,375	5,442,591	108,110	162,674
Growth Management:					
Personnel.....	787,421	787,421	765,669	-	21,752
Operating Expenditures.....	139,796	139,796	87,377	34,345	18,074
TOTAL.....	927,217	927,217	853,046	34,345	39,826
Police:					
Personnel.....	10,901,549	10,873,549	10,809,024	-	64,525
Operating Expenditures.....	735,436	763,436	726,298	32,194	4,944
Capital Outlay.....	130,000	300,878	278,878	15,732	6,268
TOTAL.....	11,766,985	11,937,863	11,814,200	47,926	75,737
Regulatory Services:					
Personnel.....	2,175,512	2,175,512	2,124,881	-	50,631
Operating Expenditures.....	291,496	298,096	257,082	19,873	21,141
Capital Outlay.....	6,600	-	-	-	-
TOTAL.....	2,473,608	2,473,608	2,381,963	19,873	71,772
Local School System.....	60,546,415	60,509,987	59,142,583	764,615	602,789
Regional School District.....	2,707,304	2,707,304	2,707,304	-	-

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Public Works:					
Personnel.....	5,437,569	5,437,569	5,061,184	-	376,385
Operating Expenditures.....	2,754,357	2,754,357	2,374,553	245,720	134,084
Capital Outlay.....	720,482	720,482	655,644	64,434	404
TOTAL.....	8,912,408	8,912,408	8,091,381	310,154	510,873
Community Services:					
Personnel.....	2,255,104	2,255,103	2,221,232	-	33,871
Operating Expenditures.....	409,576	409,576	325,417	35,670	48,489
Capital Outlay.....	26,743	26,743	24,986	-	1,757
TOTAL.....	2,691,423	2,691,422	2,571,635	35,670	84,117
Culture and Recreation.....	1,862,719	1,862,719	1,695,154	166,931	634
Debt Service:					
Principal.....	7,954,569	7,954,569	7,954,569	-	-
Interest.....	2,436,425	2,436,425	2,418,955	-	17,470
TOTAL.....	10,390,994	10,390,994	10,373,524	-	17,470
Pension Benefits.....	6,553,491	6,553,491	6,550,703	-	2,788
Employee Benefits.....	2,379,020	2,379,020	2,196,548	41,690	140,782
Liability Insurance.....	1,328,800	1,328,800	1,312,879	15,000	921
State and County Assessments.....	6,310,234	6,310,234	6,443,074	-	(132,840)
Other Assessments.....	477,187	477,187	375,478	-	101,709
TOTAL EXPENDITURES.....	125,960,928	126,176,829	122,857,410	1,572,306	1,747,113
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,289,488)	(2,505,389)	5,554,760	(1,572,306)	6,487,843
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	30,765	-	30,765
Transfers in.....	7,725,869	7,725,869	7,678,326	-	(47,543)
Transfers out.....	(10,522,250)	(10,522,250)	(10,522,250)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(2,796,381)	(2,796,381)	(2,813,159)	-	(16,778)
NET CHANGE IN FUND BALANCE.....	(5,085,869)	(5,301,770)	2,741,601	(1,572,306)	6,471,065
BUDGETARY FUND BALANCE, Beginning of year.....	20,133,294	20,133,294	20,133,294	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 15,047,425	\$ 14,831,524	\$ 22,874,895	\$ (1,572,306)	\$ 6,471,065

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds				
	Airport	Golf Course	Solid Waste	Wastewater	Water Supply
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 4,030,296	\$ 338,613	\$ 3,580,403	\$ 4,953,980	\$ 2,627,420
Investments.....	3,047,138	278,674	2,706,994	3,745,497	1,986,483
Receivables, net of allowance for uncollectibles:					
User fees.....	256,138	14,915	-	1,560,979	1,027,758
Wastewater liens.....	-	-	-	19,237	-
Special assessments.....	-	-	-	197,847	-
Intergovernmental.....	-	-	-	2,024,361	621,970
Inventory.....	61,657	84,963	-	-	-
Total current assets.....	<u>7,395,229</u>	<u>717,165</u>	<u>6,287,397</u>	<u>12,501,901</u>	<u>6,263,631</u>
NONCURRENT:					
Receivables, net of allowance for uncollectibles:					
Special assessments.....	-	-	-	1,561,781	-
Intergovernmental.....	-	-	658,621	970,262	-
Capital assets, net of accumulated depreciation:					
Depreciable.....	49,713,475	2,002,378	1,448,255	40,165,278	5,614,725
Nondepreciable.....	15,306,174	11,898,596	1,082,200	4,127,567	13,151,870
Total noncurrent assets.....	<u>65,019,649</u>	<u>13,900,974</u>	<u>3,189,076</u>	<u>46,824,888</u>	<u>18,766,595</u>
TOTAL ASSETS.....	<u>72,414,878</u>	<u>14,618,139</u>	<u>9,476,473</u>	<u>59,326,789</u>	<u>25,030,226</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	135,363	43,924	36,650	27,564	155,275
Accrued liabilities.....	-	-	-	-	-
Accrued payroll.....	36,382	37,662	25,764	21,334	5,028
Accrued interest.....	-	53,405	-	-	157,911
Other liabilities.....	1,382	13,633	-	22,165	15,881
Unearned revenue.....	-	72,752	-	-	-
Landfill closure.....	-	-	70,000	-	-
Compensated absences.....	103,747	47,435	46,688	42,690	7,375
Workers' compensation.....	-	-	-	-	-
Notes payable.....	-	-	-	-	1,671,000
Bonds payable.....	25,000	240,000	260,900	1,572,421	564,316
Total current liabilities.....	<u>301,874</u>	<u>508,811</u>	<u>440,002</u>	<u>1,686,174</u>	<u>2,576,786</u>
NONCURRENT:					
Landfill closure.....	-	-	980,000	-	-
Compensated absences.....	13,599	3,344	12,472	9,750	-
Workers' compensation.....	-	-	-	-	-
Other postemployment benefits obligation.....	1,188,000	833,000	641,000	649,000	60,000
Bonds payable.....	680,000	3,150,000	3,196,600	19,207,230	11,220,750
Total noncurrent liabilities.....	<u>1,881,599</u>	<u>3,986,344</u>	<u>4,830,072</u>	<u>19,865,980</u>	<u>11,280,750</u>
TOTAL LIABILITIES.....	<u>2,183,473</u>	<u>4,495,155</u>	<u>5,270,074</u>	<u>21,552,154</u>	<u>13,857,536</u>
NET ASSETS					
Invested in capital assets, net of related debt.....	64,314,649	10,510,974	2,530,455	26,507,817	5,310,529
Unrestricted.....	5,916,756	(387,990)	1,675,944	11,266,818	5,862,161
TOTAL NET ASSETS.....	<u>\$ 70,231,405</u>	<u>\$ 10,122,984</u>	<u>\$ 4,206,399</u>	<u>\$ 37,774,635</u>	<u>\$ 11,172,690</u>

See notes to basic financial statements.

	Marina Recreation	Sandy Neck Recreation	Hyannis Youth and Community Center	Total	Governmental Activities - Internal Service Fund
\$	354,720	\$ 390,027	\$ 172,729	\$ 16,448,188	\$ 526,326
	268,189	294,884	130,594	12,458,453	-
	-	-	-	2,859,790	-
	-	-	-	19,237	-
	-	-	-	197,847	-
	-	-	-	2,646,331	-
	-	-	-	146,620	-
	<u>622,909</u>	<u>684,911</u>	<u>303,323</u>	<u>34,776,466</u>	<u>526,326</u>
	-	-	-	1,561,781	-
	-	-	-	1,628,883	-
	3,911,744	1,428,705	21,815,367	126,099,927	-
	<u>1,728,025</u>	<u>-</u>	<u>1,229,331</u>	<u>48,523,763</u>	<u>-</u>
	<u>5,639,769</u>	<u>1,428,705</u>	<u>23,044,698</u>	<u>177,814,354</u>	<u>-</u>
	<u>6,262,678</u>	<u>2,113,616</u>	<u>23,348,021</u>	<u>212,590,820</u>	<u>526,326</u>
	23,495	6,231	2,566	431,068	9,530
	-	11,850	27,190	39,040	-
	7,664	18,394	13,095	165,323	-
	-	-	134,994	346,310	-
	1,000	-	5,000	59,061	-
	-	-	-	72,752	-
	-	-	-	70,000	-
	-	-	23,093	271,028	-
	-	-	-	-	42,000
	-	-	-	1,671,000	-
	<u>125,000</u>	<u>50,000</u>	<u>869,000</u>	<u>3,706,637</u>	<u>-</u>
	<u>157,159</u>	<u>86,475</u>	<u>1,074,938</u>	<u>6,832,219</u>	<u>51,530</u>
	-	-	-	980,000	-
	-	-	2,914	42,079	-
	-	-	-	-	637,000
	79,000	142,000	179,000	3,771,000	-
	<u>1,439,000</u>	<u>1,165,000</u>	<u>12,485,000</u>	<u>52,543,580</u>	<u>-</u>
	<u>1,518,000</u>	<u>1,307,000</u>	<u>12,666,914</u>	<u>57,336,659</u>	<u>637,000</u>
	<u>1,675,159</u>	<u>1,393,475</u>	<u>13,741,852</u>	<u>64,168,878</u>	<u>688,530</u>
	4,075,769	213,705	9,690,698	123,154,596	-
	<u>511,750</u>	<u>506,436</u>	<u>(84,529)</u>	<u>25,267,346</u>	<u>(162,204)</u>
\$	<u>4,587,519</u>	<u>\$ 720,141</u>	<u>\$ 9,606,169</u>	<u>\$ 148,421,942</u>	<u>\$ (162,204)</u>

