

***TOWN OF CHILMARK, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***FISCAL YEAR ENDED JUNE 30, 2008***

TOWN OF CHILMARK, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

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100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Chilmark, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chilmark, 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 Chilmark, 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 *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, each major fund, and the aggregate remaining fund information of the Town of Chilmark, Massachusetts, as of June 30, 2008, and the respective changes in financial position, 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 August 29, 2008, on our consideration of the Town of Chilmark, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

August 29, 2008

***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Chilmark, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

### **Financial Highlights**

- The assets of the Town of Chilmark exceeded its liabilities at the close of the most recent fiscal year by \$14.7 million (net assets).
- Of this amount, 19% or \$2.8 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$995,000, an increase of \$78,000 in comparison with the prior year. Total fund balance represents 14.6% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) decreased by \$505,000 during the current fiscal year.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to the Town of Chilmark's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all 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 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 and accrued interest).

The governmental activities include general government, public safety, education, public works, human services, culture and recreation, interest and state and county charges.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of 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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

**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 statement because the resources of those funds are *not* available to support the Town's own programs. Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

**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.

### ***Government-wide Financial Analysis***

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Chilmark's assets exceeded liabilities by \$14.7 million at the close of Fiscal 2008. Key components net assets are shown on the following schedule.

	Fiscal 2008	Fiscal 2007
<b>Assets:</b>		
Current assets..... \$	4,107,449 \$	4,086,781
Capital assets.....	<u>15,641,024</u>	<u>15,145,155</u>
<b>Total assets.....</b>	<b><u>19,748,473</u></b>	<b><u>19,231,936</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	330,248	267,429
Current debt.....	505,000	505,000
Noncurrent debt.....	<u>4,210,000</u>	<u>4,715,000</u>
<b>Total liabilities.....</b>	<b><u>5,045,248</u></b>	<b><u>5,487,429</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	10,926,024	10,835,586
Restricted.....	963,876	1,155,729
Unrestricted.....	<u>2,828,539</u>	<u>1,753,192</u>
<b>Total net assets..... \$</b>	<b><u>14,718,439</u> \$</b>	<b><u>13,744,507</u></b>

Net assets of \$10.9 million (74%) reflects its investment in capital assets (e.g., land, buildings, vehicles), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets 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 its 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 governmental net assets, \$964,000 (6.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2.8 million (19.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Chilmark is able to report positive balances in all three categories of net assets.

	Fiscal 2008	Fiscal 2007
<b>Program revenues:</b>		
Charges for services..... \$	1,160,922	\$ 1,075,016
Operating grants and contributions.....	421,901	420,804
Capital grants and contributions.....	153,197	199,759
<b>General Revenues:</b>		
Real estate and personal property taxes..	5,703,567	5,408,890
Tax liens.....	8,913	3,980
Motor vehicle and other excise taxes.....	175,379	221,117
Community preservation tax surcharges..	157,312	149,209
Nonrestricted grants.....	827	829
Unrestricted investment income.....	120,437	141,604
Other revenues.....	110,848	159,871
<b>Total revenues.....</b>	<b>8,013,303</b>	<b>7,781,079</b>
<b>Expenses:</b>		
General Government.....	1,706,108	1,710,665
Public Safety.....	1,857,314	1,765,325
Education.....	1,908,196	1,840,425
Public Works.....	493,913	304,187
Community Preservation.....	68,608	90,510
Human Services.....	178,044	201,532
Culture and Recreation.....	617,618	528,454
Interest.....	209,570	229,992
<b>Total expenses.....</b>	<b>7,039,371</b>	<b>6,671,090</b>
<b>Change in net assets..... \$</b>	<b>973,932</b>	<b>\$ 1,109,989</b>

The governmental expenses totaled \$7.0 million of which \$1.7 million (24%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$6.3 million, primarily coming from property taxes, motor vehicle excise taxes and community preservation tax surcharges.

The governmental net assets increased by \$978,000 during the current fiscal year. This was primarily due to better than expected revenue collections and principal payments on long-term debt and capital additions exceeding depreciation expense.

