



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF CHILMARK, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2022

TOWN OF CHILMARK, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

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Independent Auditor's Report

To the Honorable Select Board
Town of Chilmark, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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 (Town), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, as of June 30, 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Towns' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Towns' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Towns' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of the Towns' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Towns' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Towns' internal control over financial reporting and compliance.

Powers & Sullivan, LLC

June 30, 2023

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 year ended June 30, 2022. 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 principles (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

Key financial factors existing as of the end of the fiscal year:

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$24.4 million.
- The Town's total net pension liability is \$481,000. Additionally, the Town recognized net deferred outflows and inflows related to pensions of (\$605,000). These amounts will be amortized through pension expense in future fiscal years.
- The Town's total net OPEB liability is \$3.9 million. Additionally, the Town recognized net deferred outflows and inflows related to OPEB of \$973,000. These amounts will be amortized through expense in future fiscal years.
- The Town's total OPEB obligation at year end totaled \$6.5 million and \$2.7 million has been set aside in an OPEB trust to meet this obligation. In 2022 the Town contributed \$265,000 to this fund. This amount is in addition to the actuarially determined contribution of \$236,000.
- The Town's long-term debt totaled \$4.0 million at year end.

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 position* presents information on all assets, liabilities and deferred inflow/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent year. All changes in net position 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 periods (e.g., uncollected taxes and accrued interest).

The governmental activities include general government, public safety, education, public works, community preservation, health and human services, culture and recreation, and interest.

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 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 position may serve over time as a useful indicator of a government's financial position. The Town of Chilmark's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24.4 million at the close of 2022.

Net position of \$18.7 million 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 position, \$3.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reported was

\$2.3 million. Total net position increased \$1.7 million from the prior year. This was due to: 1) overall positive budgetary results and expense reductions relative to the net pension and net OPEB liabilities.

At the end of the current year, the Town of Chilmark is able to report positive balances in all categories of net position. Key components of net position are shown on the following schedule.

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets.....	\$ 11,735,561	\$ 9,903,552
Capital assets, nondepreciable.....	11,640,852	9,823,540
Capital assets, net of accumulated depreciation...	<u>10,077,243</u>	<u>10,348,168</u>
Total assets.....	<u>33,453,656</u>	<u>30,075,260</u>
Deferred outflows of resources.....	<u>2,116,239</u>	<u>1,862,585</u>
Liabilities:		
Current liabilities (excluding debt).....	940,732	430,296
Noncurrent liabilities (excluding debt).....	4,535,197	4,819,654
Current debt.....	484,750	1,975,000
Noncurrent debt.....	<u>3,465,250</u>	<u>500,000</u>
Total liabilities.....	<u>9,425,929</u>	<u>7,724,950</u>
Deferred inflows of resources.....	<u>1,748,374</u>	<u>1,466,188</u>
Net position:		
Net investment in capital assets.....	18,652,618	18,290,523
Restricted.....	3,486,160	2,908,979
Unrestricted.....	<u>2,256,814</u>	<u>1,547,205</u>
Total net position.....	<u>\$ 24,395,592</u>	<u>\$ 22,746,707</u>

	2022	2021
Program Revenues:		
Charges for services..... \$	2,440,099	\$ 2,518,687
Operating grants and contributions.....	501,615	369,909
Capital grants and contributions.....	306,055	39,359
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	10,385,823	10,041,715
Motor vehicle and other excise taxes.....	324,934	299,574
Hotel/motel tax.....	458,988	355,080
Community preservation tax.....	235,931	357,719
Other revenues.....	91,874	165,499
Gain (loss) on sale of capital assets.....	-	776,018
Total revenues.....	14,745,319	14,923,560
Expenses:		
General government.....	2,330,106	2,224,971
Public safety.....	4,494,281	4,384,220
Education.....	4,196,652	3,752,726
Public works.....	639,925	640,367
Health and human services.....	432,654	397,457
Culture and recreation.....	866,711	860,744
Other expenses.....	136,105	228,515
Total expenses.....	13,096,434	12,489,000
Change in net position.....	1,648,885	2,434,560
Net position, beginning of year.....	22,746,707	20,312,147
Net position, end of year..... \$	<u>24,395,592</u>	<u>22,746,707</u>

The governmental expenses totaled \$13.1 million of which \$3.2 million (25%) was directly supported by program revenues consisting of charges for services and operating and capital grants and contributions. General revenues totaled \$11.5 million, primarily coming from property taxes, motor vehicle excise taxes and community preservation tax surcharges.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$10.4 million, an increase of \$2.8 million from the prior year.

General Fund

The General Fund is the chief operating fund. At the end of the year, unassigned fund balance totaled \$2.6 million. As a measure of the fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.6% of the total general fund expenditures, while total fund balance represents 38.1% of that same amount. The Town's general fund increased \$446,000 in 2022. The increase is largely due to favorable budgetary results.

Community Preservation Fund

The Community Preservation Fund accounts for the Town's resources collected for the acquisition, creation, preservation and support of open space, historic resources, recreational purposes and affordable housing. During the year the fund recognized \$598,000 in revenue. The revenue was primarily comprised of \$288,000 in real estate surcharges and \$278,000 in matching grants from the Commonwealth of Massachusetts. The fund balance increased \$484,000 and totaled \$2.7 million at the end of the fiscal year.

State Grants Fund

The state grants fund accounts for resources related to various grant programs funded by the Commonwealth of Massachusetts. The fund incurred expenditures of \$173,000 that are primarily related to reimbursable costs incurred under the Commonwealth of Massachusetts' Chapter 90 program. The fund recorded revenues of \$252,000 that relates to reimbursements for costs incurred in the prior and current fiscal years. Fund balance at the beginning of the fiscal year was \$141,000 and ending fund balance at the close of the fiscal year was \$172,000.

Capital Projects Fund

The Capital Projects fund accounts for resources related to the Town's capital project initiatives. During the year the fund incurred \$1.8 million of expenditures. These expenditures were incurred on behalf of the design and construction of a new fire and ambulance building. At the beginning of the fiscal year, fund balance was in a deficit of \$955,000. At the end of the fiscal year, the fund balance had a surplus of \$876,000 due to other financing sources exceeding project costs.

Tri-Town Ambulance Fund

The Tri-Town Ambulance fund accounts for resources related to a Town managed ambulance service. During the year the fund recognized revenue \$1.4 million comprised of \$1.1 million of assessments to member governments and \$293,000 of patient charges. Fund expenditures totaled \$1.4 million. At the end of the fiscal year, fund balance was \$617,000 which is reflective of an increase of \$52,000 from the prior year.

General Fund Budgetary Highlights

The final budget of \$14.3 million is reflective of an increase of \$1.3 million, when compared to the original budget. The increased appropriation is due to the use of existing fund balance and transfers in to fund capital articles and transfers to the stabilization fund.

