

**TOWN OF MASHPEE, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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# *Independent Auditors' Report*



Certified Public Accountants

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**Independent Auditors' Report**

To the Honorable Board of Selectmen  
Town of Mashpee, Massachusetts

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mashpee, Massachusetts, as of and for the fiscal year ended June 30, 2010, 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 Mashpee, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mashpee, Massachusetts, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof 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 March 17, 2011 on our consideration of the Town of Mashpee, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (located on pages 4 through 12) and budgetary comparison, pension and other postemployment benefits information (located on pages 53 through 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Sulic, J. & Co., LLC". The signature is written in black ink and is positioned above the date.

March 17, 2011

## *Management's Discussion and Analysis*

As management of the Town of Mashpee, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2010.

### *Financial Highlights*

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$94,118,845 (net assets). Of this amount, \$3,917,354 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased \$2,075,153.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$15,834,698, a decrease of \$4,413,509 in comparison with the prior year. Approximately \$13,741,000 represents unreserved fund balance for the general fund, stabilization fund, community preservation fund and nonmajor governmental funds. The library construction fund deficit totaling \$5,439,314 will be funded through the issuance of long-term debt in future fiscal years.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$4,013,962, or 7.9 percent of total general fund revenues and transfers in.
- The Town's total long-term debt (gross) decreased by \$3,380,395 during the fiscal year; no new debt was issued during the fiscal year.

### *Overview of the Basic Financial Statements*

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

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

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

#### Government-wide financial statements

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

The **statement of net assets** presents information on all of the Town's non-fiduciary 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 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the kids klub operation.

The government-wide financial statements can be found on pages 15-17 of this report.

#### Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

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

#### **Governmental funds**

Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 413 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, stabilization (special revenue), community preservation (special revenue) and library construction (capital projects) funds, each of which are considered to be major funds. Data from the other 409 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 18-23 of this report.

#### **Proprietary funds**

The Town maintains one type of proprietary fund.

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

The basic proprietary funds financial statements can be found on pages 24-26 of this report.

**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for the government-wide financial statements.

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

The basic fiduciary funds financial statements can be found on pages 27-28 of this report.

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-52 of this report.

**Required supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other postemployment benefits information, which can be found on pages 53-58 of this report.

***Government-Wide Financial Analysis***

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

**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$94,118,845 at the close of the fiscal year and are summarized as follows:

|  | <i>Governmental Activities</i> |               | <i>Business-Type Activities</i> |            | <i>Total</i>  |               |
|--|--------------------------------|---------------|---------------------------------|------------|---------------|---------------|
|  | 2010                           | 2009          | 2010                            | 2009       | 2010          | 2009          |
| <b>Assets</b>  |                                |               |                                 |            |               |               |
| Current assets.....                                      | \$ 27,668,397                  | \$ 30,999,375 | \$ 127,254                      | \$ 113,097 | \$ 27,795,651 | \$ 31,112,472 |
| Noncurrent assets<br>(excluding capital assets).....     | 6,965,359                      | 6,905,150     | -                               | -          | 6,965,359     | 6,905,150     |
| Capital assets (net).....                                | 110,822,823                    | 106,781,003   | -                               | -          | 110,822,823   | 106,781,003   |
| Total assets.....  | 145,456,579                    | 144,685,528   | 127,254                         | 113,097    | 145,583,833   | 144,798,625   |
| <b>Liabilities</b>                                       |                                |               |                                 |            |               |               |
| Current liabilities<br>(excluding debt).....             | 4,046,093                      | 4,267,038     | 3,443                           | 4,395      | 4,049,536     | 4,271,433     |
| Noncurrent liabilities<br>(excluding debt).....          | 12,619,116                     | 8,083,696     | 115,600                         | 54,012     | 12,734,716    | 8,137,708     |
| Current debt.....  | 9,174,201                      | 7,408,103     | -                               | -          | 9,174,201     | 7,408,103     |
| Noncurrent debt.....                                     | 25,506,535                     | 28,787,383    | -                               | -          | 25,506,535    | 28,787,383    |
| Total liabilities.....                                   | 51,345,945                     | 48,546,220    | 119,043                         | 58,407     | 51,464,988    | 48,604,627    |
| <b>Net Assets</b>  |                                |               |                                 |            |               |               |
| Invested in capital assets<br>(net of related debt)..... | 83,908,100                     | 79,140,541    | -                               | -          | 83,908,100    | 79,140,541    |
| Restricted.....  | 6,293,391                      | 6,747,363     | -                               | -          | 6,293,391     | 6,747,363     |
| Unrestricted.....  | 3,909,143                      | 10,251,404    | 8,211                           | 54,690     | 3,917,354     | 10,306,094    |
| Total net assets.....                                    | \$ 94,110,634                  | \$ 96,139,308 | \$ 8,211                        | \$ 54,690  | \$ 94,118,845 | \$ 96,193,998 |

The largest portion of the Town's net assets (89.1%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (6.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (4.2% or \$3,917,354) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$3,909,143 may be used to support governmental activities and \$8,211 may be used to support business-type activities.

At the end of the current fiscal year, the Town reports 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.

#### Changes in Net Assets

For the fiscal year ended June 30, 2010, the Town's total net assets decreased by \$2,075,153, compared to a decrease of \$2,720,258 in the prior fiscal year. These amounts are summarized as follows:

|  | <i>Governmental Activities</i> |                      | <i>Business-Type Activities</i> |                  | <i>Total</i>         |                      |
|--|--------------------------------|----------------------|---------------------------------|------------------|----------------------|----------------------|
|  | <u>2010</u>                    | <u>2009</u>          | <u>2010</u>                     | <u>2009</u>      | <u>2010</u>          | <u>2009</u>          |
| <b>Revenues</b>  |                                |                      |                                 |                  |                      |                      |
| <i>Program Revenues:</i>   |                                |                      |                                 |                  |                      |                      |
| Charges for services.....  | \$ 4,284,482                   | \$ 4,729,413         | \$ 360,644                      | \$ 338,751       | \$ 4,645,126         | \$ 5,068,164         |
| Operating grants and contributions.....                              | 7,087,167                      | 7,883,065            | -                               | -                | 7,087,167            | 7,883,065            |
| Capital grants and contributions.....                                | 1,519,587                      | 2,278,342            | -                               | -                | 1,519,587            | 2,278,342            |
| <i>General Revenues:</i>   |                                |                      |                                 |                  |                      |                      |
| Real estate, personal property taxes<br>and tax liens.....           | 36,102,966                     | 34,764,991           | -                               | -                | 36,102,966           | 34,764,991           |
| Motor vehicle and other excise taxes.....                            | 1,606,510                      | 1,652,357            | -                               | -                | 1,606,510            | 1,652,357            |
| Penalties and interest on taxes.....                                 | 380,029                        | 218,681              | -                               | -                | 380,029              | 218,681              |
| Payments in lieu of taxes.....                                       | 11,139                         | -                    | -                               | -                | 11,139               | -                    |
| Community preservation surcharges.....                               | 1,077,260                      | 1,032,362            | -                               | -                | 1,077,260            | 1,032,362            |
| Grants and contributions not restricted<br>to specific programs..... | 2,724,258                      | 2,857,910            | -                               | -                | 2,724,258            | 2,857,910            |
| Unrestricted investment income.....                                  | 232,854                        | 441,141              | -                               | -                | 232,854              | 441,141              |
| <b>Total revenues.....</b>   | <u>55,026,252</u>              | <u>55,858,262</u>    | <u>360,644</u>                  | <u>338,751</u>   | <u>55,386,896</u>    | <u>56,197,013</u>    |
| <b>Expenses</b>  |                                |                      |                                 |                  |                      |                      |
| General government.....  | 4,646,135                      | 5,009,104            | -                               | -                | 4,646,135            | 5,009,104            |
| Public safety.....   | 11,864,605                     | 11,479,963           | -                               | -                | 11,864,605           | 11,479,963           |
| Education.....   | 30,977,357                     | 34,141,819           | -                               | -                | 30,977,357           | 34,141,819           |
| Public works.....  | 5,867,214                      | 4,064,754            | -                               | -                | 5,867,214            | 4,064,754            |
| Health and human services.....                                       | 1,072,727                      | 1,079,327            | -                               | -                | 1,072,727            | 1,079,327            |
| Culture and recreation.....  | 1,215,931                      | 1,278,859            | -                               | -                | 1,215,931            | 1,278,859            |
| Debt service - interest.....   | 1,410,957                      | 1,502,956            | -                               | -                | 1,410,957            | 1,502,956            |
| Kids klub.....   | -                              | -                    | 407,123                         | 360,489          | 407,123              | 360,489              |
| <b>Total expenses.....</b>   | <u>57,054,926</u>              | <u>58,556,782</u>    | <u>407,123</u>                  | <u>360,489</u>   | <u>57,462,049</u>    | <u>58,917,271</u>    |
| Change in net assets.....  | (2,028,674)                    | (2,698,520)          | (46,479)                        | (21,738)         | (2,075,153)          | (2,720,258)          |
| Net assets - beginning of year.....                                  | <u>96,139,308</u>              | <u>98,837,828</u>    | <u>54,690</u>                   | <u>76,428</u>    | <u>96,193,998</u>    | <u>98,914,256</u>    |
| Net assets - end of year.....  | <u>\$ 94,110,634</u>           | <u>\$ 96,139,308</u> | <u>\$ 8,211</u>                 | <u>\$ 54,690</u> | <u>\$ 94,118,845</u> | <u>\$ 96,193,998</u> |

Governmental activities decreased the Town's net assets by \$2,028,674. In the prior year, governmental activities decreased the Town's net assets by \$2,698,520.

Business-type activities decreased the Town's net assets by \$46,479. In the prior year, business-type activities decreased the Town's net assets by \$21,738.