### ***Financial Analysis of the Government's Funds***

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3.7 million of which \$995,000 is for the general fund, \$739,000 is for the community preservation fund, \$794,000 is for the stabilization fund and \$1.1 million is for nonmajor governmental funds. Cumulatively there was an decrease of \$54,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$648,000, while total fund balance was \$995,000. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 9.5% of the total general fund expenditures, while total fund balance represents 14.6% of that same amount. Fund balance reserved for encumbrances and continuing appropriations totaled \$347,000.

The Town's general fund increased by \$78,000 in Fiscal 2008 which was better than projected due to favorable revenue collections of real estate and personal property, motor vehicle excise, fees and rentals, departmental income and investment income; and actual expenditures coming in less than budgeted. Slightly offsetting these was the transfer of \$80,000 to the stabilization fund, \$5,000 to the community center joint maintenance account and \$4,300 to the waterways improvement fund.

The highway projects fund is used to account for the Town's ongoing major highway construction projects funded by state grants.

The community preservation fund is used to account for the Town's resources for the acquisition, creation, preservation and support of open space, historic resources, and community housing. The fund decreased by \$187,000 and has a fund balance position of \$739,000 at year end.

The stabilization fund is used to account for the Town's resources to be used for general and/or capital purposes. The fund increased by \$108,000 due to a budgeted transfer from the general fund of \$80,000 and investment income of \$28,000. The fund has a balance of \$794,000 at year end.

### ***General Fund Budgetary Highlights***

The \$375,000 (5%) increase between the original budget and the final amended budget was primarily due to increases in the public works, public safety and general government line-items along with an increase in transfer out to stabilization, capital projects and other trusts.

### ***Capital Asset and Debt Administration***

**Capital Assets.** In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town's investment in capital assets as of June 30, 2008, amounts to \$15.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, vehicles and infrastructure.

Major capital asset events during the current fiscal year were the purchase of land using CPA money (\$276,000), continuing expenditures towards the purchase of a new fire engine (\$237,000) and the North Road paving project (\$191,000).

**Debt Administration.** The Town issued no debt in fiscal 2008.

Outstanding long-term debt of the general government, as of June 30, 2008, totaled \$4.7 million, of which \$2.1 million is related to school construction projects, \$1.2 million is related to the Town Hall renovations and addition project, \$675,000 is related to the landfill closure, \$350,000 is related to the Filled Dock project and \$330,000 is for land acquisitions.

Please refer to Notes 4, 7, and 8 of the financial statements for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Chilmark's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, P.O. Box 119, Chilmark, MA 02525.

# ***Basic Financial Statements***

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**STATEMENT OF NET ASSETS**

JUNE 30, 2008

		<u><b>Primary Government</b></u>
		<u>Governmental Activities</u>
<b>ASSETS</b>		
CURRENT:		
Cash and short-term investments.....	\$	3,936,897
Receivables, net of allowance for uncollectibles:		
Real estate and personal property taxes.....		87,996
Tax liens.....		34,922
Motor vehicle and other excise taxes.....		13,290
Intergovernmental.....		34,344
Tax foreclosures.....		15,214
NONCURRENT:		
Capital assets, nondepreciable.....		8,031,224
Capital assets, net of accumulated depreciation.....		<u>7,609,800</u>
<b>TOTAL ASSETS.....</b>		<u><b>19,763,687</b></u>
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....		163,326
Accrued payroll.....		74,047
Accrued interest.....		44,556
Other liabilities.....		48,319
Bonds and notes payable.....		505,000
NONCURRENT:		
Bonds and notes payable.....		<u>4,210,000</u>
<b>TOTAL LIABILITIES.....</b>		<u><b>5,045,248</b></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....		10,926,024
Restricted for:		
Permanent funds:		
Expendable.....		17,045
Nonexpendable.....		59,658
Other purposes.....		887,173
Unrestricted.....		<u>2,828,539</u>
<b>TOTAL NET ASSETS.....</b>	<b>\$</b>	<u><u><b>14,718,439</b></u></u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

