

TOWN OF MASHPEE, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TOWN OF MASHPEE, MASSACHUSETTS

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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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2009 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 4 through 13) and the general fund budgetary comparison information and certain pension information (located on pages 47 through 51) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Sullivan, T. & Company, LLC". The signature is written in a cursive, flowing style.

March 25, 2009

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, 2008.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$98,914,256 (net assets). Of this amount, \$12,726,425 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased \$3,345,894.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$22,319,956, an increase of \$950,976 in comparison with the prior year. Approximately \$20,329,000 represents unreserved fund balance.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$3,718,722, or 7.8 percent of total general fund revenues and transfers in.
- The Town's total long-term debt (gross) increased by \$1,463,650 during the fiscal year; \$4,852,400 of new debt was issued.

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 other supplementary information in addition to the basic financial statements.

Government-wide financial statements

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

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

The **statement of activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

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

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

Fund financial statements

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

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

Governmental Funds

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

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

The Town maintains 389 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, stabilization (special revenue) and community preservation (special revenue) funds, each of which are considered to be major funds. Data from the other 386 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 major 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 27-46 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 information, which can be found on pages 47-51 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 \$98,914,256 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current assets.....	\$ 28,729,860	\$ 26,709,922	\$ 76,428	\$ 37,061	\$ 28,806,288	\$ 26,746,983
Noncurrent assets (excluding capital assets).....	7,292,989	13,991,564	-	-	7,292,989	13,991,564
Capital assets (net).....	<u>104,395,347</u>	<u>100,241,486</u>	<u>-</u>	<u>-</u>	<u>104,395,347</u>	<u>100,241,486</u>
Total assets.....	<u>140,418,196</u>	<u>140,942,972</u>	<u>76,428</u>	<u>37,061</u>	<u>140,494,624</u>	<u>140,980,033</u>
Liabilities						
Current liabilities (excluding debt).....	3,739,402	2,873,188	-	-	3,739,402	2,873,188
Noncurrent liabilities (excluding debt).....	2,111,161	2,001,255	-	-	2,111,161	2,001,255
Current debt.....	3,579,419	3,280,605	-	-	3,579,419	3,280,605
Noncurrent debt.....	<u>32,150,386</u>	<u>30,564,835</u>	<u>-</u>	<u>-</u>	<u>32,150,386</u>	<u>30,564,835</u>
Total liabilities.....	<u>41,580,368</u>	<u>38,719,883</u>	<u>-</u>	<u>-</u>	<u>41,580,368</u>	<u>38,719,883</u>
Net Assets						
Invested in capital assets (net of related debt).....	80,060,207	82,203,273	-	-	80,060,207	82,203,273
Restricted.....	6,127,624	6,074,147	-	-	6,127,624	6,074,147
Unrestricted.....	<u>12,649,997</u>	<u>13,945,669</u>	<u>76,428</u>	<u>37,061</u>	<u>12,726,425</u>	<u>13,982,730</u>
Total net assets.....	<u>\$ 98,837,828</u>	<u>\$ 102,223,089</u>	<u>\$ 76,428</u>	<u>\$ 37,061</u>	<u>\$ 98,914,256</u>	<u>\$ 102,260,150</u>

The largest portion of the Town's net assets (80.9%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (6.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (12.9% or \$12,726,425) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$12,649,997 may be used to support governmental activities and \$76,428 may be used to support business-type activities.

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

Changes in Net Assets

For the fiscal year ended June 30, 2008, the Town's total net assets decreased by \$3,345,894, compared to an increase of \$310,597 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2008	2007	2008	2007	2008	2007
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 3,811,106	\$ 3,689,544	\$ 297,270	\$ 256,769	\$ 4,108,376	\$ 3,946,313
Operating grants and contributions.....	7,315,685	7,665,294	-	-	7,315,685	7,665,294
Capital grants and contributions.....	(4,197,000)	1,074,721	-	-	(4,197,000)	1,074,721
<i>General Revenues:</i>						
Real estate, personal property taxes and tax liens.....	33,491,104	29,914,084	-	-	33,491,104	29,914,084
Motor vehicle and other excise taxes.....	1,915,216	1,864,464	-	-	1,915,216	1,864,464
Penalties and interest on taxes.....	237,182	300,581	-	-	237,182	300,581
Community preservation surcharges.....	992,721	891,144	-	-	992,721	891,144
Grants and contributions not restricted to specific programs.....	2,684,393	2,240,667	-	-	2,684,393	2,240,667
Unrestricted investment income.....	487,299	782,563	-	-	487,299	782,563
Total revenues.....	46,737,706	48,423,062	297,270	256,769	47,034,976	48,679,831
Expenses						
General government.....	4,068,572	4,346,557	-	-	4,068,572	4,346,557
Public safety.....	9,873,037	9,548,332	-	-	9,873,037	9,548,332
Education.....	29,040,928	27,400,202	-	-	29,040,928	27,400,202
Public works.....	3,598,224	3,301,331	-	-	3,598,224	3,301,331
Health and human services.....	950,740	866,704	-	-	950,740	866,704
Culture and recreation.....	1,076,009	1,062,281	-	-	1,076,009	1,062,281
Debt service - interest.....	1,515,457	1,614,893	-	-	1,515,457	1,614,893
Kids klub.....	-	-	257,903	228,934	257,903	228,934
Total expenses.....	50,122,967	48,140,300	257,903	228,934	50,380,870	48,369,234
Change in net assets.....	(3,385,261)	282,762	39,367	27,835	(3,345,894)	310,597
Net assets - beginning of year.....	102,223,089	101,940,327	37,061	9,226	102,260,150	101,949,553
Net assets - end of year.....	\$ 98,837,828	\$ 102,223,089	\$ 76,428	\$ 37,061	\$ 98,914,256	\$ 102,260,150

Governmental activities decreased the Town's net assets by \$3,385,261. In the prior year, governmental activities increased the Town's net assets by \$282,762. The key element of this change is a net decrease in capital grants and contributions of approximately \$5,272,000. This is primarily attributable to a decrease in the receivable from the Massachusetts School Building Authority (MSBA) for school construction assistance based on audits of the Town's school construction projects.

Business-type activities increased the Town's net assets by \$39,367. In the prior year, business-type activities increased the Town's net assets by \$27,835.

Fund Financial Statement Analysis

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

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$22,319,956, an increase of \$950,976 in comparison with the prior year. Approximately 8.3% of this total amount (\$18,462,487) represents undesignated fund balance. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$1,217,652)
- Title V septic loans (\$302,351)
- Perpetual permanent funds (\$45,052)
- Other specific purposes (\$425,910)
- Fund a portion of the fiscal year 2009 operating budget (\$1,866,504)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$3,718,722, while total fund balance was \$6,802,878. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund revenues and transfers in. Undesignated fund balance represents 7.8% of total general fund revenues and transfers in, while total fund balance represents 14.2% of that same amount.

