

TOWN OF MASHPEE, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF MASHPEE, MASSACHUSETTS

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FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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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, 2011, 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, 2011, 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.

As more fully described in Note 1C, the Town implemented Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2012 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), budgetary comparison and certain 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.

Sullivan, Roy & Company, LLC

January 19, 2012

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, 2011.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$94,010,353 (net assets). Of this amount, \$2,443,404 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased \$108,492.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$8,739,488, or 17.1 percent of total general fund revenues and transfers in.
- The Town's total long-term debt (gross) increased \$2,500,654 during the fiscal year; \$5,818,000 of new debt was issued during the fiscal year for library construction, road projects and land acquisition.

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 (nonmajor enterprise fund).

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 433 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 and community preservation (special revenue) funds, each of which are considered to be major funds. Data from the other 431 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 18-21 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 nonmajor fund.

The basic proprietary funds financial statements can be found on pages 22-24 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 25-26 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 27-51 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information 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 \$94,010,353 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets.....	\$ 32,631,361	\$ 27,668,397	\$ 138,699	\$ 127,254	\$ 32,770,060	\$ 27,795,651
Noncurrent assets (excluding capital assets).....	6,575,685	6,965,359	-	-	6,575,685	6,965,359
Capital assets (net).....	110,320,116	110,822,823	-	-	110,320,116	110,822,823
Total assets.....	149,527,162	145,456,579	138,699	127,254	149,665,861	145,583,833
Liabilities						
Current liabilities						
(excluding debt).....	5,810,889	4,046,093	9,006	3,443	5,819,895	4,049,536
Noncurrent liabilities						
(excluding debt).....	16,308,619	12,619,116	157,935	115,600	16,466,554	12,734,716
Current debt.....	5,714,779	9,174,201	-	-	5,714,779	9,174,201
Noncurrent debt.....	27,654,280	25,506,535	-	-	27,654,280	25,506,535
Total liabilities.....	55,488,567	51,345,945	166,941	119,043	55,655,508	51,464,988
Net Assets						
Invested in capital assets						
(net of related debt).....	80,826,069	83,908,100	-	-	80,826,069	83,908,100
Restricted.....	10,740,880	6,293,391	-	-	10,740,880	6,293,391
Unrestricted.....	2,471,646	3,909,143	(28,242)	8,211	2,443,404	3,917,354
Total net assets.....	\$ 94,038,595	\$ 94,110,634	\$ (28,242)	\$ 8,211	\$ 94,010,353	\$ 94,118,845

The largest portion of the Town's net assets (86.0%) 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 (11.4%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$2,471,646 may be used to meet the Town's ongoing obligations to citizens and creditors related to governmental activities.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net assets for the government as a whole. The Town has no unrestricted net assets available for the support of business-type activities. Such resources have been consumed with the recognition of other post retirement benefit liabilities.

Changes in Net Assets

For the fiscal year ended June 30, 2011, the Town's total net assets decreased by \$108,492, compared to a decrease of \$2,075,153 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2011	2010	2011	2010	2011	2010
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 4,782,718	\$ 4,284,482	\$ 372,626	\$ 360,644	\$ 5,155,344	\$ 4,645,126
Operating grants and contributions.....	7,695,804	7,087,167	442	-	7,696,246	7,087,167
Capital grants and contributions.....	1,131,596	1,519,587	-	-	1,131,596	1,519,587
<i>General Revenues:</i>						
Real estate, property taxes and liens.....	37,053,728	36,102,966	-	-	37,053,728	36,102,966
Motor vehicle and other excise taxes.....	1,727,403	1,606,510	-	-	1,727,403	1,606,510
Penalties and interest on taxes.....	248,794	380,029	-	-	248,794	380,029
Payments in lieu of taxes.....	9,047	11,139	-	-	9,047	11,139
Community preservation surcharges.....	1,102,641	1,077,260	-	-	1,102,641	1,077,260
Grants and contributions not restricted to specific programs.....	2,769,401	2,724,258	-	-	2,769,401	2,724,258
Unrestricted investment income.....	162,483	232,854	-	-	162,483	232,854
Total revenues.....	56,683,615	55,026,252	373,068	360,644	57,056,683	55,386,896
Expenses						
General government.....	4,415,919	4,646,135	-	-	4,415,919	4,646,135
Public safety.....	11,436,103	11,864,605	-	-	11,436,103	11,864,605
Education.....	31,363,114	30,977,357	-	-	31,363,114	30,977,357
Public works.....	5,766,143	5,867,214	-	-	5,766,143	5,867,214
Health and human services.....	1,076,115	1,072,727	-	-	1,076,115	1,072,727
Culture and recreation.....	1,351,264	1,215,931	-	-	1,351,264	1,215,931
Debt service - interest.....	1,346,996	1,410,957	-	-	1,346,996	1,410,957
Kids klub.....	-	-	409,521	407,123	409,521	407,123
Total expenses.....	56,755,654	57,054,926	409,521	407,123	57,165,175	57,462,049
Change in net assets.....	(72,039)	(2,028,674)	(36,453)	(46,479)	(108,492)	(2,075,153)
Net assets - beginning of year.....	94,110,634	96,139,308	8,211	54,690	94,118,845	96,193,998
Net assets - end of year.....	\$ 94,038,595	\$ 94,110,634	\$ (28,242)	\$ 8,211	\$ 94,010,353	\$ 94,118,845

Governmental activities decreased the Town's net assets by \$72,039. In the prior year, governmental activities decreased the Town's net assets by \$2,028,674. The key elements of this change are a decrease in other post employment benefits expenses (approximately \$963,000) due to the adoption of Massachusetts General Laws Chapter 32B, Section 18 and a decrease in the amount of reserves used to fund the fiscal year 2011 general fund budget (approximately \$347,000).