**Fund Financial Statement Analysis**

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

**Governmental funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved 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 governmental funds reported combined ending fund balances totaling \$15,834,698, a decrease of \$4,413,509 in comparison with the prior year. Approximately \$12,184,000 represents undesignated fund balance for the general fund, stabilization fund, community preservation fund and nonmajor governmental funds. The library construction fund deficit totaling \$5,439,314 will be funded through the issuance of long-term debt in future fiscal years. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$1,311,366)
- Title V septic loans (\$247,482)
- Perpetual permanent funds (\$45,052)
- Community preservation (\$5,328,453)
- Other specific purposes (\$600,342)
- Fund a portion of the fiscal year 2011 operating budget (\$1,557,367)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$4,013,962, while total fund balance was \$6,882,695. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund revenues and transfers in. Undesignated fund balance represents 7.9% of total general fund revenues and transfers in, while total fund balance represents 13.6% of that same amount.

The balance of the Town's general fund increased \$598,451 during the current fiscal year. Although the Town recognized an approximate \$4,074,000 budgetary surplus (excluding encumbrances and continuing appropriations), approximately \$3,310,000 of reserves was utilized for spending during fiscal year 2010.

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

The fund balance of the stabilization fund (special revenue) increased by \$163,575 during the current fiscal year. This is attributable to investment income earned by the fund during fiscal year 2010.

The fund balance of the community preservation fund (special revenue) decreased by \$347,812 during the current fiscal year. The fund recognized \$1,078,288 in surcharges, \$398,199 in intergovernmental revenues and \$289,104 of investment income. Expenditures of \$1,077,936 were incurred during the fiscal year. The fund also made \$1,035,467 of transfers to the general fund during the fiscal year.

The fund balance of the library construction fund (capital projects) decreased by \$4,160,229 during the current fiscal year. The fund recognized \$880,781 in intergovernmental revenues. Expenditures of \$5,041,010 were incurred during the fiscal year.

#### Proprietary funds

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

Unrestricted net assets of the kids klub enterprise fund at the end of the year amounted to \$8,211. The kids klub enterprise fund had a decrease in net assets for the year of \$46,479. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$50,029,162 was increased by \$201,732 (0.4%) during the fiscal year. The following table summarizes the increase:

| <u>Purpose of Increase/Decrease</u> | <u>Amount</u>     | <u>Funding Source</u>                                   |
|-------------------------------------|-------------------|---|
| Waterways maintenance.....          | \$ 277,590        | Transfer from waterways special revenue fund            |
| Fire department.....                | 155,510           | Transfer from ambulance receipts special revenue fund   |
| Police department.....              | 82,880            | Undesignated fund balance                               |
| Unpaid bills.....                   | 19                | Transfer from hotel/motel receipts special revenue fund |
| Police department.....              | (111,260)         | Decrease to tax levy                                    |
| School department.....              | (90,557)          | Decrease to tax levy                                    |
| Human resources department.....     | (29,961)          | Decrease to tax levy                                    |
| Town insurance.....                 | (26,323)          | Decrease to tax levy                                    |
| Conservation department.....        | (22,681)          | Decrease to tax levy                                    |
| Public works department.....        | (18,485)          | Decrease to tax levy                                    |
| Legal/engineering/consulting.....   | <u>(15,000)</u>   | Decrease to tax levy                                    |
| Total net increase.....             | \$ <u>201,732</u> |   |

During the fiscal year, revenues exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of \$2,762,387. Encumbrances and continuing appropriations total \$1,311,366 at year-end.

*Capital Asset and Debt Administration*

Capital assets

The Town’s investment in capital assets for its governmental activities at the end of the fiscal year totaled \$110,822,823 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled 3.8%.

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

- Library construction in progress (approximately \$5,041,000)
- Community Preservation fund land acquisition (approximately \$675,000)
- Infrastructure projects (approximately \$750,000)

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

|  | <i>Governmental Activities</i> |                       |
|--|--------------------------------|-----------------------|
|  | 2010                           | 2009                  |
| Land.....                              | \$ 58,192,253                  | \$ 57,517,024         |
| Buildings and improvements.....        | 37,122,756                     | 36,763,229            |
| Machinery, vehicles and equipment..... | 926,874                        | 1,205,028             |
| Infrastructure.....                    | 5,643,370                      | 5,327,776             |
| Construction in progress.....          | 8,937,570                      | 5,967,946             |
| <b>Total capital assets.....</b>       | <b>\$ 110,822,823</b>          | <b>\$ 106,781,003</b> |

Additional information on the Town's capital assets can be found in Note 5 on pages 41-42 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt (gross) outstanding was \$28,916,781, which is backed by the full faith and credit of the Town, and is summarized as follows:

|                                   | <i>Governmental Activities</i> |                      |
|-----------------------------------|--------------------------------|----------------------|
|                                   | 2010                           | 2009                 |
| General obligation bonds.....     | \$ 27,700,000                  | \$ 30,990,000        |
| MWPAT notes.....                  | 1,216,781                      | 1,307,176            |
| <b>Total bonds and notes.....</b> | <b>\$ 28,916,781</b>           | <b>\$ 32,297,176</b> |

The Town's gross bonded debt decreased by \$3,380,395 during the fiscal year; no new debt was issued during the fiscal year.

The Town's bond rating from Standard & Poor's for the August 2009 bond issue was AA+.

Additional information on the Town's long-term debt can be found in Note 9 on pages 44-47 of this report.

*Requests for Information*

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

## *Basic Financial Statements*

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## STATEMENT OF NET ASSETS

JUNE 30, 2010

|  | Primary Government         |                             |               |
|--|----------------------------|-----------------------------|---------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total         |
| <b>ASSETS</b>  |                            |                             |               |
| Current assets:  |                            |                             |               |
| Cash and cash equivalents.....                           | \$ 13,560,925              | \$ 127,254                  | \$ 13,688,179 |
| Restricted cash and cash equivalents.....                | 2,099,345                  | -                           | 2,099,345     |
| Investments.....   | 3,454,489                  | -                           | 3,454,489     |
| Restricted investments.....                              | 5,145,801                  | -                           | 5,145,801     |
| Receivables, net of allowance for uncollectible amounts: |                            |                             |               |
| Real estate and personal property taxes.....             | 791,247                    | -                           | 791,247       |
| Tax liens.....   | 939,188                    | -                           | 939,188       |
| Motor vehicle and other excise taxes.....                | 297,278                    | -                           | 297,278       |
| Community preservation surcharges.....                   | 45,189                     | -                           | 45,189        |
| Special assessments.....                                 | 135,500                    | -                           | 135,500       |
| Departmental and other.....                              | 248,657                    | -                           | 248,657       |
| Intergovernmental.....                                   | 925,850                    | -                           | 925,850       |
| Loans.....   | 24,928                     | -                           | 24,928        |
| Total current assets.....                                | 27,668,397                 | 127,254                     | 27,795,651    |
| Noncurrent assets:                                       |                            |                             |               |
| Receivables, net of allowance for uncollectible amounts: |                            |                             |               |
| Real estate tax deferrals.....                           | 22,246                     | -                           | 22,246        |
| Special assessments.....                                 | 1,103,637                  | -                           | 1,103,637     |
| Intergovernmental.....                                   | 4,932,764                  | -                           | 4,932,764     |
| Loans.....   | 222,554                    | -                           | 222,554       |
| Tax foreclosures.....                                    | 684,158                    | -                           | 684,158       |
| Capital assets not being depreciated.....                | 67,129,823                 | -                           | 67,129,823    |
| Capital assets, net of accumulated depreciation.....     | 43,693,000                 | -                           | 43,693,000    |
| Total noncurrent assets.....                             | 117,788,182                | -                           | 117,788,182   |
| Total assets.....  | 145,456,579                | 127,254                     | 145,583,833   |
| <b>LIABILITIES</b>                                       |                            |                             |               |
| Current liabilities:                                     |                            |                             |               |
| Warrants payable.....                                    | 1,232,646                  | 3,443                       | 1,236,089     |
| Accrued payroll.....                                     | 1,560,540                  | -                           | 1,560,540     |
| Tax refunds payable.....                                 | 49,370                     | -                           | 49,370        |
| Other liabilities.....                                   | 409,631                    | -                           | 409,631       |
| Accrued interest.....                                    | 466,820                    | -                           | 466,820       |
| Capital lease obligations.....                           | 84,381                     | -                           | 84,381        |
| Landfill postclosure.....                                | 25,000                     | -                           | 25,000        |
| Compensated absences.....                                | 217,705                    | -                           | 217,705       |
| Short-term notes payable.....                            | 5,877,500                  | -                           | 5,877,500     |
| Long-term bonds and notes payable.....                   | 3,296,701                  | -                           | 3,296,701     |
| Total current liabilities.....                           | 13,220,294                 | 3,443                       | 13,223,737    |
| Noncurrent liabilities:                                  |                            |                             |               |
| Capital lease obligations.....                           | 31,670                     | -                           | 31,670        |
| Landfill postclosure.....                                | 457,520                    | -                           | 457,520       |
| Net OPEB obligation.....                                 | 10,170,581                 | 115,600                     | 10,286,181    |
| Compensated absences.....                                | 1,959,345                  | -                           | 1,959,345     |
| Long-term bonds and notes payable.....                   | 25,506,535                 | -                           | 25,506,535    |
| Total noncurrent liabilities.....                        | 38,125,651                 | 115,600                     | 38,241,251    |
| Total liabilities.....                                   | 51,345,945                 | 119,043                     | 51,464,988    |
| <b>NET ASSETS</b>  |                            |                             |               |
| Invested in capital assets, net of related debt.....     | 83,908,100                 | -                           | 83,908,100    |
| Restricted for:  |                            |                             |               |
| Loans.....   |                            |                             |               |
| Loans.....   | 247,482                    | -                           | 247,482       |
| Community preservation.....                              | 5,373,642                  | -                           | 5,373,642     |
| Permanent funds:   |                            |                             |               |
| Expendable.....  | 26,873                     | -                           | 26,873        |
| Nonexpendable.....                                       | 45,052                     | -                           | 45,052        |
| Other specific purposes.....                             | 600,342                    | -                           | 600,342       |
| Unrestricted.....  | 3,909,143                  | 8,211                       | 3,917,354     |
| Total net assets.....                                    | \$ 94,110,634              | \$ 8,211                    | \$ 94,118,845 |