The balance of the Town's general fund decreased \$598,197 during the current fiscal year. Although the Town recognized an approximate \$3,706,000 budgetary surplus (excluding encumbrances and continuing appropriations), approximately \$4,295,000 of reserves was utilized for spending during fiscal year 2008.

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

The fund balance of the stabilization fund (special revenue) increased by \$49,073 during the current fiscal year. This is attributable to investment income earned by the fund during fiscal year 2008.

The fund balance of the community preservation fund (special revenue) increased by \$33,279 during the current fiscal year. The fund recognized \$983,716 in surcharges, \$886,217 in intergovernmental revenues and \$148,745 of investment income. Expenditures of \$3,029,069 were incurred during the fiscal year. The fund also received proceeds of bonds and notes of \$2,146,800 and made \$1,103,130 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 \$76,428. The kids klub enterprise fund had an increase in net assets for the year of \$39,367. 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 \$47,837,390 was increased by \$563,136 (1.2%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
School operating.....	\$ 279,000	Undesignated fund balance
Assessors revaluation.....	150,000	Undesignated fund balance
Various salary increases.....	82,593	Undesignated fund balance
Snow and ice removal.....	36,195	Undesignated fund balance
Unpaid bills.....	5,348	Undesignated fund balance
Employee benefits.....	5,000	Undesignated fund balance
Forest Drive.....	<u>5,000</u>	Undesignated fund balance
 Total increase.....	 \$ <u>563,136</u>	

During the fiscal year, general fund revenues and other financing sources exceeded budgetary estimates and expenditures, encumbrances and continuing appropriations were less than budgetary estimates, resulting in an actual increase in fund balance that exceeded the final amended budget amount by approximately \$2,488,000.

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 \$104,395,347 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, vehicles and equipment, infrastructure and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled 4.1%.

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

- Land acquisition - St. Vincent’s (\$2,647,000)
- Fire station construction in progress (\$1,213,000)
- Completed roadway projects (\$701,000)
- Roadway projects in progress (\$484,000)
- Other land acquisitions (\$476,000)
- Library construction in progress (\$346,000)
- Purchase of ambulances (\$296,000)
- Heritage park expansion in progress (\$289,000)

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

	<i>Governmental Activities</i>	
	<u>2008</u>	<u>2007</u>
Land.....	\$ 57,517,024	\$ 54,394,424
Buildings and improvements.....	38,169,646	39,550,134
Machinery, vehicles and equipment.....	1,331,487	1,456,895
Infrastructure.....	4,645,856	4,343,236
Construction in progress.....	<u>2,731,334</u>	<u>496,797</u>
 Total capital assets.....	 <u>\$ 104,395,347</u>	 <u>\$ 100,241,486</u>

Additional information on the Town’s capital assets can be found in Note 5 on page 39 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt (gross) outstanding was \$35,384,570, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	<u>2008</u>	<u>2007</u>
General obligation bonds.....	\$ 33,972,400	\$ 32,205,000
MWPAT notes.....	<u>1,412,170</u>	<u>1,715,920</u>
 Total bonds and notes.....	 <u>\$ 35,384,570</u>	 <u>\$ 33,920,920</u>

The Town’s gross bonded debt increased by \$1,463,650 during the fiscal year, with new debt issuances totaling \$4,852,400.

The Town’s bond rating from Standard & Poor’s for the August 2008 bond issue was AA+.

Additional information on the Town’s long-term debt can be found in Note 9 on pages 41-44 of this report.

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 10,375,086	\$ 76,428	\$ 10,451,514
Restricted cash and cash equivalents.....	6,310,514	-	6,310,514
Investments.....	5,468,416	-	5,468,416
Restricted investments.....	2,905,881	-	2,905,881
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	750,072	-	750,072
Tax liens.....	666,960	-	666,960
Motor vehicle and other excise taxes.....	296,815	-	296,815
Community preservation surcharges.....	36,473	-	36,473
Special assessments.....	94,225	-	94,225
Departmental and other.....	225,798	-	225,798
Intergovernmental.....	885,227	-	885,227
Loans.....	30,235	-	30,235
Tax foreclosures.....	684,158	-	684,158
Total current assets.....	28,729,860	76,428	28,806,288
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	11,483	-	11,483
Special assessments.....	787,367	-	787,367
Intergovernmental.....	6,222,023	-	6,222,023
Loans.....	272,116	-	272,116
Capital assets not being depreciated.....	60,248,358	-	60,248,358
Capital assets, net of accumulated depreciation.....	44,146,989	-	44,146,989
Total noncurrent assets.....	111,688,336	-	111,688,336
Total assets.....	140,418,196	76,428	140,494,624
LIABILITIES			
Current liabilities:			
Warrants payable.....	1,180,796	-	1,180,796
Accrued payroll.....	1,343,223	-	1,343,223
Tax refunds payable.....	46,710	-	46,710
Other liabilities.....	346,623	-	346,623
Abandoned property.....	14,017	-	14,017
Liabilities due depositors.....	34,306	-	34,306
Accrued interest.....	463,201	-	463,201
Capital lease obligations.....	105,105	-	105,105
Landfill closure.....	25,000	-	25,000
Compensated absences.....	180,421	-	180,421
Short-term notes payable.....	500,070	-	500,070
Long-term bonds and notes payable.....	3,079,349	-	3,079,349
Total current liabilities.....	7,318,821	-	7,318,821
Noncurrent liabilities:			
Landfill closure.....	487,374	-	487,374
Compensated absences.....	1,623,787	-	1,623,787
Long-term bonds and notes payable.....	32,150,386	-	32,150,386
Total noncurrent liabilities.....	34,261,547	-	34,261,547
Total liabilities.....	41,580,368	-	41,580,368
NET ASSETS			
Invested in capital assets, net of related debt.....	80,060,207	-	80,060,207
Restricted for:			
Loans.....	302,351	-	302,351
Community preservation.....	5,326,121	-	5,326,121
Permanent funds:			
Expendable.....	28,190	-	28,190
Nonexpendable.....	45,052	-	45,052
Other specific purposes.....	425,910	-	425,910
Unrestricted.....	12,649,997	76,428	12,726,425
Total net assets.....	\$ 98,837,828	\$ 76,428	\$ 98,914,256