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds				
	Airport	Golf Course	Solid Waste	Wastewater	Water Supply
OPERATING REVENUES:					
Employer contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	6,585,493	2,774,195	2,189,147	4,048,083	3,848,765
Intergovernmental.....	114,490	-	-	-	-
TOTAL OPERATING REVENUES	6,699,983	2,774,195	2,189,147	4,048,083	3,848,765
OPERATING EXPENSES:					
Salaries, wages and fringe benefits.....	1,902,911	1,288,265	1,129,442	1,000,738	152,261
Operations.....	3,864,355	1,014,084	659,636	1,341,955	1,921,109
Depreciation.....	1,678,149	183,825	84,664	2,071,509	191,970
TOTAL OPERATING EXPENSES	7,445,415	2,486,174	1,873,742	4,414,202	2,265,340
OPERATING INCOME (LOSS).....	(745,432)	288,021	315,405	(366,119)	1,583,425
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	46,660	6,548	77,521	56,002	-
Interest expense.....	(23,425)	(148,161)	(137,976)	(510,019)	(430,188)
Intergovernmental.....	-	-	70,337	172,702	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	23,235	(141,613)	9,882	(281,315)	(430,188)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS.....	(722,197)	146,408	325,287	(647,434)	1,153,237
CAPITAL CONTRIBUTIONS.....	8,475,447	-	-	686,169	40,000
TRANSFERS:					
Transfers in.....	-	-	-	1,767,250	-
Transfers out.....	(505,529)	(300,000)	(344,094)	(506,131)	(166,416)
TOTAL TRANSFERS.....	(505,529)	(300,000)	(344,094)	1,261,119	(166,416)
CHANGE IN NET ASSETS.....	7,247,721	(153,592)	(18,807)	1,299,854	1,026,821
NET ASSETS AT BEGINNING OF YEAR, AS REVISED.....	62,983,684	10,276,576	4,225,206	36,474,781	10,145,869
NET ASSETS AT END OF YEAR.....	\$ 70,231,405	\$ 10,122,984	\$ 4,206,399	\$ 37,774,635	\$ 11,172,690

See notes to basic financial statements.

	Marina Recreation	Sandy Neck Recreation	Hyannis Youth and Community Center	Total	Governmental Activities - Internal Service Fund
\$	-	\$ -	\$ -	\$ -	\$ 950,500
	680,419	839,323	1,361,171	22,326,596	-
	-	-	-	114,490	-
	<u>680,419</u>	<u>839,323</u>	<u>1,361,171</u>	<u>22,441,086</u>	<u>950,500</u>
	230,410	371,203	632,236	6,707,466	464,132
	103,299	116,851	580,350	9,601,639	-
	<u>180,215</u>	<u>82,469</u>	<u>591,459</u>	<u>5,064,260</u>	<u>-</u>
	<u>513,924</u>	<u>570,523</u>	<u>1,804,045</u>	<u>21,373,365</u>	<u>464,132</u>
	<u>166,495</u>	<u>268,800</u>	<u>(442,874)</u>	<u>1,067,721</u>	<u>486,368</u>
	-	-	1,721	188,452	3,428
	(58,631)	(46,709)	(481,202)	(1,836,311)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,039</u>	<u>-</u>
	<u>(58,631)</u>	<u>(46,709)</u>	<u>(479,481)</u>	<u>(1,404,820)</u>	<u>3,428</u>
	<u>107,864</u>	<u>222,091</u>	<u>(922,355)</u>	<u>(337,099)</u>	<u>489,796</u>
	<u>271,875</u>	<u>-</u>	<u>10,000</u>	<u>9,483,491</u>	<u>-</u>
	24,000	-	1,238,529	3,029,779	-
	<u>(54,702)</u>	<u>(68,418)</u>	<u>-</u>	<u>(1,945,290)</u>	<u>-</u>
	<u>(30,702)</u>	<u>(68,418)</u>	<u>1,238,529</u>	<u>1,084,489</u>	<u>-</u>
	349,037	153,673	326,174	10,230,881	489,796
	<u>4,238,482</u>	<u>566,468</u>	<u>9,279,995</u>	<u>138,191,061</u>	<u>(652,000)</u>
\$	<u><u>4,587,519</u></u>	<u><u>720,141</u></u>	<u><u>9,606,169</u></u>	<u><u>148,421,942</u></u>	<u><u>(162,204)</u></u>

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds				
	Airport	Golf Course	Solid Waste	Wastewater	Water Supply
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 6,495,522	\$ 2,832,032	\$ 2,189,147	\$ 4,079,431	\$ 3,848,279
Receipts from interfund services provided.....	-	-	-	-	-
Receipts from other governments.....	114,490	-	-	-	-
Payments to vendors.....	(4,016,283)	(1,002,053)	(759,633)	(1,376,991)	(1,973,648)
Payments to employees.....	(1,306,344)	(889,488)	(781,908)	(664,671)	(119,983)
Payments for interfund services used.....	(360,773)	(225,382)	(207,497)	(223,781)	(18,050)
NET CASH FROM OPERATING ACTIVITIES.....	926,612	715,109	440,109	1,813,988	1,736,598
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	-	-	-	1,767,250	-
Transfers out.....	(505,529)	(300,000)	(344,094)	(506,131)	(166,416)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(505,529)	(300,000)	(344,094)	1,261,119	(166,416)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	-	-	-	5,182,436	2,327,665
Capital contributions.....	15,733,515	-	-	1,904,275	40,000
Acquisition and construction of capital assets.....	(13,656,079)	-	-	(4,002,593)	(3,562,509)
Principal payments on bonds and notes.....	(25,000)	(230,000)	(335,457)	(1,587,072)	(504,552)
Interest expense.....	(23,425)	(151,611)	(67,639)	(337,317)	(433,609)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	2,029,011	(381,611)	(403,096)	1,159,729	(2,133,005)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments.....	(492,457)	-	-	(1,300,350)	-
Sale of investments.....	-	80,836	927,563	-	914,202
Investment income.....	46,660	6,548	77,521	56,002	-
NET CASH FROM INVESTING ACTIVITIES.....	(445,797)	87,384	1,005,084	(1,244,348)	914,202
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,004,297	120,882	698,003	2,990,488	351,379
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,025,999	217,731	2,882,400	1,963,492	2,276,041
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 4,030,296	\$ 338,613	\$ 3,580,403	\$ 4,953,980	\$ 2,627,420
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ (745,432)	\$ 288,021	\$ 315,405	\$ (366,119)	\$ 1,583,425
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	1,678,149	183,825	84,664	2,071,509	191,970
Changes in assets and liabilities:					
Wastewater liens.....	-	-	-	2,725	-
User fees.....	(89,971)	(14,915)	-	28,623	(486)
Inventory.....	16,419	(2,321)	-	-	-
Warrants payable.....	(165,149)	6,441	(29,997)	(33,701)	(52,573)
Accrued liabilities.....	(3,249)	-	-	(1,335)	-
Accrued payroll.....	5,954	11,594	7,108	2,443	1,359
Other liabilities.....	51	7,911	-	-	34
Unearned revenue.....	-	72,752	-	-	-
Accrued compensated absences.....	12,840	8,801	13,929	(15,157)	869
Workers' compensation.....	-	-	-	-	-
Landfill closure liability.....	-	-	(70,000)	-	-
Other postemployment benefits obligation.....	217,000	153,000	119,000	125,000	12,000
Total adjustments.....	1,672,044	427,088	124,704	2,180,107	153,173
NET CASH FROM OPERATING ACTIVITIES.....	\$ 926,612	\$ 715,109	\$ 440,109	\$ 1,813,988	\$ 1,736,598
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Intergovernmental subsidy of debt service - principal.....	\$ -	\$ -	\$ 114,943	\$ 182,902	\$ -
Intergovernmental subsidy of debt service - interest.....	-	-	70,336	172,702	-
Issuance of refunding bonds.....	-	-	241,500	571,600	-
Long-term bonds refunded, including a \$7,155 deferred loss on refunding....	-	-	(241,500)	(571,600)	-

See notes to basic financial statements.