Business-type activities decreased the Town's net assets by \$36,453. In the prior year, business-type activities decreased the Town's net assets by \$46,479.

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$22,657,346, an increase of \$6,822,648 in comparison with the prior year. \$8,739,488 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$291,984)
- Restricted (\$10,747,393)
- Committed (\$2,600,176)
- Assigned (\$278,305)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$8,739,488, while total fund balance was \$11,617,969. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and transfers in. Unassigned fund balance represents 17.1% of total general fund revenues and transfers in, while total fund balance represents 22.7% of that same amount.

The balance of the Town's general fund increased \$1,204,284 during the current fiscal year. Although the Town recognized an approximate \$4,105,000 budgetary surplus (excluding encumbrances and continuing appropriations), approximately \$2,963,000 of reserves was utilized for spending during fiscal year 2011.

Financial highlights of the Town's other major governmental fund is as follows:

The fund balance of the community preservation fund (special revenue) increased by \$388,128 during the current fiscal year. The fund recognized \$1,100,194 in surcharges, \$322,883 in intergovernmental revenues and \$150,495 of investment income. Expenditures of \$184,374 were incurred during the fiscal year. The fund also made \$1,001,070 of transfers to the general fund 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 a deficit of \$28,242. The kids klub enterprise fund had a decrease in net assets for the year of \$36,453. 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 \$49,082,285 was increased by \$8,256 (0.02%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase/(Decrease)</u>	<u>Amount</u>	<u>Funding Source</u>
Snow and ice removal.....	\$ 75,712	Unassigned fund balance
Human resources department.....	10,000	Unassigned fund balance
Unpaid bills.....	8,709	Unassigned fund balance
Unpaid bills.....	1,525	Transfer from hotel/motel receipts special revenue fund
County retirement.....	(52,690)	Decrease to tax levy
Group health insurance.....	<u>(35,000)</u>	Decrease to tax levy
Total net increase.....	\$ <u>8,256</u>	

During the fiscal year, revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of \$3,106,363. Encumbrances and continuing appropriations total \$998,481 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 \$110,320,116 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress. The total decrease in the investment in capital assets for the current fiscal year totaled 0.5%.

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

- Completion of various projects that were previously in progress (approximately \$8,277,000), including library construction
- Infrastructure projects (approximately \$701,000)
- Road construction in progress (approximately \$480,000)
- Bike path construction in progress (approximately \$231,000)

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

	<i>Governmental Activities</i>	
	<u>2011</u>	<u>2010</u>
Land.....	\$ 58,192,253	\$ 58,192,253
Buildings and improvements.....	43,971,600	37,122,756
Machinery, vehicles and equipment	697,514	926,874
Infrastructure.....	5,903,403	5,643,370
Construction in progress.....	<u>1,555,346</u>	<u>8,937,570</u>
Total capital assets.....	\$ <u>110,320,116</u>	\$ <u>110,822,823</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 39-40 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt (gross) outstanding was \$31,417,435, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	<u>2011</u>	<u>2010</u>
General obligation bonds.....	\$ 30,293,000	\$ 27,700,000
MWPAT notes.....	<u>1,124,435</u>	<u>1,216,781</u>
Total bonds and notes.....	<u>\$ 31,417,435</u>	<u>\$ 28,916,781</u>

The Town's gross bonded debt increased by \$2,500,654 during the fiscal year; with new debt issuances totaling \$5,818,000 for library construction, road projects and land acquisition.

The Town's bond rating from Standard & Poor's for the November 2010 bond issue was AA+.

Additional information on the Town's long-term debt can be found in Note 9 on pages 42-43 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.

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents.....	\$ 12,659,344	\$ 132,669	\$ 12,792,013
Restricted cash and cash equivalents.....	7,700,454	6,030	7,706,484
Investments.....	3,543,608	-	3,543,608
Restricted investments.....	5,278,551	-	5,278,551
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	733,226	-	733,226
Tax liens.....	1,097,187	-	1,097,187
Motor vehicle and other excise taxes.....	348,157	-	348,157
Community preservation surcharges.....	47,636	-	47,636
Special assessments.....	129,146	-	129,146
Departmental and other.....	257,226	-	257,226
Intergovernmental.....	812,837	-	812,837
Loans.....	23,989	-	23,989
Total current assets.....	32,631,361	138,699	32,770,060
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	27,760	-	27,760
Special assessments.....	1,418,403	-	1,418,403
Intergovernmental.....	4,222,421	-	4,222,421
Loans.....	222,943	-	222,943
Tax foreclosures.....	684,158	-	684,158
Capital assets not being depreciated.....	59,747,599	-	59,747,599
Capital assets, net of accumulated depreciation.....	50,572,517	-	50,572,517
Total noncurrent assets.....	116,895,801	-	116,895,801
Total assets.....	149,527,162	138,699	149,665,861
LIABILITIES			
Current liabilities:			
Warrants payable.....	1,217,554	2,976	1,220,530
Accrued payroll.....	2,880,600	-	2,880,600
Tax refunds payable.....	90,058	-	90,058
Other liabilities.....	851,996	6,030	858,026
Accrued interest.....	492,427	-	492,427
Capital lease obligations.....	31,670	-	31,670
Landfill closure and post-closure.....	15,000	-	15,000
Compensated absences.....	231,584	-	231,584
Short-term notes payable.....	2,044,524	-	2,044,524
Long-term bonds and notes payable.....	3,670,255	-	3,670,255
Total current liabilities.....	11,525,668	9,006	11,534,674
Noncurrent liabilities:			
Landfill closure and post-closure.....	452,629	-	452,629
Compensated absences.....	2,084,261	-	2,084,261
Net OPEB obligation.....	13,771,729	157,935	13,929,664
Long-term bonds and notes payable.....	27,654,280	-	27,654,280
Total noncurrent liabilities.....	43,962,899	157,935	44,120,834
Total liabilities.....	55,488,567	166,941	55,655,508
NET ASSETS			
Invested in capital assets, net of related debt.....	80,826,069	-	80,826,069
Restricted for:			
Community preservation.....	5,764,217	-	5,764,217
Loans.....	246,932	-	246,932
Permanent funds:			
Expendable.....	26,156	-	26,156
Nonexpendable.....	45,052	-	45,052
Other specific purposes.....	4,658,523	-	4,658,523
Unrestricted.....	2,471,646	(28,242)	2,443,404
Total net assets.....	\$ 94,038,595	\$ (28,242)	\$ 94,010,353