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	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 1,706,108	\$ 67,186	\$ 41,613	\$ -	\$ (1,597,309)
Public safety.....	1,857,314	835,491	11,850	-	(1,009,973)
Education.....	1,908,196	-	201,471	-	(1,706,725)
Public works.....	493,913	39,285	31,117	3,987	(419,524)
Community preservation.....	68,608	-	-	149,210	80,602
Human services.....	178,044	9,175	10,900	-	(157,969)
Culture and recreation.....	617,618	209,785	24,937	-	(382,896)
Interest.....	209,570	-	100,013	-	(109,557)
Total Governmental Activities...	\$ <u>7,039,371</u>	\$ <u>1,160,922</u>	\$ <u>421,901</u>	\$ <u>153,197</u>	\$ <u>(5,303,351)</u>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2008

	<u><b>Primary Government</b></u>
	<u>Governmental Activities</u>
<b>Changes in net assets:</b>	
Net (expense) revenue from previous page.....	\$ <u><b>(5,303,351)</b></u>
<i>General revenues:</i>	
Real estate and personal property taxes, net of tax refunds payable.....	5,703,567
Tax liens.....	8,913
Motor vehicle and other excise taxes.....	175,379
Community preservation tax surcharges.....	157,312
Hotel/motel tax.....	57,304
Penalties and interest on taxes.....	23,238
Payments in lieu of taxes.....	30,306
Grants and contributions not restricted to specific programs.....	827
Unrestricted investment income.....	<u>120,437</u>
 Total general revenues.....	 <u>6,277,283</u>
 Change in net assets.....	 973,932
 <i>Net Assets:</i>	
Beginning of year.....	<u>13,744,507</u>
 End of year.....	 \$ <u><u>14,718,439</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2008

<b>ASSETS</b>	<u>General</u>	<u>Community Preservation</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments.....	\$ 1,203,224	\$ 738,943	\$ 794,060	\$ 1,200,670	\$ 3,936,897
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	87,996	-	-	-	87,996
Tax liens.....	34,491	431	-	-	34,922
Motor vehicle and other excise taxes.....	13,290	-	-	-	13,290
Intergovernmental.....	-	2,227	-	32,117	34,344
Tax foreclosures.....	15,055	159	-	-	15,214
<b>TOTAL ASSETS.....</b>	<b><u>\$ 1,354,056</u></b>	<b><u>\$ 741,760</u></b>	<b><u>\$ 794,060</u></b>	<b><u>\$ 1,232,787</u></b>	<b><u>\$ 4,122,663</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 96,915	\$ -	\$ -	\$ 66,411	\$ 163,326
Accrued payroll.....	62,681	-	-	11,366	74,047
Other liabilities.....	48,319	-	-	-	48,319
Deferred revenues.....	150,830	2,817	-	32,117	185,764
<b>TOTAL LIABILITIES.....</b>	<b><u>358,745</u></b>	<b><u>2,817</u></b>	<b><u>-</u></b>	<b><u>109,894</u></b>	<b><u>471,456</u></b>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances and continuing appropriations.....	347,419	-	-	-	347,419
Perpetual permanent funds.....	-	-	-	59,658	59,658
Unreserved:					
Undesignated, reported in:					
General fund.....	647,892	-	-	-	647,892
Special revenue funds.....	-	738,943	794,060	536,512	2,069,515
Capital projects funds.....	-	-	-	509,678	509,678
Permanent funds.....	-	-	-	17,045	17,045
<b>TOTAL FUND BALANCES.....</b>	<b><u>995,311</u></b>	<b><u>738,943</u></b>	<b><u>794,060</u></b>	<b><u>1,122,893</u></b>	<b><u>3,651,207</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 1,354,056</u></b>	<b><u>\$ 741,760</u></b>	<b><u>\$ 794,060</u></b>	<b><u>\$ 1,232,787</u></b>	<b><u>\$ 4,122,663</u></b>

See notes to basic financial statements.