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
Marina Recreation	Sandy Neck Recreation	Hyannis Youth and Community Center	Total	
\$ 680,419	\$ 839,323	\$ 1,361,171	\$ 22,325,324	\$ -
-	-	-	-	950,500
-	-	-	114,490	-
(101,917)	(118,199)	(546,941)	(9,895,665)	-
(190,695)	(285,564)	(511,849)	(4,750,502)	-
(22,675)	(51,246)	(78,178)	(1,187,582)	(427,602)
<u>365,132</u>	<u>384,314</u>	<u>224,203</u>	<u>6,606,065</u>	<u>522,898</u>
24,000	-	1,238,529	3,029,779	-
(54,702)	(68,418)	-	(1,945,290)	-
<u>(30,702)</u>	<u>(68,418)</u>	<u>1,238,529</u>	<u>1,084,489</u>	<u>-</u>
-	-	-	7,510,101	-
452,682	-	10,000	18,140,472	-
(272,056)	(97,277)	-	(21,590,514)	-
(111,000)	(65,000)	(869,000)	(3,727,081)	-
(58,631)	(46,709)	(489,629)	(1,608,570)	-
<u>10,995</u>	<u>(208,986)</u>	<u>(1,348,629)</u>	<u>(1,275,592)</u>	<u>-</u>
(113,434)	-	(26,024)	(1,932,265)	-
-	27,472	-	1,950,073	-
-	-	1,721	188,452	3,428
<u>(113,434)</u>	<u>27,472</u>	<u>(24,303)</u>	<u>206,260</u>	<u>3,428</u>
231,991	134,382	89,800	6,621,222	526,326
<u>122,729</u>	<u>255,645</u>	<u>82,929</u>	<u>9,826,966</u>	<u>-</u>
<u>\$ 354,720</u>	<u>\$ 390,027</u>	<u>\$ 172,729</u>	<u>\$ 16,448,188</u>	<u>\$ 526,326</u>
<u>\$ 166,495</u>	<u>\$ 268,800</u>	<u>\$ (442,874)</u>	<u>\$ 1,067,721</u>	<u>\$ 486,368</u>
180,215	82,469	591,459	5,064,260	-
-	-	-	2,725	-
-	-	-	(76,749)	-
-	-	-	14,098	-
3,718	3,608	1,219	(266,434)	9,530
(2,336)	(4,956)	27,190	15,314	-
2,040	8,393	3,193	42,084	-
-	-	5,000	12,996	-
-	-	-	72,752	-
-	-	6,016	27,298	-
-	-	-	-	27,000
-	-	-	(70,000)	-
<u>15,000</u>	<u>26,000</u>	<u>33,000</u>	<u>700,000</u>	<u>-</u>
<u>198,637</u>	<u>115,514</u>	<u>667,077</u>	<u>5,538,344</u>	<u>36,530</u>
<u>\$ 365,132</u>	<u>\$ 384,314</u>	<u>\$ 224,203</u>	<u>\$ 6,606,065</u>	<u>\$ 522,898</u>
\$ -	\$ -	\$ -	\$ 297,845	\$ -
-	-	-	243,038	-
864,000	-	-	1,677,100	-
(864,000)	-	-	(1,677,100)	-

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Fund
ASSETS			
Cash and cash equivalents.....	\$ 18,037	\$ 411,402	\$ 513,652
Investments.....	764,315	1,501,758	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	12,590	348,562
TOTAL ASSETS.....	782,352	1,925,750	862,214
LIABILITIES			
Accrued liabilities.....	-	-	35,588
Liabilities due depositors.....	-	-	826,626
Deferred revenue.....	-	12,590	-
TOTAL LIABILITIES.....	-	12,590	862,214
NET ASSETS			
Held in trust for:			
Other postemployment benefits.....	782,352	-	-
Other purposes.....	-	1,913,160	-
TOTAL NET ASSETS.....	\$ 782,352	\$ 1,913,160	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 50,000	\$ -
Rental income.....	-	134,990
Private donations.....	-	24,376
	50,000	159,366
Net investment income (loss):		
Interest income.....	21,903	111,994
	71,903	271,360
DEDUCTIONS:		
Community services.....	-	368,634
Educational scholarships.....	-	214,881
	-	583,515
CHANGE IN NET ASSETS.....	71,903	(312,155)
NET ASSETS AT BEGINNING OF YEAR.....	710,449	2,225,315
NET ASSETS AT END OF YEAR.....	\$ 782,352	\$ 1,913,160

See notes to basic financial statements.

COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2012

	Hyannis Public Library	Osterville Free Library	Centerville Public Library
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 279,165	\$ 41,143	\$ 473,496
Restricted cash and cash equivalents.....	-	-	-
Investments.....	699,927	740,307	1,121,261
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	1,632	1,781	837,321
Intergovernmental.....	-	-	-
Inventory.....	-	-	-
Prepaid expenses.....	10,782	-	-
Total current assets.....	991,506	783,231	2,432,078
NONCURRENT:			
Capital assets, net of accumulated depreciation:			
Depreciable.....	136,196	5,500,280	404,328
Nondepreciable.....	69,600	80,815	381,404
Total noncurrent assets.....	205,796	5,581,095	785,732
TOTAL ASSETS.....	1,197,302	6,364,326	3,217,810
LIABILITIES			
CURRENT:			
Warrants payable.....	7,416	43,322	12,753
Accrued liabilities.....	4,499	-	-
Other liabilities.....	-	5,500	-
TOTAL LIABILITIES.....	11,915	48,822	12,753
NET ASSETS			
Invested in capital assets, net of related debt.....	205,796	5,581,095	785,732
Unrestricted.....	979,591	734,409	2,419,325
TOTAL NET ASSETS.....	\$ 1,185,387	\$ 6,315,504	\$ 3,205,057

See notes to basic financial statements.

<u>Sturgis Library</u>	<u>Cotuit Library</u>	<u>Marstons Mills Public Library</u>	<u>Whelden Memorial Library</u>	<u>Total Component Units</u>
\$ 328,944	\$ 55,624	\$ 164,693	\$ 53,011	\$ 1,396,076
81,571	-	-	-	81,571
2,646,147	1,056,445	-	248,988	6,513,075
-	-	1,000	-	841,734
4,803	-	-	-	4,803
5,653	-	-	-	5,653
11,082	-	4,569	-	26,433
<u>3,078,200</u>	<u>1,112,069</u>	<u>170,262</u>	<u>301,999</u>	<u>8,869,345</u>
958,726	211,349	267,930	115,220	7,594,029
162,250	16,550	5,000	-	715,619
<u>1,120,976</u>	<u>227,899</u>	<u>272,930</u>	<u>115,220</u>	<u>8,309,648</u>
<u>4,199,176</u>	<u>1,339,968</u>	<u>443,192</u>	<u>417,219</u>	<u>17,178,993</u>
46,443	4,183	2,424	-	116,541
-	-	-	-	4,499
-	1,539	-	-	7,039
<u>46,443</u>	<u>5,722</u>	<u>2,424</u>	<u>-</u>	<u>128,079</u>
1,120,976	227,899	272,930	115,220	8,309,648
3,031,757	1,106,347	167,838	301,999	8,741,266
<u>\$ 4,152,733</u>	<u>\$ 1,334,246</u>	<u>\$ 440,768</u>	<u>\$ 417,219</u>	<u>\$ 17,050,914</u>

COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Hyannis Public Library	Osterville Free Library	Centerville Public Library
OPERATING REVENUES:			
Charges for services.....	\$ 26,976	\$ 23,327	\$ 84,503
OPERATING EXPENSES:			
Program and administrative.....	441,430	455,478	499,274
Depreciation.....	54,624	47,374	26,623
Management and general.....	175	81,062	-
Fundraising.....	-	59,256	111,024
TOTAL OPERATING EXPENSES.....	496,229	643,170	636,921
OPERATING INCOME (LOSS).....	(469,253)	(619,843)	(552,418)
NONOPERATING REVENUES/(EXPENSES):			
Investment income (loss).....	8,143	567	68,063
Intergovernmental.....	428,166	232,189	289,131
Contributions.....	32,956	785,016	1,215,907
TOTAL NONOPERATING REVENUES/(EXPENSES)...	469,265	1,017,772	1,573,101
CHANGE IN NET ASSETS.....	12	397,929	1,020,683
NET ASSETS AT BEGINNING OF YEAR.....	1,185,375	5,917,575	2,184,374
NET ASSETS AT END OF YEAR.....	\$ 1,185,387	\$ 6,315,504	\$ 3,205,057

See notes to basic financial statements.

<u>Sturgis Library</u>	<u>Cotuit Library</u>	<u>Marstons Mills Public Library</u>	<u>Whelden Memorial Library</u>	<u>Total Component Units</u>
\$ <u>56,369</u>	\$ <u>10,804</u>	\$ <u>19,135</u>	\$ <u>5,115</u>	\$ <u>226,229</u>
527,741	307,867	225,331	159,696	2,616,817
-	10,510	15,209	5,082	159,422
-	-	-	-	81,237
<u>11,219</u>	<u>-</u>	<u>4,326</u>	<u>-</u>	<u>185,825</u>
<u>538,960</u>	<u>318,377</u>	<u>244,866</u>	<u>164,778</u>	<u>3,043,301</u>
<u>(482,591)</u>	<u>(307,573)</u>	<u>(225,731)</u>	<u>(159,663)</u>	<u>(2,817,072)</u>
48,540	84,081	594	6,670	216,658
206,366	159,126	165,975	92,543	1,573,496
<u>246,817</u>	<u>106,938</u>	<u>80,712</u>	<u>56,812</u>	<u>2,525,158</u>
<u>501,723</u>	<u>350,145</u>	<u>247,281</u>	<u>156,025</u>	<u>4,315,312</u>
19,132	42,572	21,550	(3,638)	1,498,240
<u>4,133,601</u>	<u>1,291,674</u>	<u>419,218</u>	<u>420,857</u>	<u>15,552,674</u>
\$ <u><u>4,152,733</u></u>	\$ <u><u>1,334,246</u></u>	\$ <u><u>440,768</u></u>	\$ <u><u>417,219</u></u>	\$ <u><u>17,050,914</u></u>

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1639 under the Acts of the Commonwealth of Massachusetts (the Commonwealth). The Town is composed of the seven villages of Hyannis, Osterville, Centerville, Cotuit, Barnstable, Marstons Mills, and West Barnstable. The Town is organized in accordance with its Home Rule Charter that was adopted in May 1989 under the Council-Manager form of government, which consists of an elected eleven-member Town Council (the Council) and a Town Manager (the Manager) who is appointed by the Council. The Manager supervises and directs the administration of all municipal departments, except the School Department and the Barnstable Municipal Airport, which are supervised and directed by the School Committee and the Airport Commissioners, respectively.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. Seven entities have been included as component units in the reporting entity, because of the significance of their operational and/or financial relationships with the Town.