Revenues were \$344,000 higher than budget due to hotel/motel taxes, motor vehicle and other excise taxes, fees, licenses and permit revenues exceeding budgeted amounts. The Town also received an unbudgeted refund of prior year county charges paid.

Expenditures and encumbrances were lower than budgeted amounts by \$441,000. This is the result of prudent management of appropriations.

Capital Asset and Debt Administration

Capital Assets. In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming year.

The Town's investment in capital assets as of June 30, 2022, amounted to \$21.7 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles, equipment and infrastructure. Major additions this fiscal year related to various building improvements and infrastructure projects.

Debt Administration

At the end of the current year, the Town had total bonded long-term debt outstanding of \$4.0 million. The entire amount is classified as governmental debt and is backed by the full faith and credit of the government. The Town's bond rating is AAA by Standard & Poor's.

Please refer to Notes 4, 6, and 7 of the financial statements for further discussion of the major capital and debt activity.

Pension and Other Postemployment Benefits

At June 30, 2022, the Town had a liability of \$481,000 and \$3.8 million for its Net Pension and Net Other Postemployment Benefits liabilities, respectively. These unfunded liabilities represent the future amounts that the Town would have to accumulate in order fully fund its obligation to provide benefits to its current and future retirees. Please see Notes 10 and 11 and the Required Supplementary Schedules for additional information.

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, 401 Middle Road, Chilmark, MA 02535-0119.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2022

		<u>Primary Government</u>
		<u>Governmental Activities</u>
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	6,739,959
Investments.....		4,290,880
Receivables, net of allowance for uncollectibles:		
Real estate and personal property taxes.....		128,340
Tax liens.....		26,567
Community preservation fund surtax.....		2,926
Motor vehicle and other excise taxes.....		48,752
Intergovernmental - other.....		291,953
Community preservation state share.....		206,184
Total current assets.....		<u>11,735,561</u>
NONCURRENT:		
Capital assets, nondepreciable.....		11,640,852
Capital assets, net of accumulated depreciation.....		<u>10,077,243</u>
Total noncurrent assets.....		<u>21,718,095</u>
TOTAL ASSETS.....		<u>33,453,656</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....		983,435
Deferred outflows related to other postemployment benefits.....		<u>1,132,804</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....		<u>2,116,239</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		536,632
Accrued payroll.....		137,381
Accrued interest.....		18,910
Other liabilities.....		57,820
Compensated absences.....		189,989
Bonds payable.....		<u>484,750</u>
Total current liabilities.....		<u>1,425,482</u>

(continued)

STATEMENT OF NET POSITION

JUNE 30, 2022

	<i>Primary Government</i>
	Governmental Activities
NONCURRENT:	
Compensated absences.....	215,980
Net pension liability.....	480,734
Net other postemployment benefits liability.....	3,838,483
Bonds payable.....	3,465,250
Total noncurrent liabilities.....	8,000,447
TOTAL LIABILITIES.....	9,425,929
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions.....	1,588,932
Deferred inflows related to other postemployment benefits.....	159,442
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,748,374
NET POSITION	
Net investment in capital assets.....	18,652,618
Restricted for:	
Permanent funds:	
Expendable.....	16,555
Nonexpendable.....	50,934
Gifts and grants.....	541,641
Community preservation.....	2,877,030
Unrestricted.....	2,256,814
TOTAL NET POSITION.....	\$ 24,395,592

(concluded)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 2,330,106	\$ 95,822	\$ 146,865	\$ -	\$ (2,087,419)
Public safety.....	4,494,281	1,997,847	19,924	1,350	(2,475,160)
Education.....	4,196,652	-	-	-	(4,196,652)
Public works.....	639,925	63,547	-	291,953	(284,425)
Health and human services.....	432,654	16,638	49,674	-	(366,342)
Culture and recreation.....	866,711	266,245	6,678	12,752	(581,036)
Community preservation.....	104,497	-	278,474	-	173,977
Interest.....	31,608	-	-	-	(31,608)
Total Primary Government.....	\$ 13,096,434	\$ 2,440,099	\$ 501,615	\$ 306,055	\$ (9,848,665)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Primary Government
	Governmental Activities
Changes in net position:	
Net (expense) revenue from previous page.....	\$ (9,848,665)
<i>General revenues:</i>	
Real estate and personal property taxes, and tax liens net of tax refunds payable.....	10,385,823
Motor vehicle and other excise taxes.....	324,934
Hotel/motel tax.....	458,988
Community preservation tax.....	235,931
Penalties and interest on taxes.....	28,545
Payments in lieu of taxes.....	4,225
Unrestricted investment income.....	59,104
Total general revenues.....	11,497,550
Change in net position.....	1,648,885
<i>Net position:</i>	
Beginning of year.....	22,746,707
End of year.....	\$ 24,395,592

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2022

	General	Community Preservation	State Grants	Capital Projects	Tri-Town Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 3,542,881	\$ 837,116	\$ 33,135	\$ 1,293,690	\$ 651,664	\$ 381,473	\$ 6,739,959
Investments.....	1,174,626	1,830,476	-	-	-	1,285,778	4,290,880
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	128,340	-	-	-	-	-	128,340
Tax liens.....	26,239	328	-	-	-	-	26,567
Community preservation fund surtax.....	-	2,926	-	-	-	-	2,926
Motor vehicle and other excise taxes.....	48,752	-	-	-	-	-	48,752
Intergovernmental.....	-	-	291,953	-	-	-	291,953
Community preservation state share.....	-	206,184	-	-	-	-	206,184
Due from other funds.....	-	-	-	-	-	-	-
TOTAL ASSETS.....	\$ 4,920,838	\$ 2,877,030	\$ 325,088	\$ 1,293,690	\$ 651,664	\$ 1,667,251	\$ 11,735,561
LIABILITIES							
Warrants payable.....	\$ 104,992	\$ -	\$ 8,273	\$ 417,739	\$ -	\$ 5,628	\$ 536,632
Accrued payroll.....	102,218	-	-	-	35,163	-	137,381
Due to other funds.....	-	-	-	-	-	-	-
Other liabilities.....	57,820	-	-	-	-	-	57,820
TOTAL LIABILITIES.....	265,030	-	8,273	417,739	35,163	5,628	731,833
DEFERRED INFLOWS OF RESOURCES							
Taxes paid in advance.....	-	-	-	-	-	-	-
Unavailable revenue.....	204,639	209,438	144,657	-	-	-	558,734
TOTAL DEFERRED INFLOWS OF RESOURCES.....	204,639	209,438	144,657	-	-	-	558,734
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	50,934	50,934
Restricted.....	-	2,667,592	172,158	875,951	616,501	1,610,689	5,942,891
Committed.....	1,653,479	-	-	-	-	-	1,653,479
Assigned.....	165,000	-	-	-	-	-	165,000
Unassigned.....	2,632,690	-	-	-	-	-	2,632,690
TOTAL FUND BALANCES.....	4,451,169	2,667,592	172,158	875,951	616,501	1,661,623	10,444,994
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 4,920,838	\$ 2,877,030	\$ 325,088	\$ 1,293,690	\$ 651,664	\$ 1,667,251	\$ 11,735,561

See notes to basic financial statements.