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

JUNE 30, 2008

Total governmental fund balances.....	\$	3,651,207
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		15,641,024
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		185,764
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(44,556)
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.....		<u>(4,715,000)</u>
Net assets of governmental activities.....	\$	<u><u>14,718,439</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	General	Community Preservation	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 5,664,938	\$ -	\$ -	\$ -	\$ 5,664,938
Tax liens.....	2,950	-	-	-	2,950
Motor vehicle and other excise taxes.....	183,873	-	-	-	183,873
Hotel/motel tax.....	57,304	-	-	-	57,304
Charges for services.....	39,750	-	-	-	39,750
Penalties and interest on taxes.....	23,238	-	-	-	23,238
Fees and rentals.....	460,387	-	-	2,513	462,900
Payments in lieu of taxes.....	30,306	-	-	-	30,306
Licenses and permits.....	59,895	-	-	-	59,895
Fines and forfeitures.....	9,871	-	-	-	9,871
Intergovernmental - federal and state.....	37,113	149,210	-	478,441	664,764
Lease income.....	275,013	-	-	-	275,013
Departmental and other.....	57,804	-	-	155,483	213,287
Community preservation tax surcharges.....	-	157,025	-	-	157,025
Contributions.....	-	-	-	25,276	25,276
Investment income.....	44,944	34,765	28,065	12,663	120,437
<b>TOTAL REVENUES.....</b>	<b>6,947,386</b>	<b>341,000</b>	<b>28,065</b>	<b>674,376</b>	<b>7,990,827</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	947,447	-	-	67,694	1,015,141
Public safety.....	1,083,234	-	-	667,548	1,750,782
Education.....	1,816,287	-	-	-	1,816,287
Public works.....	536,345	-	-	75,510	611,855
Community preservation.....	-	-	-	397,026	397,026
Human services.....	152,836	-	-	1,790	154,626
Culture and recreation.....	473,634	-	-	15,604	489,238
Pension benefits.....	200,403	-	-	-	200,403
Property and liability insurance.....	92,149	-	-	-	92,149
Employee benefits.....	412,570	-	-	-	412,570
State and county charges.....	385,593	-	-	-	385,593
Debt service:					
Principal.....	505,000	-	-	-	505,000
Interest.....	213,679	-	-	-	213,679
<b>TOTAL EXPENDITURES.....</b>	<b>6,819,177</b>	<b>-</b>	<b>-</b>	<b>1,225,172</b>	<b>8,044,349</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>128,209</b>	<b>341,000</b>	<b>28,065</b>	<b>(550,796)</b>	<b>(53,522)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	39,312	555	80,000	529,321	649,188
Transfers out.....	(89,876)	(528,412)	-	(30,900)	(649,188)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(50,564)</b>	<b>(527,857)</b>	<b>80,000</b>	<b>498,421</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>77,645</b>	<b>(186,857)</b>	<b>108,065</b>	<b>(52,375)</b>	<b>(53,522)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>917,666</b>	<b>925,800</b>	<b>685,995</b>	<b>1,175,268</b>	<b>3,704,729</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 995,311</b>	<b>\$ 738,943</b>	<b>\$ 794,060</b>	<b>\$ 1,122,893</b>	<b>\$ 3,651,207</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds..... \$ (53,522)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	757,243	
Depreciation expense.....	<u>(261,374)</u>	
Net effect of reporting capital assets.....		495,869

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..... 22,476

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

Debt service principal payments.....		505,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in accrued interest on long-term debt.....		<u>4,109</u>
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Change in net assets of governmental activities.....		<u>\$ 973,932</u>
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See notes to basic financial statements.

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

JUNE 30, 2008

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	<u>Agency Funds</u>
<b>ASSETS</b>	
CURRENT:	
Cash and short-term investments.....	\$ <u>43,026</u>
<b>LIABILITIES</b>	
Accrued liabilities.....	5,257
Other liabilities.....	\$ <u>37,769</u>
TOTAL LIABILITIES.....	<u>43,026</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town is a municipal corporation that is governed by an elected three member Board of Selectmen and an appointed Executive Secretary.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. There are no component units that meet the requirements for inclusion in the Town's 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 four joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the Town's joint venture and related information:

Name	Purpose	Address	Fiscal 2008 Assessment
Martha's Vineyard Regional High School District	To provide educational services	RR2, Box 261 Vineyard Haven, MA 02568	\$ 441,886
Up-Island Regional School District	To provide educational services	RR2, Box 261 Vineyard Haven, MA 02568	\$ 1,374,401
Martha's Vineyard Refuse Disposal and Resource Recovery District	To control solid waste disposal	PO Box 2067 Edgartown, MA 02539	\$ 88,217
Tri-Town Ambulance	To provide ambulance service	P.O. Box 340 Chilmark, MA 02535	\$ 92,699

The Martha's Vineyard Regional High School District is governed by a nine-member school committee consisting of one elected representative from the Town, and the Up-Island Regional School District is governed by a five-member school committee, also consisting of one elected representative from the Town. The Town is indirectly liable for the Districts' debt and other expenditures and is assessed annually for its share of operating and capital costs.