Discretely Presented Component Units – Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included seven libraries as Discretely Presented Component Units because they are fiscally dependent on the Town and because the nature and significance of their relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. Accordingly, the Component Units column of the combined financial statements includes the financial data of the following entities:

- The Hyannis Public Library Association, Centerville Public Library Association, Osterville Free Library Corporation, Marstons Mills Public Library, Inc., Whelden Memorial Library, Cotuit Library Association and the Sturgis Library were established to provide suitable library facilities to Town residents and visitors. The libraries are governed by separately elected Boards of Trustees.

Availability of Financial Information for Component Units

Complete financial statements of the individual component units can be obtained directly from their respective administrative offices.

*Hyannis Public Library Association
401 Main Street
Hyannis, MA 02601

*The Sturgis Library
P.O. Box 606
Barnstable, MA 02630

*Osterville Free Library Corporation
43 Wianno Avenue
Osterville, MA 02655

*Cotuit Library Association
Main Street
Cotuit, MA 02635

*The Centerville Public Library Association
Centerville, MA 02636

Marstons Mills Public Library, Inc.
Main Street
Marstons Mills, MA 02648

Whelden Memorial Library
Meetinghouse Way
West Barnstable, MA 02668

*Discretely presented Component Units audited by auditors other than Powers & Sullivan, LLC.

Availability of Financial Information for Town of Barnstable Horace Mann Charter Schools

The Town operates two Horace Mann Charter Schools; the Grades 4 and 5 building located in Marstons Mills and the K to 3 elementary school located in Hyannis. The Horace Mann Charter Schools are managed independently by an appointed Board of Trustees and not by the School Committee and Superintendent. Funding for the schools' operations are provided by the Town based upon a negotiated amount between the School Committee and Board of Trustees within the guidelines established by the authorizing legislation of the Commonwealth of Massachusetts. The activity is included within the Town's basic financial statements and is audited by auditors other than Powers & Sullivan, LLC. Complete financial statements of the individual Horace Mann Charter Schools can be obtained directly from their respective administrative offices.

Barnstable Horace Mann Charter School
730 Osterville/West Barnstable Road
Marstons Mills, MA 02648

Barnstable Community Horace Mann Charter Public School
165 Bearses Way
Hyannis, MA 02601

Availability of Financial Information for Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risk and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified recipients. The Town has no equity interest in the joint ventures. The following identifies where the joint venture financial statements are available, their purpose, and the annual assessment paid by the Town during fiscal year 2012.

Joint venture and address	Purpose	Net Annual Assessment
Cape Cod Regional Technical High School District 351 Pleasant Lake Avenue Harwich, MA 02645	To provide educational services	\$ 2,707,304
Sturgis Charter Public School 427 Main Street Hyannis, MA 02601	To provide educational services	\$ 1,010,676
Cape Cod Regional Transit Authority 215 Iyannough Road Hyannis, MA 02601	To provide public transportation	\$ 473,061

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the 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.

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, and legal settlements 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 fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for and report all financial resources, except those that are required to be accounted for in another fund.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *highway projects fund* is used to account for and report costs incurred with the construction and reconstruction of Town owned roadways. Costs charged to the fund are subject to reimbursement by the Commonwealth of Massachusetts.

The *community preservation fund* is a special revenue fund used to account for and report funds collected in accordance with the Cape Cod Open Space Land Acquisition Program. The funds may be used for acquiring land and interests in land for the protection of public drinking water supplies, open space and conservation and the creation of walking trails, bicycling trails and recreational areas.

The nonmajor governmental funds consist of other special revenue and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The *component units* are used to account for and report the activity of the entities that are separate from the primary government but are financially accountable to the Town. The component units are reported using the flow of economic resources measurement focus and the accrual basis of accounting and are discretely presented in the basic financial statements.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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

The following major proprietary funds are reported:

The *airport enterprise fund* is used to account for and report the Barnstable Municipal Airport activities.

The *golf course enterprise fund* is used to account for and report the Olde Barnstable Fairgrounds Golf Course and the Hyannis Golf Course activities.

The *solid waste enterprise fund* is used to account for and report the Town's solid waste transfer station and recycling activities.

The *wastewater enterprise fund* is used to account for and report the Town's sewer activities.

The *water supply enterprise fund* is used to account for and report the Town's water activities.

The *marina recreation enterprise fund* is used to account for and report the Town's marina activities.

The *Sandy Neck recreation enterprise fund* is used to account for and report the Town's Sandy Neck recreation activities.

The *Hyannis Youth and Community Center enterprise fund* is used to account for and report the Town's youth and community center activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund was established in fiscal year 2012 to account for risk financing activities related to workers' compensation.

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

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *private-purpose trust fund* is used to account for and report trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings. The Town's educational scholarships and assistance to benefit the needy activities are accounted for in this fund.

The *agency fund* is used to account for and report assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The Town's agency funds consist of off-duty work details, performance bonds, student activity accounts and fees collected on behalf of other governments.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed approximately three months after the due date on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered 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. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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

Departmental and Other

Departmental and other receivables of the primary government consist primarily of refunds paid by the Town on behalf of the local Fire Districts. The Town collects taxes on behalf of the Fire Districts and pays refunds to customers. The Fire Districts are billed for refunds paid on their behalf and a receivable is recorded at the time the payment is made. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental and other receivables of the component units consist of the present value of future bequests that are anticipated to be received under the terms of charitable trusts.

Room Occupancy Tax

The Town levies 6% of the cost of renting hotel, motel, lodging house and bed and breakfast rooms in accordance with Massachusetts General Law, Chapter 64G, Section 3A. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the Town in quarterly distributions. The room occupancy tax receivable is categorized as an intergovernmental receivable.

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

Meals Tax

The Town levies 0.75% for the sale of restaurant meals in accordance with Massachusetts General Law, Chapter 64L, Section 2. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the Town in quarterly distributions. The meals tax receivable is categorized as an intergovernmental receivable.

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

Intergovernmental

Various federal and state grants for operating and capital purposes 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.

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

Community Preservation Fund Surtaxes

Community Preservation Fund Surtaxes, formerly known as Land Bank Surtaxes, consist of an excise tax of 3% of the real estate tax levy against real property which is levied by the Town as part of the Cape Cod Open Space Land Acquisition Program.

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

Airport User Fees

Airport user fees consist of the sale of jet fuel, car rental concessions, vehicle parking revenue and landing fees, and various lease arrangements for land and buildings.

The airport user fee receivables outstanding at June 30th consist primarily of June rents collected in July and intergovernmental receivables which are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Wastewater and Water User Fees

Wastewater and water user fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Delinquent charges on wastewater are added to the property owner's tax bill in the fiscal year after they are due. Charges and liens are recorded as receivables in the fiscal year of the levy.

Since the wastewater receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles. The allowance for uncollectibles for water user fees is estimated based on historical trends and specific account analysis.

Special Assessments

Special Assessments in the wastewater fund consist of apportioned and unapportioned sewer betterments assessed to homeowners whose properties were improved through Town-run sewer construction projects.

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

F. Inventories

Government-Wide and Fund Financial Statements

Inventories of the Airport and Golf Courses are priced at the lower of cost or market, with cost being determined on the first-in, first-out method basis. Expendable supplies and small tools are not inventoried but rather expensed when purchased.

Inventories of the Sturgis Library are carried at cost.

All other inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. All major general infrastructure assets acquired or significantly reconstructed in fiscal years ending after June 30, 1980 have been recorded at estimated historical cost.

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>
Land improvements.....	20
Buildings.....	40
Building improvements.....	20
Machinery and equipment.....	5-10
Vehicles.....	5
Infrastructure.....	50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

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

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. 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.

J. Deferred Revenue

Deferred revenue at the fund financial statement level 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. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program and the Massachusetts Water Pollution Abatement Trust’s loan subsidy program is not considered to be capital related debt.

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

Net assets have been “restricted for” the following:

“Highway projects” represents amounts restricted for highway improvements.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Grants and gifts” represents restrictions placed on assets from outside parties and consists primarily of gifts and federal and state grants.

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Council is the highest level of decision making authority that can, by Town Council vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Finance Director to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

Excluding the permanent funds, investment income derived from nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

O. 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.

P. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITYA. Budgetary Information

In accordance with the Town Charter, the Town Manager presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted by categories that are broken down by personnel, operating expenses, debt service and capital outlay and are mandated by Municipal Law. The Council may authorize appropriations for the recommended purposes and may reduce or reject any appropriation by majority vote. The Council may not increase an appropriation without the recommendation of the Manager.