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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.....	\$ 4,068,572	\$ 693,791	\$ 363,594	\$ 1,367,642	\$ (1,643,545)
Public safety.....	9,873,037	1,162,286	137,288	-	(8,573,463)
Education.....	29,040,928	728,241	6,226,994	(6,668,671)	(28,754,364)
Public works.....	3,598,224	604,450	22,707	338,496	(2,632,571)
Health and human services.....	950,740	214,454	105,168	-	(631,118)
Culture and recreation.....	1,076,009	407,884	27,467	765,533	124,875
Debt service - interest.....	1,515,457	-	432,467	-	(1,082,990)
Total governmental activities.....	<u>50,122,967</u>	<u>3,811,106</u>	<u>7,315,685</u>	<u>(4,197,000)</u>	<u>(43,193,176)</u>
Business-type activities:					
Kids klub.....	<u>257,903</u>	<u>297,270</u>	<u>-</u>	<u>-</u>	<u>39,367</u>
Total primary government.....	<u>\$ 50,380,870</u>	<u>\$ 4,108,376</u>	<u>\$ 7,315,685</u>	<u>\$ (4,197,000)</u>	<u>(43,153,809)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/revenue (from previous page).....	\$ (43,193,176)	\$ 39,367	\$ (43,153,809)
<i>General revenues:</i>			
Real estate, personal property taxes and tax liens.....	33,491,104	-	33,491,104
Motor vehicle and other excise taxes.....	1,915,216	-	1,915,216
Penalties and interest on taxes.....	237,182	-	237,182
Community preservation surcharges.....	992,721	-	992,721
Grants and contributions not restricted to specific programs.....	2,684,393	-	2,684,393
Unrestricted investment income.....	487,299	-	487,299
Total general revenues.....	39,807,915	-	39,807,915
Change in net assets.....	(3,385,261)	39,367	(3,345,894)
Net assets - beginning of year.....	102,223,089	37,061	102,260,150
Net assets - end of year.....	\$ 98,837,828	\$ 76,428	\$ 98,914,256

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2008

ASSETS	General	Stabilization	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 6,938,267	\$ 231,643	\$ -	\$ 3,205,176	\$ 10,375,086
Investments.....	2,235,937	2,872,384	-	360,095	5,468,416
Receivables, net of allowance for uncollectible amounts:					
Real estate and personal property taxes.....	750,072	-	-	-	750,072
Real estate tax deferrals.....	11,483	-	-	-	11,483
Tax liens.....	658,528	-	-	8,432	666,960
Motor vehicle and other excise taxes.....	296,815	-	-	-	296,815
Community preservation surcharges.....	-	-	36,473	-	36,473
Special assessments.....	-	-	-	881,592	881,592
Departmental and other.....	-	-	-	225,798	225,798
Intergovernmental.....	6,801,413	-	-	305,837	7,107,250
Loans.....	-	-	-	302,351	302,351
Tax foreclosures.....	684,158	-	-	-	684,158
Restricted assets:					
Cash and cash equivalents.....	-	-	2,383,767	3,926,747	6,310,514
Investments.....	-	-	2,905,881	-	2,905,881
TOTAL ASSETS.....	\$ 18,376,673	\$ 3,104,027	\$ 5,326,121	\$ 9,216,028	\$ 36,022,849
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 738,369	\$ -	\$ -	\$ 442,427	\$ 1,180,796
Accrued payroll.....	1,343,223	-	-	-	1,343,223
Tax refunds payable.....	46,710	-	-	-	46,710
Other liabilities.....	346,623	-	-	-	346,623
Abandoned property.....	14,017	-	-	-	14,017
Liabilities due depositors.....	-	-	-	34,306	34,306
Deferred revenue.....	9,043,505	-	36,473	1,115,822	10,195,800
Accrued short-term interest.....	41,348	-	-	-	41,348
Short-term notes payable.....	-	-	-	500,070	500,070
TOTAL LIABILITIES.....	11,573,795	-	36,473	2,092,625	13,702,893
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations.....	1,217,652	-	-	-	1,217,652
Loans.....	-	-	-	302,351	302,351
Perpetual permanent funds.....	-	-	-	45,052	45,052
Other specific purposes.....	-	-	-	425,910	425,910
Unreserved:					
Designated for subsequent year's expenditures.....	1,866,504	-	-	-	1,866,504
Undesignated, reported in:					
General fund.....	3,718,722	-	-	-	3,718,722
Special revenue funds.....	-	3,104,027	5,289,648	3,461,310	11,854,985
Capital projects funds.....	-	-	-	2,860,590	2,860,590
Permanent funds.....	-	-	-	28,190	28,190
TOTAL FUND BALANCES.....	6,802,878	3,104,027	5,289,648	7,123,403	22,319,956
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 18,376,673	\$ 3,104,027	\$ 5,326,121	\$ 9,216,028	\$ 36,022,849

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Stabilization	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real estate and personal property taxes.....	\$ 32,943,217	\$ -	\$ -	\$ -	\$ 32,943,217
Motor vehicle and other excise taxes.....	1,934,641	-	-	-	1,934,641
Tax liens.....	59,733	-	-	-	59,733
Community preservation surcharges.....	-	-	983,716	-	983,716
Charges for services.....	287,834	-	-	1,433,755	1,721,589
Trash disposal.....	583,164	-	-	-	583,164
Intergovernmental.....	8,719,733	-	886,217	2,708,720	12,314,670
Special assessments.....	-	-	-	198,554	198,554
Penalties and interest on taxes.....	235,552	-	-	1,630	237,182
Licenses, permits and fees.....	635,361	-	-	636,766	1,272,127
Fines and forfeitures.....	48,212	-	-	-	48,212
Departmental.....	-	-	-	136,473	136,473
Contributions and gifts.....	-	-	-	26,228	26,228
Investment income.....	487,299	49,073	148,745	20,817	705,934
TOTAL REVENUES.....	45,934,746	49,073	2,018,678	5,162,943	53,165,440
EXPENDITURES					
Current:					
General government.....	2,708,909	-	2,946,248	408,087	6,063,244
Public safety.....	7,409,856	-	-	1,454,543	8,864,399
Education.....	20,921,524	-	82,821	1,939,425	22,943,770
Public works.....	2,747,288	-	-	853,441	3,600,729
Health and human services.....	585,545	-	-	48,450	633,995
Culture and recreation.....	613,905	-	-	645,717	1,259,622
Pension benefits.....	2,903,462	-	-	-	2,903,462
Employee benefits.....	4,565,932	-	-	-	4,565,932
Property and liability insurance.....	497,271	-	-	-	497,271
State and county charges.....	807,481	-	-	-	807,481
Debt service:					
Principal.....	3,188,750	-	-	200,000	3,388,750
Interest.....	1,546,225	-	-	-	1,546,225
TOTAL EXPENDITURES.....	48,496,148	-	3,029,069	5,549,663	57,074,880
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,561,402)	49,073	(1,010,391)	(386,720)	(3,909,440)
OTHER FINANCING SOURCES (USES)					
Transfers in.....	2,015,189	-	-	60,000	2,075,189
Proceeds of bonds and notes.....	-	-	2,146,800	2,705,600	4,852,400
Premium from issuance of bonds and notes.....	8,016	-	-	-	8,016
Transfers out.....	(60,000)	-	(1,103,130)	(912,059)	(2,075,189)
TOTAL OTHER FINANCING SOURCES (USES).....	1,963,205	-	1,043,670	1,853,541	4,860,416
NET CHANGE IN FUND BALANCES.....	(598,197)	49,073	33,279	1,466,821	950,976
FUND BALANCES AT BEGINNING OF YEAR.....	7,401,075	3,054,954	5,256,369	5,656,582	21,368,980
FUND BALANCES AT END OF YEAR.....	\$ 6,802,878	\$ 3,104,027	\$ 5,289,648	\$ 7,123,403	\$ 22,319,956

