

***TOWN OF CHILMARK, MASSACHUSETTS***

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

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

TOWN OF CHILMARK, MASSACHUSETTS

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JUNE 30, 2010

**TABLE OF CONTENTS**

Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	2
Basic Financial Statements .....	8
Statement of Net Assets .....	9
Statement of Activities .....	10
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets .....	13
Governmental funds – statement of revenues, expenditures and changes in fund balances .....	14
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	15
Fiduciary funds – statement of fiduciary net assets.....	16
Notes to basic financial statements .....	17
Required Supplementary Information.....	35
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual .....	36
Retirement system schedule of funding progress.....	38
Retirement system schedule of employer contributions .....	39
OPEB schedule of funding progress and employer contributions .....	40
OPEB actuarial methods and assumptions .....	41
Notes to Required Supplementary Information.....	42



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## 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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of 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, 2010, 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 October 29, 2010, 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.

October 28, 2010

***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, 2010. 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 \$15.8 million (net assets).
- Of this amount, 18.2% or \$2.9 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 \$711,000, a decrease of \$74,000 in comparison with the prior year. Total fund balance represents 9.8% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) totaled \$3.7 million at year end.
- The Town implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which resulted in the recognition of an other postemployment benefit (OPEB) liability totaling \$264,000. See Note 11 in the financial statements for further details.

### ***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, community preservation, 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 \$15.8 million at the close of Fiscal 2010.

Net assets of \$12.4 million (78.7%) 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, \$488,000 (3.0%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2.9 million (18.3%) 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.

Key components net assets are shown on the following schedule.

	Fiscal 2010	Fiscal 2009
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current assets.....	\$ 4,024,822	\$ 3,897,658
Capital assets.....	16,172,532	16,004,178
<b>Total assets.....</b>	<b><u>20,197,354</u></b>	<b><u>19,901,836</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	323,282	270,407
Noncurrent liabilities (excluding debt).....	342,957	-
Current debt.....	480,000	480,000
Noncurrent debt.....	3,250,000	3,730,000
<b>Total liabilities.....</b>	<b><u>4,396,239</u></b>	<b><u>4,480,407</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	12,442,532	11,794,178
Restricted.....	487,630	725,097
Unrestricted.....	2,870,953	2,902,154
<b>Total net assets.....</b>	<b><u>\$ 15,801,115</u></b>	<b><u>\$ 15,421,429</u></b>
<b>Program revenues:</b>		
Charges for services.....	\$ 1,109,170	\$ 1,078,136
Operating grants and contributions.....	384,157	361,659
Capital grants and contributions.....	130,559	208,025
<b>General Revenues:</b>		
Real estate and personal property taxes..	6,135,655	6,140,669
Tax liens.....	2,852	-
Motor vehicle and other excise taxes.....	175,522	183,932
Community preservation tax surcharges..	169,579	169,595
Nonrestricted grants.....	823	510
Unrestricted investment income.....	23,135	45,322
Other revenues.....	105,365	149,760
<b>Total revenues.....</b>	<b><u>8,236,817</u></b>	<b><u>8,337,608</u></b>
<b>Expenses:</b>		
General Government.....	1,643,507	1,626,628
Public Safety.....	2,128,087	1,994,176
Education.....	2,430,662	2,356,704
Public Works.....	473,811	513,243
Community Preservation.....	38,018	74,577
Human Services.....	184,823	172,651
Culture and Recreation.....	787,569	706,781
Interest.....	170,654	189,858
<b>Total expenses.....</b>	<b><u>7,857,131</u></b>	<b><u>7,634,618</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 379,686</u></b>	<b><u>\$ 702,990</u></b>

The governmental expenses totaled \$7.9 million of which \$1.6 million (21%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$6.6 million, primarily coming from property taxes, motor vehicle excise taxes and community preservation tax surcharges.

The government activities net assets increased by \$380,000 during the current fiscal year. This was due to better than anticipated budgetary results and receipts recorded in the community preservation fund; both of which were offset by increased costs associated with the implementation of GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement requires a systematic, accrual-basis measurement and recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. In fiscal 2010 the Town, based on its actuarial valuation, recognized an accrual of \$264,000 for its portion of the liability that was not paid.