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| Functions/Programs                 | Expenses             | Program Revenues        |  |  | Net<br>(Expense)/<br>Revenue |
|------------------------------------|----------------------|-------------------------|--|--|------------------------------|
|                                    |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                              |
| <b>Primary government:</b>         |                      |                         |  |  |                              |
| Governmental activities:           |                      |                         |  |  |                              |
| General government.....            | \$ 4,646,135         | \$ 803,512              | \$ 491,027                               | \$ 398,199                             | \$ (2,953,397)               |
| Public safety.....                 | 11,864,605           | 1,223,601               | 73,499                                   | -                                      | (10,567,505)                 |
| Education.....                     | 30,977,357           | 854,382                 | 6,023,127                                | -                                      | (24,099,848)                 |
| Public works.....                  | 5,867,214            | 783,260                 | 28,564                                   | 240,607                                | (4,814,783)                  |
| Health and human services.....     | 1,072,727            | 185,351                 | 50,270                                   | -                                      | (837,106)                    |
| Culture and recreation.....        | 1,215,931            | 434,376                 | 18,862                                   | 880,781                                | 118,088                      |
| Debt service - interest.....       | 1,410,957            | -                       | 401,818                                  | -                                      | (1,009,139)                  |
| Total governmental activities..... | <u>57,054,926</u>    | <u>4,284,482</u>        | <u>7,087,167</u>                         | <u>1,519,587</u>                       | <u>(44,163,690)</u>          |
| Business-type activities:          |                      |                         |  |  |                              |
| Kids klub.....                     | 407,123              | 360,644                 | -  | -                                      | (46,479)                     |
| Total primary government.....      | <u>\$ 57,462,049</u> | <u>\$ 4,645,126</u>     | <u>\$ 7,087,167</u>                      | <u>\$ 1,519,587</u>                    | <u>(44,210,169)</u>          |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

|  | Primary Government         |                             |                   |
|--|----------------------------|-----------------------------|-------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total             |
| <b>Changes in net assets:</b>  |                            |                             |                   |
| Net (expense)/revenue (from previous page).....                      | \$ (44,163,690)            | \$ (46,479)                 | \$ (44,210,169)   |
| <i>General revenues:</i>   |                            |                             |                   |
| Real estate, personal property taxes and tax liens.....              | 36,102,966                 | -                           | 36,102,966        |
| Motor vehicle and other excise taxes.....                            | 1,606,510                  | -                           | 1,606,510         |
| Penalties and interest on taxes.....                                 | 380,029                    | -                           | 380,029           |
| Payments in lieu of taxes.....                                       | 11,139                     | -                           | 11,139            |
| Community preservation surcharges.....                               | 1,077,260                  | -                           | 1,077,260         |
| Grants and contributions not restricted to<br>specific programs..... | 2,724,258                  | -                           | 2,724,258         |
| Unrestricted investment income.....                                  | 232,854                    | -                           | 232,854           |
| <b>Total general revenues.....</b>                                   | <b>42,135,016</b>          | <b>-</b>                    | <b>42,135,016</b> |
| Change in net assets.....  | (2,028,674)                | (46,479)                    | (2,075,153)       |
| Net assets - beginning of year.....                                  | 96,139,308                 | 54,690                      | 96,193,998        |
| Net assets - end of year.....  | \$ 94,110,634              | \$ 8,211                    | \$ 94,118,845     |

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2010

| ASSETS   | General              | Stabilization       | Community<br>Preservation | Library<br>Construction |
|--|----------------------|---------------------|---------------------------|-------------------------|
| Cash and cash equivalents.....                           | \$ 9,780,706         | \$ 76,501           | \$ -                      | -                       |
| Investments.....   | -                    | 3,454,489           | -                         | -                       |
| Receivables, net of allowance for uncollectible amounts: |                      |                     |                           |                         |
| Real estate and personal property taxes.....             | 791,247              | -                   | -                         | -                       |
| Real estate tax deferrals.....                           | 22,246               | -                   | -                         | -                       |
| Tax liens.....   | 925,724              | -                   | -                         | -                       |
| Motor vehicle and other excise taxes.....                | 297,278              | -                   | -                         | -                       |
| Community preservation surcharges.....                   | -                    | -                   | 45,189                    | -                       |
| Special assessments.....                                 | -                    | -                   | -                         | -                       |
| Departmental and other.....                              | -                    | -                   | -                         | -                       |
| Intergovernmental.....                                   | 5,599,239            | -                   | -                         | -                       |
| Loans.....   | -                    | -                   | -                         | -                       |
| Tax foreclosures.....                                    | 684,158              | -                   | -                         | -                       |
| Restricted assets:                                       |                      |                     |                           |                         |
| Cash and cash equivalents.....                           | -                    | -                   | 182,652                   | 60,686                  |
| Investments.....   | -                    | -                   | 5,145,801                 | -                       |
| <b>TOTAL ASSETS.....</b>                                 | <b>\$ 18,100,598</b> | <b>\$ 3,530,990</b> | <b>\$ 5,373,642</b>       | <b>60,686</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>                     |                      |                     |                           |                         |
| <b>LIABILITIES:</b>                                      |                      |                     |                           |                         |
| Warrants payable.....                                    | \$ 1,075,438         | \$ -                | \$ -                      | -                       |
| Accrued payroll.....                                     | 1,560,540            | -                   | -                         | -                       |
| Tax refunds payable.....                                 | 49,370               | -                   | -                         | -                       |
| Other liabilities.....                                   | 409,631              | -                   | -                         | -                       |
| Deferred revenue.....                                    | 8,065,985            | -                   | 45,189                    | -                       |
| Accrued short-term interest.....                         | 56,939               | -                   | -                         | -                       |
| Short-term notes payable.....                            | -                    | -                   | -                         | 5,500,000               |
| <b>TOTAL LIABILITIES.....</b>                            | <b>11,217,903</b>    | <b>-</b>            | <b>45,189</b>             | <b>5,500,000</b>        |
| <b>FUND BALANCES:</b>                                    |                      |                     |                           |                         |
| Reserved for:  |                      |                     |                           |                         |
| Encumbrances and continuing appropriations.....          | 1,311,366            | -                   | -                         | -                       |
| Loans.....   | -                    | -                   | -                         | -                       |
| Perpetual permanent funds.....                           | -                    | -                   | -                         | -                       |
| Community preservation.....                              | -                    | -                   | 5,328,453                 | -                       |
| Other specific purposes.....                             | -                    | -                   | -                         | -                       |
| Unreserved:  |                      |                     |                           |                         |
| Designated for subsequent year's expenditures.....       | 1,557,367            | -                   | -                         | -                       |
| Undesignated, reported in:                               |                      |                     |                           |                         |
| General fund.....  | 4,013,962            | -                   | -                         | -                       |
| Special revenue funds.....                               | -                    | 3,530,990           | -                         | -                       |
| Capital projects funds.....                              | -                    | -                   | -                         | (5,439,314)             |
| Permanent funds.....                                     | -                    | -                   | -                         | -                       |
| <b>TOTAL FUND BALANCES.....</b>                          | <b>6,882,695</b>     | <b>3,530,990</b>    | <b>5,328,453</b>          | <b>(5,439,314)</b>      |
| <b>TOTAL LIABILITIES AND FUND BALANCES.....</b>          | <b>\$ 18,100,598</b> | <b>\$ 3,530,990</b> | <b>\$ 5,373,642</b>       | <b>60,686</b>           |

See notes to basic financial statements.

| <u>Nonmajor<br/>Governmental<br/>Funds</u> |                  | <u>Total<br/>Governmental<br/>Funds</u> |                   |
|--|------------------|---|-------------------|
| \$   | 3,703,718        | \$                                      | 13,560,925        |
|  | -                |   | 3,454,489         |
|  | -                |   | 791,247           |
|  | -                |   | 22,246            |
|  | 13,464           |   | 939,188           |
|  | -                |   | 297,278           |
|  | -                |   | 45,189            |
|  | 1,239,137        |   | 1,239,137         |
|  | 248,657          |   | 248,657           |
|  | 259,375          |   | 5,858,614         |
|  | 247,482          |   | 247,482           |
|  | -                |   | 684,158           |
|  | 1,856,007        |   | 2,099,345         |
|  | -                |   | 5,145,801         |
| \$   | <u>7,567,840</u> | \$                                      | <u>34,633,756</u> |

|    |                  |    |                   |
|----|------------------|----|-------------------|
| \$ | 157,208          | \$ | 1,232,646         |
|    | -                |    | 1,560,540         |
|    | -                |    | 49,370            |
|    | -                |    | 409,631           |
|    | 1,501,258        |    | 9,612,432         |
|    | -                |    | 56,939            |
|    | <u>377,500</u>   |    | <u>5,877,500</u>  |
|    | <u>2,035,966</u> |    | <u>18,799,058</u> |

|    |                  |    |                   |
|----|------------------|----|-------------------|
|    | -                |    | 1,311,366         |
|    | 247,482          |    | 247,482           |
|    | 45,052           |    | 45,052            |
|    | -                |    | 5,328,453         |
|    | 600,342          |    | 600,342           |
|    | -                |    | 1,557,367         |
|    | -                |    | 4,013,962         |
|    | 3,584,502        |    | 7,115,492         |
|    | 1,027,623        |    | (4,411,691)       |
|    | 26,873           |    | 26,873            |
|    | <u>5,531,874</u> |    | <u>15,834,698</u> |
| \$ | <u>7,567,840</u> | \$ | <u>34,633,756</u> |