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Total governmental fund balances (page 18).....	\$	22,319,956
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		104,395,347
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		10,195,800
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.....		(421,853)
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.....		(35,229,735)
Capital lease obligations.....		(105,105)
Landfill closure.....		(512,374)
Compensated absences.....		(1,804,208)
Net assets of governmental activities (page 15).....	\$	<u>98,837,828</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, 2008

Net change in fund balances - total governmental funds (page 19).....	\$	950,976
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		6,277,156
Capital contributions.....		475,800
Depreciation.....		(2,476,595)
<p>In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds the loss on the disposal of capital assets is not reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the loss on the disposal of capital assets.....</p>		
		(122,500)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(6,911,550)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>		
Bond proceeds.....		(4,852,400)
Bond maturities.....		3,388,750
Amortization of bond premiums.....		126,396
Amortization of deferred losses on refundings.....		(147,041)
Capital lease proceeds.....		(165,174)
Capital lease maturities.....		176,363
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>		
		51,412
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Landfill closure.....		17,210
Compensated absences.....		(174,064)
Changes in net assets of governmental activities (page 17).....	\$	<u>(3,385,261)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2008

		Business-Type Activities - Enterprise Fund
		<u>Kids Klub</u>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$	<u>76,428</u>
NET ASSETS		
Unrestricted.....	\$	<u><u>76,428</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Business-Type Activities - Enterprise Fund
		<u>Kids Klub</u>
OPERATING REVENUES		
Charges for services.....	\$	<u>297,270</u>
OPERATING EXPENSES		
Cost of service and administration.....		<u>257,903</u>
CHANGE IN NET ASSETS/OPERATING INCOME (LOSS).....		39,367
NET ASSETS AT BEGINNING OF YEAR.....		<u>37,061</u>
NET ASSETS AT END OF YEAR.....	\$	<u><u>76,428</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Business-Type Activities - Enterprise Fund
		<u>Kids Klub</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users.....	\$	297,270
Payments to vendors.....		<u>(257,903)</u>
NET CASH FROM OPERATING ACTIVITIES.....		39,367
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....		<u>37,061</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$	<u><u>76,428</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 6,796	\$ 410,811
LIABILITIES		
Liabilities due depositors.....	-	410,811
NET ASSETS		
Held in trust for other purposes.....	\$ 6,796	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net investment income:	
Interest.....	\$ <u>254</u>
DEDUCTIONS	
Other.....	<u>50</u>
CHANGE IN NET ASSETS.....	204
NET ASSETS AT BEGINNING OF YEAR.....	<u>6,592</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>6,796</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 2008 Assessment</u>
Cape Cod Regional Technical High School	To provide vocational educational services	351 Pleasant Lake Avenue Harwich, MA 02645	\$ 443,076

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

C. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

The following major proprietary fund is reported:

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

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

The following fiduciary fund types are reported:

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

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

E. Deposits and Investments

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 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.

G. Allowance for Uncollectible Accounts

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

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

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

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

Intergovernmental receivables are considered 100% collectible.

H. Inventories

Government-Wide and Fund Financial Statements

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

I. Restricted Assets

Government-Wide and Fund Financial Statements

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

J. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

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

Governmental Funds Financial Statements

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

K. *Interfund Receivables and Payables*

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. *Interfund Transfers*

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

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

M. *Deferred Revenue*

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

N. *Net Assets and Fund Equity***Government-Wide Financial Statements (Net Assets)**

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

Net assets have been "restricted" for the following:

"Loans" represents outstanding septic loans receivable.

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

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

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

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

Fund Financial Statements (Fund Balances)

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

Fund balances have been “reserved for” the following:

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

“Loans” represents outstanding septic loans receivable.

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

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

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2009 operating budget.

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Funds Financial Statements

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

P. Investment Income

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

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

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Funds Financial Statements

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

R. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided (on a pay-as-you-go basis) for retired employees and their survivors in accordance with MGL Chapter 32. These costs are recognized by recording the employer's 75% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2008, this expenditure totaled approximately \$760,000. There were approximately 90 participants eligible to receive benefits at June 30, 2008.

S. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

T. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2008 approved budget for the general fund authorized \$47,837,390 in appropriations. During fiscal year 2008, supplemental appropriations totaling \$563,136 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, 2008, the following fund deficit exists:

Fund	Amount	Funding Source
Fire station capital projects fund.....	\$ 12,986	Available funds

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, 2008, \$10,204,002 of the Town’s bank balance of \$16,662,459 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2008 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.....	\$ 3,826,494	\$ 602,319	\$ 2,644,980	\$ 579,195
U.S. Agencies.....	4,547,803	455,721	2,419,672	1,672,410
Money market mutual funds.....	690,923	690,923	-	-
External investment pools.....	2,563,010	2,563,010	-	-
Total debt securities/investments.....	\$ <u>11,628,230</u>	\$ <u>4,311,973</u>	\$ <u>5,064,652</u>	\$ <u>2,251,605</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, 2008, 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, 2008, the Town's debt securities were unrated by a national credit rating organization.

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2008, 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.....	\$ 973,840	\$ (223,768)	\$ 750,072
Real estate tax deferrals.....	11,483	-	11,483
Tax liens.....	666,960	-	666,960
Motor vehicle and other excise taxes.....	538,752	(241,937)	296,815
Community preservation surcharges.....	36,473	-	36,473
Special assessments.....	881,592	-	881,592
Departmental and other.....	1,346,387	(1,120,589)	225,798
Intergovernmental.....	7,107,250	-	7,107,250
Loans.....	302,351	-	302,351
Total.....	<u>\$ 11,865,088</u>	<u>\$ (1,586,294)</u>	<u>\$ 10,278,794</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.....	\$ 591,108	\$ -	\$ 591,108
Real estate tax deferrals.....	11,483	-	11,483
Tax and utility liens.....	658,528	8,432 (b)	666,960
Motor vehicle and other excise taxes.....	296,815	-	296,815
Community preservation surcharges.....	-	36,473 (a)	36,473
Special assessments.....	-	881,592 (b)	881,592
Departmental and other.....	-	225,798 (b)	225,798
Intergovernmental (state school construction).....	6,660,006	-	6,660,006
Intergovernmental (other state and federal).....	141,407	-	141,407
Tax foreclosures.....	684,158	-	684,158
Total.....	<u>\$ 9,043,505</u>	<u>\$ 1,152,295</u>	<u>\$ 10,195,800</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 2008, \$944,439 of such assistance was received. \$8,463,789 will be received in future fiscal years. Of this amount, \$1,803,783 represents reimbursement of long-term interest costs, and \$6,660,006 represents reimbursement of approved construction costs. Accordingly, a \$6,660,006 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, 2008, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 54,394,424	\$ 3,122,600	\$ -	\$ 57,517,024
Construction in progress.....	496,797	2,472,904	(238,367)	2,731,334
Total capital assets not being depreciated.....	<u>54,891,221</u>	<u>5,595,504</u>	<u>(238,367)</u>	<u>60,248,358</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	62,158,426	188,653	-	62,347,079
Machinery, vehicles and equipment.....	5,859,141	506,145	(245,000)	6,120,286
Infrastructure.....	8,035,468	701,021	-	8,736,489
Total capital assets being depreciated.....	<u>76,053,035</u>	<u>1,395,819</u>	<u>(245,000)</u>	<u>77,203,854</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(22,608,292)	(1,569,141)	-	(24,177,433)
Machinery, vehicles and equipment.....	(4,402,246)	(509,053)	122,500	(4,788,799)
Infrastructure.....	(3,692,232)	(398,401)	-	(4,090,633)
Total accumulated depreciation.....	<u>(30,702,770)</u>	<u>(2,476,595)</u>	<u>122,500</u>	<u>(33,056,865)</u>
Total capital assets being depreciated, net.....	<u>45,350,265</u>	<u>(1,080,776)</u>	<u>(122,500)</u>	<u>44,146,989</u>
Total governmental activities capital assets, net.....	<u>\$ 100,241,486</u>	<u>\$ 4,514,728</u>	<u>\$ (360,867)</u>	<u>\$ 104,395,347</u>