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

JUNE 30, 2022

Total governmental fund balances.....		\$ 10,444,994
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		21,718,095
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		558,734
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		367,865
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(18,910)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(3,950,000)	
Net pension liability.....	(480,734)	
Net other postemployment benefits liability.....	(3,838,483)	
Compensated absences.....	(405,969)	
Net effect of reporting long-term liabilities.....		<u>(8,675,186)</u>
Net position of governmental activities.....		<u>\$ 24,395,592</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	General	Community Preservation	State Grants	Capital Projects	Tri-Town Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes and tax liens							
net of tax refunds.....	\$ 10,358,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,358,348
Motor vehicle and other excise taxes.....	318,706	-	-	-	-	-	318,706
Hotel/motel tax.....	458,988	-	-	-	-	-	458,988
Charges for services.....	43,947	-	-	-	293,897	-	337,844
Penalties and interest on taxes.....	28,545	-	-	-	-	-	28,545
Fees and rentals.....	40,076	-	-	-	-	9,469	49,545
Payments in lieu of taxes.....	4,225	-	-	-	-	-	4,225
Licenses and permits.....	141,557	-	-	-	-	-	141,557
Fines and forfeitures.....	3,184	-	-	-	-	-	3,184
Intergovernmental - other.....	6,647	-	250,768	-	-	-	257,415
Departmental and other.....	747,113	-	-	-	1,128,930	134,148	2,010,191
Community preservation taxes.....	-	287,623	-	-	-	-	287,623
Community preservation-state match.....	-	278,474	-	-	-	-	278,474
Contributions and donations.....	-	-	-	-	-	24,902	24,902
Investment income.....	15,623	32,007	1,194	-	900	9,380	59,104
TOTAL REVENUES.....	12,166,959	598,104	251,962	-	1,423,727	177,899	14,618,651
EXPENDITURES:							
Current:							
General government.....	1,496,895	-	17,126	-	-	2,189	1,516,210
Public safety.....	2,177,482	-	8,273	1,817,312	1,114,094	108,966	5,226,127
Education.....	4,147,836	-	-	-	-	-	4,147,836
Public works.....	487,297	-	147,296	1,980	-	6,550	643,123
Health and human services.....	416,535	-	-	-	-	-	416,535
Culture and recreation.....	663,913	-	-	-	-	22,783	686,696
Pension benefits.....	391,175	-	-	-	103,983	-	495,158
Property and liability insurance.....	132,278	-	-	-	-	-	132,278
Employee benefits.....	921,429	-	-	-	153,347	-	1,074,776
Community preservation.....	-	104,497	-	-	-	-	104,497
State and county charges.....	380,448	-	-	-	-	-	380,448
Debt service:							
Principal.....	435,000	-	-	-	-	-	435,000
Interest.....	19,150	-	-	-	-	-	19,150
TOTAL EXPENDITURES.....	11,669,438	104,497	172,695	1,819,292	1,371,424	140,488	15,277,834
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	497,521	493,607	79,267	(1,819,292)	52,303	37,411	(659,183)
OTHER FINANCING SOURCES (USES):							
Issuance of bonds.....	-	-	-	3,450,000	-	-	3,450,000
Transfers in.....	167,637	-	-	200,000	-	18,793	386,430
Transfers out.....	(218,793)	(9,577)	(48,000)	-	-	(110,060)	(386,430)
TOTAL OTHER FINANCING SOURCES (USES).....	(51,156)	(9,577)	(48,000)	3,650,000	-	(91,267)	3,450,000
NET CHANGE IN FUND BALANCES.....	446,365	484,030	31,267	1,830,708	52,303	(53,856)	2,790,817
FUND BALANCES AT BEGINNING OF YEAR.....	4,004,804	2,183,562	140,891	(954,757)	564,198	1,715,479	7,654,177
FUND BALANCES AT END OF YEAR.....	\$ 4,451,169	\$ 2,667,592	\$ 172,158	\$ 875,951	\$ 616,501	\$ 1,661,623	\$ 10,444,994

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**

YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds.....	\$	2,790,817
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	2,113,286	
Depreciation expense.....	<u>(566,899)</u>	
Net effect of reporting capital assets.....		1,546,387
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		126,668
<p>The issuance of long-term debt 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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(3,450,000)	
Debt service principal payments.....	<u>435,000</u>	
Net effect of reporting long-term debt.....		(3,015,000)
<p>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.</p>		
Net change in compensated absences accrual.....	(81,194)	
Net change in accrued interest on long-term debt.....	(12,458)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(306,034)	
Net change in net pension liability.....	764,056	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	263,978	
Net change in the net other postemployment benefits liability.....	<u>(428,335)</u>	
Net effect of recording long-term liabilities.....		<u>200,013</u>
Change in net position of governmental activities.....	\$	<u><u>1,648,885</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

		Other Post Employment Benefit Trust Fund
ASSETS		
Investments:		
Dukes County Pooled OPEB Trust.....	\$	2,681,618
NET POSITION		
Restricted for other postemployment benefits.....	\$	2,681,618

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022

	Other Post Employment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions.....	\$ 264,910
Employer contributions for other postemployment benefit payments.....	236,206
Total contributions.....	501,116
Net investment income:	
Investment income.....	48,326
Net change in fair value of investments.....	(329,122)
Less: investment expense.....	(6,849)
Net investment income (loss).....	(287,645)
TOTAL ADDITIONS.....	213,471
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	236,206
NET INCREASE (DECREASE) IN NET POSITION.....	(22,735)
NET POSITION AT BEGINNING OF YEAR.....	2,704,353
NET POSITION AT END OF YEAR.....	\$ 2,681,618

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 Select Board and an appointed Town Administrator.

For financial reporting purposes, the Town has included all funds, organizations, 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 2022 Assessment
Martha's Vineyard Regional High School District	To provide educational services	100 Edgartown Road Oak Bluffs, MA 02557	\$ 1,090,426
Up-Island Regional School District	To provide educational services	401 Old County Road West Tisbury, MA 02979	\$ 2,733,178
Martha's Vineyard Refuse Disposal and Resource Recovery District	To control solid waste disposal	PO Box 2067 Edgartown, MA 02539	\$ 94,416
Tri-Town Ambulance	To provide ambulance service	PO Box 340 Chilmark, MA 02535	\$ 390,622

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 (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.

The Towns of Chilmark, Aquinnah and West Tisbury have entered into an arrangement in which the towns equally share the costs of associated with the operation of ambulance services in each town. This arrangement is formally known as the Tri-Town Ambulance service. Each member is assessed an equal share of operating costs for each fiscal year.