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 4,415,919	\$ 1,108,436	\$ 386,663	\$ 553,452	\$ (2,367,368)
Public safety.....	11,436,103	1,321,007	112,855	-	(10,002,241)
Education.....	31,363,114	844,411	6,316,339	-	(24,202,364)
Public works.....	5,766,143	875,659	127,681	52,815	(4,709,988)
Health and human services.....	1,076,115	153,473	72,015	-	(850,627)
Culture and recreation.....	1,351,264	479,732	25,270	525,329	(320,933)
Debt service - interest.....	1,346,996	-	654,981	-	(692,015)
Total governmental activities....	<u>56,755,654</u>	<u>4,782,718</u>	<u>7,695,804</u>	<u>1,131,596</u>	<u>(43,145,536)</u>
Business-type activities:					
Kids klub.....	<u>409,521</u>	<u>372,626</u>	<u>442</u>	<u>-</u>	<u>(36,453)</u>
Total primary government.....	<u>\$ 57,165,175</u>	<u>\$ 5,155,344</u>	<u>\$ 7,696,246</u>	<u>\$ 1,131,596</u>	<u>\$ (43,181,989)</u>

(continued)

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/revenue (from previous page).....	\$ (43,145,536)	\$ (36,453)	\$ (43,181,989)
<i>General revenues:</i>			
Real estate, personal property taxes and tax liens.....	37,053,728	-	37,053,728
Motor vehicle and other excise taxes.....	1,727,403	-	1,727,403
Penalties and interest on taxes.....	248,794	-	248,794
Payments in lieu of taxes.....	9,047	-	9,047
Community preservation surcharges.....	1,102,641	-	1,102,641
Grants and contributions not restricted to specific programs.....	2,769,401	-	2,769,401
Unrestricted investment income.....	162,483	-	162,483
Total general revenues and transfers.....	43,073,497	-	43,073,497
Change in net assets.....	(72,039)	(36,453)	(108,492)
Net assets - beginning of year.....	94,110,634	8,211	94,118,845
Net assets - end of year.....	\$ 94,038,595	\$ (28,242)	\$ 94,010,353

(concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

ASSETS	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 12,659,344	\$ -	\$ -	\$ 12,659,344
Investments.....	3,543,608	-	-	3,543,608
Receivables, net of allowance for uncollectible amounts:				
Real estate and personal property taxes.....	733,226	-	-	733,226
Real estate tax deferrals.....	27,760	-	-	27,760
Tax liens.....	1,080,719	-	16,468	1,097,187
Motor vehicle and other excise taxes.....	348,157	-	-	348,157
Community preservation surcharges.....	-	47,636	-	47,636
Special assessments.....	-	-	1,547,549	1,547,549
Departmental and other.....	-	-	257,226	257,226
Intergovernmental.....	4,932,764	-	102,494	5,035,258
Loans.....	-	-	246,932	246,932
Tax foreclosures.....	684,158	-	-	684,158
Restricted assets:				
Cash and cash equivalents.....	-	438,180	7,262,274	7,700,454
Investments.....	-	5,278,551	-	5,278,551
TOTAL ASSETS.....	\$ 24,009,736	\$ 5,764,367	\$ 9,432,943	\$ 39,207,046
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 973,024	\$ 150	\$ 244,380	\$ 1,217,554
Accrued payroll.....	2,880,600	-	-	2,880,600
Tax refunds payable.....	90,058	-	-	90,058
Other liabilities.....	851,997	-	-	851,997
Deferred revenue.....	7,596,088	47,636	1,821,243	9,464,967
Short-term notes payable.....	-	-	2,044,524	2,044,524
TOTAL LIABILITIES.....	12,391,767	47,786	4,110,147	16,549,700
FUND BALANCES:				
Nonspendable.....	-	-	291,984	291,984
Restricted.....	-	5,716,581	5,030,812	10,747,393
Committed.....	2,600,176	-	-	2,600,176
Assigned.....	278,305	-	-	278,305
Unassigned.....	8,739,488	-	-	8,739,488
TOTAL FUND BALANCES.....	11,617,969	5,716,581	5,322,796	22,657,346
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 24,009,736	\$ 5,764,367	\$ 9,432,943	\$ 39,207,046