The Town is a member of the Martha's Vineyard Refuse Disposal and Resource Recovery District (the District), which was established under Chapter 40, Sections 44A through 44K of the Massachusetts General Laws, for the purpose of controlling solid waste disposal on Martha's Vineyard. All six Town's on Martha's Vineyard were members of the District pursuant to the District agreement entered into on January 5, 1983. On May 1, 1994, the Towns of Oak Bluffs and Tisbury formally withdrew from the District. The District is governed by an eight member District Committee. Members of the District Committee are appointed by the Board of Health of each member Town.

Tri-Town Ambulance is an agreement in which the Town shares the costs of providing ambulance service with two other towns.

Separate financial statements may be obtained by writing to the Treasurer of the Districts at the addresses identified on the previous page.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

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

### *Fund Financial Statements*

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

### *Major Fund Criteria*

Major funds must be reported if the total assets, liabilities, revenues, or expenditures of an individual governmental fund are at least 5 percent of the corresponding element (assets, liabilities, etc.) for all governmental funds.

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

Fiduciary funds are reported by fund type.

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

### *Government-Wide Financial Statements*

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *community preservation fund* is a special revenue fund used to account for the accumulation of resources for the acquisition, creation, preservation and support of open space, historic resources, and community housing.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to be used for general and/or capital purposes upon approval of 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 permanent funds or capital projects 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 (other than those financed by Trust Funds).

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

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund type is reported:

The *agency fund* is used to account for assets held in a purely custodial capacity.

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

For the government-wide financial statements and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### D. Cash and Investments

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

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

#### E. Accounts Receivable

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

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

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

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

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

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

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

**Motor Vehicle Excise Taxes**

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

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

**Intergovernmental – Federal and State**

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

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

**F. 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.

**G. Capital Assets*****Government-Wide Financial Statements***

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure, are reported in the applicable governmental activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the

capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

General infrastructure assets acquired or constructed prior to July 1, 2003 are not reported in the financial statements.

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) 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.....	40
Vehicles.....	5
Equipment.....	20
Infrastructure.....	10 - 20

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

*Governmental Fund Financial Statements*

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

H. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

I. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

J. Deferred Revenue

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

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

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

Net assets have been “restricted for” the following:

“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 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.

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

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L. 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.

*Governmental Fund Financial Statements*

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

M. Investment Income

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

N. Compensated Absences

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

*Government-Wide Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred. This amount is immaterial at June 30, 2008 and therefore is not reported.

*Governmental Fund Financial Statements*

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

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

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is 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 expense/expenditure totaled approximately \$65,000. There were 7 participants eligible to receive benefits at June 30, 2008.

## P. 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.

## Q. Total Column

### *Government-Wide Financial Statements*

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

### *Fund Financial Statements*

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

## **NOTE 2 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (9MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Chilmark's deposits may not be returned to it. The Town has a Board approved deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$3,274,142 and the bank balance totaled \$3,433,047. Of the bank balance, \$300,000 was covered by Federal Depository Insurance, \$44,568 was covered by the Depositors Insurance Fund, and \$3,088,479 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2008, the Town had a total of \$705,781 invested in MMDT.

**NOTE 3 – RECEIVABLES**

At June 30, 2008, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 87,996	\$ -	\$ 87,996
Tax liens.....	34,922	-	34,922
Motor vehicle and other excise taxes.....	13,290	-	13,290
Intergovernmental.....	<u>34,344</u>	<u>-</u>	<u>34,344</u>
Total.....	<u>\$ 170,552</u>	<u>\$ -</u>	<u>\$ 170,552</u>