Separate financial statements may be obtained from the school districts and the disposal and resource recovery district by writing to the Treasurer of the Districts at the addresses identified on the previous page. The Tri-Town Ambulance is reported as a major special revenue fund in the financial statements of the Town of Chilmark.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) 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 following criteria are met:

- If total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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 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 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 accounts 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 that accounts for the accumulation of resources for the acquisition, creation, preservation and support of open space, historic resources, recreational purposes and affordable housing.

The *state grants fund* is a special revenue fund that accounts for resources related to various grant programs funded by the Commonwealth of Massachusetts.

The *capital projects fund* is a capital project fund that accounts for resources related to the Town's capital project initiatives.

The *Tri-Town ambulance fund* is a special revenue fund that accounts for resources related to a Town operated ambulance service.

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 fund's financial statements. The following describes the general use of these fund types:

The *special revenue fund* accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *permanent fund* accounts for and reports 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 *other postemployment benefit (OPEB) trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

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.

D. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and 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 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on October 1st and April 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the 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 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.

Community Preservation Fund Surcharge

The Town has adopted the Community Preservation Act and the provisions of the Act allow the Town to assess property owners an additional 1% - 3% of the total real estate commitment. The Town has opted to a surcharge of 3% added to each real estate tax bill. Revenues from this surcharge are credited to the Community Preservation Fund, a component of the nonmajor governmental funds to fund open space acquisitions, affordable housing initiatives, historic preservation and recreational uses.

Since the surcharges are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Motor Vehicle and Other Excise Taxes

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

Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those boats. The tax calculation is the fair value of the vehicle multiplied by \$10 per \$1,000 of value; with a maximum taxable value of \$50,000.

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.

G. 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.

H. 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.

All purchases and construction costs in excess of \$15,000 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:

Capital Asset Type	Estimated Useful Life (in years)
Land improvements.....	20
Buildings.....	40
Machinery and equipment.....	15-25
Vehicles.....	5
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 year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has recorded deferred outflows of resources related to the net pension and net OPEB liabilities in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has recorded taxes paid in advance and deferred inflows of resources related to net pension and net OPEB liabilities in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. 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 position.

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.

K. 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 position.

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.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position reported as “net investment in capital assets” 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 position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has 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.

“Gifts and Grants” represents restrictions placed on assets from outside parties.

“Community Preservation” represents amounts held for uses restricted by law for community preservation purposes.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Town meeting is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

"Assigned" fund balance includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Select Board has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Dukes County Retirement System (DCRS) and additions to/deductions from the DCRS's fiduciary net position have been determined on the same basis as they are reported by the DCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. 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.

O. 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).

P. 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.

Q. 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 year. Actual results could vary from estimates that were used.

R. 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 Cash Equivalents". 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 (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 MMDT maintains a cash portfolio and a short-term bond portfolio. The Town participates in the cash portfolio which had a weighted average maturity of 49 days.

The Town invests in the Dukes County Pooled OPEB Trust Fund (OPEB Trust) which is an investment pool established by the legislature of the Commonwealth of Massachusetts by way of Chapter 149 of the acts of 2010. The fair value of the Town's assets in the OPEB Trust total \$2,681,618 as of June 30, 2022. Details related to the OPEB Trust investments can be obtained by contacting the OPEB Trust at PO Box 921, Vineyard Haven, MA, 02568.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a Board approved deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$6,584,029 and the bank balance totaled \$6,709,769. Of the bank balance, \$601,810 was covered by Federal Depository Insurance, \$5,550,983 was covered by the Depositors Insurance Fund, and \$556,976 was collateralized.

Investments

As of June 30, 2022, the Town had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 1,247,218	\$ 486,972	\$ 760,246	\$ -
Government sponsored enterprises.....	127,160	44,220	82,940	-
Corporate bonds.....	1,847,400	50,083	1,444,513	352,804
Total debt securities.....	3,221,778	\$ 581,275	\$ 2,287,699	\$ 352,804
<u>Other investments:</u>				
Equity securities.....	760,711			
Fixed income.....	308,391			
Certificate of deposit.....	96,026			
Money market mutual funds.....	51,785			
Dukes County Pooled OPEB Investment Trust..	2,681,618			
MMDT - Cash portfolio.....	8,119			
Total investments.....	\$ 7,128,428			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in debt securities of \$3,221,778 and in equity securities of \$760,711 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have a formal investment policy for custodial credit risk.

Concentration of Credit Risk

With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or Agencies, and MMDT, the Town's investment policy limits the amount that may be invested in any one financial institution to no more than 30% of the Town's total investments. The policy does not limit the amount that may be invested in an individual security.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town has not adopted a formal policy related to credit risk. At the close of the fiscal year, the Town's investments were rated as shown on the following page.

Quality Rating	U.S. Treasury Bonds	Government Sponsored Enterprises	Corporate Bonds
AAA.....	\$ 1,247,218	\$ -	\$ 176,632
AA+.....	-	127,160	-
A+.....	-	-	566,942
A.....	-	-	176,896
A-.....	-	-	79,044
BBB+.....	-	-	276,688
BBB.....	-	-	571,198
Total.....	\$ <u>1,247,218</u>	\$ <u>127,160</u>	\$ <u>1,847,400</u>

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The table on the following page presents financial assets at June 30, 2022, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy.

Government sponsored enterprises, U.S. treasury notes, equity securities, fixed income, international securities and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bond classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investment Type	June 30, 2022	Fair Value Measurements Using		
		Quoted Prices in Markets for Active Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 1,247,218	\$ 1,247,218	\$ -	-
Government sponsored enterprises.....	127,160	127,160	-	-
Corporate bonds.....	1,847,400	-	1,847,400	-
Total debt securities.....	3,221,778	1,374,378	1,847,400	-
<u>Other investments:</u>				
Equity securities.....	760,711	760,711	-	-
Fixed income.....	308,391	308,391	-	-
International securities.....	96,026	96,026	-	-
Money market mutual funds.....	51,785	51,785	-	-
Total other investments.....	1,216,913	1,216,913	-	-
Total investments measured at fair value.....	\$ 4,438,691	\$ 2,591,291	\$ 1,847,400	\$ -
Investments measured at net asset value:				
MMDT - Cash portfolio.....	8,119			
Dukes County Pooled OPEB Investment Trust...	2,681,618			
Total investments.....	\$ 7,128,428			

The OPEB Trust and MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its costs and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value the value of the portfolio securities will be determined under procedures established by the Advisor.

NOTE 3 – RECEIVABLES

At June 30, 2022, receivables for the individual major, non major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported on the following page.