### ***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 \$3.6 million of which \$711,000 is for the general fund, \$243,000 is for the community preservation fund, \$1 million is for the stabilization fund and \$1.6 million is for nonmajor governmental funds. Cumulatively there was an increase of \$125,000 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 \$395,000, while total fund balance was \$711,000. 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 5.5% of the total general fund expenditures, while total fund balance represents 9.8% of that same amount. Fund balance reserved for encumbrances and continuing appropriations totaled \$316,000.

The Town's general fund decreased by \$74,000. This was due to the combined effect of favorable revenue collections and actual expenditures coming in less than budgeted, offset by a transfer of \$210,000 to the stabilization fund and \$5,000 to the community center joint maintenance account.

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 \$243,000 and has a fund balance position of \$243,000 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 \$217,000 due to a budgeted transfer from the general fund of \$210,000 and investment income of \$7,000. The fund has a balance of \$1 million at year end.

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

The \$286,000 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 a \$210,000 transfer out to the stabilization fund.

## ***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, 2010, amounts to \$16.2 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, vehicles, equipment and infrastructure.

The major capital asset event during the current fiscal year was construction beginning on the Middle Line Road housing project (\$413,000).

**Debt Administration.** The Town issued no debt in fiscal 2010.

Outstanding long-term debt of the general government, as of June 30, 2010, totaled \$3,730,000 million, of which \$1,705,000 million is related to school construction projects, \$1,075,000 million is related to the Town Hall renovations and addition project, \$585,000 is related to the landfill closure, \$110,000 is related to the Filled Dock project and \$255,000 is for land acquisitions.

The Town has approved the expenditure of \$2,000,000 for the construction of three rental duplex buildings at Middle Line Road. The project is anticipated to be funded by \$1,400,000 in long-term bond proceeds and \$600,000 in Community Preservation Funds.

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***

**STATEMENT OF NET ASSETS**

JUNE 30, 2010

	<b><i>Primary Government</i></b>	
		<u>Governmental Activities</u>
<b>ASSETS</b>		
CURRENT:		
Cash and short-term investments.....	\$	3,888,078
Receivables, net of allowance for uncollectibles:		
Real estate and personal property taxes.....		56,496
Tax liens.....		37,848
Motor vehicle and other excise taxes.....		10,117
Intergovernmental.....		32,283
NONCURRENT:		
Capital assets, nondepreciable.....		8,760,302
Capital assets, net of accumulated depreciation.....		<u>7,412,230</u>
<b>TOTAL ASSETS.....</b>		<u><b>20,197,354</b></u>
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....		132,130
Accrued payroll.....		91,103
Accrued interest.....		36,486
Other liabilities.....		54,826
Compensated absences.....		8,737
Bonds and notes payable.....		480,000
NONCURRENT:		
Compensated absences.....		78,633
Other postemployment benefits.....		264,324
Bonds and notes payable.....		<u>3,250,000</u>
<b>TOTAL LIABILITIES.....</b>		<u><b>4,396,239</b></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....		12,442,532
Restricted for:		
Permanent funds:		
Expendable.....		17,340
Nonexpendable.....		59,758
Other purposes.....		410,532
Unrestricted.....		<u>2,870,953</u>
<b>TOTAL NET ASSETS.....</b>	<b>\$</b>	<u><u><b>15,801,115</b></u></u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 1,643,507	\$ 34,613	\$ 45,705	\$ -	\$ (1,563,189)
Public safety.....	2,128,087	817,261	14,412	-	(1,296,414)
Education.....	2,430,662	-	215,000	-	(2,215,662)
Public works.....	473,811	39,962	-	-	(433,849)
Community preservation.....	38,018	-	-	130,559	92,541
Human services.....	184,823	10,175	3,500	-	(171,148)
Culture and recreation.....	787,569	207,159	21,627	-	(558,783)
Interest.....	170,654	-	83,913	-	(86,741)
<b>Total Governmental Activities...</b>	<b>\$ 7,857,131</b>	<b>\$ 1,109,170</b>	<b>\$ 384,157</b>	<b>\$ 130,559</b>	<b>\$ (6,233,245)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Primary</u>
	<u>Government</u>
	Governmental
	Activities
<b>Changes in net assets:</b>	
Net (expense) revenue from previous page.....	\$ <b>(6,233,245)</b>
<i>General revenues:</i>	
Real estate and personal property taxes, net of tax refunds payable.....	6,135,655
Tax liens.....	2,852
Motor vehicle and other excise taxes.....	175,522
Community preservation tax surcharges.....	169,579
Hotel/motel tax.....	53,853
Penalties and interest on taxes.....	19,652
Payments in lieu of taxes.....	22,094
Grants and contributions not restricted to specific programs.....	823
Unrestricted investment income.....	23,135
Miscellaneous.....	9,766
Total general revenues.....	<u>6,612,931</u>
Change in net assets.....	379,686
<i>Net Assets:</i>	
Beginning of year.....	<u>15,421,429</u>
End of year.....	\$ <u><u>15,801,115</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2010