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

|   | General             | Stabilization       | Community<br>Preservation | Library<br>Construction |
|---|---------------------|---------------------|---------------------------|-------------------------|
| <b>REVENUES</b>   |                     |                     |                           |                         |
| Real estate and personal property taxes.....                      | \$ 35,814,196       | \$ -                | \$ -                      | \$ -                    |
| Motor vehicle and other excise taxes.....                         | 1,609,377           | -                   | -                         | -                       |
| Tax liens.....  | 224,965             | -                   | -                         | -                       |
| Payments in lieu of taxes.....                                    | 11,139              | -                   | -                         | -                       |
| Community preservation surcharges.....                            | -                   | -                   | 1,078,288                 | -                       |
| Charges for services.....   | 305,393             | -                   | -                         | -                       |
| Trash disposal.....   | 643,429             | -                   | -                         | -                       |
| Intergovernmental.....  | 8,487,488           | -                   | 398,199                   | 880,781                 |
| Special assessments.....  | -                   | -                   | -                         | -                       |
| Penalties and interest on taxes.....                              | 378,239             | -                   | -                         | -                       |
| Licenses and permits.....   | 320,075             | -                   | -                         | -                       |
| Fines and forfeitures.....  | 42,391              | -                   | -                         | -                       |
| Departmental and other.....                                       | 142,934             | -                   | -                         | -                       |
| Contributions and gifts.....                                      | -                   | -                   | -                         | -                       |
| Investment income.....  | 232,854             | 163,575             | 289,104                   | -                       |
| <b>TOTAL REVENUES.....</b>  | <b>48,212,480</b>   | <b>163,575</b>      | <b>1,765,591</b>          | <b>880,781</b>          |
| <b>EXPENDITURES</b>   |                     |                     |                           |                         |
| Current:  |                     |                     |                           |                         |
| General government.....   | 2,535,646           | -                   | 1,077,936                 | -                       |
| Public safety.....  | 7,622,061           | -                   | -                         | -                       |
| Education.....  | 19,462,744          | -                   | -                         | -                       |
| Public works.....   | 4,111,595           | -                   | -                         | -                       |
| Health and human services.....                                    | 608,119             | -                   | -                         | -                       |
| Culture and recreation.....                                       | 630,004             | -                   | -                         | 5,041,010               |
| Pension benefits.....   | 3,504,309           | -                   | -                         | -                       |
| Employee benefits.....  | 5,283,574           | -                   | -                         | -                       |
| Property and liability insurance.....                             | 500,283             | -                   | -                         | -                       |
| State and county charges.....                                     | 901,622             | -                   | -                         | -                       |
| Debt service:   |                     |                     |                           |                         |
| Principal.....  | 3,380,395           | -                   | -                         | -                       |
| Interest.....   | 1,437,370           | -                   | -                         | -                       |
| <b>TOTAL EXPENDITURES.....</b>                                    | <b>49,977,722</b>   | <b>-</b>            | <b>1,077,936</b>          | <b>5,041,010</b>        |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES.....</b> | <b>(1,765,242)</b>  | <b>163,575</b>      | <b>687,655</b>            | <b>(4,160,229)</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                             |                     |                     |                           |                         |
| Transfers in.....   | 2,569,422           | -                   | -                         | -                       |
| Premium from issuance of bonds and notes.....                     | -                   | -                   | -                         | -                       |
| Transfers out.....  | (205,729)           | -                   | (1,035,467)               | -                       |
| <b>TOTAL OTHER FINANCING SOURCES (USES).....</b>                  | <b>2,363,693</b>    | <b>-</b>            | <b>(1,035,467)</b>        | <b>-</b>                |
| <b>NET CHANGE IN FUND BALANCES.....</b>                           | <b>598,451</b>      | <b>163,575</b>      | <b>(347,812)</b>          | <b>(4,160,229)</b>      |
| <b>FUND BALANCES AT BEGINNING OF YEAR.....</b>                    | <b>6,284,244</b>    | <b>3,367,415</b>    | <b>5,676,265</b>          | <b>(1,279,085)</b>      |
| <b>FUND BALANCES AT END OF YEAR.....</b>                          | <b>\$ 6,882,695</b> | <b>\$ 3,530,990</b> | <b>\$ 5,328,453</b>       | <b>\$ (5,439,314)</b>   |

See notes to basic financial statements.

| Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|--------------------------------|
| \$ -                              | \$ 35,814,196                  |
| -                                 | 1,609,377                      |
| -                                 | 224,965                        |
| -                                 | 11,139                         |
| -                                 | 1,078,288                      |
| 1,842,435                         | 2,147,828                      |
| -                                 | 643,429                        |
| 1,564,885                         | 11,331,353                     |
| 294,459                           | 294,459                        |
| 1,790                             | 380,029                        |
| 21,401                            | 341,476                        |
| -                                 | 42,391                         |
| 702,788                           | 845,722                        |
| 32,422                            | 32,422                         |
| 244                               | 685,777                        |
| 4,460,424                         | 55,482,851                     |
| 345,974                           | 3,959,556                      |
| 299,278                           | 7,921,339                      |
| 2,300,538                         | 21,763,282                     |
| 580,686                           | 4,692,281                      |
| 34,686                            | 642,805                        |
| 274,941                           | 5,945,955                      |
| -                                 | 3,504,309                      |
| -                                 | 5,283,574                      |
| -                                 | 500,283                        |
| -                                 | 901,622                        |
| -                                 | 3,380,395                      |
| -                                 | 1,437,370                      |
| 3,836,103                         | 59,932,771                     |
| 624,321                           | (4,449,920)                    |
| 205,729                           | 2,775,151                      |
| 36,411                            | 36,411                         |
| (1,533,955)                       | (2,775,151)                    |
| (1,291,815)                       | 36,411                         |
| (667,494)                         | (4,413,509)                    |
| 6,199,368                         | 20,248,207                     |
| \$ 5,531,874                      | \$ 15,834,698                  |

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

JUNE 30, 2010

|   |    |                   |
|---|----|-------------------|
| Total governmental fund balances (page 19).....   | \$ | 15,834,698        |
| Capital assets (net of accumulated depreciation) used in governmental activities are not<br>financial resources and, therefore, are not reported in the governmental funds..... |    | 110,822,823       |
| Other assets are not available to pay for current period expenditures and,<br>therefore, are deferred in the governmental funds.....  |    | 9,612,432         |
| In the statement of net assets, interest is accrued on outstanding long-term debt,<br>whereas in the governmental funds interest is not reported until due.....                 |    | (409,881)         |
| Long-term liabilities are not due and payable in the current period and,<br>therefore, are not reported in the governmental funds.  |    |                   |
| Bonds and notes payable, net of unamortized premiums and deferred losses on refundings.....   |    | (28,803,236)      |
| Capital lease obligations.....  |    | (116,051)         |
| Landfill postclosure.....   |    | (482,520)         |
| Net OPEB obligation.....  |    | (10,170,581)      |
| Compensated absences.....   |    | (2,177,050)       |
| Net assets of governmental activities (page 15).....  | \$ | <u>94,110,634</u> |

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**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

|  |    |                    |
|--|----|--------------------|
| Net change in fund balances - total governmental funds (page 21).....  | \$ | (4,413,509)        |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>  |    |                    |
| Capital outlays.....   |    | 6,484,809          |
| Depreciation.....  |    | (2,442,989)        |
| <p>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.....</p>  |    |                    |
|  |    | (493,010)          |
| <p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p> |    |                    |
| Bond maturities.....   |    | 3,380,395          |
| Amortization of bond premiums.....   |    | 126,396            |
| Amortization of deferred losses on refundings.....   |    | (147,041)          |
| Capital lease proceeds.....  |    | (95,012)           |
| Capital lease maturities.....  |    | 81,492             |
| <p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>   |    |                    |
|  |    | 47,058             |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>  |    |                    |
| Landfill postclosure.....  |    | 14,995             |
| Net OPEB obligation.....   |    | (4,564,225)        |
| Compensated absences.....  |    | (8,033)            |
| Changes in net assets of governmental activities (page 17).....  | \$ | <u>(2,028,674)</u> |

See notes to basic financial statements.

**PROPRIETARY FUND  
STATEMENT OF NET ASSETS**

JUNE 30, 2010

|                                |    | Business-Type<br>Activities -<br>Enterprise Fund |
|--------------------------------|----|--|
|                                |    | <u>Kids Klub</u>                                 |
| <b>ASSETS</b>                  |    |  |
| Current assets:                |    |  |
| Cash and cash equivalents..... | \$ | <u>127,254</u>                                   |
| <b>LIABILITIES</b>             |    |  |
| Current liabilities:           |    |  |
| Warrants payable.....          |    | <u>3,443</u>                                     |
| Noncurrent liabilities:        |    |  |
| Net OPEB obligation.....       |    | <u>115,600</u>                                   |
| Total liabilities.....         |    | <u>119,043</u>                                   |
| <b>NET ASSETS</b>              |    |  |
| Unrestricted.....              | \$ | <u><u>8,211</u></u>                              |

See notes to basic financial statements.

**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

---

|   |    | <u>Business-Type<br/>Activities -<br/>Enterprise Fund</u> |
|---|----|---|
|   |    | <u>Kids Klub</u>  |
| <b>OPERATING REVENUES</b>                         |    |   |
| Charges for services.....                         | \$ | <u>360,644</u>  |
| <b>OPERATING EXPENSES</b>                         |    |   |
| Cost of service and administration.....           |    | <u>407,123</u>  |
| CHANGE IN NET ASSETS/OPERATING INCOME (LOSS)..... |    | (46,479)  |
| NET ASSETS AT BEGINNING OF YEAR.....              |    | <u>54,690</u>   |
| NET ASSETS AT END OF YEAR.....                    | \$ | <u><u>8,211</u></u>                                       |

See notes to basic financial statements.