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	128,339	\$ -	\$ 128,339
Tax liens.....	26,568	-	26,568
Community preservation fund surtax.....	2,926	-	2,926
Motor vehicle and other excise taxes.....	48,752	-	48,752
Intergovernmental - other.....	291,953	-	291,953
Community preservation state share.....	206,184	-	206,184
 Total..... \$	<u>704,722</u>	<u>\$ -</u>	<u>\$ 704,722</u>

Governmental funds report *deferred inflows of resources* 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 year, the various components of *deferred inflows of resources* reported in the governmental funds were as presented in the following page.

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	129,647	\$ -	\$ 129,647
Tax liens.....	26,240	328	26,568
Community preservation fund surtax.....	-	2,926	2,926
Motor vehicle and other excise taxes.....	48,752	-	48,752
Intergovernmental - highway improvements.....	-	144,657	144,657
Community preservation state share.....	-	206,184	206,184
 Total..... \$	<u>204,639</u>	<u>\$ 354,095</u>	<u>\$ 558,734</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,586,642	\$ -	\$ -	\$ 9,586,642
Construction in progress.....	236,898	1,817,312	-	2,054,210
Total capital assets not being depreciated....	<u>9,823,540</u>	<u>1,817,312</u>	<u>-</u>	<u>11,640,852</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	426,623	-	-	426,623
Buildings.....	10,902,271	52,202	-	10,954,473
Machinery and equipment.....	911,527	-	-	911,527
Vehicles.....	1,637,550	15,000	-	1,652,550
Infrastructure.....	5,124,802	228,772	-	5,353,574
Total capital assets being depreciated.....	<u>19,002,773</u>	<u>295,974</u>	<u>-</u>	<u>19,298,747</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(89,569)	(21,331)	-	(110,900)
Buildings.....	(4,654,976)	(274,475)	-	(4,929,451)
Machinery and equipment.....	(566,179)	(60,083)	-	(626,262)
Vehicles.....	(1,416,451)	(33,790)	-	(1,450,241)
Infrastructure.....	(1,927,430)	(177,220)	-	(2,104,650)
Total accumulated depreciation.....	<u>(8,654,605)</u>	<u>(566,899)</u>	<u>-</u>	<u>(9,221,504)</u>
Total capital assets being depreciated, net.....	<u>10,348,168</u>	<u>(270,925)</u>	<u>-</u>	<u>10,077,243</u>
Total governmental activities capital assets, net.....	<u>\$ 20,171,708</u>	<u>\$ 1,546,387</u>	<u>\$ -</u>	<u>\$ 21,718,095</u>

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

Governmental Activities:

General government.....	\$	141,466
Public safety.....		172,677
Education.....		101,018
Public works.....		92,721
Culture and recreation.....		59,017
		<u>59,017</u>
Total depreciation expense - governmental activities.....	\$	<u>566,899</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022, are summarized as follows:

Transfers Out:	Transfers In:				Total	
	General fund	Capital Projects	Nonmajor governmental funds			
General fund.....	\$ -	\$ 200,000	\$ 18,793	\$ 218,793	(1)	
Community Preservation.....	9,577	-	-	9,577	(2)	
State grants.....	48,000	-	-	48,000	(2)	
Nonmajor governmental funds.....	110,060	-	-	110,060	(2)	
Total.....	\$ <u>167,637</u>	\$ <u>200,000</u>	\$ <u>18,793</u>	\$ <u>386,430</u>		

- (1) Budgeted transfers to fund the roadway infrastructure improvement projects, to transfer 50% of the vessel excise tax collections to the Waterways Improvement Fund, to fund maintenance costs for the Chilmark Community Center, and to fund the capital maintenance plan associated with the Towns’ affordable housing properties.
- (2) Budgeted transfers to fund administrative costs associated with the Community Preservation Fund and to fund capital and maintenance costs associated with the Town’s cemetery and harbor properties.

NOTE 6 – 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 following short-term debt activity occurred during the year:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
Governmental Funds:							
BAN	Municipal Purpose.....	0.38%	01/27/22	\$ 1,540,000	\$ -	\$ (1,540,000)	\$ -
BAN	Municipal Purpose.....	0.55%	04/27/22	-	1,540,000	(1,540,000)	-
BAN	Municipal Purpose.....	1.00%	07/17/22	-	3,450,000	(3,450,000)	-
Total Governmental Funds.....				\$ 1,540,000	\$ 4,990,000	\$ (6,530,000)	\$ -

The BAN due to mature in July 2022 was converted to long term debt at maturity. The effects of this transaction has been reported in the financial statements.

NOTE 7 – 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".

In previous years, certain general obligation bonds were defeased by placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2022, \$135,000 of bonds outstanding from the advance refunding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2022, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
Municipal Purpose Bonds of 2011.....	2025	\$ 1,400,000	2.0 - 5.0	\$ 300,000
Municipal Purpose Bonds of 2015	2022	600,000	2.50	75,000
Municipal Purpose Refunding Bonds of 2015...	2022	1,090,000	2.50	125,000
Municipal Purpose Bonds of 2022	2042	3,450,000	4.0 - 5.0	3,450,000
Total Bonds Payable.....				\$ 3,950,000

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

Year	Principal	Interest	Total
2023.....	\$ 484,750	\$ 129,505	\$ 614,255
2024.....	272,050	147,154	419,204
2025.....	272,050	135,810	407,860
2026.....	172,050	125,448	297,498
2027.....	172,050	102,046	274,096
2028.....	172,050	108,244	280,294
2029.....	172,050	99,642	271,692
2030.....	172,050	91,038	263,088
2031.....	172,050	82,436	254,486
2032.....	172,050	75,554	247,604
2033.....	172,050	68,672	240,722
2034.....	172,050	61,790	233,840
2035.....	172,050	54,908	226,958
2036.....	172,050	48,026	220,076
2037.....	172,050	41,144	213,194
2038.....	172,050	34,262	206,312
2039.....	172,050	27,380	199,430
2040.....	172,050	20,498	192,548
2041.....	170,200	13,616	183,816
2042.....	170,200	6,808	177,008
Total.....	\$ 3,950,000	\$ 1,473,981	\$ 5,423,981

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, 2022, the Town had the following authorized and unissued debt:

Purpose	Amount
Building Construction.....	\$ 7,050,000
Building Construction (additional funding).....	1,300,000
Upisland School HVAC.....	950,000
Fire & EMS Building Civil Engineering.....	5,500
Total.....	\$ 9,305,500

Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds Issued	Redemptions	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 935,000	\$ 3,450,000	\$ (435,000)	\$ -	\$ -	\$ 3,950,000	\$ 484,750
Compensated absences.....	324,775	-	-	241,253	(160,059)	405,969	189,989
Net pension liability.....	1,244,790	-	-	-	(764,056)	480,734	-
Other postemployment benefits...	3,410,148	-	-	428,335	-	3,838,483	-
Total governmental activity long-term liabilities.....	\$ 5,914,713	\$ 3,450,000	\$ (435,000)	\$ 669,588	\$ (924,115)	\$ 8,675,186	\$ 674,739

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end the balance of the Stabilization Funds is \$1.54 million and is reported as unassigned fund balance within the General Fund.