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 87,995	\$ -	\$ 87,995
Tax liens.....	49,546	-	49,546
Motor vehicle and other excise taxes.....	13,289	-	13,289
Intergovernmental.....	<u>-</u>	<u>34,934</u>	<u>34,934</u>
Total.....	<u>\$ 150,830</u>	<u>\$ 34,934</u>	<u>\$ 185,764</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,755,171	\$ 276,053	\$ -	\$ 8,031,224
<u>Capital assets being depreciated:</u>				
Buildings.....	7,712,887	52,365	-	7,765,252
Vehicles.....	1,036,901	-	-	1,036,901
Equipment.....	190,370	-	-	190,370
Infrastructure.....	994,354	428,825	-	1,423,179
Total capital assets being depreciated.....	9,934,512	481,190	-	10,415,702
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,298,798)	(189,642)	-	(1,488,440)
Vehicles.....	(1,035,411)	(1,490)	-	(1,036,901)
Equipment.....	(6,068)	(3,864)	-	(9,932)
Infrastructure.....	(204,251)	(66,378)	-	(270,629)
Total accumulated depreciation.....	(2,544,528)	(261,374)	-	(2,805,902)
Total capital assets being depreciated, net.....	7,389,984	219,816	-	7,609,800
Total governmental activities capital assets, net.....	\$ 15,145,155	\$ 495,869	\$ -	\$ 15,641,024

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

General government.....	\$ 38,791
Public safety.....	30,323
Education.....	91,909
Public works.....	42,608
Culture and recreation.....	57,743
Total depreciation expense - governmental activities.....	\$ 261,374

**NOTE 5 – INTERFUND TRANSFERS**

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

Transfers Out:	Transfers In:				
	General Fund	Community Preservation	Stabilization	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 555	\$ 80,000	\$ 9,321	\$ 89,876 (1)
Community Preservation.....	8,412	-	-	520,000	528,412 (2)
Nonmajor Governmental Funds.....	<u>30,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,900</u> (3)
Total.....	<u>\$ 39,312</u>	<u>\$ 555</u>	<u>\$ 80,000</u>	<u>\$ 529,321</u>	<u>\$ 649,188</u>

- (1) Transfers to regular stabilization (\$30,000) and fire stabilization (\$50,000).
- (2) Transfer to capital projects and general fund.
- (3) Transfer to capital projects for fire engine.
- (4) Transfer to general fund for dredging and conservation agent.

**NOTE 6 – OPERATING LEASE**

The Town leases a school building to the Up-Island Regional School District (District). The District has verbally agreed to pay rent to the Town in the amount of the annual debt service costs associated with the original school construction project. Rental payments for fiscal 2008 totaled \$282,800 and are reported as lease income.

The minimum lease payments anticipated to be received in future fiscal years, based on the verbal agreement, are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2009.....	267,051
2010.....	258,913
2011.....	250,600
2012.....	242,113
2013.....	233,451
2014.....	224,613
2015.....	215,688
2016.....	206,632
2017.....	197,444
2018.....	188,256
2019.....	<u>169,331</u>
Total.....	<u>\$ 2,454,092</u>

**NOTE 7 – SHORT-TERM FINANCING**

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

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

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

The Town had no short-term debt at June 30, 2008.

**NOTE 8 – LONG-TERM DEBT**

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

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

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Filled Dock.....	4.89	\$ 40,000	\$ -	\$ 20,000	\$ 20,000
School construction.....	4.89	2,090,000	-	175,000	1,915,000
School repairs.....	3.0 - 3.6	70,000	-	10,000	60,000
School repairs.....	3.0 - 3.8	160,000	-	20,000	140,000
Town Hall renovations.....	3.0 - 4.2	1,330,000	-	85,000	1,245,000
Landfill closure.....	3.0 - 4.2	720,000	-	45,000	675,000
Land acquisition.....	3.0 - 4.2	170,000	-	15,000	155,000
Land acquisition.....	3.0 - 3.7	200,000	-	25,000	175,000
Filled Dock.....	4.40	440,000	-	110,000	330,000
<b>Total governmental bonds payable...</b>		<b>\$ 5,220,000</b>	<b>\$ -</b>	<b>\$ 505,000</b>	<b>\$ 4,715,000</b>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009.....	505,000	193,774	698,774
2010.....	480,000	174,289	654,289
2011.....	480,000	154,799	634,799
2012.....	370,000	134,890	504,890
2013.....	370,000	119,524	489,524
2014.....	370,000	103,741	473,741
2015.....	360,000	87,808	447,808
2016.....	315,000	72,663	387,663
2017.....	315,000	58,049	373,049
2018.....	310,000	43,361	353,361
2019.....	300,000	29,030	329,030
2020.....	135,000	19,305	154,305
2021.....	135,000	13,905	148,905
2022.....	135,000	8,437	143,437
2023.....	135,000	2,832	137,832
Total.....	\$ <u>4,715,000</u>	\$ <u>1,216,407</u>	\$ <u>5,931,407</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 did not have any authorized and unissued debt.