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real estate and personal property taxes.....	\$ 36,796,554	\$ -	\$ -	\$ 36,796,554
Motor vehicle and other excise taxes.....	1,676,524	-	-	1,676,524
Tax, trash and utility liens.....	108,472	-	-	108,472
Payments in lieu of taxes.....	9,047	-	-	9,047
Community preservation surcharges.....	-	1,100,194	-	1,100,194
Charges for services.....	229,345	-	1,853,930	2,083,275
Trash disposal.....	678,221	-	-	678,221
Intergovernmental.....	8,341,686	322,883	2,881,439	11,546,008
Special assessments.....	-	-	392,489	392,489
Penalties and interest on taxes.....	245,797	-	2,997	248,794
Licenses and permits.....	343,032	-	20,457	363,489
Fines and forfeitures.....	48,390	-	-	48,390
Departmental and other.....	200,987	-	766,619	967,606
Contributions.....	-	-	72,406	72,406
Investment income.....	252,036	150,495	224	402,755
TOTAL REVENUES.....	48,930,091	1,573,572	5,990,561	56,494,224
EXPENDITURES				
Current:				
General government.....	2,699,996	184,374	658,062	3,542,432
Public safety.....	7,419,195	-	276,599	7,695,794
Education.....	19,097,897	-	2,594,894	21,692,791
Public works.....	4,206,883	-	1,479,954	5,686,837
Health and human services.....	599,103	-	51,566	650,669
Culture and recreation.....	648,392	-	336,634	985,026
Pension benefits.....	3,960,961	-	-	3,960,961
Employee benefits.....	5,535,873	-	-	5,535,873
Property and liability insurance.....	434,867	-	-	434,867
State and county charges.....	1,080,029	-	-	1,080,029
Debt service:				
Principal.....	3,317,346	-	-	3,317,346
Interest.....	1,243,805	-	-	1,243,805
TOTAL EXPENDITURES.....	50,244,347	184,374	5,397,709	55,826,430
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,314,256)	1,389,198	592,852	667,794
OTHER FINANCING SOURCES (USES)				
Transfers in.....	2,241,686	-	60,000	2,301,686
Proceeds of bonds and notes.....	-	-	5,818,000	5,818,000
Premium from issuance of bonds and notes.....	336,854	-	-	336,854
Transfers out.....	(60,000)	(1,001,070)	(1,240,616)	(2,301,686)
TOTAL OTHER FINANCING SOURCES (USES).....	2,518,540	(1,001,070)	4,637,384	6,154,854
NET CHANGE IN FUND BALANCES.....	1,204,284	388,128	5,230,236	6,822,648
FUND BALANCES AT BEGINNING OF YEAR.....	10,413,685	5,328,453	92,560	15,834,698
FUND BALANCES AT END OF YEAR.....	\$ 11,617,969	\$ 5,716,581	\$ 5,322,796	\$ 22,657,346

See notes to basic financial statements.

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

JUNE 30, 2011

Total governmental fund balances (page 18).....	\$	22,657,346
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		110,320,116
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		9,464,967
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(492,427)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable, net of unamortized premiums and deferred losses on refundings.....		(31,324,535)
Capital lease obligations.....		(31,670)
Landfill closure and post-closure.....		(467,629)
Compensated absences.....		(2,315,844)
Net OPEB obligation.....		(13,771,729)
Net assets of governmental activities (page 15).....	\$	<u>94,038,595</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, 2011

Net change in fund balances - total governmental funds (page 19)..... \$ 6,822,648

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.

Capital outlays.....	1,955,532
Depreciation.....	(2,458,239)

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..... (147,464)

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.

Bond proceeds.....	(5,818,000)
Bond maturities.....	3,317,346
Amortization of bond premiums.....	126,396
Amortization of deferred losses on refundings.....	(147,041)
Capital lease maturities.....	84,381

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..... (82,546)

Some expenses reported in the statement activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

These amounts represent the net changes:

Landfill postclosure.....	14,891
Compensated absences.....	(138,795)
Net OPEB obligation.....	<u>(3,601,148)</u>

Changes in net assets of governmental activities (page 17)..... \$ (72,039)

See notes to basic financial statements.

PROPRIETARY FUND
STATEMENT OF NET ASSETS

JUNE 30, 2011

		Business-Type Activities - Enterprise Fund
		Kids Klub (nonmajor)
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$	132,669
Restricted cash and cash equivalents.....		6,030
Total current assets.....		138,699
LIABILITIES		
Current liabilities:		
Warrants payable.....		2,976
Other liabilities.....		6,030
Total current liabilities.....		9,006
Noncurrent liabilities:		
Net OPEB obligation.....		157,935
Total liabilities.....		166,941
NET ASSETS		
Unrestricted.....	\$	(28,242)

See notes to basic financial statements.

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		Business-Type Activities - Enterprise Fund
		<u>Kids Klub (nonmajor)</u>
OPERATING REVENUES		
Charges for services.....	\$	<u>372,626</u>
OPERATING EXPENSES		
Cost of service and administration.....		<u>409,521</u>
OPERATING INCOME (LOSS).....		(36,895)
NONOPERATING REVENUES (EXPENSES)		
Investment income.....		<u>442</u>
CHANGE IN NET ASSETS.....		(36,453)
NET ASSETS AT BEGINNING OF YEAR.....		<u>8,211</u>
NET ASSETS AT END OF YEAR.....	\$	<u><u>(28,242)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		Business-Type Activities - Enterprise Fund
		Kids Klub (nonmajor)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users.....	\$	378,656
Payments to vendors.....		(116,828)
Payments to employees.....		(250,825)
		11,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income.....		442
		11,445
NET CHANGE IN CASH AND CASH EQUIVALENTS.....		
		127,254
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....		
		138,699
CASH AND CASH EQUIVALENTS AT END OF YEAR		
(includes \$6,030 reported as restricted cash and cash equivalents).....	\$	138,699
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating income (loss).....	\$	(36,895)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Changes in assets and liabilities not requiring current expenditure of cash:		
Increase in net OPEB obligation.....		42,335
Changes in assets and liabilities requiring current expenditure of cash:		
Warrants payable.....		(467)
Other liabilities.....		6,030
		47,898
		11,003
NET CASH FROM OPERATING ACTIVITIES.....	\$	11,003

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 6,804	\$ 332,074
LIABILITIES		
Liabilities due depositors.....	-	332,074
NET ASSETS		
Held in trust for other purposes.....	\$ 6,804	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net investment income:	
Interest.....	\$ <u>8</u>
DEDUCTIONS	
Other.....	<u>25</u>
CHANGE IN NET ASSETS.....	(17)
NET ASSETS AT BEGINNING OF YEAR.....	<u>6,821</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>6,804</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 2011 Assessment</u>
Cape Cod Regional Technical High School	To provide vocational educational services	351 Pleasant Lake Avenue Harwich, MA 02645	\$ 886,926

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. Implementation of New Accounting Principles

For the year ending June 30, 2011, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*
- GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 established standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund, capital projects fund, debt service fund, and permanent fund types are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds.