GASB 54 provides for two major types of fund balances, which are Nonspendable and Spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as Nonspendable. In addition to the Nonspendable fund balance, GASB 54 has provided a hierarchy of Spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy:

	General	Community Preservation	State Grants	Capital Projects	Tri-Town Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable:							
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	\$ -	50,934	\$ 50,934
Restricted for:							
Community Preservation Fund.....	-	2,667,592	-	-	-	-	2,667,592
Tri-Town Ambulance.....	-	-	-	-	616,501	-	616,501
Reserve for Appropriations.....	-	-	-	-	-	287,060	287,060
State Grants.....	-	-	172,158	-	-	-	172,158
Gifts.....	-	-	-	-	-	224,826	224,826
Other Special Revenue Funds.....	-	-	-	-	-	1,073,676	1,073,676
Middle Line Path Road.....	-	-	-	-	-	8,572	8,572
Permanent Fund.....	-	-	-	-	-	16,555	16,555
Capital Projects.....	-	-	-	875,951	-	-	875,951
Committed to:							
Articles and continuing appropriations:							
General government.....	791,812	-	-	-	-	-	791,812
Public safety.....	419,630	-	-	-	-	-	419,630
Education.....	365,488	-	-	-	-	-	365,488
Public works.....	8,955	-	-	-	-	-	8,955
Health and human services.....	43,908	-	-	-	-	-	43,908
Culture and recreation.....	18,010	-	-	-	-	-	18,010
State and county charges.....	5,676	-	-	-	-	-	5,676
Free cash used for subsequent year budget.....	165,000	-	-	-	-	-	165,000
Unassigned.....	2,632,690	-	-	-	-	-	2,632,690
Total Fund Balances.....	\$ 4,451,169	\$ 2,667,592	\$ 172,158	\$ 875,951	\$ 616,501	\$ 1,661,623	\$ 10,444,994

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 is a member of the Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 15 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution, in the amount of \$495,158, equaled its actual contribution for the year ended December 31, 2021. The amount contributed is equal to 16.77% of covered payroll. This amount is actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2022, the Town reported a liability of \$481,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2021, the Town's proportion was 5.213% which is the same percentage measured at December 31, 2020.

Pension Expense

For the year ended June 30, 2022, the Town recognized pension expense of \$37,136. At June 30, 2022, the Town reported deferred outflows and deferred inflows of resources related to pensions of \$983,435 and \$1,588,932 respectively. Component of these are as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 215,058	\$ (6,857)	\$ 208,201
Difference between projected and actual earnings, net.....	-	(1,537,716)	(1,537,716)
Changes in assumptions.....	596,449	-	596,449
Changes in proportion and proportionate share of contributions...	171,928	(44,359)	127,569
	\$ 983,435	\$ (1,588,932)	\$ (605,497)
Total deferred outflows/(inflows) of resources.....	\$ <u>983,435</u>	\$ <u>(1,588,932)</u>	\$ <u>(605,497)</u>

The Town's deferred (inflows) and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022.....	\$ (147,566)
2023.....	(314,105)
2024.....	(118,021)
2025.....	(77,706)
2026.....	51,901
	\$ <u>(605,497)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2021:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method - UAAL.....	Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2031.
2002 & 2003 ERI Actuarial Liability.....	Increasing dollar amount at 4.5% to reduce the unfunded liability to zero on or before 2028.
Remaining amortization period.....	10 years for UAL as of December 31, 2020 7 years for 2002 and 2003's ERIS's as of December 31, 2020.

Asset valuation method.....	The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of: a) 80% of gains and losses of the prior year, b) 60% of gains and losses of the second prior year and c) 40% of gains and losses of the third prior year. c) 20% of gains and losses of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Investment rate of return.....	7%, net of pension plan investment expense, including inflation.
Inflation rate.....	2.2% per year.
Projected salary increases.....	6% to 4.25% for general employees and 7% - 4.75% for public safety, depending on years of service.
Payroll growth.....	3.5% per year.
Cost of living adjustments.....	3% of the pension amount capped at \$420 per year.
Rates of retirement.....	Varies based on age for general employees, police and fire employees.
Rates of disability.....	Varies based on age for general employees, police and fire employees.
Mortality rates.....	RP-2014 Blue Collar Mortality Table (base year 2009) with full generational mortality improvement using Scale MP-2018. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Investment Policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	30.00%	9.10%
International equity.....	5.00%	6.60%
PRIT Core.....	50.00%	6.80%
Real estate.....	5.00%	6.80%
Fixed income.....	10.00%	2.20%
Total.....	<u>100.00%</u>	

Rate of return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.66%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	December 31, 2021 Measurement Date		
	1% Decrease (6%)	Current Discount (7%)	1% Increase (8%)
The Town's proportionate share of the net pension liability.....	\$ 2,032,980	\$ 480,734	\$ (831,530)

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Chilmark administers a single-employer defined benefit healthcare plan (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. Retired plan members and beneficiaries currently receiving benefits are required to contribute 25% of the cost of benefits provided. The Town is required to fund the balance of the current premiums and may contribute additional amounts to pre-fund benefits.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities.

During 2022, the Town pre-funded future OPEB liabilities in the amount of \$264,910 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2022, the balance of this fund totaled \$2,681,618.

The annual money-weighted rate of return on OPEB plan investments was -9.76%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership

The following table represents the Plan’s membership at June 30, 2022:

Active members.....	39
Inactive members currently receiving benefits.....	<u>18</u>
Total.....	<u><u>57</u></u>

Measurement Date

GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year end. Accordingly, the net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Components of OPEB Liability

The following table represents the components of the Plan's OPEB liability as of June 30, 2022:

Total OPEB liability.....	\$	6,520,101
Less: OPEB plan's fiduciary net position.....		<u>(2,681,618)</u>
Net OPEB liability.....	\$	<u>3,838,483</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		41.13%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2020, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, to be in accordance with GASB Statement #75:

Valuation date.....	July 1, 2020
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Increasing at 3.5% over 30 years on an open amortization
Asset valuation method.....	Fair value
Investment rate of return.....	7%, net of investment expenses, including inflation
Discount rate.....	6.6% net of investment expense.
Inflation rate.....	2.4% per year.
Healthcare cost trend rates.....	7% for 2020, decreasing 0.4% per year to an ultimate rate of 5.4%. The ultimate medical inflation rate is reached in 2075.
Payroll growth.....	3.5% per year.
Mortality rates:	
Post-retirement.....	Based on the RP-2014 Blue Collar Mortality Table projected with generational mortality improvement using scale MP-2018.
Pre-retirement.....	Based on the RP-2014 Blue Collar Mortality Table projected with generational mortality improvement using scale MP-2018.