**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

|  | Business-Type<br>Activities -<br>Enterprise Fund |
|--|--|
|  | Kids Klub  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Receipts from customers and users.....   | \$ 360,644                                       |
| Payments to vendors.....   | (115,257)  |
| Payments to employees.....   | (231,230)  |
|  | 14,157   |
| NET CASH FROM OPERATING ACTIVITIES.....  | 14,157   |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....  | 113,097  |
| CASH AND CASH EQUIVALENTS AT END OF YEAR.....  | \$ 127,254                                       |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>FROM OPERATING ACTIVITIES</b> |  |
| Operating income (loss).....   | \$ (46,479)                                      |
| Adjustments to reconcile operating income (loss) to net<br>cash from operating activities: |  |
| Changes in assets and liabilities:   |  |
| Warrants payable.....  | (952)  |
| Net OPEB obligation.....   | 61,588   |
|  | 60,636   |
| Total adjustments.....   | 60,636   |
| NET CASH FROM OPERATING ACTIVITIES.....  | \$ 14,157  |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2010

|                                       | Private<br>Purpose<br>Trust Funds | Agency<br>Funds |
|---------------------------------------|-----------------------------------|-----------------|
| <b>ASSETS</b>                         |                                   |                 |
| Cash and cash equivalents.....        | \$ 6,821                          | \$ 324,813      |
| <b>LIABILITIES</b>                    |                                   |                 |
| Liabilities due depositors.....       | -                                 | 324,813         |
| <b>NET ASSETS</b>                     |                                   |                 |
| Held in trust for other purposes..... | \$ 6,821                          | \$ -            |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

---

|                                      | <u>Private<br/>Purpose<br/>Trust Funds</u> |
|--------------------------------------|--|
| <b>ADDITIONS</b>                     |  |
| Net investment income:               |  |
| Interest.....                        | \$ <u>13</u>                               |
| <b>DEDUCTIONS</b>                    |  |
| Other.....                           | <u>25</u>                                  |
| CHANGE IN NET ASSETS.....            | (12)                                       |
| NET ASSETS AT BEGINNING OF YEAR..... | <u>6,833</u>                               |
| NET ASSETS AT END OF YEAR.....       | \$ <u><u>6,821</u></u>                     |

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. General**

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

**B. Reporting Entity**

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

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

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

**Joint Ventures**

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

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

| <u>Name</u>                                | <u>Purpose</u>                                | <u>Address</u>                                | <u>Fiscal Year<br/>2010<br/>Assessment</u> |
|--|---|---|--|
| Cape Cod Regional<br>Technical High School | To provide vocational<br>educational services | 351 Pleasant Lake Avenue<br>Harwich, MA 02645 | \$ 813,628                                 |

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

### C. *Government-Wide and Fund Financial Statements*

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

### D. *Measurement Focus, Basis of Accounting and Basis of Presentation*

#### Government-Wide and Fund Financial Statements

The government-wide and enterprise fund financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### 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 function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

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

### Fund Financial Statements

**Governmental funds** financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and landfill closure costs which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

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

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves. Use of this fund is subject to Town Meeting approval.

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

The *library construction fund* is a capital projects fund used to account for the accumulation of resources to design and construct a new library.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than capital projects funds or permanent funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

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

The following major proprietary fund is reported:

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

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

The following fiduciary fund types are reported:

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

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

#### ***E. Deposits and Investments***

##### Government-Wide and Fund Financial Statements

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

Investments are carried at fair value.

#### ***F. Accounts Receivable***

##### Government-Wide and Fund Financial Statements

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

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

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

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

#### **Motor Vehicle and Other Excise Taxes**

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

#### **Community Preservation Surcharges**

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

#### **Special Assessments**

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

#### **Departmental and Other**

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

#### **Intergovernmental**

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

#### **Loans**

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

#### ***G. Allowance for Uncollectible Accounts***

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

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

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

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

Intergovernmental receivables are considered 100% collectible.

**H. Inventories**

Government-Wide and Fund Financial Statements

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

**I. Restricted Assets**

Government-Wide and Fund Financial Statements

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

**J. Capital Assets**

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, buildings and improvements, machinery, vehicles and equipment, and infrastructure, are reported in the governmental activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is not capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

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

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

#### Governmental Funds Financial Statements

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

#### *K. Interfund Receivables and Payables*

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

#### Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net 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.

#### *L. Interfund Transfers*

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

#### Government-Wide Financial Statements

Transfers between and within governmental 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.

#### *M. 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 financial statements (full accrual).

#### *N. Net Assets and Fund Equity*

#### Government-Wide Financial Statements (Net Assets)

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

Net assets have been “restricted” for the following:

“Loans” represents outstanding septic loans receivable.

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

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

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

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

#### Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Loans” represents outstanding septic loans receivable.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

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

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

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2011 operating budget.

#### *O. Long-term Debt*

#### Government-Wide and Proprietary Fund Financial Statements

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

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

*P. Investment Income*

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

Investment income from the proprietary fund is voluntarily assigned to the general fund.

*Q. Compensated Absences*

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Funds Financial Statements

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

*R. Post Retirement Benefits*Government-Wide and Fund Financial Statements

In addition to providing pension benefits and, as more fully described in Note 14, the Town provides health, dental and life insurance coverage for current and future retirees and their spouses.

*S. 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.

*T. Total Column*Government-Wide Financial Statements

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

Fund Financial Statements

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget for the general fund authorized \$50,029,162 in appropriations. During fiscal year 2010, supplemental appropriations totaling \$201,732 were authorized.

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

**B. Fund Deficits**

At June 30, 2010, the following fund deficits exist:

| <u>Fund</u>                                 | <u>Amount</u> | <u>Funding Source</u>      |
|---|---------------|----------------------------|
| Library construction major fund.....        | \$ 5,439,314  | Issuance of long-term debt |
| Bayridge Road capital projects fund.....    | 311,253       | Issuance of long-term debt |
| ARRA Title I grant.....                     | 41,258        | Federal grant              |
| Police off duty.....                        | 38,058        | Charges for services       |
| ARRA IDEA grant.....                        | 25,888        | Federal grant              |
| Byrne grant.....                            | 20,866        | Federal grant              |
| Preakness Lane capital projects fund.....   | 16,426        | Issuance of long-term debt |
| Equestrian Drive capital projects fund..... | 14,624        | Issuance of long-term debt |

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy is to rely on FDIC and DIF insurance coverage and to collateralize an additional portion of their deposits. As of June 30, 2010, \$8,977,314 of the Town's bank balance of \$11,220,721 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2010 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

| Investment Type                        | Fair Value           | Investment Maturities (in Years) |                     |                     |
|--|----------------------|----------------------------------|---------------------|---------------------|
|  |                      | Less Than 1                      | 1 - 5               | 6 - 10              |
| <u>Debt Securities:</u>                |                      |                                  |                     |                     |
| U.S. Treasuries.....                   | \$ 2,131,761         | \$ 805,242                       | \$ -                | \$ 1,326,519        |
| U.S. Agencies.....                     | 10,033,486           | 2,759,715                        | 4,906,491           | 2,367,280           |
| Money market mutual funds.....         | 273,074              | 273,074                          | -                   | -                   |
| External investment pools.....         | 1,323,602            | 1,323,602                        | -                   | -                   |
| Total debt securities/investments..... | <u>\$ 13,761,923</u> | <u>\$ 5,161,633</u>              | <u>\$ 4,906,491</u> | <u>\$ 3,693,799</u> |

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2010, the Town was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2010, the Town's money market mutual fund and external investment pool securities were unrated by a national credit rating organization.

**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2010, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|  | Gross<br>Amount      | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|--|----------------------|------------------------------------|---------------------|
| <u>Receivables:</u>                          |                      |                                    |                     |
| Real estate and personal property taxes..... | \$ 979,814           | \$ (188,567)                       | \$ 791,247          |
| Real estate tax deferrals.....               | 22,246               | -                                  | 22,246              |
| Tax liens.....                               | 939,188              | -                                  | 939,188             |
| Motor vehicle and other excise taxes.....    | 570,811              | (273,533)                          | 297,278             |
| Community preservation surcharges.....       | 45,189               | -                                  | 45,189              |
| Special assessments.....                     | 1,239,137            | -                                  | 1,239,137           |
| Departmental and other.....                  | 487,388              | (238,731)                          | 248,657             |
| Intergovernmental.....                       | 5,858,614            | -                                  | 5,858,614           |
| Loans.....                                   | 247,482              | -                                  | 247,482             |
|  | <u>\$ 10,389,869</u> | <u>\$ (700,831)</u>                | <u>\$ 9,689,038</u> |

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

|  | General<br>Fund     | Other<br>Governmental<br>Funds | Total               |
|--|---------------------|--------------------------------|---------------------|
| <u>Receivable type:</u>                            |                     |                                |                     |
| Real estate and personal property taxes.....       | \$ 537,340          | \$ -                           | \$ 537,340          |
| Real estate tax deferrals.....                     | 22,246              | -                              | 22,246              |
| Tax liens.....                                     | 925,724             | 13,464 (b)                     | 939,188             |
| Motor vehicle and other excise taxes.....          | 297,278             | -                              | 297,278             |
| Community preservation surcharges.....             | -                   | 45,189 (a)                     | 45,189              |
| Special assessments.....                           | -                   | 1,239,137 (b)                  | 1,239,137           |
| Departmental and other.....                        | -                   | 248,657 (b)                    | 248,657             |
| Intergovernmental (state school construction)..... | 5,479,403           | -                              | 5,479,403           |
| Intergovernmental (other state and federal).....   | 119,836             | -                              | 119,836             |
| Tax foreclosures.....                              | 684,158             | -                              | 684,158             |
| <b>Total.....</b>                                  | <u>\$ 8,065,985</u> | <u>\$ 1,546,447</u>            | <u>\$ 9,612,432</u> |

(a) Community preservation fund (major fund)

(b) Nonmajor governmental funds

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2010, \$944,439 of such assistance was received. \$6,574,911 will be received in future fiscal years. Of this amount, \$1,095,508 represents reimbursement of long-term interest costs, and \$5,479,403 represents reimbursement of approved construction costs. Accordingly, a \$5,479,403 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

#### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, is as follows:

|  | Beginning<br>Balance  | Increases           | Decreases             | Ending<br>Balance     |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| <b>Governmental Activities:</b>                        |                       |                     |                       |                       |
| <u>Capital assets not being depreciated:</u>           |                       |                     |                       |                       |
| Land.....  | \$ 57,517,024         | \$ 675,229          | \$ -                  | \$ 58,192,253         |
| Construction in progress.....                          | 5,967,946             | 5,139,256           | (2,169,632)           | 8,937,570             |
| Total capital assets not being depreciated.....        | <u>63,484,970</u>     | <u>5,814,485</u>    | <u>(2,169,632)</u>    | <u>67,129,823</u>     |
| <u>Capital assets being depreciated:</u>               |                       |                     |                       |                       |
| Buildings and improvements.....                        | 62,517,575            | 1,964,197           | -                     | 64,481,772            |
| Machinery, vehicles and equipment.....                 | 6,478,153             | 126,242             | -                     | 6,604,395             |
| Infrastructure.....                                    | 9,833,361             | 749,517             | -                     | 10,582,878            |
| Total capital assets being depreciated.....            | <u>78,829,089</u>     | <u>2,839,956</u>    | <u>-</u>              | <u>81,669,045</u>     |
| <u>Less accumulated depreciation for:</u>              |                       |                     |                       |                       |
| Buildings and improvements.....                        | (25,754,346)          | (1,604,670)         | -                     | (27,359,016)          |
| Machinery, vehicles and equipment.....                 | (5,273,125)           | (404,396)           | -                     | (5,677,521)           |
| Infrastructure.....                                    | (4,505,585)           | (433,923)           | -                     | (4,939,508)           |
| Total accumulated depreciation.....                    | <u>(35,533,056)</u>   | <u>(2,442,989)</u>  | <u>-</u>              | <u>(37,976,045)</u>   |
| Total capital assets being depreciated, net.....       | <u>43,296,033</u>     | <u>396,967</u>      | <u>-</u>              | <u>43,693,000</u>     |
| Total governmental activities capital assets, net..... | <u>\$ 106,781,003</u> | <u>\$ 6,211,452</u> | <u>\$ (2,169,632)</u> | <u>\$ 110,822,823</u> |

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

**Governmental Activities:**

|                                |    |           |
|--------------------------------|----|-----------|
| General government.....        | \$ | 70,515    |
| Public safety.....             |    | 404,956   |
| Education.....                 |    | 1,263,134 |
| Public works.....              |    | 589,509   |
| Health and human services..... |    | 56,160    |
| Culture and recreation.....    |    | 58,715    |

Total depreciation expense - governmental activities..... \$ 2,442,989

**NOTE 6 - CAPITAL LEASES**

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

The following schedule presents future minimum lease payments as of June 30, 2010:

| <u>Fiscal Year</u><br><u>Ending June 30</u>  | <u>Governmental</u><br><u>Activities</u> |
|--|--|
| 2011.....                                    | \$ 90,869                                |
| 2012.....                                    | 33,434                                   |
| Total minimum lease payments.....            | 124,303                                  |
| Less: amounts representing interest.....     | (8,252)                                  |
| Present value of minimum lease payments..... | \$ <u>116,051</u>                        |

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

| <u>Asset:</u>                       | <u>Governmental</u><br><u>Activities</u> |
|-------------------------------------|--|
| Machinery and equipment.....        | \$ 253,310                               |
| Less: accumulated amortization..... | (94,119)                                 |
| Total.....                          | \$ <u>159,191</u>                        |

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

**NOTE 7 - INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

| Transfers Out:                   | Transfers In:       |                                   |                     |
|----------------------------------|---------------------|-----------------------------------|---------------------|
|                                  | General<br>Fund     | Nonmajor<br>Governmental<br>Funds | Total               |
| General Fund.....                | \$ -                | \$ 205,729                        | \$ 205,729 (1)      |
| Community Preservation Fund..... | 1,035,467           | -                                 | 1,035,467 (2)       |
| Nonmajor Governmental Funds..... | 1,533,955           | -                                 | 1,533,955 (3)       |
|                                  | <u>\$ 2,569,422</u> | <u>\$ 205,729</u>                 | <u>\$ 2,775,151</u> |

- (1) Represents budgeted transfer to the unemployment special revenue fund
- (2) Represents budgeted transfer to fund debt service principal and interest
- (3) Represents budgeted transfers to the general fund from ambulance receipts (\$655,510), street betterments (\$282,854), waterways (\$388,330), media government access (\$120,000), hotel/ motel receipts (\$31,370), conservation (\$19,319), shellfish receipts (\$18,000), cemetery receipts (\$12,000) and septic repair (\$6,572) special revenue funds

**NOTE 8 - SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2010, are as follows:

| Type              | Description               | Origination Date | Maturity Date | Interest Rate | Balance at June 30, 2009 | Increases           | Decreases             | Balance at June 30, 2010 |
|-------------------|---------------------------|------------------|---------------|---------------|--------------------------|---------------------|-----------------------|--------------------------|
| BAN               | Library construction..... | 9/4/08           | 9/4/09        | 2.30%         | \$ 500,000               | \$ -                | \$ (500,000)          | \$ -                     |
| BAN               | Library construction..... | 6/17/09          | 9/4/09        | 1.25%         | 3,500,000                | -                   | (3,500,000)           | -                        |
| BAN               | Road projects.....        | 5/13/09          | 5/13/10       | 2.75%         | 32,500                   | -                   | (32,500)              | -                        |
| BAN               | Library construction..... | 9/4/09           | 9/3/10        | 1.25%         | -                        | 5,500,000           | -                     | 5,500,000                |
| BAN               | Road projects.....        | 5/13/10          | 9/3/10        | 1.25%         | -                        | 377,500             | -                     | 377,500                  |
| <b>Total.....</b> |                           |                  |               |               | <b>\$ 4,032,500</b>      | <b>\$ 5,877,500</b> | <b>\$ (4,032,500)</b> | <b>\$ 5,877,500</b>      |

#### Subsequent Event

On September 3, 2010, the Town issued a new BAN for library construction (\$5,472,000) and road projects (\$377,500) which renewed a portion of the \$5,500,000 and \$377,500 BAN's outstanding at June 30, 2010. The remaining balance of \$28,000 was paid with available funds. The new BAN bears interest at a rate of 1.00% and matures on September 2, 2011.

#### **NOTE 9 - LONG-TERM OBLIGATIONS**

Chapter 44, Section 10, of the MGL 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". 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".

During fiscal year 2004, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2010, \$2,459,000 of bonds outstanding from this advance refunding is considered defeased.

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

**Bonds and Notes Payable - Governmental Funds**

| Project                                   | Interest<br>Rate | Outstanding<br>at June 30,<br>2009 | Issued      | Redeemed              | Outstanding<br>at June 30,<br>2010 |
|---|------------------|------------------------------------|-------------|-----------------------|------------------------------------|
| Various Roads.....                        | 5.00%            | \$ 70,000                          | \$ -        | \$ (35,000)           | \$ 35,000                          |
| Fire Station.....                         | 5.00%            | 335,000                            | -           | (170,000)             | 165,000                            |
| Land Acquisition.....                     | 5.00%            | 625,000                            | -           | (315,000)             | 310,000                            |
| Landfill Capping (MWPAT).....             | 4.90%            | 493,900                            | -           | (45,700)              | 448,200                            |
| Landfill Capping (MWPAT).....             | 5.30%            | 54,492                             | -           | (4,492)               | 50,000                             |
| Septic Repair (MWPAT).....                | 5.00%            | 124,602                            | -           | (10,400)              | 114,202                            |
| Sewer Facilities (MWPAT).....             | 4.90%            | 19,530                             | -           | (1,358)               | 18,172                             |
| Septic Repair (MWPAT).....                | 0.00%            | 144,500                            | -           | (8,500)               | 136,000                            |
| Land Acquisition.....                     | 3.90%            | 2,745,000                          | -           | (220,000)             | 2,525,000                          |
| Public Way.....                           | 3.90%            | 20,000                             | -           | (10,000)              | 10,000                             |
| Fire Equipment.....                       | 3.90%            | 350,000                            | -           | (50,000)              | 300,000                            |
| Refunding Bonds (Series A).....           | 3.60%            | 14,395,000                         | -           | (1,580,000)           | 12,815,000                         |
| Septic Replacement (MWPAT).....           | 0.00%            | 116,238                            | -           | (9,686)               | 106,552                            |
| Septic Replacement (MWPAT).....           | 0.00%            | 190,225                            | -           | -                     | 190,225                            |
| Municipal Purpose.....                    | 4.50%            | 7,585,000                          | -           | (605,000)             | 6,980,000                          |
| Septic Replacement (MWPAT).....           | 0.00%            | 163,689                            | -           | (10,259)              | 153,430                            |
| Municipal Purpose.....                    | 3.25-5.00%       | 4,865,000                          | -           | (305,000)             | 4,560,000                          |
| <b>Sub-total.....</b>                     |                  | <b>32,297,176</b>                  | <b>-</b>    | <b>(3,380,395)</b>    | <b>28,916,781</b>                  |
| Unamortized premium.....                  |                  | 821,572                            | -           | (126,396)             | 695,176                            |
| Deferred loss on refundings.....          |                  | (955,762)                          | -           | 147,041               | (808,721)                          |
| <b>Total governmental funds, net.....</b> |                  | <b>\$ 32,162,986</b>               | <b>\$ -</b> | <b>\$ (3,359,750)</b> | <b>\$ 28,803,236</b>               |

The Town receives subsidy assistance for the Massachusetts Water Pollution Abatement Trust (MWPAT). Principal and interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2010, the Town's subsidy totaled approximately \$55,000. Future subsidies total approximately \$381,000. The amount of MWPAT bonds outstanding at June 30, 2010, totaled \$1,216,781.