Supplemental appropriations are made upon recommendation of the Town Manager and require a majority approval of the Council.

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. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (personnel, operating expenditures and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final claims and judgments may exceed the level of spending authorized by majority vote of the Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget authorized approximately \$133,555,000 in current year appropriations and other amounts to be raised and approximately \$2,928,000 in encumbrances and appropriations carried over from previous fiscal years. During fiscal year 2012, the Council also approved an increased to appropriations totaling approximately \$216,000.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented as follows:

Net change in fund balance, budgetary basis.....	\$ 2,741,601
<u>Perspective difference:</u>	
Activity of the Horace Mann Charter Schools recorded in the general fund for GAAP.....	791,136
Activity of the stabilization funds recorded in the general fund for GAAP.....	(749,409)
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	20,700
Recognition of revenue for on-behalf payments.....	11,133,000
Recognition of expenditures for on-behalf payments.....	<u>(11,133,000)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 2,804,028</u>

C. Appropriation Deficits

Expenditures exceeded appropriations in state and county charges. This is based on state assessments which are not required to be raised.

NOTE 3 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment

Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Barnstable's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$60,390,989 and the bank balance totaled \$70,281,592. Of the bank balance, \$6,093,363 was covered by Federal Depository Insurance, \$10,614,133 was covered by the Depositors Insurance Fund, \$22,474,898 was collateralized, and \$31,099,198 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2012, the Town of Barnstable had the following investments:

Investment Type	Fair Value	Maturity			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>					
U.S. Government Treasuries.....	\$ 3,499,054	\$ 460,039	\$ 1,960,147	\$ 1,078,868	\$ -
Corporate Bonds.....	11,652,469	4,208,025	6,166,860	1,127,817	149,767
Government Sponsored Enterprises.....	14,748,021	1,671,404	8,947,899	3,546,668	582,050
Total Debt Securities.....	29,899,544	\$ <u>6,339,468</u>	\$ <u>17,074,906</u>	\$ <u>5,753,353</u>	\$ <u>731,817</u>
<u>Other Investments:</u>					
Equity Securities.....	8,947,263				
Repurchase Agreements.....	5,960,000				
Money Market Mutual Funds.....	5,865,414				
Equity Mutual Funds.....	8,170,183				
Preferred Securities.....	447,896				
MMDT.....	338,398				
Total Investments.....	\$ <u>59,628,698</u>				

The Town participates in the MMDT cash portfolio. MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Town's investments, \$29,899,544 in debt securities, \$8,947,263 in equity securities and \$447,896 in preferred securities are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town's investment policy places no limit on the amount of United States Treasury and

United States Government Agency obligations. In regards to other investments, the Town will only purchase investment grade securities with a high concentration in securities rated "A" or better.

As of June 30, 2012, the Town had an investment with a fair market value of \$5,960,000 in an overnight Repurchase Agreement (REPO). Under the terms of the REPO, the bank agrees to sell and buy back a portion of the Bank's securities portfolio at the purchase price plus interest. The REPO is held by the bank, acting as the Town's agent. In the event of default, the Town has the right to direct the bank to sell the securities and apply the proceeds in satisfaction of the Repurchase Agreement. The REPO is fully collateralized with Collateralized Mortgage Obligation fixed rate securities issued through the Federal National Mortgage Association. The REPO is not rated, and the collateral has a Moody's rating of Aaa.

Interest Rate Risk

The Town's policy is to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates. For general Town funds, the weighted average days to maturity for the overall Town portfolio should be less than 365 days.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. At June 30, 2012 the Town's investments were rated as follows:

Quality Ratings	Corporate Bonds	Government Sponsored Enterprises	Preferred Securities	Totals
AAA.....	\$ 522,532	\$ 14,626,507	\$ -	\$ 15,149,039
AA+.....	1,254,619	-	-	1,254,619
AA-.....	808,792	27,415	-	836,207
A+.....	359,343	50,696	-	410,039
A.....	2,222,559	-	-	2,222,559
A-.....	1,575,062	-	-	1,575,062
BBB.....	262,370	-	-	262,370
B+.....	489,462	-	-	489,462
Unrated.....	4,157,730	43,403	447,896	4,649,029
Fair Value.....	\$ <u>11,652,469</u>	\$ <u>14,748,021</u>	\$ <u>447,896</u>	\$ <u>26,848,386</u>

Additionally, the Town holds \$5,865,414 in money market mutual funds and \$338,398 in MMDT which are unrated.

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investments are in the following securities:

Issuer	Percentage Of Total Investments
Federal Home Loan Bank.....	7%
Federal Home Loan Mortgage Company.....	12%
Federal National Mortgage Association.....	9%

NOTE 4 – RECEIVABLES

At June 30, 2012, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 5,350,429	\$ (23,507)	\$ 5,326,922
Tax liens.....	2,190,360	(215,031)	1,975,329
Motor vehicle and other excise taxes.....	1,297,909	(129,791)	1,168,118
Community Preservation Fund surtaxes.....	140,468	-	140,468
Departmental and other.....	273,542	-	273,542
Special assessments.....	754,517	-	754,517
Intergovernmental.....	31,699,603	-	31,699,603
Total.....	<u>\$ 41,706,828</u>	<u>\$ (368,329)</u>	<u>\$ 41,338,499</u>

At June 30, 2012 receivables for 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>			
Departmental and other.....	\$ 361,152	\$ -	\$ 361,152

At June 30, 2012 receivables for the component units, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Departmental and other.....	\$ 841,734	\$ -	\$ 841,734
Intergovernmental.....	4,803	-	4,803
	<u>\$ 846,537</u>	<u>\$ -</u>	<u>\$ 846,537</u>

At June 30, 2012, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Airport user fees.....	\$ 256,138	\$ -	\$ 256,138
Golf course user fees.....	14,915	-	14,915
Wastewater user fees.....	1,560,979	-	1,560,979
Water user fees.....	1,119,376	(91,618)	1,027,758
Wastewater liens.....	19,237	-	19,237
Wastewater special assessments.....	1,759,628	-	1,759,628
Intergovernmental.....	4,275,214	-	4,275,214
Total.....	<u>\$ 9,005,487</u>	<u>\$ (91,618)</u>	<u>\$ 8,913,869</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Highway Projects	Community Preservation Fund	Nonmajor Governmental Funds	Total
<u>Receivables and other asset types:</u>					
Real estate and personal property taxes.....	\$ 3,806,757	\$ -	\$ -	\$ -	\$ 3,806,757
Tax liens.....	1,935,282	-	37,411	2,636	1,975,329
Tax foreclosures.....	1,185,252	-	-	-	1,185,252
Motor vehicle and other excise taxes.....	1,168,118	-	-	-	1,168,118
Community Preservation Fund surtaxes.....	-	-	140,468	-	140,468
Departmental and other.....	21,314	-	-	-	21,314
Special assessments.....	-	-	-	754,517	754,517
Intergovernmental.....	21,395,163	5,226,739	798,927	-	27,420,829
Total.....	<u>\$ 29,511,886</u>	<u>\$ 5,226,739</u>	<u>\$ 976,806</u>	<u>\$ 757,153</u>	<u>\$ 36,472,584</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 80,361,236	\$ -	\$ -	\$ 80,361,236
Construction in progress.....	9,048,976	2,911,455	-	11,960,431
Total capital assets not being depreciated.....	89,410,212	2,911,455	-	92,321,667
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,854,338	15,223	-	3,869,561
Buildings and building improvements.....	160,920,265	1,942,358	(19,614)	162,843,009
Machinery and equipment.....	9,226,716	29,004	(281,252)	8,974,468
Vehicles.....	6,510,591	809,970	-	7,320,561
Infrastructure.....	76,670,266	4,929,378	-	81,599,644
Total capital assets being depreciated.....	257,182,176	7,725,933	(300,866)	264,607,243
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,011,324)	(156,013)	-	(1,167,337)
Buildings and building improvements.....	(86,778,193)	(3,279,310)	19,614	(90,037,889)
Machinery and equipment.....	(5,559,501)	(739,420)	281,252	(6,017,669)
Vehicles.....	(5,796,034)	(497,013)	-	(6,293,047)
Infrastructure.....	(19,786,782)	(2,169,567)	-	(21,956,349)
Total accumulated depreciation.....	(118,931,834)	(6,841,323)	300,866	(125,472,291)
Total capital assets being depreciated, net.....	138,250,342	884,610	-	139,134,952
Total governmental activities capital assets, net.....	\$ 227,660,554	\$ 3,796,065	\$ -	\$ 231,456,619