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of the Dukes County OPEB Trust by a majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits

provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Large cap equity.....	35.00%	5.34%
Mid cap equity.....	10.00%	5.34%
Small cap equity.....	10.00%	5.34%
International equity.....	15.00%	6.10%
Real estate.....	10.00%	4.40%
Fixed income.....	20.00%	1.62%
 Total.....	100.00%	

The Town’s net other postemployment benefits liability was determined based on a projection of employer and employee contributions, benefit payments (with and without subsidy), expenses and the long-term expected rate of return on the other postemployment trust assets which resulted in a selected discount rate of 6.6%.

Discount rate

The discount rate used to measure the total OPEB liability was 6.6%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net other postemployment benefit liability to changes in the discount rate

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 6.6%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (5.6%)	Current Discount Rate (6.6%)	1% Increase (7.6%)
Net OPEB liability..... \$	4,828,316	\$ 3,838,483	\$ 3,036,890

Sensitivity of the net other postemployment benefit liability to changes in the healthcare trend

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB liability.....	\$ <u>2,869,292</u>	\$ <u>3,838,483</u>	\$ <u>5,061,131</u>

Changes in Assumptions

The inflation rate changed from 2.2% as of June 30, 2021, to 2.4% as of June 30, 2022.

Change in Plan Provisions

None.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances at June 30, 2021.....	\$ 6,114,501	\$ 2,704,353	\$ 3,410,148
Changes for the year:			
Service cost.....	249,593	-	249,593
Interest.....	412,235	-	412,235
Differences between expected and actual experience...	-	-	-
Changes in assumptions and other inputs.....	(20,022)	-	(20,022)
Benefit payments.....	(236,206)	(236,206)	-
Employer contributions.....	-	501,116	(501,116)
Net investment income (loss).....	-	(287,645)	287,645
Net change.....	<u>405,600</u>	<u>(22,735)</u>	<u>428,335</u>
Balances at June 30, 2022.....	\$ <u>6,520,101</u>	\$ <u>2,681,618</u>	\$ <u>3,838,483</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$665,474. At June 30, 2022, the Town reported deferred outflows and deferred inflows of resources totaled \$1,132,804 and \$159,442, respectively, and are reported below.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 237,848	\$ (142,232)	\$ 95,616
Difference between projected and actual earnings, net.....	127,667	-	127,667
Changes in assumptions.....	767,289	(17,210)	750,079
Total deferred outflows/(inflows) of resources.....	\$ 1,132,804	\$ (159,442)	\$ 973,362

Amounts reported as deferred inflows and outflows related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023.....	\$ 191,344
2024.....	184,342
2025.....	173,840
2026.....	267,727
2027.....	145,983
Thereafter.....	10,125
	\$ 973,361

NOTE 13 – 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, 2022, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2022.

The Town is contingently liable for any deficit, including the operating and debt service costs, which may be incurred by the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority (the “Authority”). The percentage of any deficit as it is established by the county, not the Steamship Authority, in the same proportions of the assessment of county tax. The Town is not required to make payment to the Authority unless the amount in the Authority’s reserve is insufficient. Since 1962, the Town has never had to make a payment to the Authority.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2023, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2022, the following GASB pronouncement was implemented:

- GASB Statement #87, *Leases*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.
- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.
- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.
- GASB Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #99, *Omnibus 2022*, which is required to be implemented in 2023.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund Budgetary Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes and tax liens net of tax refunds.....	\$ 10,350,663	\$ 10,350,663	\$ 10,358,348	\$ -	\$ 7,685
Motor vehicle and other excise taxes.....	260,000	260,000	318,706	-	58,706
Hotel/motel tax.....	342,000	342,000	458,988	-	116,988
Charges for services.....	45,000	45,000	43,947	-	(1,053)
Penalties and interest on taxes.....	36,300	36,300	28,545	-	(7,755)
Fees and rentals.....	35,000	35,000	40,076	-	5,076
Payments in lieu of taxes.....	4,200	4,200	4,225	-	25
Licenses and permits.....	116,000	116,000	141,557	-	25,557
Fines and forfeitures.....	4,000	4,000	3,184	-	(816)
Intergovernmental.....	5,363	5,963	6,647	-	684
Departmental and other.....	605,000	605,000	747,114	-	142,114
Investment income.....	7,500	7,500	4,690	-	(2,810)
TOTAL REVENUES.....	11,811,026	11,811,626	12,156,027	-	344,401
EXPENDITURES:					
Current:					
General government.....	1,993,316	2,472,904	1,470,755	791,812	210,337
Public safety.....	2,218,043	2,605,743	2,174,444	419,630	11,669
Education.....	4,385,706	4,513,324	4,147,836	365,488	-
Public works.....	455,425	474,425	487,297	8,955	(21,827)
Health and human services.....	448,250	510,676	416,535	43,908	50,233
Culture and recreation.....	720,515	732,515	663,913	18,010	50,592
Pension benefits.....	391,175	391,175	391,175	-	-
Property and liability insurance.....	215,500	215,500	132,278	-	83,222
Employee benefits.....	942,271	942,271	921,429	-	20,842
State and county charges.....	422,497	422,497	380,448	5,676	36,373
Debt service:					
Principal.....	435,000	435,000	435,000	-	-
Interest.....	19,150	19,150	19,150	-	-
TOTAL EXPENDITURES.....	12,646,848	13,735,180	11,640,260	1,653,479	441,441
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(835,822)	(1,923,554)	515,767	(1,653,479)	785,842
OTHER FINANCING SOURCES (USES):					
Use of fund balance to fund prior year encumbrances.....	779,837	779,837	-	-	(779,837)
Use of free cash.....	342,408	1,418,873	-	-	(1,418,873)
Transfers in.....	9,577	254,637	254,637	-	-
Transfers out.....	(296,000)	(529,793)	(529,793)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	835,822	1,923,554	(275,156)	-	(2,198,710)
NET CHANGE IN FUND BALANCE.....	-	-	240,611	(1,653,479)	(1,412,868)
BUDGETARY FUND BALANCE, Beginning of year.....	2,461,466	2,461,466	2,461,466	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 2,461,466	\$ 2,461,466	\$ 2,702,077	\$ (1,653,479)	\$ (1,412,868)