GASB Statement No. 57 and Statement No. 59 had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net 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.

E. 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 used to account for and report all financial resources not accounted for and reported in another fund.

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

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

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

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

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

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

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

The following nonmajor proprietary fund is reported:

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

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

The following fiduciary fund types are reported:

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

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

F. Deposits and Investments

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed approximately 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 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

Special Assessments

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

Departmental and Other

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

Intergovernmental

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

Loans

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

H. Allowance for Uncollectible Accounts

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

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

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

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

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

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

J. Restricted Assets

Government-Wide and Fund Financial Statements

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

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

All purchases and construction costs in excess of \$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 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.

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

M. 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.

N. *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).

O. *Net Assets and Fund Balances*

Government-Wide and Proprietary Fund Financial Statements 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:

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

"Loans" represents outstanding septic loans receivable.

"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.

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

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

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

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

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

P. 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.

Q. Investment Income

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

Investment income from the proprietary fund is retained in the fund.

R. 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.

S. Post Retirement Benefits

Government-Wide and Fund Financial Statements

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

T. 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.

U. 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 2011 approved budget for the general fund authorized \$49,082,285 in appropriations. During fiscal year 2011, supplemental appropriations totaling \$8,256 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, 2011, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
State Facility Maintenance.....	\$ 48,495	State grant
Police Off Duty.....	18,757	Charges for services

C. Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2011, expenditures exceeded appropriations for state and county charges.

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, 2011, \$12,605,500 of the Town's bank balance of \$16,008,302 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2011 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.....	\$ 2,346,822	\$ 177,594	\$ 640,287	\$ 1,528,941
U.S. Agencies.....	6,475,336	1,450,961	3,994,808	1,029,567
Money market mutual funds.....	3,931,530	3,931,530	-	-
External investment pools.....	263,246	263,246	-	-
Total debt securities/investments.....	\$ <u>13,016,934</u>	\$ <u>5,823,331</u>	\$ <u>4,635,095</u>	\$ <u>2,558,508</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, 2011, 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, 2011, 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, 2011, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 892,711	\$ (159,485)	\$ 733,226
Real estate tax deferrals.....	27,760	-	27,760
Tax liens.....	1,097,187	-	1,097,187
Motor vehicle and other excise taxes.....	578,182	(230,025)	348,157
Community preservation surcharges.....	47,636	-	47,636
Special assessments.....	1,547,549	-	1,547,549
Departmental and other.....	521,192	(263,966)	257,226
Intergovernmental.....	5,035,258	-	5,035,258
Loans.....	246,932	-	246,932
	<u>\$ 9,994,407</u>	<u>\$ (653,476)</u>	<u>\$ 9,340,931</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 Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 522,530	\$ -	\$ 522,530
Real estate tax deferrals.....	27,760	-	27,760
Tax liens.....	1,080,719	16,468 (b)	1,097,187
Motor vehicle and other excise taxes.....	348,157	-	348,157
Community preservation surcharges.....	-	47,636 (a)	47,636
Special assessments.....	-	1,547,549 (b)	1,547,549
Departmental and other.....	-	257,226 (b)	257,226
Intergovernmental (state school construction).....	4,824,684	-	4,824,684
Intergovernmental (other state and federal).....	108,080	-	108,080
Tax foreclosures.....	684,158	-	684,158
Total.....	<u>\$ 7,596,088</u>	<u>\$ 1,868,879</u>	<u>\$ 9,464,967</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 2011, \$944,439 of such assistance was received. \$5,630,472 will be received in future fiscal years. Of this amount, \$805,788 represents reimbursement of long-term interest costs, and \$4,824,684 represents reimbursement of approved construction costs. Accordingly, a \$4,824,684 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, 2011, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 58,192,253	\$ -	\$ -	\$ 58,192,253
Construction in progress.....	8,937,570	894,944	(8,277,168)	1,555,346
Total capital assets not being depreciated.....	<u>67,129,823</u>	<u>894,944</u>	<u>(8,277,168)</u>	<u>59,747,599</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	64,481,772	8,587,462	-	73,069,234
Machinery, vehicles and equipment.....	6,604,395	49,049	(23,000)	6,630,444
Infrastructure.....	10,582,878	701,245	-	11,284,123
Total capital assets being depreciated.....	<u>81,669,045</u>	<u>9,337,756</u>	<u>(23,000)</u>	<u>90,983,801</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(27,359,016)	(1,738,618)	-	(29,097,634)
Machinery, vehicles and equipment.....	(5,677,521)	(278,409)	23,000	(5,932,930)
Infrastructure.....	(4,939,508)	(441,212)	-	(5,380,720)
Total accumulated depreciation.....	<u>(37,976,045)</u>	<u>(2,458,239)</u>	<u>23,000</u>	<u>(40,411,284)</u>
Total capital assets being depreciated, net.....	<u>43,693,000</u>	<u>6,879,517</u>	<u>-</u>	<u>50,572,517</u>
Total governmental activities capital assets, net.....	<u>\$ 110,822,823</u>	<u>\$ 7,774,461</u>	<u>\$ (8,277,168)</u>	<u>\$ 110,320,116</u>

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

Governmental Activities:

General government.....	\$ 78,320
Public safety.....	362,559
Education.....	1,250,839
Public works.....	551,780
Health and human services.....	56,160
Culture and recreation.....	<u>158,581</u>

Total depreciation expense - governmental activities..... \$ 2,458,239

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 60,000	\$ 60,000 (1)
Community Preservation Fund.....	1,001,070	-	1,001,070 (2)
Nonmajor Governmental Funds.....	<u>1,240,616</u>	<u>-</u>	<u>1,240,616 (3)</u>
	<u>\$ 2,241,686</u>	<u>\$ 60,000</u>	<u>\$ 2,301,686</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 (\$500,000), street betterments (\$261,709), media government access (\$230,264), hotel/ motel receipts (\$21,525), shellfish receipts (\$18,000), cemetery receipts (\$12,000), septic repair (\$6,603) and conservation (\$5,000) special revenue funds. Also represents close-out transfers from various completed and inactive nonmajor governmental funds (\$185,515).

NOTE 7 - SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2011, are as follows:

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2010	Increases	Decreases	Balance at June 30, 2011
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)	-
BAN	Library and roads.....	9/3/10	12/3/10	1.00%	-	5,849,500	(5,849,500)	-
BAN	Road projects.....	11/23/10	11/23/11	1.05%	-	227,834	-	227,834
BAN	Buildings and roads.....	6/24/11	11/23/11	0.90%	-	1,816,690	-	1,816,690
Total.....					\$ 5,877,500	\$ 7,894,024	\$ (11,727,000)	\$ 2,044,524

NOTE 8 - LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2011:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion
Governmental Activities:					
Bonds and notes payable, gross....	\$ 28,916,781	\$ 5,818,000	\$ (3,317,346)	\$ 31,417,435	\$ 3,690,900
Unamortized premium.....	695,176	-	(126,396)	568,780	126,396
Deferred loss on refundings.....	(808,721)	-	147,041	(661,680)	(147,041)
Bonds and notes payable, net.....	28,803,236	5,818,000	(3,296,701)	31,324,535	3,670,255
Capital lease obligation.....	116,051	-	(84,381)	31,670	31,670
Landfill post-closure.....	482,520	-	(14,891)	467,629	15,000
Net OPEB obligation.....	10,170,581	4,806,702	(1,205,554)	13,771,729	-
Compensated absences.....	2,177,050	138,795	-	2,315,845	231,584
Total.....	\$ 41,749,438	\$ 10,763,497	\$ (4,601,527)	\$ 47,911,408	\$ 3,948,509
Business-type Activities:					
Net OPEB obligation.....	\$ 115,600	\$ 56,508	\$ (14,173)	\$ 157,935	\$ -

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 9 - LONG-TERM DEBT

Chapter 44, Section 10, of the MGL authorizes indebtedness up to a limit of 5% of the equalized valuation. Details related to the Town's outstanding indebtedness at June 30, 2011, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Interest Rate	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Various Roads.....	5.00%	\$ 35,000	\$ -	\$ (35,000)	\$ -
Fire Station.....	5.00%	165,000	-	(165,000)	-
Land Acquisition.....	5.00%	310,000	-	(310,000)	-
Landfill Capping (MWPAT).....	4.90%	448,200	-	(47,100)	401,100
Landfill Capping (MWPAT).....	5.30%	50,000	-	(5,000)	45,000
Septic Repair (MWPAT).....	5.00%	114,202	-	(10,400)	103,802
Sewer Facilities (MWPAT).....	4.90%	18,172	-	(1,400)	16,772
Septic Repair (MWPAT).....	0.00%	136,000	-	(8,500)	127,500
Land Acquisition.....	3.90%	2,525,000	-	(215,000)	2,310,000
Public Way.....	3.90%	10,000	-	(10,000)	-
Fire Equipment.....	3.90%	300,000	-	(50,000)	250,000
Refunding Bonds (Series A).....	3.60%	12,815,000	-	(1,580,000)	11,235,000
Septic Replacement (MWPAT)....	0.00%	106,552	-	(9,687)	96,865
Septic Replacement (MWPAT)....	0.00%	190,225	-	-	190,225
Municipal Purpose.....	4.50%	6,980,000	-	(565,000)	6,415,000
Septic Replacement (MWPAT)....	0.00%	153,430	-	(10,259)	143,171
Municipal Purpose.....	3.25-5.00%	4,560,000	-	(295,000)	4,265,000
Municipal Purpose.....	2.50-4.00%	-	5,818,000	-	5,818,000
Sub-total.....		28,916,781	5,818,000	(3,317,346)	31,417,435
Unamortized premium.....		695,176	-	(126,396)	568,780
Deferred loss on refundings.....		(808,721)	-	147,041	(661,680)
Total governmental funds, net.....		\$ 28,803,236	\$ 5,818,000	\$ (3,296,701)	\$ 31,324,535

During fiscal year 2011, the Town issued general obligation bonds in the amount of \$5,818,000 for library construction, road projects and land acquisition.

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 2011, the Town's subsidy totaled approximately \$52,000. Future subsidies total approximately \$329,000. The amount of MWPAT bonds outstanding at June 30, 2011, totaled \$1,124,435.