<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.....	\$ 958,520	\$ 242,797	\$ 1,049,385	\$ 1,637,376	\$ 3,888,078
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	56,496	-	-	-	56,496
Tax liens.....	37,343	505	-	-	37,848
Motor vehicle and other excise taxes.....	10,117	-	-	-	10,117
Intergovernmental.....	-	1,166	-	31,117	32,283
<b>TOTAL ASSETS.....</b>	<b><u>\$ 1,062,476</u></b>	<b><u>\$ 244,468</u></b>	<b><u>\$ 1,049,385</u></b>	<b><u>\$ 1,668,493</u></b>	<b><u>\$ 4,024,822</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 117,290	\$ -	\$ -	\$ 14,840	\$ 132,130
Accrued payroll.....	75,796	-	-	15,307	91,103
Other liabilities.....	54,826	-	-	-	54,826
Deferred revenues.....	103,956	1,671	-	31,117	136,744
<b>TOTAL LIABILITIES.....</b>	<b><u>351,868</u></b>	<b><u>1,671</u></b>	<b><u>-</u></b>	<b><u>61,264</u></b>	<b><u>414,803</u></b>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances and continuing appropriations.....	315,583	-	-	-	315,583
Perpetual permanent funds.....	-	-	-	59,758	59,758
Unreserved:					
Undesignated, reported in:					
General fund.....	395,025	-	-	-	395,025
Special revenue funds.....	-	242,797	1,049,385	633,878	1,926,060
Capital projects funds.....	-	-	-	896,253	896,253
Permanent funds.....	-	-	-	17,340	17,340
<b>TOTAL FUND BALANCES.....</b>	<b><u>710,608</u></b>	<b><u>242,797</u></b>	<b><u>1,049,385</u></b>	<b><u>1,607,229</u></b>	<b><u>3,610,019</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 1,062,476</u></b>	<b><u>\$ 244,468</u></b>	<b><u>\$ 1,049,385</u></b>	<b><u>\$ 1,668,493</u></b>	<b><u>\$ 4,024,822</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, 2010