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DUKES COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2021.....	5.21%	\$ 480,734	\$ 2,953,228	16.28%	96.41%
December 31, 2020.....	5.21%	1,244,790	2,917,666	42.66%	89.76%
December 31, 2019.....	4.84%	1,381,418	2,561,418	53.93%	86.73%
December 31, 2018.....	4.84%	2,418,842	2,516,991	96.10%	76.08%
December 31, 2017.....	5.17%	1,714,842	1,955,256	87.70%	82.43%
December 31, 2016.....	5.17%	2,374,072	2,136,675	111.11%	74.21%
December 31, 2015.....	5.28%	2,073,830	2,089,509	99.25%	75.61%
December 31, 2014.....	5.28%	1,902,085	2,009,143	94.67%	76.17%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
DUKES COUNTY CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2022.....	\$ 495,158	\$ (495,158)	-	\$ 3,012,293	16.44%
June 30, 2021.....	371,956	(371,956)	-	2,976,019	12.50%
June 30, 2020.....	350,571	(350,571)	-	2,612,646	13.42%
June 30, 2019.....	359,153	(359,153)	-	2,567,331	13.99%
June 30, 2018.....	342,051	(342,051)	-	1,994,361	17.15%
June 30, 2017.....	338,403	(338,403)	-	2,179,409	15.53%
June 30, 2016.....	327,377	(327,377)	-	2,131,299	15.36%
June 30, 2015.....	300,966	(300,966)	-	2,049,326	14.69%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Total OPEB Liability						
Service Cost.....	\$ 149,151	\$ 155,117	\$ 161,169	\$ 186,233	\$ 199,319	\$ 249,593
Interest.....	270,822	288,425	305,819	342,156	354,628	412,235
Changes of benefit terms.....	-	(10,347)	-	(167,222)	-	-
Differences between expected and actual experience...	-	-	(286,633)	-	330,758	-
Changes of assumptions.....	-	-	479,951	322,145	457,095	(20,022)
Benefit payments.....	<u>(173,016)</u>	<u>(209,464)</u>	<u>(205,184)</u>	<u>(196,555)</u>	<u>(188,186)</u>	<u>(236,206)</u>
Net change in total OPEB liability.....	246,957	223,731	455,122	486,757	1,153,614	405,600
Total OPEB liability - beginning.....	<u>3,548,320</u>	<u>3,795,277</u>	<u>4,019,008</u>	<u>4,474,130</u>	<u>4,960,887</u>	<u>6,114,501</u>
Total OPEB liability - ending (a).....	<u>\$ 3,795,277</u>	<u>\$ 4,019,008</u>	<u>\$ 4,474,130</u>	<u>\$ 4,960,887</u>	<u>\$ 6,114,501</u>	<u>\$ 6,520,101</u>
Plan fiduciary net position						
Employer contributions.....	\$ 323,016	\$ 359,464	\$ 371,457	\$ 373,751	\$ 477,928	\$ 501,116
Net investment income.....	44,257	54,415	72,789	75,320	616,911	(287,645)
Benefit payments.....	<u>(173,016)</u>	<u>(209,464)</u>	<u>(205,005)</u>	<u>(196,555)</u>	<u>(188,186)</u>	<u>(236,206)</u>
Net change in plan fiduciary net position.....	194,257	204,415	239,241	252,516	906,653	(22,735)
Plan fiduciary net position - beginning of year.....	<u>907,271</u>	<u>1,101,528</u>	<u>1,305,943</u>	<u>1,545,184</u>	<u>1,797,700</u>	<u>2,704,353</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 1,101,528</u>	<u>\$ 1,305,943</u>	<u>\$ 1,545,184</u>	<u>\$ 1,797,700</u>	<u>\$ 2,704,353</u>	<u>\$ 2,681,618</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 2,693,749</u>	<u>\$ 2,713,065</u>	<u>\$ 2,928,946</u>	<u>\$ 3,163,187</u>	<u>\$ 3,410,148</u>	<u>\$ 3,838,483</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	29.02%	32.49%	34.54%	36.24%	44.23%	41.13%
Covered-employee payroll.....	\$ 1,990,712	\$ 2,326,953	\$ 2,438,644	\$ 2,583,371	\$ 2,861,018	\$ 3,057,113
Net OPEB liability as a percentage of covered-employee payroll.....	135.32%	116.59%	120.11%	122.44%	119.19%	125.56%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2022.....	\$ 446,027	\$ (501,116)	\$ (55,089)	\$ 3,057,113	16.39%
June 30, 2021.....	388,736	(477,928)	(89,192)	2,861,018	16.70%
June 30, 2020.....	372,740	(373,751)	(1,011)	2,583,371	14.47%
June 30, 2019.....	332,955	(371,457)	(38,502)	2,438,644	15.23%
June 30, 2018.....	316,459	(359,464)	(43,005)	2,326,953	15.45%
June 30, 2017.....	298,819	(323,016)	(24,197)	1,990,712	16.23%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2022.....	-9.76%
June 30, 2021.....	30.40%
June 30, 2020.....	4.42%
June 30, 2019.....	5.02%
June 30, 2018.....	4.39%
June 30, 2017.....	4.25%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

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 Select Board (Board) and the Finance Advisory 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.

Supplementary appropriations are made upon recommendation of the Board and the Committee with majority Town Meeting approval.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenditures 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 difference of \$1.3 million between the original budget of \$12.9 million and the final amended budget of \$14.3 million was due to the approval of supplemental appropriations that were funded by a like amount of free cash, and transfers in from other funds. The supplemental appropriations mainly funded capital articles.

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 year ended June 30, 2022, is presented below:

Net change in fund balance - budgetary basis.....	\$ 240,611
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	205,754
Net change in fund balance - GAAP basis.....	\$ 446,365

3. Appropriation Deficit

An appropriation deficit exists within the public works function as a result of overspending the snow and ice removal appropriation. This deficit will be funded through the fiscal year 2023 tax levy.

NOTE B – PENSION PLAN

Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

Changes in Assumptions

None

Changes in Plan Provisions

None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll.

The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Valuation date.....	July 1, 2020
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Increasing at 3.5% over 30 years on an open amortization
Asset valuation method.....	Fair value
Investment rate of return.....	7%, net of investment expenses, including inflation
Discount rate.....	6.6% net of investment expense.
Inflation rate.....	2.4% per year.
Healthcare cost trend rates.....	7% for 2020, decreasing 0.4% per year to an ultimate rate of 5.4%. The ultimate medical inflation rate is reached in 2075.
Payroll growth.....	3.5% per year.
Mortality rates:	
Post-retirement.....	Based on the RP-2014 Blue Collar Mortality Table projected with generational mortality improvement using scale MP-2018.
Pre-retirement.....	Based on the RP-2014 Blue Collar Mortality Table projected with generational mortality improvement using scale MP-2018.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes in Assumptions

The inflation rate changed from 2.2% as of June 30, 2021, to 2.4% as of June 30, 2022.

Change in Plan Provisions

None.

***Report on Internal Control over Financial
Reporting and on Compliance***

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Select Board
Town of Chilmark, Massachusetts,

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Towns' basic financial statements, and have issued our report thereon dated June 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Towns' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Towns' internal control. Accordingly, we do not express an opinion on the effectiveness of the Towns' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Towns' financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Towns' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Towns' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Powers & Sullivan, LLC".

June 30, 2023