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 40,830,984	\$ -	\$ -	\$ 40,830,984
Construction in progress.....	23,839,596	-	(16,146,817)	7,692,779
Total capital assets not being depreciated.....	<u>64,670,580</u>	<u>-</u>	<u>(16,146,817)</u>	<u>48,523,763</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	6,860,768	31,101	-	6,891,869
Buildings and building improvements.....	60,623,215	25,011,610	-	85,634,825
Machinery and equipment.....	11,766,867	479,774	-	12,246,641
Vehicles.....	1,235,081	-	(62,838)	1,172,243
Infrastructure.....	<u>53,713,581</u>	<u>12,016,153</u>	<u>-</u>	<u>65,729,734</u>
Total capital assets being depreciated.....	<u>134,199,512</u>	<u>37,538,638</u>	<u>(62,838)</u>	<u>171,675,312</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,589,767)	(309,744)	-	(4,899,511)
Buildings and building improvements.....	(14,576,990)	(2,092,009)	-	(16,668,999)
Machinery and equipment.....	(5,673,283)	(795,134)	-	(6,468,417)
Vehicles.....	(1,051,514)	(68,760)	62,838	(1,057,436)
Infrastructure.....	<u>(14,682,409)</u>	<u>(1,798,613)</u>	<u>-</u>	<u>(16,481,022)</u>
Total accumulated depreciation.....	<u>(40,573,963)</u>	<u>(5,064,260)</u>	<u>62,838</u>	<u>(45,575,385)</u>
Total capital assets being depreciated, net.....	<u>93,625,549</u>	<u>32,474,378</u>	<u>-</u>	<u>126,099,927</u>
Total business-type activities capital assets, net.....	<u>\$ 158,296,129</u>	<u>\$ 32,474,378</u>	<u>\$ (16,146,817)</u>	<u>\$ 174,623,690</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Discretely Presented Component Units:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 335,115	\$ 7,049	\$ -	\$ 342,164
Construction in progress.....	2,652,595	373,455	(2,652,595)	373,455
Total capital assets not being depreciated.....	<u>2,987,710</u>	<u>380,504</u>	<u>(2,652,595)</u>	<u>715,619</u>
<u>Capital assets being depreciated:</u>				
Improvements.....	1,664,902	256,553	-	1,921,455
Buildings.....	1,757,834	5,058,995	-	6,816,829
Machinery and equipment.....	656,619	45,819	-	702,438
Fine arts.....	6,000	-	-	6,000
Furniture and fixtures.....	606,216	192,417	-	798,633
Books and periodicals.....	98,265	-	-	98,265
Technology.....	60,860	35,944	-	96,804
Total capital assets being depreciated.....	<u>4,850,696</u>	<u>5,589,728</u>	<u>-</u>	<u>10,440,424</u>
<u>Less accumulated depreciation:</u>	<u>(2,656,737)</u>	<u>(189,658)</u>	<u>-</u>	<u>(2,846,395)</u>
Total capital assets being depreciated, net.....	<u>2,193,959</u>	<u>5,400,070</u>	<u>-</u>	<u>7,594,029</u>
Total discretely presented component units capital assets, net.....	<u>\$ 5,181,669</u>	<u>\$ 5,780,574</u>	<u>\$ (2,652,595)</u>	<u>\$ 8,309,648</u>

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

Governmental Activities:

General government.....	\$ 121,619
Growth management.....	88
Public safety.....	458,736
Education.....	3,025,809
Public works.....	2,816,427
Regulatory services.....	114,378
Community services.....	<u>304,266</u>
Total depreciation expense - governmental activities.....	<u>\$ 6,841,323</u>

Business-Type Activities:

Airport.....	\$ 1,678,149
Golf course.....	183,825
Solid waste.....	84,664
Wastewater.....	2,071,509
Water supply.....	191,970
Marina.....	180,215
Sandy Neck.....	82,469
Hyannis youth and community center.....	<u>591,459</u>
Total depreciation expense - business-type activities.....	<u>\$ 5,064,260</u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out:	Transfers In:								Total
	General Fund	Capital Projects	Highway Projects	Community Preservation Fund	Nonmajor Governmental Funds	Wastewater Enterprise Fund	Marina Enterprise Fund	HYCC Enterprise Fund	
General Fund.....	\$ -	\$ 3,604,000	\$ -	\$ -	\$ -	\$ 1,767,250	\$ -	\$ 1,238,529	\$ 6,609,779 (1)
Capital Projects.....	12,457	-	578,086	-	1,672	-	-	-	592,215 (2)
Nonmajor Governmental Funds.....	638,732	-	-	59,815	175,000	-	24,000	-	897,547 (3)
Airport Enterprise Fund.....	505,529	-	-	-	-	-	-	-	505,529 (4)
Golf Course Enterprise Fund.....	300,000	-	-	-	-	-	-	-	300,000 (4)
Solid Waste Enterprise Fund.....	344,094	-	-	-	-	-	-	-	344,094 (4)
Wastewater Enterprise Fund.....	506,131	-	-	-	-	-	-	-	506,131 (4)
Water Supply Enterprise Fund.....	166,416	-	-	-	-	-	-	-	166,416 (4)
Marina Enterprise Fund.....	54,702	-	-	-	-	-	-	-	54,702 (4)
Sandy Neck Enterprise Fund.....	68,418	-	-	-	-	-	-	-	68,418 (4)
Total.....	\$ 2,596,479	\$ 3,604,000	\$ 578,086	\$ 59,815	\$ 176,672	\$ 1,767,250	\$ 24,000	\$ 1,238,529	\$ 10,044,831

- (1) Represents transfers from the general fund to fund various capital projects, the wastewater enterprise fund, and the Hyannis Youth and Community Center enterprise fund.
- (2) Represents transfers from the capital projects fund to the general fund, the highway projects fund and the Town revolving fund.
- (3) Represents budgeted transfers from the Town grant fund and the Town revolving fund to the general fund. Also represents a transfer from the Town grant fund to the community preservation fund, a transfer out of cemetery funding to help fund DPW projects, a transfer from Town revolving funds to school grant funds, and a transfer out of the Town special revenue fund to the marina enterprise fund for maintaining Bismore Park.
- (4) Represents the transfer of enterprise fund costs budgeted in the general fund.

NOTE 7 – SHORT-TERM FINANCING

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

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

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

The Town had the following short-term debt activity during fiscal year 2012:

Enterprise Funds				Balance at			Balance at
Type	Purpose	Rate (%)	Due Date	June 30, 2011	Renewed/ Issued	Retired/ Redeemed	June 30, 2012
BAN	MWPAT Wastewater Interim Loan.....	0.25%	12/31/2011	\$ 5,348,080	\$ -	\$ (5,348,080)	\$ -
BAN	MWPAT Wastewater Interim Loan.....	0.15%	2/15/2013	-	621,000	-	621,000
BAN	MWPAT Wastewater Interim Loan.....	0.14%	3/15/2013	-	1,050,000	-	1,050,000
Total.....				\$ 5,348,080	\$ 1,671,000	\$ (5,348,080)	\$ 1,671,000

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Projects	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWPAT Title V Bond of 1997.....	2021	\$ 200,000	0.00	\$ 103,803	\$ -	\$ (10,400)	\$ 93,403
Municipal Purpose Refunding of 2002.....	2012	8,340,062	4.00	2,786,903	-	(2,786,903)	-
MWPAT Title V Bond of 2002.....	2023	200,000	0.00	119,928	-	(10,020)	109,908
Municipal Purpose Bonds of 2002.....	2022	20,949,000	4.00 - 5.00	1,160,000	-	(1,160,000)	-
Municipal Purpose Bonds of 2003.....	2013	7,014,000	2.00 - 4.00	3,310,000	-	(2,955,000)	355,000
Municipal Purpose Bonds of 2004.....	2014	11,783,000	3.00 - 5.00	7,415,000	-	(6,175,000)	1,240,000
Municipal Purpose Bonds of 2005.....	2025	6,280,000	3.25 - 5.00	4,390,000	-	(315,000)	4,075,000
MWPAT Title V Bonds of 2006.....	2026	400,000	0.00	300,000	-	(20,000)	280,000
MWPAT Title V Bond of 2007.....	2027	200,000	0.00	160,000	-	(10,000)	150,000
Municipal Purpose Bonds of 2007.....	2027	46,664,000	3.38 - 4.75	36,805,000	-	(4,460,000)	32,345,000
MWPAT Bond of 2008 (CW-04-31).....	2021	389,216	2.00	308,161	-	(28,117)	280,044
Municipal Purpose Bonds of 2008.....	2028	6,861,000	3.75 - 4.50	4,859,000	-	(637,000)	4,222,000
MWPAT Debt of 2009.....	2021	1,059,374	2.00	751,320	-	(19,294)	732,026
Municipal Purpose Bonds of 2010.....	2030	4,959,000	2.00 - 5.00	4,380,000	-	(550,000)	3,830,000
Municipal Purpose Bonds of 2011.....	2031	16,176,000	2.00 - 4.00	16,176,000	-	(876,000)	15,300,000
Municipal Purpose Refunding of 2012.....	2023	11,715,000	2.00 - 4.00	-	10,037,900	-	10,037,900
Total Bonds Payable.....				83,025,115	10,037,900	(20,012,734)	73,050,281
Add: unamortized premium.....				360,689	-	(65,866)	294,823
Total Bonds Payable, net.....				\$ 83,385,804	\$ 10,037,900	\$ (20,078,600)	\$ 73,345,104

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013..... \$	9,298,893 \$	3,105,832 \$	12,404,725
2014.....	9,025,234	2,701,093	11,726,327
2015.....	8,197,588	2,124,371	10,321,959
2016.....	7,954,994	1,836,324	9,791,318
2017.....	7,642,450	1,541,326	9,183,776
2018.....	7,594,957	1,253,186	8,848,143
2019.....	7,613,519	915,164	8,528,683
2020.....	4,172,133	577,593	4,749,726
2021.....	3,188,605	425,148	3,613,753
2022.....	2,693,204	308,910	3,002,114
2023.....	2,073,704	203,045	2,276,749
2024.....	970,000	137,578	1,107,578
2025.....	935,000	101,223	1,036,223
2026.....	610,000	65,719	675,719
2027.....	365,000	42,856	407,856
2028.....	250,000	28,478	278,478
2029.....	215,000	18,650	233,650
2030.....	210,000	10,052	220,052
2031.....	40,000	1,656	41,656
Total..... \$	<u>73,050,281</u> \$	<u>15,398,204</u> \$	<u>88,448,485</u>