Total governmental fund balances.....	\$	3,610,019
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		16,172,532
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		136,744
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(36,486)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Compensated absences.....	(87,370)	
Other postemployment benefits.....	(264,324)	
Bonds and notes payable.....	<u>(3,730,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(4,081,694)</u>
Net assets of governmental activities.....	\$	<u><u>15,801,115</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	Community Preservation	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 6,173,515	\$ -	\$ -	\$ -	\$ 6,173,515
Motor vehicle and other excise taxes.....	184,633	-	-	-	184,633
Hotel/motel tax.....	53,853	-	-	-	53,853
Charges for services.....	45,194	-	-	-	45,194
Penalties and interest on taxes.....	19,652	-	-	-	19,652
Fees and rentals.....	447,243	-	-	3,908	451,151
Payments in lieu of taxes.....	22,094	-	-	-	22,094
Licenses and permits.....	65,883	-	-	-	65,883
Fines and forfeitures.....	10,698	-	-	-	10,698
Intergovernmental - federal and state.....	42,588	130,559	-	328,098	501,245
Lease income.....	258,913	-	-	-	258,913
Departmental and other.....	17,395	-	-	208,811	226,206
Community preservation tax surcharges.....	-	170,725	-	-	170,725
Contributions.....	-	-	-	65,519	65,519
Investment income.....	10,675	2,731	6,626	3,103	23,135
Miscellaneous.....	-	-	-	9,766	9,766
<b>TOTAL REVENUES.....</b>	<b>7,352,336</b>	<b>304,015</b>	<b>6,626</b>	<b>619,205</b>	<b>8,282,182</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	931,273	-	-	6,816	938,089
Public safety.....	1,071,978	-	-	455,265	1,527,243
Education.....	2,298,753	-	-	-	2,298,753
Public works.....	368,812	-	-	6,309	375,121
Community preservation.....	-	-	-	450,701	450,701
Human services.....	156,931	-	-	2,864	159,795
Culture and recreation.....	518,086	-	-	9,161	527,247
Pension benefits.....	236,497	-	-	-	236,497
Property and liability insurance.....	118,257	-	-	-	118,257
Employee benefits.....	484,461	-	-	-	484,461
State and county charges.....	386,973	-	-	-	386,973
Debt service:					
Principal.....	480,000	-	-	-	480,000
Interest.....	174,536	-	-	-	174,536
<b>TOTAL EXPENDITURES.....</b>	<b>7,226,557</b>	<b>-</b>	<b>-</b>	<b>931,116</b>	<b>8,157,673</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>125,779</b>	<b>304,015</b>	<b>6,626</b>	<b>(311,911)</b>	<b>124,509</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	14,953	61,023	210,000	605,000	890,976
Transfers out.....	(215,000)	(608,253)	-	(67,723)	(890,976)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(200,047)</b>	<b>(547,230)</b>	<b>210,000</b>	<b>537,277</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(74,268)</b>	<b>(243,215)</b>	<b>216,626</b>	<b>225,366</b>	<b>124,509</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>784,876</b>	<b>486,012</b>	<b>832,759</b>	<b>1,381,863</b>	<b>3,485,510</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 710,608</b>	<b>\$ 242,797</b>	<b>\$ 1,049,385</b>	<b>\$ 1,607,229</b>	<b>\$ 3,610,019</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, 2010

Net change in fund balances - total governmental funds..... \$ 124,509

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.....	457,870	
Depreciation expense.....	<u>(289,516)</u>	
Net effect of reporting capital assets.....		168,354

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..... (45,365)

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.....		480,000
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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 compensated absences accrual.....	(87,370)	
Net change in other postemployment benefits.....	(264,324)	
Net change in accrued interest on long-term debt.....	<u>3,882</u>	
Net effect of recording long-term liabilities.....		<u>(347,812)</u>

Change in net assets of governmental activities.....		<u>\$ 379,686</u>
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See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	<u>Agency Funds</u>
<b>ASSETS</b>	
CURRENT:	
Cash and short-term investments.....	\$ <u>13,289</u>
<b>LIABILITIES</b>	
Warrants payable.....	9,964
Other liabilities.....	<u>3,325</u>
TOTAL LIABILITIES.....	\$ <u>13,289</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 2010 Assessment
Martha's Vineyard Regional High School District	To provide educational services	RR2, Box 261 Vineyard Haven, MA 02568	\$ 490,399
Up-Island Regional School District	To provide educational services	RR2, Box 261 Vineyard Haven, MA 02568	\$ 1,808,291
Martha's Vineyard Refuse Disposal and Resource Recovery District	To control solid waste disposal	PO Box 2067 Edgartown, MA 02539	\$ 88,421
Tri-Town Ambulance	To provide ambulance service	P.O. Box 340 Chilmark, MA 02535	\$ 103,346

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, buildings, vehicles, equipment, construction in progress 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.....	15 - 25
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 reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

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.

#### 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.

##### *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. Use of Estimates

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

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

## P. Total Column

### *Government-Wide Financial Statements*

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

### *Fund Financial Statements*

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

## **NOTE 2 – 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 (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of 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 \$3,901,367 and the bank balance totaled \$3,975,110. Of the bank balance, \$421,190 was covered by Federal Depository Insurance and the remaining \$3,553,920 was covered by the Depositors Insurance Fund.

As of June 30, 2010, the Town had a total of \$1,052,348 invested in certificates of deposit.