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

Governmental Activities:

General government.....	\$ 84,899
Public safety.....	433,970
Education.....	1,281,155
Public works.....	554,217
Health and human services.....	56,160
Culture and recreation.....	66,194

Total depreciation expense - governmental activities..... \$ 2,476,595

NOTE 6 - CAPITAL LEASES

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

The following schedule presents future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2009.....	\$ 111,810
Less: amounts representing interest.....	<u>(6,705)</u>
Present value of minimum lease payments.....	<u>\$ 105,105</u>

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

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 253,918
Less: accumulated amortization.....	<u>(79,713)</u>
Total.....	<u>\$ 174,205</u>

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

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 60,000	\$ 60,000 (1)
Community Preservation.....	1,103,130	-	1,103,130 (2)
Nonmajor Governmental Funds.....	<u>912,059</u>	<u>-</u>	<u>912,059 (3)</u>
	<u>\$ 2,015,189</u>	<u>\$ 60,000</u>	<u>\$ 2,075,189</u>

- (1) Represents budgeted transfer to the unemployment special revenue fund (\$60,000)
- (2) Represents budgeted transfer to fund debt service principal and interest
- (3) Represents budgeted transfers to the general fund from ambulance receipts (\$630,000), street betterments (\$209,707), hotel/motel receipts (\$30,000), cemetery receipts (\$20,000), shellfish receipts (\$10,000) and conservation (\$11,583) special revenue funds. Also represents transfers to close out various grant special revenue funds (\$769).

NOTE 8 - SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2008, are as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
BAN	Fire sub-station.....	5/15/07	5/15/08	3.78%	\$ 100,000	\$ -	\$ (100,000)	\$ -
BAN	Road project.....	9/4/07	9/4/08	3.84%	-	486,670	(486,600)	70
BAN	Fire sub-station.....	2/12/08	9/4/08	2.60%	-	2,014,000	(2,014,000)	-
BAN	Library construction.....	2/12/08	9/4/08	2.60%	-	500,000	-	500,000
BAN	Land acquisition.....	2/12/08	9/4/08	2.60%	-	10,000	(10,000)	-
BAN	Fire sub-station.....	5/15/08	9/4/08	2.19%	-	100,000	(100,000)	-
BAN	Land acquisition.....	5/15/08	9/4/08	2.19%	-	95,000	(95,000)	-
BAN	Land acquisition.....	6/27/08	9/4/08	2.60%	-	2,146,800	(2,146,800)	-
Total.....					\$ 100,000	\$ 5,352,470	\$ (4,952,400)	\$ 500,070

Subsequent Event

On September 4, 2008, the Town used available funds to retire the road project BAN in the amount of \$70 and renewed the BAN for library construction in the amount of \$500,000 at an interest rate of 2.30% that matures on September 4, 2009.

NOTE 9 - LONG-TERM OBLIGATIONS

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

During fiscal year 2004, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$2,459,000 of bonds outstanding from this advance refunding is considered defeased.

Details related to the outstanding indebtedness at June 30, 2008, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Interest Rate	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Town Hall Renovation.....	5.20%	\$ 100,000	\$ -	\$ (100,000)	\$ -
Various Roads.....	5.00%	140,000	-	(35,000)	105,000
Fire Station.....	5.00%	675,000	-	(170,000)	505,000
Land Acquisition.....	5.00%	1,255,000	-	(315,000)	940,000
Mashpee High School.....	5.30%	1,430,000	-	(1,430,000)	-
Landfill Capping (MWPAT).....	4.90%	582,000	-	(43,500)	538,500
Landfill Capping (MWPAT).....	5.30%	63,141	-	(4,269)	58,872
Septic Repair (MWPAT).....	5.00%	145,402	-	(10,400)	135,002
Sewer Facilities (MWPAT).....	4.90%	22,129	-	(1,283)	20,846
Septic Repair (MWPAT).....	0.00%	161,500	-	(8,500)	153,000
Land Acquisition.....	3.90%	3,185,000	-	(220,000)	2,965,000
Public Way.....	3.90%	40,000	-	(10,000)	30,000
Fire Equipment.....	3.90%	450,000	-	(50,000)	400,000
Refunding Bonds (Series A).....	3.60%	16,000,000	-	(20,000)	15,980,000
Refunding Bonds (Series B).....	2.60%	120,000	-	(120,000)	-
Septic System Repairs (MWPAT).....	2.60%	200,000	-	(200,000)	-
Septic Replacement (MWPAT).....	0.00%	357,541	-	(25,539)	332,002
Municipal Purpose.....	4.50%	8,810,000	-	(615,000)	8,195,000
Septic Replacement (MWPAT).....	0.00%	184,207	-	(10,259)	173,948
Municipal Purpose.....	3.25-5.00	-	4,852,400	-	4,852,400
Sub-total.....		33,920,920	4,852,400	(3,388,750)	35,384,570
Unamortized premium.....		1,074,364	-	(126,396)	947,968
Deferred loss on refundings.....		(1,249,844)	-	147,041	(1,102,803)
Total governmental funds, net.....		\$ 33,745,440	\$ 4,852,400	\$ (3,368,105)	\$ 35,229,735

The Town issued \$4,865,000 of general obligation bonds on August 15, 2008. Of this amount, \$4,852,400 was used to retire BANs outstanding at June 30, 2008 for road projects, a fire station and land acquisitions. Accordingly, \$4,852,400 is recorded as a long-term debt obligation at June 30, 2008.

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 2008, the Town's subsidy totaled approximately \$63,000. Future subsidies total approximately \$494,000. The amount of MWPAT bonds outstanding at June 30, 2008, totaled \$1,412,170.