Bonds and Notes Payable Schedule – Enterprise Funds

<u>Projects</u>	<u>Maturities Through</u>	<u>Original Loan Amount</u>	<u>Coupon Rate (%)</u>	<u>Outstanding at June 30, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2012</u>
Golf Course.....	2025	\$ 4,450,000	5.00	\$ 3,620,000	\$ -	\$ (230,000)	\$ 3,390,000
Wastewater.....	2032	34,940,442	0.00 - 4.75	17,201,545	5,919,680	(2,341,574)	20,779,651
Water.....	2032	13,699,618	4.00 - 5.00	11,378,911	910,707	(504,552)	11,785,066
Solid Waste Transfer Station.....	2027	8,405,700	0.00 - 4.50	3,907,900	241,500	(691,900)	3,457,500
Sandy Neck.....	2031	1,365,000	4.00	1,280,000	-	(65,000)	1,215,000
Marinas.....	2030	3,774,000	3.00 - 5.00	1,675,000	864,000	(975,000)	1,564,000
Hyannis Youth and Community Center.....	2028	17,365,000	3.375 - 5.00	14,223,000	-	(869,000)	13,354,000
Airport.....	2031	730,000	2.00 - 4.12	730,000	-	(25,000)	705,000
Total Bonds Payable.....				\$ 54,016,356	\$ 7,935,887	\$ (5,702,026)	\$ 56,250,217

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013..... \$	3,706,637	\$ 2,068,847	\$ 5,775,484
2014.....	3,880,725	1,777,730	5,658,455
2015.....	3,900,573	1,601,165	5,501,738
2016.....	3,796,234	1,463,124	5,259,358
2017.....	3,857,197	1,322,533	5,179,730
2018.....	3,601,988	1,174,183	4,776,171
2019.....	3,677,941	1,041,145	4,719,086
2020.....	3,302,482	908,520	4,211,002
2021.....	3,193,311	802,212	3,995,523
2022.....	3,219,649	699,202	3,918,851
2023.....	3,284,895	592,146	3,877,041
2024.....	3,209,562	484,640	3,694,202
2025.....	3,116,158	385,456	3,501,614
2026.....	2,873,188	284,383	3,157,571
2027.....	2,930,663	193,456	3,124,119
2028.....	1,678,591	100,742	1,779,333
2029.....	898,752	62,235	960,987
2030.....	886,722	41,429	928,151
2031.....	861,201	20,157	881,358
2032.....	373,748	3,736	377,484
Total..... \$	<u>56,250,217</u>	<u>\$ 15,027,041</u>	<u>\$ 71,277,258</u>

During fiscal year 2012, the Town issued \$11,715,000 of general obligation refunding bonds which together with a net bond premium of approximately \$1 million was used to refund on an advance basis \$11,765,000 of general obligation bonds outstanding in the governmental activities and the solid waste, wastewater and marina business-type activities. The proceeds of the refunding bonds, and the net premium, for a total of \$12,687,982, were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities were removed from the financial statements for the fiscal year ending June 30, 2012. Through this advance refunding, the Town has taken advantage of lower interest rates to realize a decrease in its aggregate debt service payments by approximately \$1,310,000 over the next 11 years and will experience an economic gain of approximately \$1,099,000.

The Town has entered into several loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) for which the Town has recorded the total amount of debt outstanding. However, as of June 30, 2012, the Town has not incurred \$3,055,666 of the eligible construction costs related to the projects and as a result has not yet received the corresponding loan proceeds from MWPAT. Accordingly, the Town has recorded \$3,055,666 as an intergovernmental receivable in the accompanying basic financial statements, as of June 30, 2012.

The Town is scheduled to be subsidized by the MWPAT on a periodic basis for principal in the amount of \$1,759,408 and interest costs for \$1,252,594. The principal subsidies are guaranteed and therefore a \$1,759,408 intergovernmental receivable has been reported in the business-type financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2012 principal and interest subsidies totaled \$297,845 and \$243,038, respectively.

The Commonwealth of Massachusetts has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for construction costs and debt service interest of general obligation bonds outstanding. The Town is currently receiving annual payments for 64% of eligible costs in relation to the construction of the new Middle School and the renovation and addition to the High School. During fiscal year 2012, approximately \$3,509,000 of such assistance was received. Approximately \$23,462,000 will be received in future years. Of this amount, \$2,528,000 represents reimbursement of future long-term interest costs and \$20,934,000 represents reimbursement of approved construction cost and interest costs previously paid. Accordingly, an intergovernmental receivable and corresponding deferred revenue have been reported in these basic financial statements for \$20,934,000 which represents the Commonwealth's share of construction and interest costs paid for the Middle School and High School projects.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2012, the Town had the following authorized and unissued debt:

Purpose	Amount
Sewer projects.....	\$ 14,049,813
Water projects.....	4,827,156
Wind generator.....	1,850,000
Highway complex feasibility and design.....	900
Dredging projects.....	329,000
Road projects.....	6,827
Airport projects.....	32,203,989
Effluent mitigation.....	1,393,950
Security fencing.....	160,000
Improvements for Bismore Park.....	426,000
Land acquisitions.....	655,000
Energy improvements.....	1,854,000
Facilities improvements.....	1,375
Refunding bonds.....	<u>13,258,000</u>
Total.....	<u>\$ 71,016,010</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Bonds Payable.....	\$ 83,025,115	\$ 10,037,900	\$ (20,012,734)	\$ 73,050,281	\$ 9,298,893
Add: Unamortized Premium.....	360,689	-	(65,866)	294,823	57,330
Total Bonds Payable.....	83,385,804	10,037,900	(20,078,600)	73,345,104	9,356,223
Compensated Absences.....	2,966,875	2,321,764	(2,388,506)	2,900,133	2,370,815
Workers' Compensation.....	652,000	80,000	(53,000)	679,000	42,000
Other Postemployment Benefits.....	23,666,163	10,056,618	(4,973,922)	28,748,859	-
Total Governmental Funds.....	110,670,842	22,496,282	(27,494,028)	105,673,096	11,769,038
Business Type Activities:					
Bonds Payable.....	54,016,356	7,935,887	(5,702,026)	56,250,217	3,706,637
Compensated Absences.....	285,809	270,683	(243,385)	313,107	271,028
Landfill Closure.....	1,120,000	-	(70,000)	1,050,000	70,000
Other Postemployment Benefits.....	3,071,000	1,384,000	(684,000)	3,771,000	-
Total Business Type Activities.....	58,493,165	9,590,570	(6,699,411)	61,384,324	4,047,665
Total.....	\$ 169,164,007	\$ 32,086,852	\$ (34,193,439)	\$ 167,057,420	\$ 15,816,703

Long-term liabilities related to both governmental and business-type activities are normally paid from the General Fund and the Enterprise Funds, respectively.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to the constraints imposed on the use of the resources.

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

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

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

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy.

	<u>General</u>	<u>Capital Projects</u>	<u>Highway Projects</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES						
Nonspendable:						
Permanent fund principal.....\$	-	-	-	-	10,467,992	\$ 10,467,992
Restricted for:						
Pension reserve.....	2,660,805	-	-	-	-	2,660,805
Town capital projects.....	-	13,421,287	-	-	-	13,421,287
Highway projects.....	-	-	404,851	-	-	404,851
School capital projects.....	-	715,403	-	-	-	715,403
Community preservation.....	-	-	-	8,586,383	-	8,586,383
Town revolving.....	-	-	-	-	4,176,751	4,176,751
School revolving.....	-	-	-	-	3,457,855	3,457,855
Town gift and grant funds.....	-	-	-	-	3,628,625	3,628,625
School gift and grant funds.....	-	-	-	-	1,939,412	1,939,412
Cemeteries and libraries.....	-	-	-	-	423,796	423,796
Conservation.....	-	-	-	-	62,865	62,865
Education.....	-	-	-	-	811,562	811,562
Other permanent funds.....	-	-	-	-	307,713	307,713
Assigned to:						
Town Council.....	180	-	-	-	-	180
Town Manager.....	27,812	-	-	-	-	27,812
Administrative services.....	108,110	-	-	-	-	108,110
Growth management.....	34,345	-	-	-	-	34,345
Public safety.....	47,926	-	-	-	-	47,926
Community services.....	35,670	-	-	-	-	35,670
Regulatory services.....	19,873	-	-	-	-	19,873
Education.....	764,615	-	-	-	-	764,615
Public works.....	310,154	-	-	-	-	310,154
Culture and recreation.....	166,931	-	-	-	-	166,931
Property and liability insurance.....	15,000	-	-	-	-	15,000
Employee benefits.....	41,690	-	-	-	-	41,690
Subsequent year expenditures.....	435,000	-	-	-	-	435,000
Unassigned.....	<u>28,734,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,734,188</u>
TOTAL FUND BALANCES.....	\$ <u>33,402,299</u>	\$ <u>14,136,690</u>	\$ <u>404,851</u>	\$ <u>8,586,383</u>	\$ <u>25,276,571</u>	\$ <u>81,806,794</u>

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At June 30, 2012, the balance of the Town’s municipal purpose stabilization fund is \$6,703,143 and is reported as unassigned fund balance within the general fund. The municipal purpose stabilization fund balance can be used for general and/or capital purposes upon approval of the Council.