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term bonds and notes....	\$ <u>5,220,000</u>	\$ <u>-</u>	\$ <u>(505,000)</u>	\$ <u>4,715,000</u>	\$ <u>505,000</u>

**NOTE 9 – 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 is insured under a risk pool.

The Town participates in a health insurance risk pool trust administered by Cape Cod Municipal Health Group (Group), a non-profit organization incorporated in July of 1987 to obtain health insurance for member governments at costs eligible for larger groups. The Group offers a variety of premium based plans to its members with each participating governmental unit being 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 pro-rata share of a deficit should one exist.

The Town participates in a workers' compensation insurance risk pool for its employees, which is administered by a third party administrator, the Massachusetts Interlocal Insurance Association (MIIA). MIIA is a nonprofit organization that provides insurance services to cities, towns and other local governmental entities of the Commonwealth.

#### **NOTE 10 – PENSION PLAN**

*Plan Description* – The Town contributes to the Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Dukes County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$26,000 for the fiscal year ended June 30, 2008, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Dukes County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 9 Airport Road, RR1 Box 862, Vineyard Haven, Massachusetts, 02568.

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town contributions to the System for the fiscal years ended June 30, 2008, 2007, and 2006 were \$173,932, \$173,473, and \$189,042, respectively, which equaled its required contribution for each fiscal year.

The schedule of funding progress and the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, present multiyear trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and for required and actual employer contributions

#### **NOTE 11 – CONTINGENCIES**

The Town participates in a number of federal award programs. The programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2008.

**NOTE 12 – COMMITMENTS**

The Town has entered into an agreement to purchase a fire engine costing approximately \$410,000. In fiscal 2007 the Town made an initial down payment of \$143,049 and in fiscal 2008 paid an additional \$238,000. The balance will be paid in fiscal 2009 when the equipment is delivered and placed in service.

**NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2009. The standards in this statement currently do not apply and therefore will not impact the basic financial statements.
- The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2010. Management expects that this pronouncement will require additional disclosure and impact the basic financial statements.

# ***Required Supplementary Information***

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

FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 5,583,119	\$ 5,583,119	\$ 5,583,119
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	160,000	160,000	160,000
Hotel/motel tax.....	-	60,000	60,000	60,000
Charges for services.....	-	37,585	37,585	37,585
Penalties and interest on taxes.....	-	10,000	10,000	10,000
Fees and rentals.....	-	422,000	422,000	422,000
Payments in lieu of taxes.....	-	30,000	30,000	30,000
Licenses and permits.....	-	30,000	30,000	30,000
Fines and forfeitures.....	-	5,000	5,000	5,000
Intergovernmental.....	-	17,604	17,604	17,604
Lease income.....	-	275,013	275,013	275,013
Departmental and other.....	-	41,500	41,500	41,500
Investment income.....	-	6,000	6,000	6,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>6,677,821</b>	<b>6,677,821</b>	<b>6,677,821</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	151,452	917,948	1,069,400	1,186,461
Public safety.....	86,433	1,068,970	1,155,403	1,246,772
Education.....	-	1,891,545	1,891,545	1,816,287
Public works.....	35,872	340,969	376,841	580,840
Human services.....	974	160,036	161,010	160,695
Culture and recreation.....	1,001	488,434	489,435	510,415
Pension benefits.....	-	173,932	173,932	173,932
Property and liability insurance.....	-	74,699	74,699	92,149
Employee benefits.....	-	484,109	484,109	484,109
State and county charges.....	-	385,593	385,593	385,593
Debt service:				
Principal.....	-	505,000	505,000	505,000
Interest.....	-	214,586	214,586	214,586
<b>TOTAL EXPENDITURES.....</b>	<b>275,732</b>	<b>6,705,821</b>	<b>6,981,553</b>	<b>7,356,839</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..</b>	<b>(275,732)</b>	<b>(28,000)</b>	<b>(303,732)</b>	<b>(679,018)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	-	-	46,240
Transfers out.....	-	-	-	(156,833)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(110,593)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(275,732)</b>	<b>(28,000)</b>	<b>(303,732)</b>	<b>(789,611)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>882,512</b>	<b>882,512</b>	<b>882,512</b>	<b>882,512</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 606,780</b>	<b>\$ 854,512</b>	<b>\$ 578,780</b>	<b>\$ 92,901</b>