**NOTE 3 – RECEIVABLES**

At June 30, 2010, 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:

	Gross Amount	Allowance for Uncollectibles	Net Amount
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 56,496	\$ -	\$ 56,496
Tax liens.....	37,848	-	37,848
Motor vehicle and other excise taxes.....	10,117	-	10,117
Intergovernmental.....	<u>32,283</u>	<u>-</u>	<u>32,283</u>
 Total.....	 <u>\$ 136,744</u>	 <u>\$ -</u>	 <u>\$ 136,744</u>

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

	General Fund	Other Governmental Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 56,496	\$ -	\$ 56,496
Tax liens.....	37,343	505	37,848
Motor vehicle and other excise taxes.....	10,117	-	10,117
Intergovernmental.....	<u>-</u>	<u>32,283</u>	<u>32,283</u>
 Total.....	 <u>\$ 103,956</u>	 <u>\$ 32,788</u>	 <u>\$ 136,744</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 8,347,619	\$ -	\$ -	\$ 8,347,619
Construction in progress.....	-	412,683	-	412,683
Total capital assets not being depreciated.....	<u>\$ 8,347,619</u>	<u>\$ 412,683</u>	<u>\$ -</u>	<u>\$ 8,760,302</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	7,765,252	-	-	7,765,252
Vehicles.....	1,036,901	12,000	-	1,048,901
Equipment.....	459,110	26,283	-	485,393
Infrastructure.....	1,481,497	6,904	-	1,488,401
Total capital assets being depreciated.....	<u>10,742,760</u>	<u>45,187</u>	<u>-</u>	<u>10,787,947</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,678,082)	(189,721)	-	(1,867,803)
Vehicles.....	(1,036,901)	(1,200)	-	(1,038,101)
Equipment.....	(22,032)	(22,964)	-	(44,996)
Infrastructure.....	(349,186)	(75,631)	-	(424,817)
Total accumulated depreciation.....	<u>(3,086,201)</u>	<u>(289,516)</u>	<u>-</u>	<u>(3,375,717)</u>
Total capital assets being depreciated, net.....	<u>7,656,559</u>	<u>(244,329)</u>	<u>-</u>	<u>7,412,230</u>
Total governmental activities capital assets, net.....	<u>\$ 16,004,178</u>	<u>\$ 168,354</u>	<u>\$ -</u>	<u>\$ 16,172,532</u>

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

General government.....	\$	42,208
Public safety.....		35,484
Education.....		91,909
Public works.....		62,190
Culture and recreation.....		<u>57,725</u>
 Total depreciation expense - governmental activities.....	 \$	 <u><u>289,516</u></u>

**NOTE 5 – INTERFUND TRANSFERS**

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

Transfers Out:	Transfers In:				Total
	General Fund	Community Preservation	Stabilization	Nonmajor Governmental Funds	
General Fund.....	\$ -	\$ -	\$ 210,000	\$ 5,000	\$ 215,000 (1)
Community Preservation.....	8,253	-	-	600,000	608,253 (2)
Nonmajor Governmental Funds.....	<u>6,700</u>	<u>61,023</u>	<u>-</u>	<u>-</u>	<u>67,723 (3)</u>
 Total.....	 <u>\$ 14,953</u>	 <u>\$ 61,023</u>	 <u>\$ 210,000</u>	 <u>\$ 605,000</u>	 <u>\$ 890,976</u>

- (1) Budgeted transfers to stabilization fund and community center.
- (2) Budgeted transfer for Middle Line Road Community Housing Program and general fund.
- (3) Transfer to general fund for waterways and return of unused CPA funds from capital projects.

**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 2010 totaled \$258,913 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>
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>\$ 1,928,128</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, 2010.

**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, 2010, and the debt service requirements are as follows:

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

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
School construction.....	4.89	\$ 1,740,000	\$ -	\$ 175,000	\$ 1,565,000
School repairs.....	3.0 - 3.6	50,000	-	10,000	40,000
School repairs.....	3.0 - 3.8	120,000	-	20,000	100,000
Town Hall renovations.....	3.0 - 4.2	1,160,000	-	85,000	1,075,000
Landfill closure.....	3.0 - 4.2	630,000	-	45,000	585,000
Land acquisition.....	3.0 - 4.2	140,000	-	10,000	130,000
Land acquisition.....	3.0 - 3.7	150,000	-	25,000	125,000
Filled Dock.....	4.40	220,000	-	110,000	110,000
<b>Total governmental bonds payable...</b>		<b>\$ 4,210,000</b>	<b>\$ -</b>	<b>\$ 480,000</b>	<b>\$ 3,730,000</b>

