

***TOWN OF CHILMARK, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2020***

TOWN OF CHILMARK, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

**TABLE OF CONTENTS**

Independent Auditor’s Report.....1  
Management’s Discussion and Analysis .....3  
Basic Financial Statements .....11  
    Statement of Net Position .....12  
    Statement of Net Position – page two .....13  
    Statement of Activities .....14  
    Governmental Funds – balance sheet.....16  
    Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position .....17  
    Governmental Funds – statement of revenues, expenditures and changes in fund balances.....18  
    Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental  
        funds to the statement of activities .....19  
    Fiduciary Funds – statement of fiduciary net position.....20  
    Fiduciary Funds – statement of changes in fiduciary net position .....21  
    Notes to basic financial statements .....22  
Required Supplementary Information.....52  
    General Fund Budgetary Schedule .....53  
        Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual .....54  
    Pension Plan Schedules .....55  
        Schedule of the Town’s proportionate share of net pension liability.....56  
        Schedule of the Town’s contributions .....57  
    Other Postemployment Benefits Plan Schedule.....58  
        Schedule of Changes in the Town’s Net OPEB Liability and Related Ratios.....59  
        Schedule of Town Contributions .....60  
        Schedule of Investment Returns .....61  
Notes to required supplementary Information.....62  
    *Report on Internal Control over Financial Reporting and on Compliance* .....65



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

## Independent Auditor's Report

To the Board of Selectmen  
Town of Chilmark, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chilmark, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Chilmark, Massachusetts' basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chilmark, Massachusetts, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *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, 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 January 21, 2021, on our consideration of the Town of Chilmark's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of Chilmark's internal control over financial reporting and compliance.

*Powers + Sullivan, LLC*

January 21, 2021

***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, 2020. 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 \$20.3 million (net position).
- The Town's total net pension liability is \$1.4 million. Additionally, the Town recognized net deferred outflows and inflows related to pensions of (\$385,760). These amounts will be amortized through pension expense in future fiscal years.
- The Town's total net OPEB liability is \$3.2 million. Additionally, the Town recognized net deferred outflows and inflows related to OPEB of \$503,000. These amounts will be amortized through expense in future fiscal years.
- The Town's total OPEB obligation at year end totaled \$5 million and \$1.8 million has been set aside in an OPEB trust to meet this obligation. In 2020 the Town contributed \$177,000 to this fund. This amount is in addition to the actuarially determined contribution of \$197,000.
- The Town issued short-term notes in the amount of \$1.1 million.
- The Town's long-term debt totaled \$1.4 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, human services, culture and recreation, COVID-19 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 \$20.3 million at the close of 2020.

Net position of \$18.4 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, \$2.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reported a deficit of \$677,000. Total net position increased \$1.7 million from the prior year. This was due to: 1) overall

positive budgetary results; 2) the recognition of capital grant revenue in the amount of \$410,000; and, 3) an expense reduction of \$800,000 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>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets..... \$	7,172,278	\$ 5,833,350
Capital assets, nondepreciable.....	9,692,735	8,686,522
Capital assets, net of accumulated depreciation.....	<u>10,889,525</u>	<u>10,967,198</u>
<b>Total assets.....</b>	<b><u>27,754,538</u></b>	<b><u>25,487,070</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>1,052,911</u></b>	<b><u>1,167,537</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	374,437	339,930
Noncurrent liabilities (excluding debt).....	4,694,970	5,538,763
Current debt.....	1,535,000	440,000
Noncurrent debt.....	<u>935,000</u>	<u>1,370,000</u>
<b>Total liabilities.....</b>	<b><u>7,539,407</u></b>	<b><u>7,688,693</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>955,895</u></b>	<b><u>392,660</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	18,414,739	17,852,292
Restricted.....	2,574,385	1,547,882
Unrestricted.....	<u>(676,977)</u>	<u>(826,920)</u>
<b>Total net position..... \$</b>	<b><u><u>20,312,147</u></u></b>	<b><u><u>18,573,254</u></u></b>