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 5,700,092	\$ -	\$ 116,973
2,950	-	2,950
183,873	-	23,873
57,304	-	(2,696)
39,750	-	2,165
23,238	-	13,238
460,387	-	38,387
30,306	-	306
59,895	-	29,895
9,871	-	4,871
10,642	-	(6,962)
275,013	-	-
57,804	-	16,304
44,944	-	38,944
<u>6,956,069</u>	<u>-</u>	<u>278,248</u>
947,447	219,211	19,803
1,083,234	96,137	67,401
1,816,287	-	-
536,345	30,712	13,783
152,836	38	7,821
473,634	1,321	35,460
173,932	-	-
92,149	-	-
412,570	-	71,539
385,593	-	-
505,000	-	-
213,679	-	907
<u>6,792,706</u>	<u>347,419</u>	<u>216,714</u>
<u>163,363</u>	<u>(347,419)</u>	<u>494,962</u>
39,312	-	(6,928)
(89,876)	-	66,957
<u>(50,564)</u>	<u>-</u>	<u>60,029</u>
112,799	(347,419)	554,991
882,512	-	-
<u>\$ 995,311</u>	<u>\$ (347,419)</u>	<u>\$ 554,991</u>

**Dukes County Retirement System**  
**Schedule of Funding Progress (Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/07	\$ 53,493	\$ 82,757	\$ 29,264	\$ 64.6%	\$ 26,286	111.3%
1/1/05	43,588	68,303	24,715	63.8%	22,710	108.8%
1/1/03	36,979	63,042	26,063	58.7%	20,191	129.1%
1/1/01	31,491	45,305	13,814	69.5%	18,409	75.0%
1/1/98	21,622	36,448	14,826	59.3%	14,311	103.6%

The District's share of the UAAL, as of January 1, 2007, is approximately 5%.

See notes to required supplementary information.

**Dukes County Retirement System  
Schedule of Employer Contributions**

Plan Year Ended December 31	System Wide			Town of Chilmark	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) District's Percentage of System Wide Actual Contributions
2004	\$ 2,766,595	\$ 2,766,595	100%	\$ 122,071	4.41%
2005	3,372,865	3,372,865	100%	173,289	5.14%
2006	3,782,369	3,782,369	100%	189,042	5.00%
2007	3,612,812	3,612,812	100%	173,473	4.80%

The District's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (Board) and the Finance Committee (Committee). The Board and the Committee presents an annual budget to the Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The 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 or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year’s original budget.

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2008 approved budget authorized approximately \$6.7 million in appropriations and other amounts to be raised. During fiscal year 2008, the Board and the Committee also approved supplemental appropriations totaling approximately \$375,000.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2008, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$	112,799
<u>Basis of accounting differences:</u>		
Net change in 60 day receipts.....		(35,154)
Increase in revenues due to on-behalf payments.....		26,471
Increase in expenditures due to on-behalf payments.....		<u>(26,471)</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$	<u>77,645</u>

**NOTE B – PENSION PLAN**

The Town contributes to the Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Dukes County Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Plan members are required to contribute into the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town’s proportionate share of the plan’s annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town

The following actuarial methods and assumptions were used in the Retirement System’s most recent actuarial valuation:

Valuation Date.....	January 1, 2007
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	20 years remaining as of July 1, 2008
Asset Valuation Method.....	The difference between the expected return and actual investment return on a market value basis is recognized over a five-year period.

Actuarial Assumptions:

Investment rate of return.....	8.00%
Projected salary increases.....	4.50%
Cost of living adjustments.....	3.0% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits paid by the county.....	209
Retired participants and beneficiaries receiving benefits paid by the municipality.....	33
Inactive participants.....	134
Active participants.....	<u>672</u>
Total.....	<u><u>1,048</u></u>