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

Year	Principal	Interest	Total
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
<b>Total.....</b>	<b>\$ 3,730,000</b>	<b>\$ 848,344</b>	<b>\$ 4,578,344</b>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2010, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Middle Line Road - Affordable Housing	\$ <u>1,400,000</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, 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.....	\$ 4,210,000	\$ -	\$ (480,000)	\$ 3,730,000	\$ 480,000
Compensated absences.....	-	87,370	-	87,370	8,737
Other postemployment benefits.....	-	371,487	(107,163)	264,324	-
Total.....	<u>\$ 4,210,000</u>	<u>\$ 458,857</u>	<u>\$ (587,163)</u>	<u>\$ 4,081,694</u>	<u>\$ 488,737</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 \$40,000 for the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008 were \$196,497, \$187,617, and \$173,932, 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 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Fiscal year 2010 is the initial year that the Town has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net Other Post Employment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

*Plan Description* – The Town of Chilmark administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs.

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

Normal cost with interest.....	\$ 227,595
Amortization of unfunded actuarial accrued liability with interest.....	<u>143,892</u>
Annual OPEB cost (expense).....	371,487
Contributions made.....	<u>(107,163)</u>
Increase/Decrease in net OPEB obligation.....	264,324
Net OPEB obligation - beginning of year.....	<u>-</u>
Net OPEB obligation - end of year.....	<u>\$ 264,324</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 371,487	29%	\$ 264,324

*Funded Status and Funding Progress* – As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1.7 million, and the ratio of the UAAL to the covered payroll was 267.6 percent.

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

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

In the June 30, 2009 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 3.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8.5% initially, graded to 5.0% in 2016 and thereafter. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2010 is 30 years.

**NOTE 12 – 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

**NOTE 13 – COMMITMENTS**

The Town has approved the expenditure of \$2,000,000 for the construction of three rental duplex buildings at Middle Line Road. The project is anticipated to be funded by \$1,400,000 in long-term bond proceeds and \$600,000 in Community Preservation Funds.

**NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2010, the following GASB pronouncements were implemented:

- The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement has significantly impacted the basic financial statements. See Note 11 for discussion.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented in fiscal year 2011. This pronouncement will not significantly impact the basic financial statements.
- The GASB issued Statement #59, *Financial Instruments Omnibus*, which is required to be implemented in fiscal year 2011. This pronouncement will not significantly 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, 2010

	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.....	\$ -	\$ 6,070,794	\$ 6,070,794	\$ 6,070,794
Motor vehicle and other excise taxes.....	-	160,000	160,000	160,000
Hotel/motel tax.....	-	60,000	60,000	60,000
Charges for services.....	-	35,608	35,608	35,608
Penalties and interest on taxes.....	-	10,000	10,000	10,000
Fees and rentals.....	-	472,000	472,000	472,000
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.....	-	10,678	10,678	10,678
Lease income.....	-	267,050	267,050	267,050
Departmental and other.....	-	41,500	41,500	41,500
Investment income.....	-	6,000	6,000	6,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>7,198,630</b>	<b>7,198,630</b>	<b>7,198,630</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	134,338	929,903	1,064,241	1,185,007
Public safety.....	76,782	1,065,819	1,142,601	1,210,284
Education.....	-	2,298,691	2,298,691	2,298,783
Public works.....	22,057	331,645	353,702	366,702
Human services.....	585	157,646	158,231	156,731
Culture and recreation.....	1,179	513,045	514,224	519,253
Pension benefits.....	-	196,497	196,497	196,497
Property and liability insurance.....	-	80,392	80,392	118,257
Employee benefits.....	-	534,400	534,400	512,173
State and county charges.....	-	390,156	390,156	390,156
Debt service:				
Principal.....	-	480,000	480,000	480,000
Interest.....	-	175,389	175,389	175,389
<b>TOTAL EXPENDITURES.....</b>	<b>234,941</b>	<b>7,153,583</b>	<b>7,388,524</b>	<b>7,609,232</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....</b>	<b>(234,941)</b>	<b>45,047</b>	<b>(189,894)</b>	<b>(410,602)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	14,953	14,953	14,953
Transfers out.....	-	(150,000)	(150,000)	(215,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(135,047)</b>	<b>(135,047)</b>	<b>(200,047)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(234,941)</b>	<b>(90,000)</b>	<b>(324,941)</b>	<b>(610,649)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>784,876</b>	<b>784,876</b>	<b>784,876</b>	<b>784,876</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 549,935</b>	<b>\$ 694,876</b>	<b>\$ 459,935</b>	<b>\$ 174,227</b>

See notes to required supplementary information.