At June 30, 2012, the balance of the Town’s pension stabilization fund is \$2,660,805 and is reported as restricted fund balance within the general fund. The pension stabilization fund balance may only be appropriated to fund the unfunded pension liability that accrues to the Town through the county retirement system. The amount

appropriated from the pension stabilization fund is subject to Council approval and the approval of the Public Employee Retirement Administration Commission (PERAC).

NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to construct a final capping system on its Flint Street Sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town stopped accepting waste in fiscal year 1991 and performed a final capping of the landfill site in fiscal year 1997. At June 30, 2012, the Town has accrued \$1,050,000 as the estimated cost of the landfill's postclosure care in the Solid Waste Enterprise Fund. This liability is based on estimates of what it would cost to perform all future postclosure care as of June 30, 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 11 – SOLID WASTE DISPOSAL

In January, 1985, the Town entered into a twenty-seven year contract for the disposal of solid waste services, beginning in 1990, with SEMASS Partnership (SEMASS), a resource recovery facility located in Rochester, Massachusetts. The agreement requires the Town to annually deliver solid waste collected at the Barnstable Solid Waste Facility in Marstons Mills to the SEMASS Facility. The cost to dispose solid waste at SEMASS is governed by the Agreement and comprises the utilization of consumer price indexing and capital infrastructure improvements necessary due to age of facility and change-in-law requirements. The present disposal charge from SEMASS is \$37.76/ton. The Agreement with SEMASS is in effect until December 31, 2014. The Town is actively engaged in procurement activities and contract deliberations with SEMASS and other disposal vendors for a successor long-term disposal agreement.

A separate, joint agreement between the Towns of Barnstable and Yarmouth and the SEMASS Partnership requires the Town's solid waste to be delivered to the Yarmouth Transfer Station, a facility designed and constructed by Barnstable and Yarmouth to receive solid waste from both towns as well as from private haulers. The solid waste is loaded on to specially modified railroad cars and is then railed directly to SEMASS. Pursuant to the joint agreement, SEMASS is responsible for all costs relating to the delivery of Barnstable and Yarmouth's solid waste from the Yarmouth Transfer Station to the SEMASS Rochester waste-to-energy facility. Additionally, this agreement requires Barnstable to annually pay Yarmouth a \$1.00 per ton host fee to accept Barnstable's solid waste. In FY12, the total host fee paid to Yarmouth was \$9,465. As with the SEMASS Agreement, this joint agreement also expires on December 31, 2014. Barnstable, Yarmouth and SEMASS are actively engaged in contract deliberations for a successor long-term agreement to continue the same terms and conditions of the existing agreement.

NOTE 12 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town provides health insurance through the Cape Cod Municipal Health Group (the Group), a nonprofit shared risk health group comprised of 51 governmental units. The Town and its employees contribute to the Group based upon a 50% (Town) and 50% (employee) primary care premium formula. In the event the Group is terminated, the Town is obligated to pay its prorata share of a deficit, should one exist.

The Town is self-insured for unemployment claims which are funded on a pay-as-you-go basis from annual appropriations paid from the general fund. The Incurred But Not Reported is immaterial to the financial statements and therefore is not reported.

The Town was self-insured for its workers' compensation activities prior to fiscal year 2005 when the Town purchased commercial insurance. Beginning in fiscal year 2012, the Town discontinued the premium based plan and has reinstated the self-insured workers' compensation plan. The self-insured program is administered by a third party administrator and funded on a pay-as-you-go basis from annual appropriations paid from the General Fund. The Town estimates its future workers' compensation liability for occurrences under the self-insured program based on history and injury type and accounts for this liability on the full accrual basis of accounting on the Statement of Net Assets. At June 30, 2012, the amount of the liability for self-insured workers' compensation claims totaled \$679,000 for governmental activities.

Changes in the reported liability since July 1, 2010, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion at Year-End
Governmental Activities:					
Fiscal Year 2011..... \$	398,000	\$ 310,000	\$ (56,000)	\$ 652,000	\$ 53,000
Fiscal Year 2012.....	652,000	491,132	(464,132)	679,000	42,000

The Town established the internal service fund in fiscal year 2012 to account for workers' compensation activities. As a result, net assets at beginning of year in the internal service fund have been revised to (\$652,000).

NOTE 13 – PENSION PLAN

Plan Description – The Town contributes to the Barnstable County Retirement Association (the Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Substantially all employees are members of the Association, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$11,133,000 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The Association provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Association and are borne by the Association. The Association issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the Association located at 99 Willow Street, Yarmouthport, Massachusetts 02675.

Funding Policy – Plan members are required to contribute to the Association at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Association its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the Association for the fiscal years ended June 30, 2012, 2011, and 2010 were \$6,538,491, \$5,978,699, and \$5,718,412, respectively, which equaled its required contribution for each fiscal year.

At June 30, 2012, the Town has \$2,660,805 in a pension reserve fund which is classified as part of the general fund in the governmental fund financial statements. The Town transferred \$331,000 from the pension reserve fund to the general fund in fiscal year 2012. The pension reserve fund may only be used to provide funding for annual contributions to the Association upon approval of the Council and the approval of the Public Employee Retirement Administration Commission (PERAC).

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Barnstable administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on-behalf of its teacher retirees by the state. The state pays 85 – 90% of the total premium; the retiree's co-payment is 10 – 15% of the total premium as well as full payment for catastrophic illness coverage. The Town's assessment from the Commonwealth, for retired teachers, for fiscal year 2012, totaled \$2,319,247.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% of their premium costs. For fiscal year 2012, the Town's age-weighted contribution to the plan totaled approximately \$5.7 million.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the postemployment benefit trust fund and to enable the Town to dedicate resources necessary to begin pre-funding its OPEB liabilities. During fiscal year 2012, the Town pre-funded future OPEB liabilities in the amount of \$50,000.

Annual OPEB Cost and Net OPEB Obligation – The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 11,059,214
Interest on net OPEB obligation.....	1,393,701
Adjustment for timing.....	(1,012,297)
Annual OPEB cost (expense).....	<u>11,440,618</u>
Contributions made (including retired teachers).....	<u>(5,657,922)</u>
Increase in net OPEB obligation.....	5,782,696
Net OPEB obligation - beginning of year.....	<u>26,737,163</u>
Net OPEB obligation - end of year.....	<u>\$ 32,519,859</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 11,440,618	49%	\$ 32,519,859
6/30/2011	10,905,664	53%	26,737,163
6/30/2010	11,873,230	40%	21,609,060

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
6/30/2010	\$ -	\$ 162,010,280	\$ 162,010,280	0%	\$ 48,841,000	331.71%
6/30/2008	-	159,321,644	159,321,644	0%	44,795,126	355.67%
6/30/2006	-	150,545,412	150,545,412	0%	48,120,192	312.85%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2010, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 5.25% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, decreasing .75% for six years and by .50% for one year to an ultimate level of 5% per year and included a 4.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized over a 30 year open period using a level percentage of projected payroll with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2012 is 28 years.

NOTE 15 – COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling \$9.5 million in relation to various capital projects including road improvements, water quality improvements to lakes and ponds, sidewalk improvements, dredging, equipment purchases, boat ramp improvements, facility improvements, water supply pipe replacement and several maintenance projects at the Barnstable Municipal airport.

A total of \$1,866,000 of airport surplus is being used to finance the maintenance projects at the airport. Most of this is expected to be reimbursed through Federal and State grants. The marina enterprise fund will use \$80,000 of its surplus to finance the permitting and design for dredging the Gateway Marina area. A total of \$213,826 of the water supply enterprise fund surplus is being used for various water system improvements and \$2,120,000 in bond authorizations for water pipe replacements.

Capital Trust Fund reserves of \$3,250,000 will be used for public road improvements and \$1,844,000 of remaining fund balances on completed capital projects will be used to fund several new projects including equipment purchases, facility improvements, water quality improvements and boat ramp and sidewalk improvements.

The Town has also entered into a commitment to dredge the inner channel at Barnstable Harbor. Seventy-five percent of this project will be financed with a state grant. The other twenty-five percent local match will be provided from leftover funds on the reconstruction of the Barnstable Harbor Bulkhead.

NOTE 16 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.



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(Date of Delivery)

Debra Blanchette, Treasurer
Town of Barnstable
Barnstable, Massachusetts

\$6,248,000
Town of Barnstable, Massachusetts
General Obligation Municipal Purpose Loan of 2013 Bonds
Dated November 22, 2013

We have acted as bond counsel to the Town of Barnstable, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except

as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS WILDMAN PALMER LLP

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**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Barnstable, Massachusetts (the “Issuer”) in connection with the issuance of its \$6,248,000 General Obligation Municipal Purpose Loan of 2013 Bonds dated November 22, 2013 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated November 12, 2013 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds[, prior redemption] or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: November 22, 2013

TOWN OF BARNSTABLE,
MASSACHUSETTS

By _____
Treasurer

By _____
Town Manager

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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