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

| <u>Fiscal Year</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|--------------------|----------------------|---------------------|----------------------|
| 2011.....          | \$ 3,317,346         | \$ 1,084,016        | \$ 4,401,362         |
| 2012.....          | 3,322,900            | 964,296             | 4,287,196            |
| 2013.....          | 3,175,195            | 811,661             | 3,986,856            |
| 2014.....          | 3,179,795            | 676,472             | 3,856,267            |
| 2015.....          | 3,152,151            | 529,024             | 3,681,175            |
| 2016.....          | 2,993,289            | 393,882             | 3,387,171            |
| 2017.....          | 2,444,888            | 313,310             | 2,758,198            |
| 2018.....          | 1,031,488            | 268,537             | 1,300,025            |
| 2019.....          | 1,022,688            | 225,332             | 1,248,020            |
| 2020.....          | 904,688              | 186,219             | 1,090,907            |
| 2021.....          | 894,493              | 150,500             | 1,044,993            |
| 2022.....          | 833,796              | 120,931             | 954,727              |
| 2023.....          | 638,796              | 95,569              | 734,365              |
| 2024.....          | 628,384              | 70,407              | 698,791              |
| 2025.....          | 543,384              | 46,863              | 590,247              |
| 2026.....          | 498,500              | 25,438              | 523,938              |
| 2027.....          | 225,000              | 10,013              | 235,013              |
| 2028.....          | 110,000              | 2,475               | 112,475              |
| <b>Total.....</b>  | <b>\$ 28,916,781</b> | <b>\$ 5,974,945</b> | <b>\$ 34,891,726</b> |

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, 2010, the Town had the following authorized and unissued debt:

| <u>Purpose</u>             | <u>Amount</u>       |
|----------------------------|---------------------|
| Library construction.....  | \$ 5,500,000 *      |
| Sewer facilities plan..... | 390,831             |
| Mashpee River dredge.....  | 275,000             |
| Road projects.....         | 806,284 *           |
| Solar power.....           | 50,000              |
| <b>Total.....</b>          | <b>\$ 7,022,115</b> |

\* BANs totaling \$5,500,000 and \$377,500, respectively, are issued and outstanding at June 30, 2010

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

|                                    | Balance<br>June 30,<br>2009 | Increases    | Decreases      | Balance<br>June 30,<br>2010 | Current<br>Portion |
|------------------------------------|-----------------------------|--------------|----------------|-----------------------------|--------------------|
| <b>Governmental Activities:</b>    |                             |              |                |                             |                    |
| Bonds and notes payable, gross.... | \$ 32,297,176               | \$ -         | \$ (3,380,395) | \$ 28,916,781               | \$ 3,317,346       |
| Unamortized premium.....           | 821,572                     | -            | (126,396)      | 695,176                     | 126,396            |
| Deferred loss on refundings.....   | (955,762)                   | -            | 147,041        | (808,721)                   | (147,041)          |
| Bonds and notes payable, net.....  | 32,162,986                  | -            | (3,359,750)    | 28,803,236                  | 3,296,701          |
| Capital lease obligation.....      | 102,531                     | 95,012       | (81,492)       | 116,051                     | 84,381             |
| Landfill postclosure.....          | 497,515                     | -            | (14,995)       | 482,520                     | 25,000             |
| Net OPEB obligation.....           | 5,606,356                   | 5,619,928    | (1,055,703)    | 10,170,581                  | -                  |
| Compensated absences.....          | 2,169,017                   | 8,033        | -              | 2,177,050                   | 217,705            |
| Total.....                         | \$ 40,538,405               | \$ 5,722,973 | \$ (4,511,940) | \$ 41,749,438               | \$ 3,623,787       |
| <b>Business-type Activities:</b>   |                             |              |                |                             |                    |
| Net OPEB obligation.....           | \$ 54,012                   | \$ 63,877    | \$ (2,289)     | \$ 115,600                  | \$ -               |

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

**NOTE 10 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1998 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$482,520 as the estimate of the landfill post-closure care liability at June 30, 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 11 - RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

**Health Insurance**

The Town participates in a health insurance risk pool administered by the Cape Cod Municipal Health Group (Group). The Group offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. The Town is obligated to pay the Group its required premiums and, in the event the Group is terminated, its proportionate share of a deficit, should one exist.

### *Workers' Compensation*

The Town participates in a premium-based workers' compensation policy for all employees.

### *Unemployment Insurance*

The Town is self-insured for its unemployment insurance activities. The Town's liability for unemployment claims is immaterial at June 30, 2010, and therefore is not reported.

## **NOTE 12 - PENSION PLAN**

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

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

**Funding Policy** – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the Association at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Association its share of the association-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the Association for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,858,950, \$1,756,662 and \$1,654,030, respectively, which equaled its required contribution for each fiscal year.

## **NOTE 13 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses aid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$1,647,000 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

## **NOTE 14 - OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** – The Town provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2008, the latest actuarial valuation, is as follows:

|  |                   |
|--|-------------------|
| Active employees.....                                | 361               |
| Retired employees, beneficiaries and dependents..... | <u>153</u>        |
| <b>Total.....</b>                                    | <b><u>514</u></b> |

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

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

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

|   | <u>Amount</u>        |
|---|----------------------|
| Annual required contribution.....               | \$ 5,631,301         |
| Interest on net OPEB obligation.....            | 195,517              |
| Adjustment to annual required contribution..... | <u>(143,013)</u>     |
| Annual OPEB cost.....                           | 5,683,805            |
| Contributions made.....                         | <u>(1,057,992)</u>   |
| Increase in net OPEB obligation.....            | 4,625,813            |
| Net OPEB obligation at beginning of year.....   | <u>5,660,368</u>     |
| Net OPEB obligation at end of year.....         | <u>\$ 10,286,181</u> |

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

| <u>Fiscal Year<br/>Ending</u> | <u>Annual<br/>OPEB Cost<br/>(AOPEBC)</u> | <u>Percentage<br/>of AOPEBC<br/>Contributed</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|-------------------------------|--|---|------------------------------------|
| June 30, 2009*.....           | \$ 6,595,335                             | 14.2%   | \$ 5,660,368                       |
| June 30, 2010.....            | \$ 5,683,805                             | 18.6%   | \$ 10,286,181                      |

\* Transition year

**Funded Status and Funding Progress** – The funded status of the Plan at July 1, 2008, the most recent actuarial valuation, was as follows:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>Entry Age<br>Normal<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 07/01/08                       | \$ -                                   | \$ 70,968,008   | \$ 70,968,008                      | -                        | \$ 27,428,318             | 258.7%  |

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 multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

|                                     |  |
|-------------------------------------|--|
| Valuation date:                     | July 1, 2008   |
| Actuarial cost method:              | Entry Age Normal   |
| Amortization method:                | Level percentage of projected payroll  |
| Remaining amortization period:      | 30 years at July 1, 2008   |
| Interest discount rate:             | 5.00%  |
| Healthcare/Medical cost trend rate: | Health – 10.0% decreasing 0.75% for six years and by 0.50% for one year to an ultimate level of 5.0% |
| Projected salary increases:         | 4.50% annually   |

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

|   |                     |
|---|---------------------|
| <b>Governmental Activities:</b>             |                     |
| General government.....                     | \$ 364,751          |
| Public safety.....                          | 1,448,303           |
| Education.....                              | 3,250,967           |
| Public works.....                           | 350,938             |
| Health and human services.....              | 91,092              |
| Culture and recreation.....                 | <u>113,877</u>      |
| Total AOPEBC - governmental activities..... | \$ <u>5,619,928</u> |
| <b>Business-Type Activities:</b>            |                     |
| Kids klub.....                              | \$ <u>63,877</u>    |

#### NOTE 15 - COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$7,000,000 for projects relating to library construction, sewer and infrastructure. These projects will be funded through the issuance of long-term debt.

#### NOTE 16 - CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2010.

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, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

#### NOTE 17 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

The Town implemented the following GASB pronouncements during fiscal year 2010:

- Statement #51, *Accounting and Financial Reporting for Intangible Assets*. The implementation of this Statement had no impact on the financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement had no impact on the financial statements.
- Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The implementation of this Statement had no impact on the financial statements.

- Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The implementation of this Statement had no impact on the financial statements.
- Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The implementation of this Statement had no impact on the financial statements.

#### NOTE 18 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented during fiscal year 2012. The implementation of this pronouncement will not impact the basic financial statements.
- Statement #59, *Financial Instruments Omnibus*, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