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>
2012.....	\$ 3,690,900	\$ 1,263,525	\$ 4,954,425
2013.....	3,530,195	1,104,456	4,634,651
2014.....	3,534,795	938,360	4,473,155
2015.....	3,507,151	791,352	4,298,503
2016.....	3,348,289	641,318	3,989,607
2017.....	2,799,888	504,523	3,304,411
2018.....	1,371,488	381,796	1,753,284
2019.....	1,362,688	332,975	1,695,663
2020.....	1,239,688	288,237	1,527,925
2021.....	1,194,493	248,089	1,442,582
2022.....	1,133,796	210,836	1,344,632
2023.....	938,796	173,663	1,112,459
2024.....	923,384	137,035	1,060,419
2025.....	838,384	102,491	940,875
2026.....	793,500	72,038	865,538
2027.....	520,000	45,013	565,013
2028.....	400,000	25,675	425,675
2029.....	290,000	11,600	301,600
Total.....	\$ 31,417,435	\$ 7,272,982	\$ 38,690,417

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, 2011, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Building improvements.....	\$ 1,500,000 *
Road projects.....	1,058,617 *
Sewer facilities plan.....	390,831
Mashpee River dredge.....	275,000
Solar power.....	50,000
Total.....	\$ 3,274,448

* BANs totaling \$1,500,000 and \$544,524, respectively, are issued and outstanding at June 30, 2011

NOTE 10 - CAPITAL LEASES

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

The following schedule presents future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2012.....	\$ 33,434
Less: amounts representing interest.....	<u>(1,764)</u>
Present value of minimum lease payments.....	<u>\$ 31,670</u>

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

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 253,310
Less: accumulated amortization.....	<u>(176,824)</u>
Total.....	<u>\$ 76,486</u>

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

NOTE 11 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1998 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$467,629 as the estimate of the landfill post-closure care liability at June 30, 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Town provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone 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, 2010, the latest actuarial valuation, is as follows:

Active employees.....	333
Retired employees, beneficiaries and dependents.....	<u>190</u>
Total.....	<u>523</u>

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

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

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.....	\$ 4,725,098
Interest on net OPEB obligation.....	514,309
Adjustment to annual required contribution.....	<u>(376,197)</u>
Annual OPEB cost.....	4,863,210
Contributions made.....	<u>(1,219,727)</u>
Increase in net OPEB obligation.....	3,643,483
Net OPEB obligation at beginning of year.....	<u>10,286,181</u>
Net OPEB obligation at end of year.....	<u>\$ 13,929,664</u>

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2009*	\$ 6,595,335	14.2%	\$ 5,660,368
June 30, 2010	5,683,805	18.6%	10,286,181
June 30, 2011	4,863,210	25.1%	13,929,664

* Transition year

Funded Status and Funding Progress - The funded status of the Plan at July 1, 2010, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/10	\$ -	\$ 62,486,927	\$ 62,486,927	-	\$ 26,798,532	233.2%

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, 2010
Actuarial cost method:	Entry Age Normal
Amortization method:	Amortization payments increasing at 4.5%
Remaining amortization period:	30 years at July 1, 2010 (open)
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:

Governmental Activities:	
General government.....	\$ 307,269
Public safety.....	1,243,429
Education.....	2,766,938
Public works.....	307,404
Health and human services.....	80,346
Culture and recreation.....	<u>101,316</u>
Total AOPEBC - governmental activities.....	<u>4,806,702</u>
Business-Type Activities:	
Kids klub.....	<u>56,508</u>
Total AOPEBC.....	<u>\$ 4,863,210</u>

NOTE 13 - FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Loans.....	\$ -	\$ -	\$ 246,932	\$ 246,932
Permanent fund principal.....	-	-	45,052	45,052
Sub-total - Nonspendable.....	-	-	291,984	291,984
Restricted:				
General government.....	-	-	564,052	564,052
Public safety.....	-	-	1,862,078	1,862,078
Education.....	-	-	441,872	441,872
Public works.....	-	-	1,804,033	1,804,033
Health and human services.....	-	-	53,886	53,886
Culture and recreation.....	-	-	181,082	181,082
Community preservation.....	-	5,716,581	-	5,716,581
School lunch.....	-	-	123,809	123,809
Sub-total - Restricted.....	-	5,716,581	5,030,812	10,747,393
Committed:				
Subsequent year's expenditures.....	1,880,000	-	-	1,880,000
Continuing appropriations.....	720,176	-	-	720,176
Sub-total - Committed.....	2,600,176	-	-	2,600,176
Assigned:				
Encumbrances.....	278,305	-	-	278,305
Unassigned.....	8,739,488	-	-	8,739,488
Total fund balances.....	\$ 11,617,969	\$ 5,716,581	\$ 5,322,796	\$ 22,657,346

NOTE 14 - STABILIZATION FUNDS

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

The balance of the stabilization fund at June 30, 2011 totals \$3,620,544 and is reported in the general fund as unassigned fund balance.

NOTE 15 - PRIOR PERIOD RECLASSIFICATIONS

The beginning fund balance of the general fund has been restated from \$6,882,695 to \$10,413,685 and the beginning fund balance of the stabilization major fund has been restated from \$3,530,990 to \$0 to reflect the reclassification of the stabilization major fund to the general fund.

The beginning fund balance of the nonmajor governmental funds has been restated from \$5,531,874 to \$92,560 and the beginning fund balance of the library construction major fund has been restated from (\$5,439,314) to \$0 to reflect the reclassification of the library construction major fund to the nonmajor governmental funds.

NOTE 16 - 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, 2011, and therefore is not reported.

NOTE 17 - 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, 2011, 2010, and 2009 were \$1,986,431, \$1,858,950 and \$1,756,662, respectively, which equaled its required contribution for each fiscal year.

NOTE 18 - 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 \$1,987,000 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 19 - COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$3,274,000 for projects related to building improvements and infrastructure. These projects will be funded through the issuance of long-term debt.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$998,481 at June 30, 2011.

NOTE 20 - 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, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2011.