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>
2009.....	\$ 3,099,994	\$ 1,276,755	\$ 4,376,749
2010.....	3,394,848	1,237,282	4,632,130
2011.....	3,331,998	1,084,016	4,416,014
2012.....	3,318,525	964,296	4,282,821
2013.....	3,170,825	811,661	3,982,486
2014.....	3,175,425	676,472	3,851,897
2015.....	3,147,781	529,024	3,676,805
2016.....	2,988,819	393,882	3,382,701
2017.....	2,440,418	313,310	2,753,728
2018.....	1,027,018	268,537	1,295,555
2019.....	1,018,218	225,332	1,243,550
2020.....	901,518	186,219	1,087,737
2021.....	891,323	150,500	1,041,823
2022.....	833,796	120,931	954,727
2023.....	638,796	95,569	734,365
2024.....	628,384	70,407	698,791
2025.....	543,384	46,863	590,247
2026.....	498,500	25,438	523,938
2027.....	225,000	10,013	235,013
2028.....	110,000	2,475	112,475
Total.....	\$ <u>35,384,570</u>	\$ <u>8,488,982</u>	\$ <u>43,873,552</u>

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, 2008, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Library construction.....	\$ 5,500,000
St. Vincent's land acquisition.....	2,146,800 *
Fire station.....	2,114,000 *
Sewer facilities plan.....	390,831
Greenwood Drive.....	345,000 *
Mashpee River dredge.....	275,000
Cayuga Avenue.....	200,000 *
Greenwood Drive.....	90,125
Cayuga Avenue.....	84,618
Wintergreen Drive.....	36,600 *
Wintergreen Drive.....	10,354
Regatta Drive.....	10,000 *
Regatta Drive.....	607
Total.....	\$ <u>11,203,935</u>

* Debt issued on August 15, 2008

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion
Bonds and notes payable, gross.....	\$ 33,920,920	\$ 4,852,400	\$ (3,388,750)	\$ 35,384,570	\$ 3,099,994
Unamortized premium.....	1,074,364	-	(126,396)	947,968	126,396
Deferred loss on refundings.....	(1,249,844)	-	147,041	(1,102,803)	(147,041)
Bonds and notes payable, net.....	33,745,440	4,852,400	(3,368,105)	35,229,735	3,079,349
Capital lease obligation.....	116,294	165,174	(176,363)	105,105	105,105
Landfill closure.....	529,584	-	(17,210)	512,374	25,000
Compensated absences.....	1,630,144	174,064	-	1,804,208	180,421
Total.....	\$ 36,021,462	\$ 5,191,638	\$ (3,561,678)	\$ 37,651,422	\$ 3,389,875

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

NOTE 10 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1998 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$512,374 as the estimate of the landfill post-closure care liability at June 30, 2008. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 11 - RISK FINANCING

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

Health Insurance

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

Workers' Compensation

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

NOTE 12 - PENSION PLAN

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

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

Funding Policy - Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the Association at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Association its share of the association-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the Association for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,654,147, \$1,463,913 and \$1,363,382, respectively, which equaled its required contribution for each fiscal year.

NOTE 13 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses aid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$1,249,000 for the fiscal year ended June 30, 2008, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 14 - COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$11,000,000 for projects relating to library construction, land acquisition, a fire station, regional septage and sewer improvements and infrastructure. These projects will be funded through the issuance of long-term debt.

NOTE 15 - 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, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2008.

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, 2008, 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 16 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

The Town implemented the following GASB pronouncements during fiscal year 2008:

- Statement #48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The implementation of this Statement had no impact on the financial statements.
- Statement #50, *Pension Disclosures*. This Statement enhances pension disclosures in the notes to financial statements (see page 45) and required supplementary information (see pages 50-51) by state and local government employers that provide pension benefits.

NOTE 17 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2009. The Town is currently evaluating the effect that this Statement will have on the basic financial statements.
- Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is required to be implemented during fiscal year 2009. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, which is required to be implemented during fiscal year 2009. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 33,056,413	\$ -	\$ 33,056,413
Motor vehicle and other excise taxes.....	-	1,421,800	-	1,421,800
Tax liens.....	-	-	-	-
Charges for services.....	-	175,000	-	175,000
Trash disposal.....	-	450,000	-	450,000
Intergovernmental.....	-	7,097,884	-	7,097,884
Penalties and interest on taxes.....	-	150,000	-	150,000
Licenses, permits and fees.....	-	380,000	-	380,000
Fines and forfeitures.....	-	44,400	-	44,400
Investment income.....	-	500,000	-	500,000
TOTAL REVENUES.....	-	43,275,497	-	43,275,497
EXPENDITURES				
Current:				
General government.....	862,220	2,844,560	39,881	3,746,661
Public safety.....	192,359	7,475,362	51,865	7,719,586
Education.....	-	20,668,729	279,000	20,947,729
Public works.....	122,419	2,892,892	129,369	3,144,680
Health and human services.....	1,432	557,445	46,126	605,003
Culture and recreation.....	2,385	605,027	13,669	621,081
Pension benefits.....	-	1,654,030	117	1,654,147
Employee benefits.....	-	4,991,396	-	4,991,396
Property and liability insurance.....	3,600	585,446	3,109	592,155
State and county charges.....	-	827,653	-	827,653
Debt service:				
Principal.....	-	3,175,930	-	3,175,930
Interest.....	-	1,498,920	-	1,498,920
TOTAL EXPENDITURES.....	1,184,415	47,777,390	563,136	49,524,941
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,184,415)	(4,501,893)	(563,136)	(6,249,444)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	2,014,420	-	2,014,420
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(60,000)	-	(60,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	1,954,420	-	1,954,420
NET CHANGE IN FUND BALANCE.....	(1,184,415)	(2,547,473)	(563,136)	(4,295,024)
FUND BALANCE AT BEGINNING OF YEAR.....	7,321,443	7,321,443	7,321,443	7,321,443
FUND BALANCE AT END OF YEAR.....	\$ 6,137,028	\$ 4,773,970	\$ 6,758,307	\$ 3,026,419