7,538,524      7,824,232

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	6,173,515	\$ -	\$ 102,721
	184,633	-	24,633
	53,853	-	(6,147)
	45,194	-	9,586
	19,652	-	9,652
	447,243	-	(24,757)
	22,094	-	(7,906)
	65,883	-	35,883
	10,698	-	5,698
	2,588	-	(8,090)
	258,913	-	(8,137)
	17,395	-	(24,105)
	10,675	-	4,675
	<u>7,312,336</u>	<u>-</u>	<u>113,706</u>
	931,273	212,455	41,279
	1,071,978	96,464	41,842
	2,298,753	-	30
	368,812	3,404	(5,514)
	156,931	-	(200)
	518,086	883	284
	196,497	-	-
	118,257	-	-
	484,461	-	27,712
	386,973	-	3,183
	480,000	-	-
	174,536	-	853
	<u>7,186,557</u>	<u>313,206</u>	<u>109,469</u>
	<u>125,779</u>	<u>(313,206)</u>	<u>223,175</u>
	14,953	-	-
	(215,000)	-	-
	<u>(200,047)</u>	<u>-</u>	<u>-</u>
	(74,268)	(313,206)	223,175
	<u>784,876</u>	<u>-</u>	<u>-</u>
\$	<u>710,608</u>	\$ <u>(313,206)</u>	\$ <u>223,175</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)
1/1/09	\$ 60,629	\$ 97,882	\$ 37,253	\$ 61.9%	\$ 30,407	122.5%
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 Town's share of the UAAL, as of January 1, 2009, is approximately 4%.

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
2009	\$ 4,398,687	\$ 4,398,687	100%	\$ 196,497	4.47%
2008	4,200,863	4,200,863	100%	187,617	4.47%
2007	3,612,812	3,612,812	100%	173,473	4.80%
2006	3,782,369	3,782,369	100%	189,042	5.00%
2005	3,372,865	3,372,865	100%	173,289	5.14%
2004	2,766,595	2,766,595	100%	122,071	4.41%

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

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS**

JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2009	\$ -	\$ 4,627,643	\$ 4,627,643	0%	\$ 1,729,519	267.6%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2010.  
Information for prior years is not available.

See notes to required supplementary information.

**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

FISCAL YEAR ENDED JUNE 30, 2010

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Actuarial Methods:

Valuation date.....	June 30, 2009
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year, level percent of pay
Remaining amortization period.....	30 years remaining as of June 30, 2009

Actuarial Assumptions:

Investment rate of return.....	3.5%
Inflation rate.....	4.5%
Medical/drug cost trend rate.....	Initial 8.5%, decreasing to 5.0 % in 2016

Plan Membership:

Current retirees, beneficiaries, and dependents	18
Current active members	<u>29</u>
Total	<u><u>47</u></u>

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 2010 approved budget authorized approximately \$7,539,000 in appropriations and other amounts to be raised. During fiscal year 2010, the Board and the Committee also approved supplemental appropriations totaling approximately \$286,000.

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, 2010, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$	(74,268)
<u>Basis of accounting differences:</u>		
Increase in revenues due to on-behalf payments.....		40,000
Increase in expenditures due to on-behalf payments.....		<u>(40,000)</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$	<u><u>(74,268)</u></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, 2009
Actuarial Cost Method.....	Entry Age Normal Actuarial Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	19 years remaining as of January 1, 2009
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.....	215
Retired participants and beneficiaries receiving benefits paid by the municipality.....	40
Inactive participants.....	140
Active participants.....	713
Total.....	1,108

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health and life insurance plans, which cover both active and retired members.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress and Employer Contributions presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since this is the Town’s initial year of implementation of GASB Statement 45, information for prior years is not available.

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

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.