## *Required Supplementary Information*

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

|   | Prior Year<br>Encumbrances<br>and Continuing<br>Appropriations | Original<br>Budget  | Supplemental<br>Appropriations<br>and Transfers | Final<br>Budget     |
|---|--|---------------------|---|---------------------|
| <b>REVENUES</b>   |  |                     |   |                     |
| Real estate and personal property taxes..... \$                   | -  | \$ 36,355,454       | \$ (314,267)                                    | \$ 36,041,187       |
| Motor vehicle and other excise taxes.....                         | -  | 1,140,000           | -   | 1,140,000           |
| Tax liens.....  | -  | -                   | -   | -                   |
| Payments in lieu of taxes.....                                    | -  | 10,000              | -   | 10,000              |
| Charges for services.....   | -  | 184,500             | -   | 184,500             |
| Trash disposal.....   | -  | 450,000             | -   | 450,000             |
| Intergovernmental.....  | -  | 6,761,913           | -   | 6,761,913           |
| Penalties and interest on taxes.....                              | -  | 165,000             | -   | 165,000             |
| Licenses and permits.....   | -  | 100,000             | -   | 100,000             |
| Fines and forfeitures.....  | -  | 25,000              | -   | 25,000              |
| Departmental and other.....                                       | -  | 61,000              | -   | 61,000              |
| Investment income.....  | -  | 300,000             | -   | 300,000             |
| <b>TOTAL REVENUES.....</b>  | <b>-</b>   | <b>45,552,867</b>   | <b>(314,267)</b>                                | <b>45,238,600</b>   |
| <b>EXPENDITURES</b>   |  |                     |   |                     |
| Current:  |  |                     |   |                     |
| General government.....   | 684,032  | 2,865,190           | (167,042)                                       | 3,382,180           |
| Public safety.....  | 70,953   | 7,591,546           | 441,818   | 8,104,317           |
| Education.....  | -  | 19,577,280          | (90,557)  | 19,486,723          |
| Public works.....   | 89,106   | 4,655,345           | (7,304)   | 4,737,147           |
| Health and human services.....                                    | 11,180   | 582,041             | 38,686  | 631,907             |
| Culture and recreation.....                                       | 6,922  | 638,013             | (2,565)   | 642,370             |
| Pension benefits.....   | -  | 1,860,213           | -   | 1,860,213           |
| Employee benefits.....  | -  | 5,776,707           | -   | 5,776,707           |
| Property and liability insurance.....                             | 25,000   | 541,000             | (11,304)  | 554,696             |
| State and county charges.....                                     | -  | 940,691             | -   | 940,691             |
| Debt service:   |  |                     |   |                     |
| Principal.....  | -  | 3,396,250           | -   | 3,396,250           |
| Interest.....   | -  | 1,399,157           | -   | 1,399,157           |
| <b>TOTAL EXPENDITURES.....</b>                                    | <b>887,193</b>   | <b>49,823,433</b>   | <b>201,732</b>                                  | <b>50,912,358</b>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES.....</b> | <b>(887,193)</b>   | <b>(4,270,566)</b>  | <b>(515,999)</b>                                | <b>(5,673,758)</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                             |  |                     |   |                     |
| Transfers in.....   | -  | 2,136,303           | 433,119   | 2,569,422           |
| Transfers out.....  | -  | (205,729)           | -   | (205,729)           |
| <b>TOTAL OTHER FINANCING SOURCES (USES).....</b>                  | <b>-</b>   | <b>1,930,574</b>    | <b>433,119</b>                                  | <b>2,363,693</b>    |
| <b>NET CHANGE IN FUND BALANCE.....</b>                            | <b>(887,193)</b>   | <b>(2,339,992)</b>  | <b>(82,880)</b>                                 | <b>(3,310,065)</b>  |
| <b>FUND BALANCE AT BEGINNING OF YEAR.....</b>                     | <b>5,971,409</b>   | <b>5,971,409</b>    | <b>5,971,409</b>                                | <b>5,971,409</b>    |
| <b>FUND BALANCE AT END OF YEAR.....</b>                           | <b>\$ 5,084,216</b>  | <b>\$ 3,631,417</b> | <b>\$ 5,888,529</b>                             | <b>\$ 2,661,344</b> |

See notes to required supplementary information.

|    | Actual             | Current Year<br>Encumbrances<br>and Continuing<br>Appropriations | Actual and<br>Encumbrances<br>and Continuing<br>Appropriations | Variance<br>Positive/<br>(Negative) |
|----|--------------------|--|--|-------------------------------------|
| \$ | 35,933,590         | \$ -   | \$ 35,933,590  | \$ (107,597)                        |
|    | 1,609,377          | -  | 1,609,377  | 469,377                             |
|    | 224,965            | -  | 224,965  | 224,965                             |
|    | 11,139             | -  | 11,139   | 1,139                               |
|    | 305,393            | -  | 305,393  | 120,893                             |
|    | 643,429            | -  | 643,429  | 193,429                             |
|    | 6,785,324          | -  | 6,785,324  | 23,411                              |
|    | 378,239            | -  | 378,239  | 213,239                             |
|    | 320,075            | -  | 320,075  | 220,075                             |
|    | 42,391             | -  | 42,391   | 17,391                              |
|    | 142,934            | -  | 142,934  | 81,934                              |
|    | 232,854            | -  | 232,854  | (67,146)                            |
|    | <u>46,629,710</u>  | <u>-</u>   | <u>46,629,710</u>  | <u>1,391,110</u>                    |
|    | 2,535,646          | 630,073  | 3,165,719  | 216,461                             |
|    | 7,622,061          | 335,168  | 7,957,229  | 147,088                             |
|    | 19,462,744         | -  | 19,462,744   | 23,979                              |
|    | 4,111,595          | 298,298  | 4,409,893  | 327,254                             |
|    | 608,119            | 22,094   | 630,213  | 1,694                               |
|    | 630,004            | 5,183  | 635,187  | 7,183                               |
|    | 1,856,927          | -  | 1,856,927  | 3,286                               |
|    | 5,283,574          | -  | 5,283,574  | 493,133                             |
|    | 500,283            | 20,550   | 520,833  | 33,863                              |
|    | 901,622            | -  | 901,622  | 39,069                              |
|    | 3,369,365          | -  | 3,369,365  | 26,885                              |
|    | 1,347,775          | -  | 1,347,775  | 51,382                              |
|    | <u>48,229,715</u>  | <u>1,311,366</u>   | <u>49,541,081</u>  | <u>1,371,277</u>                    |
|    | <u>(1,600,005)</u> | <u>(1,311,366)</u>   | <u>(2,911,371)</u>   | <u>2,762,387</u>                    |
|    | 2,569,422          | -  | 2,569,422  | -                                   |
|    | (205,729)          | -  | (205,729)  | -                                   |
|    | <u>2,363,693</u>   | <u>-</u>   | <u>2,363,693</u>   | <u>-</u>                            |
|    | 763,688            | (1,311,366)  | (547,678)  | 2,762,387                           |
|    | <u>5,971,409</u>   | <u>5,971,409</u>   | <u>5,971,409</u>   | <u>-</u>                            |
| \$ | <u>6,735,097</u>   | <u>4,660,043</u>   | <u>5,423,731</u>   | <u>2,762,387</u>                    |

## PENSION PLAN SCHEDULES

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

### SCHEDULES OF FUNDING PROGRESS (ASSOCIATION)

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>Entry Age<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 01/01/09                       | \$ 520,089,855                         | \$ 966,564,614  | \$ 446,474,759                     | 53.8%                    | \$ 249,971,296            | 178.6%  |
| 01/01/07                       | 517,396,087                            | 825,863,068   | 308,466,981                        | 62.6%                    | 226,391,633               | 136.3%  |
| 01/01/06                       | 465,637,984                            | 765,747,723   | 300,109,739                        | 60.8%                    | 215,474,180               | 139.3%  |
| 01/01/04                       | 378,317,300                            | 647,655,411   | 269,338,111                        | 58.4%                    | 190,614,004               | 141.3%  |
| 01/01/02                       | 362,911,896                            | 553,531,966   | 190,620,070                        | 65.6%                    | 173,610,557               | 109.8%  |
| 01/01/00                       | 300,396,700                            | 462,462,500   | 162,065,800                        | 65.0%                    | 152,293,100               | 106.4%  |

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (ASSOCIATION)

| Year Ended<br>December 31 | Annually<br>Required<br>Contributions<br>(ARC) | Percentage of<br>ARC<br>Contributed (%) |
|---------------------------|--|---|
| 2004                      | \$ 27,650,113                                  | 100                                     |
| 2005                      | 30,224,666                                     | 100                                     |
| 2006                      | 32,062,823                                     | 100                                     |
| 2007                      | 34,360,912                                     | 100                                     |
| 2008                      | 36,982,873                                     | 100                                     |
| 2009                      | 39,899,322                                     | 100                                     |

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

### TOWN SHARE OF ASSOCIATION ARC

| Fiscal Year<br>Ended | ARC          | Percentage of<br>ARC<br>Contributed (%) | Town ARC<br>as a Percentage of<br>Association ARC (%) |
|----------------------|--------------|---|---|
| 2005                 | \$ 1,332,021 | 100                                     | 4.8%  |
| 2006                 | 1,363,382    | 100                                     | 4.5%  |
| 2007                 | 1,463,913    | 100                                     | 4.6%  |
| 2008                 | 1,654,030    | 100                                     | 4.8%  |
| 2009                 | 1,756,662    | 100                                     | 4.7%  |
| 2010                 | 1,858,950    | 100                                     | 4.7%  |

**OTHER POST EMPLOYMENT BENEFITS SCHEDULE**

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

**SCHEDULES OF FUNDING PROGRESS**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>Projected Unit<br>Credit<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 07/01/06                       | \$ -                                   | \$ 52,979,263  | \$ 52,979,263                      | -                        | \$ 27,011,764             | 196.1%  |
| 07/01/08                       | \$ -                                   | \$ 70,968,008  | \$ 70,968,008                      | -                        | \$ 27,428,318             | 258.7%  |

**NOTE A - BUDGETARY - GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2010, is presented below:

|  | <u>Revenues</u>             | <u>Expenditures</u>         |
|--|-----------------------------|-----------------------------|
| Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual..... | \$ 46,629,710               | \$ 49,541,081               |
| <u>Adjustments</u>   |                             |                             |
| Net change in recording 60-day receipts.....   | (96,595)                    | -                           |
| Net change in recording tax refunds payable.....   | (22,799)                    | -                           |
| To record activity for MWPAT subsidies.....  | 54,782                      | 54,782                      |
| To record MTRS on-behalf payments.....   | 1,647,382                   | 1,647,382                   |
| Net change in recording short-term interest accrual.....   | -                           | 45,843                      |
| To record encumbrances and continuing appropriations.....  | -                           | (1,311,366)                 |
|  | <u>                    </u> | <u>                    </u> |
| GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....                        | \$ <u>48,212,480</u>        | \$ <u>49,977,722</u>        |

**NOTE B - PENSION PLAN**

Additional information as of the latest actuarial valuation is as follows:

|                                |   |
|--------------------------------|---|
| Valuation date:                | January 1, 2009   |
| Actuarial cost method:         | Entry age normal cost   |
| Amortization method:           | Increasing payments 4.50% per year after fiscal year 2013   |
| Remaining amortization period: | 19 years from July 1, 2009 for 2002 and 2003 Early Retirement Incentives and remaining unfunded liability |
| Asset valuation method:        | 5-year smoothing of investment returns greater (less) than expected                                       |
| <u>Actuarial assumptions:</u>  |   |
| Investment rate of return:     | 8.25%   |
| Projected salary increases:    | 5.00%   |
| Cost of living adjustments:    | 3.00% of first \$12,000 of retirement income  |