See notes to required supplementary information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	32,911,071	\$ -	\$ 32,911,071	\$ (145,342)
	1,934,641	-	1,934,641	512,841
	59,733	-	59,733	59,733
	287,834	-	287,834	112,834
	583,164	-	583,164	133,164
	7,407,379	-	7,407,379	309,495
	235,552	-	235,552	85,552
	635,361	-	635,361	255,361
	48,212	-	48,212	3,812
	487,299	-	487,299	(12,701)
	<u>44,590,246</u>	<u>-</u>	<u>44,590,246</u>	<u>1,314,749</u>
	2,708,909	888,265	3,597,174	149,487
	7,409,856	110,592	7,520,448	199,138
	20,921,524	-	20,921,524	26,205
	2,747,288	203,339	2,950,627	194,053
	585,545	6,783	592,328	12,675
	613,905	3,673	617,578	3,503
	1,654,147	-	1,654,147	-
	4,565,932	5,000	4,570,932	420,464
	497,271	-	497,271	94,884
	807,481	-	807,481	20,172
	3,175,930	-	3,175,930	-
	1,455,134	-	1,455,134	43,786
	<u>47,142,922</u>	<u>1,217,652</u>	<u>48,360,574</u>	<u>1,164,367</u>
	<u>(2,552,676)</u>	<u>(1,217,652)</u>	<u>(3,770,328)</u>	<u>2,479,116</u>
	2,015,189	-	2,015,189	769
	8,016	-	8,016	8,016
	(60,000)	-	(60,000)	-
	<u>1,963,205</u>	<u>-</u>	<u>1,963,205</u>	<u>8,785</u>
	(589,471)	(1,217,652)	(1,807,123)	2,487,901
	<u>7,321,443</u>	<u>7,321,443</u>	<u>7,321,443</u>	<u>-</u>
\$	<u>6,731,972</u>	<u>\$ 6,103,791</u>	<u>\$ 5,514,320</u>	<u>\$ 2,487,901</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)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability (AAL) Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
01/01/07	\$ 517,396,087	\$ 825,863,068	\$ 308,466,981	62.6%	\$ 226,391,633	136.3%
01/01/06	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%
01/01/04	378,317,300	647,655,411	269,338,111	58.4%	190,614,004	141.3%
01/01/02	362,911,896	553,531,966	190,620,070	65.6%	173,610,557	109.8%
01/01/00	300,396,700	462,462,500	162,065,800	65.0%	152,293,100	106.4%
01/01/98	235,247,660	404,215,695	168,968,035	58.2%	121,161,677	139.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (ASSOCIATION)

<u>Year Ended December 31</u>	<u>Annually Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed (%)</u>
2002	\$ 21,212,200	100
2003	23,987,345	100
2004	27,650,113	100
2005	30,224,666	100
2006	32,038,146	100
2007	34,360,912	100

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

TOWN SHARE OF ASSOCIATION ARC

<u>Fiscal Year Ended June 30</u>	<u>ARC</u>	<u>Percentage of ARC Contributed (%)</u>	<u>Town ARC as a Percentage of Association ARC</u>
2003	\$ 954,451	100	4.5%
2004	1,083,527	100	4.5%
2005	1,332,021	100	4.8%
2006	1,363,382	100	4.5%
2007	1,463,913	100	4.6%
2008	1,654,147	100	4.8%

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, 2008, 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.....	\$ 44,590,246	\$ 48,360,574
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	(69,356)	-
Net change in recording tax refunds payable.....	101,502	-
To record activity for MWPAT subsidies.....	63,039	63,039
To record activity for MTRS on-behalf payments.....	1,249,315	1,249,315
Net change in recording short-term interest accrual.....	-	40,872
To record encumbrances and continuing appropriations.....	-	(1,217,652)
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 45,934,746</u>	<u>\$ 48,496,148</u>

NOTE B - PENSION PLAN

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

Valuation date:	January 1, 2007
Actuarial cost method:	Entry age normal cost
Amortization method:	Increasing payments 4.50% per year
Remaining amortization period:	1 year from July 1, 2007 for 1992 Early Retirements Incentive (ERI), 21 years from July 1, 2007 for 2002 and 2003 ERIs and remaining unfunded liability
Asset valuation method:	5-year smoothing of investment returns greater (less) than expected
<u>Actuarial assumptions:</u>	
Investment rate of return:	8.25%
Projected salary increases:	5.00%
Cost of living adjustments:	3.00% of first \$12,000 of retirement income

TOWN OF MASHPEE, MASSACHUSETTS
REPORTS ON FEDERAL AWARD PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TOWN OF MASHPEE, MASSACHUSETTS
REPORTS ON FEDERAL AWARD PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Certified Public Accountants

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Board of Selectmen
Town of Mashpee, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mashpee, Massachusetts, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Town of Mashpee, Massachusetts' basic financial statements and have issued our report thereon dated March 25, 2009. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Mashpee, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Mashpee, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the Town of Mashpee, Massachusetts' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Mashpee, Massachusetts' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Mashpee, Massachusetts, in a separate letter dated March 25, 2009.

This report is intended solely for the information and use of the Audit Committee, Board of Selectmen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Julie, [unclear] & Company, LLC". The signature is written in a cursive, somewhat stylized font.

March 25, 2009



Certified Public Accountants

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Board of Selectmen
Town of Mashpee, Massachusetts

Compliance

We have audited the compliance of the Town of Mashpee, Massachusetts with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The Town of Mashpee, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Mashpee, Massachusetts' management. Our responsibility is to express an opinion on the Town of Mashpee, Massachusetts' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Mashpee, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Mashpee, Massachusetts' compliance with those requirements.

In our opinion, the Town of Mashpee, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control Over Compliance

The management of the Town of Mashpee, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Mashpee, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Mashpee, Massachusetts' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mashpee, Massachusetts, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Town of Mashpee, Massachusetts' basic financial statements and have issued our report thereon dated March 25, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Mashpee, Massachusetts' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town of Mashpee, Massachusetts' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Mashpee, Massachusetts' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Audit Committee, Board of Selectmen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 25, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<u>Passed through State Department of Elementary & Secondary Education:</u>			
Food Distribution Program	10.550	01-172	\$ 33,490
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	01-172	13,133
National School Lunch Program	10.555	01-172	<u>99,967</u>
Total U.S. Department of Agriculture			<u>146,590</u>
U.S. Department of the Air Force			
<u>Direct Program:</u>			
Wetlands Feasibility Study Grant	12.unk	Not Applicable	<u>18,205</u>
U.S. Department of the Interior			
<u>Passed through the Massachusetts Division of Marine Fisheries:</u>			
Clean Vessel Act	15.616	CT FWE 042707-3622	<u>945</u>
U.S. Department of Justice			
<u>Passed through the State Executive Office of Public Safety:</u>			
Violence Against Women Formula Grants (fiscal year 2007)	16.588	SCEPS3001VW06MASHPEE	8,811
Violence Against Women Formula Grants (fiscal year 2008)	16.588	SCEPS3001VAWA08MASHIP	<u>6,130</u>
Total U.S. Department of Justice			<u>14,941</u>
U.S. Department of Education			
<u>Direct Program:</u>			
Title IV 92-138 Indian Education (fiscal year 2007)	84.006	Not Applicable	3,921
Title IV 92-138 Indian Education (fiscal year 2008)	84.006	Not Applicable	40,350
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title One Distribution (fiscal year 2007)	84.010	305-163-7-0172-H	20,639
Title One Distribution (fiscal year 2008)	84.010	305-077-8-0172-I	165,789
<i>Special Education Cluster:</i>			
SPED 94-142 Allocation (fiscal year 2007)	84.027	240-204-7-0172-H	122,723
SPED 94-142 Allocation (fiscal year 2008)	84.027	240-284-8-0172-I	284,519
SPED Program Improvement (fiscal year 2007)	84.027	274-154-7-0172-H	5,495
SPED Program Improvement (fiscal year 2008)	84.027	274-248-8-0172-1	9,024
Special Assistance and Mentoring (fiscal year 2008)	84.027	256-043-8-0172-I	2,250
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster:</i>			
SPED Early Childhood Allocation (fiscal year 2008)	84.173	26208 MASHPEE PUBLIC SC	18,669
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Safe and Drug-Free Schools (fiscal year 2008)	84.186	331-201-8-0172-I	2,032
Teacher Quality (fiscal year 2007)	84.367	140-222-7-0172-H	90
Teacher Quality (fiscal year 2008)	84.367	140-245-8-0172-I	<u>63,841</u>
Total U.S. Department of Education			<u>739,342</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
<u>Passed through the State Executive Office of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1951696	<u>360,605</u>
U.S. Department of Homeland Security			
<u>Passed through the Massachusetts Emergency Management Agency:</u>			
Public Assistance Grants	97.036	CDA 8FEMA1701APRIL NOR07	<u>9,867</u>
Total			<u>\$ 1,290,495</u>

See notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Mashpee, Massachusetts and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - U.S. Department of Agriculture Programs

The amount reported for the Food Distribution Program represents non-monetary assistance and is reported in the schedule at the fair market value of the commodities received. The amounts reported for the School Breakfast Program and National School Lunch Program represent cash receipts from federal reimbursements.

Note 3 - U.S. Department of Health and Human Services Programs

The amount reported for the School-Based Medicaid Reimbursement Program represents federal cash receipts.

Note 4 - U.S. Department of Homeland Security

The amount reported for the Public Assistance Grants represents federal cash receipts.

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Mashpee, Massachusetts.
2. There were no significant deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Town of Mashpee, Massachusetts, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Town of Mashpee, Massachusetts expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule on page 9.
7. The programs tested as major programs were:

<u>Program Description</u>	<u>CFDA Number</u>
<i>Special Education Cluster:</i>	
SPED 94-142 Allocation	84.027
SPED Program Improvement	84.027
Special Assistance and Mentoring	84.027
SPED Early Childhood Allocation	84.173
School-Based Medicaid Reimbursement Program	93.778

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Town of Mashpee, Massachusetts did not qualify as a low-risk auditee.

B. Findings - Financial Statement Audit

None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit**DEPARTMENT OF HEALTH AND HUMAN SERVICES***Finding*

08-1 School-Based Medicaid Reimbursement Program – CFDA No. 93.778; Fiscal year ended June 30, 2008

Condition and Criteria: Two (2) of the thirty (7%) student files tested did not have documentation supporting the health-related services provided. As part of the Municipal Medicaid Agreement with the Commonwealth of Massachusetts Division of Medical Services, the Town of Mashpee is required to document all Special Education health-related services provided to the students who are included in the Direct Service claims submitted for reimbursement.

Cause: Policies and procedures are not in place to ensure that appropriate documentation for the Special Education health-related services provided are maintained in each of the student files.

Effect: Program management is not in compliance with the documentation of services requirement stated in the Municipal Medicaid Agreement.

Questioned Costs: There are no questioned costs related to this finding.

Auditors' Recommendation: Procedures must be implemented to ensure that documentation is completed and maintained in the student files for all Special Education health-related services provided that are included for reimbursement in the Direct Service claims. The documentation must be prepared at least monthly and must include the (1) school district name, (2) provider number used when billing the Medicaid program, (3) service evaluation period, (4) student's name, (5) student's date of birth, (6) student's Medicaid recipient identification number (RID), (7) date of the service, (8) description of the service provided, (9) amount of service time provided, (10) indication of whether the service was provided on a group or individual basis, and (11) signature of the medical professional authorizing the services.

Grantee Response: Within the overall policies and procedures manual that the school department is creating, a section of the manual will be dedicated specifically to the SPED Medicaid Reimbursement program. This section will include the proper documentation that must be kept along with the information that must be included on that documentation. The SPED Director will be required to ensure the proper documentation is prepared on a monthly basis.

D. Summary of Prior Audit Findings**DEPARTMENT OF EDUCATION***Significant Deficiencies Considered to be Material Weaknesses*

07-1 Title One Distribution – CFDA No. 84.010; Fiscal year ended June 30, 2007

Condition: Prior to filing an amendment with the Department of Education (DOE), program management overspent the original approved budget for the Support Staff expenditures by 34%. As a result, the DOE withheld one of the Town's grant reimbursements, because the DOE requires budget amendments and prior approvals for all line item over-expenditures in excess of 10%.

Current Status: This finding has been resolved.

07-2 Title One Distribution – CFDA No. 84.010; Fiscal year ended June 30, 2007

Condition: The Final Financial Report (Form FR-1) submitted to the DOE for fiscal year 2007 did not include correct data. The "approved amended budget" amounts reported in the Form FR-1 did not agree to the approved amended grant budget with the DOE. Additionally, the "funds expended" amounts reported in the Form FR-1 for contracted services and supplies did not reconcile to the Town's accounting ledgers. As a result of these discrepancies, the "unexpended balance" amount reported in the FR-1 was also incorrect.

Current Status: This finding has been resolved.

Finding

07-3 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2007

Condition: Program management did not file the fiscal year 2007 Form FR-1 by the deadline date of October 31, 2007.

Current Status: Program management filed the fiscal year 2008 Form FR-1 by the deadline date of October 31, 2008.



CORRECTIVE ACTION PLAN

April 1, 2009

Cognizant or Oversight Agency for Audit: U.S. Department of Education

Town of Mashpee, Massachusetts respectfully submits the following corrective action plan for the fiscal year ended June 30, 2008.

Name and address of independent public accounting firm: Sullivan, Rogers & Company, LLC
Corporate Place I, Suite 204, 99 South Bedford Street, Burlington, MA 01803

Audit period: July 1, 2007 - June 30, 2008

The finding from the March 25, 2009 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding

08-1 School-Based Medicaid Reimbursement Program - CFDA No. 93.778; Fiscal year ended June 30, 2008

Auditors' Recommendation : Procedures must be implemented to ensure that documentation is completed and maintained in the student files for all Special Education health-related services provided that are included for reimbursement in the Direct Service claims. The documentation must be prepared at least monthly and must include the (1) school district name, (2) provider number used when billing the Medicaid program, (3) service evaluation period, (4) student's name, (5) student's date of birth, (6) student's Medicaid recipient identification number (RID), (7) date of the service, (8) description of the service provided, (9) amount of service time provided, (10) indication of whether the service was provided on a group or individual basis, and (11) signature of the medical professional authorizing the services.

Action Taken: Within the overall policies and procedures manual that the school department is creating, a section of the manual will be dedicated specifically to the SPED Medicaid Reimbursement program. This section will include the proper documentation that must be kept

along with the information that must be included on that documentation. The SPED Director will be required to ensure the proper documentation is prepared on a monthly basis.

If the U.S. Department of Education has questions regarding this plan, please call me at (508) 539-1400.

Sincerely yours,

A handwritten signature in cursive script that reads "Dawn Thayer". The signature is written in black ink and is positioned above the printed name and title.

Dawn Thayer
Town Accountant
Town of Mashpee, Massachusetts