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, 2011, 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 21 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented during fiscal year 2013. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented during fiscal year 2013. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented during fiscal year 2013. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented during fiscal year 2012. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, which is required to be implemented during fiscal year 2012. The implementation of this Statement will not impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 36,943,360	\$ (87,690)	\$ 36,855,670
Motor vehicle and other excise taxes.....	-	1,275,000	-	1,275,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	5,000	-	5,000
Charges for services.....	-	144,500	-	144,500
Trash disposal.....	-	323,200	-	323,200
Intergovernmental.....	-	6,248,713	-	6,248,713
Penalties and interest on taxes.....	-	150,000	-	150,000
Licenses and permits.....	-	175,000	-	175,000
Fines and forfeitures.....	-	25,000	-	25,000
Departmental and other.....	-	60,000	-	60,000
Investment income.....	-	120,500	-	120,500
TOTAL REVENUES.....	-	45,470,273	(87,690)	45,382,583
EXPENDITURES				
Current:				
General government.....	630,073	2,863,120	(30,887)	3,462,306
Public safety.....	335,168	7,362,157	40,945	7,738,270
Education.....	-	19,147,360	2,138	19,149,498
Public works.....	298,298	4,374,195	97,723	4,770,216
Health and human services.....	22,094	618,641	(19,252)	621,483
Culture and recreation.....	5,183	653,542	(2,534)	656,191
Pension benefits.....	-	2,046,235	(52,690)	1,993,545
Employee benefits.....	20,550	5,732,121	(55,550)	5,697,121
Property and liability insurance.....	-	591,000	28,363	619,363
State and county charges.....	-	1,062,416	-	1,062,416
Debt service:				
Principal.....	-	3,305,591	-	3,305,591
Interest.....	-	1,265,907	-	1,265,907
TOTAL EXPENDITURES.....	1,311,366	49,022,285	8,256	50,341,907
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,311,366)	(3,552,012)	(95,946)	(4,959,324)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	2,054,645	1,525	2,056,170
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(60,000)	-	(60,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	1,994,645	1,525	1,996,170
NET CHANGE IN FUND BALANCE.....	(1,311,366)	(1,557,367)	(94,421)	(2,963,154)
FUND BALANCE AT BEGINNING OF YEAR.....	6,735,097	6,735,097	6,735,097	6,735,097
FUND BALANCE AT END OF YEAR.....	\$ 5,423,731	\$ 5,177,730	\$ 6,640,676	\$ 3,771,943

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 36,880,453	\$ -	\$ 36,880,453	\$ 24,783
1,676,524	-	1,676,524	401,524
108,472	-	108,472	108,472
9,047	-	9,047	4,047
229,345	-	229,345	84,845
678,221	-	678,221	355,021
6,302,592	-	6,302,592	53,879
245,797	-	245,797	95,797
343,032	-	343,032	168,032
48,390	-	48,390	23,390
200,987	-	200,987	140,987
162,483	-	162,483	41,983
<u>46,885,343</u>	<u>-</u>	<u>46,885,343</u>	<u>1,502,760</u>
2,699,996	553,087	3,253,083	209,223
7,419,195	176,359	7,595,554	142,716
19,097,897	-	19,097,897	51,601
4,206,883	257,360	4,464,243	305,973
599,103	572	599,675	21,808
648,392	5,103	653,495	2,696
1,973,785	-	1,973,785	19,760
5,535,873	6,000	5,541,873	155,248
434,867	-	434,867	184,496
1,080,029	-	1,080,029	(17,613)
3,305,591	-	3,305,591	-
1,260,581	-	1,260,581	5,326
<u>48,262,192</u>	<u>998,481</u>	<u>49,260,673</u>	<u>1,081,234</u>
<u>(1,376,849)</u>	<u>(998,481)</u>	<u>(2,375,330)</u>	<u>2,583,994</u>
2,241,685	-	2,241,685	185,515
336,854	-	336,854	336,854
(60,000)	-	(60,000)	-
<u>2,518,539</u>	<u>-</u>	<u>2,518,539</u>	<u>522,369</u>
1,141,690	(998,481)	143,209	3,106,363
<u>6,735,097</u>	<u>6,735,097</u>	<u>6,735,097</u>	<u>-</u>
<u>\$ 7,876,787</u>	<u>\$ 5,736,616</u>	<u>\$ 6,878,306</u>	<u>\$ 3,106,363</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 Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 554,876,554	\$ 1,030,210,321	\$ 475,333,767	53.9%	\$ 234,374,075	202.8%
01/01/09	520,089,855	966,564,614	446,474,759	53.8%	249,971,296	178.6%
01/01/07	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%
01/01/06	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (ASSOCIATION)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
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
2010	43,893,051	100

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

TOWN SHARE OF ASSOCIATION ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of Association ARC (%)
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%
2011	1,986,431	100	4.5%

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

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

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, 2011, 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.....	\$ 46,885,343	\$ 49,260,673
<u>Reclassifications</u>		
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	89,553	-
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	(43,211)	-
Net change in recording tax refunds payable.....	(40,688)	-
To record activity for MWPAT subsidies.....	51,918	51,918
To record MTRS on-behalf payments.....	1,987,176	1,987,176
Net change in recording short-term interest accrual.....	-	(56,939)
Net change in recording other expenditures.....	-	-
To record encumbrances and continuing appropriations.....	-	(998,481)
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 48,930,091</u>	<u>\$ 50,244,347</u>

NOTE B - PENSION PLAN

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

Valuation date:	January 1, 2010
Actuarial cost method:	Entry age normal cost
Amortization method:	Payments increase at 4.0% after fiscal year 2015
Remaining amortization period:	28 years from July 1, 2010 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability 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:	8.00%
Projected salary increases:	Varies by length of service (range of 4.75% - 5.25%)
Cost of living adjustments:	3.00% of first \$12,000 of retirement income, increasing to \$13,000 (fiscal year 2012), \$14,000 (fiscal year 2013) and \$15,000 (fiscal year 2014)