	2020		2019
<b>Program Revenues:</b>			
Charges for services.....	\$ 2,181,906	\$	2,176,329
Operating grants and contributions.....	183,403		200,287
Capital grants and contributions.....	410,390		9,297
<b>General Revenues:</b>			
Real estate and personal property taxes, net of tax refunds payable.....	9,674,219		9,384,218
Motor vehicle and other excise taxes.....	265,131		261,131
Hotel/motel tax.....	144,043		55,286
Community preservation tax.....	445,796		373,362
Other revenues.....	75,902		107,607
<b>Total revenues.....</b>	<b>13,380,790</b>		<b>12,567,517</b>
<b>Expenses:</b>			
General government.....	2,298,068		2,441,221
Public safety.....	3,774,860		3,976,042
Education.....	3,394,945		3,882,551
Public works.....	769,873		621,158
Health and human services.....	437,215		417,234
Culture and recreation.....	845,903		1,003,986
Other expenses.....	121,033		118,102
<b>Total expenses.....</b>	<b>11,641,897</b>		<b>12,460,294</b>
<b>Change in net position.....</b>	<b>1,738,893</b>		<b>107,223</b>
<b>Net position, beginning of year.....</b>	<b>18,573,254</b>		<b>18,466,031</b>
<b>Net position, end of year.....</b>	<b>\$ 20,312,147</b>	\$	<b>18,573,254</b>

The governmental expenses totaled \$11.6 million of which \$2.8 million (23.84%) was directly supported by program revenues consisting of charges for services and operating and capital grants and contributions. General revenues totaled \$10.6 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 \$5.3 million, a decrease of \$81,000 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 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 19.3% of the total general fund expenditures, while total fund balance represents 25.1% of that same amount. The balance in the stabilization fund fluctuates based on capital and operational needs. The Town's general fund increased \$353,000 in 2020. The increase in fund balance is due to actual expenditures and encumbrances being less than budgeted amounts.

The community preservation fund is used to account 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 \$404,000 in revenue. The revenue was comprised of \$256,000 in real estate surcharges and \$145,000 in matching grant from the Commonwealth of Massachusetts. The fund balance increased \$345,000 and totaled \$1.9 million at the end of the fiscal year.

The capital projects fund is used to account for a building renovation and construction project. During the year the fund incurred \$1 million of expenditures. This expenditure was largely driven by the purchase of land for a new public safety building. During the year, the general fund transferred in \$200,000 to fund future design and construction costs. There was not a fund balance at the beginning of the year. At the end of the fiscal year, fund balance was in a deficit of (\$806,000).

The Tri-town Ambulance fund is used to account 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 assessment to other local governments and \$284,000 of patient charges. Fund expenditures totaled \$1.2 million. During the year, the fund transferred out \$282,000 to the general fund for certain administrative costs paid by the general fund in prior periods. At the end of the fiscal year, fund balance was \$578,000 which is reflective of a decrease of \$86,000 from the prior year.

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

The final budget of \$12.1 million is reflective of an increase of \$854,000, when compared to the original budget. The increased appropriation is due to an equal use of free cash, transfers in and other amounts to be raised to mainly fund capital articles and transfers to the stabilization fund.

Revenues were \$225,000 lower than budgeted due to real estate and personal property tax revenues being less than budget by \$338,000. The lower than anticipated real estate and personal property tax revenues were offset by departmental and other revenue and hotel/motel tax revenue exceeding budget estimates by \$134,000.

Expenditures and encumbrances were lower than budgeted amounts by \$574,000. 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, 2020, amounted to \$20.6 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 a land purchase, various building improvements, and equipment acquisitions.

**Debt Administration.** At the end of the current year, the Town had total bonded long-term debt outstanding of \$1.4 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, 7, and 8 of the financial statements for further discussion of the major capital and debt activity.

### ***Pension and Other Postemployment Benefits***

At June 30, 2020, the Town had a liability of \$1.4 million and \$3.2 million for its Pension and Other Postemployment Benefits (OPEB), 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 11 and 12 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.

This page intentionally left blank.

# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2020

		<u>Primary Government</u>
		<u>Governmental Activities</u>
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$	4,242,114
Investments.....		1,958,146
Receivables, net of allowance for uncollectibles:		
Real estate and personal property taxes.....		385,911
Tax liens.....		24,963
Community preservation fund surtax.....		10,704
Motor vehicle and other excise taxes.....		41,220
Intergovernmental - other.....		291,953
Community preservation state share.....		179,256
Tax foreclosures.....		38,011
		<u>7,172,278</u>
NONCURRENT:		
Capital assets, nondepreciable.....		9,692,735
Capital assets, net of accumulated depreciation.....		10,889,525
		<u>20,582,260</u>
TOTAL ASSETS.....		<u>27,754,538</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions.....		335,718
Deferred outflows related to other postemployment benefits.....		717,193
		<u>1,052,911</u>
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....		85,832
Accrued payroll.....		97,487
Accrued interest.....		10,497
Other liabilities.....		46,027
Compensated absences.....		134,594
Notes payable.....		1,100,000
Bonds payable.....		435,000
		<u>1,909,437</u>

( continued )

**STATEMENT OF NET POSITION**

JUNE 30, 2020

<b>NONCURRENT:</b>	
Compensated absences.....	150,365
Net pension liability.....	1,381,418
Net other postemployment benefits liability.....	3,163,187
Bonds payable.....	<u>935,000</u>
Total noncurrent liabilities.....	<u>5,629,970</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>7,539,407</b></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Taxes paid in advance.....	19,984
Deferred inflows related to pensions.....	721,478
Deferred inflows related to other postemployment benefits.....	<u>214,433</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<u><b>955,895</b></u>
 <b>NET POSITION</b>	
Net investment in capital assets.....	18,414,739
Restricted for:	
Permanent funds:	
Expendable.....	50,933
Nonexpendable.....	15,213
Gifts and grants.....	397,076
Community preservation.....	2,111,163
Unrestricted.....	<u>(676,977)</u>
<b>TOTAL NET POSITION.....</b>	<u><b>\$ 20,312,147</b></u>

( concluded )

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 2,298,068	\$ 47,874	\$ 15,807	\$ -	\$ (2,234,387)
Public safety.....	3,774,860	1,855,596	3,312	11,350	(1,904,602)
Education.....	3,394,945	-	-	-	(3,394,945)
Public works.....	769,873	44,519	-	291,953	(433,401)
Health and human services.....	437,215	12,715	7,050	-	(417,450)
Culture and recreation.....	845,903	221,202	3,602	107,087	(514,012)
Community preservation.....	43,961	-	143,632	-	99,671
COVID-19.....	39,055	-	10,000	-	(29,055)
Interest.....	38,017	-	-	-	(38,017)
<b>Total Governmental Activities.....</b>	<b>11,641,897</b>	<b>2,181,906</b>	<b>183,403</b>	<b>410,390</b>	<b>(8,866,198)</b>

See notes to basic financial statements.

(Continued)



**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

	Primary Government
	Governmental Activities
<b>Changes in net position:</b>	
Net (expense) revenue from previous page.....	\$ <b>(8,866,198)</b>
<i>General revenues:</i>	
Real estate and personal property taxes, net of tax refunds payable.....	9,674,219
Motor vehicle and other excise taxes.....	265,131
Hotel/motel tax.....	144,043
Community preservation tax.....	445,796
Penalties and interest on taxes.....	27,092
Payments in lieu of taxes.....	4,534
Unrestricted investment income.....	44,276
	10,605,091
Total general revenues and transfers.....	10,605,091
Change in net position.....	1,738,893
<i>Net position:</i>	
Beginning of year, as restated.....	18,573,254
End of year.....	\$ 20,312,147

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

	General	Community Preservation	Capital Projects	Tri-Town Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 1,765,219	\$ 1,314,141	\$ 293,907	\$ 601,198	\$ 267,649	\$ 4,242,114
Investments.....	870,529	606,079	-	-	481,538	1,958,146
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	385,911	-	-	-	-	385,911
Tax liens.....	24,670	293	-	-	-	24,963
Community preservation fund surtax.....	-	10,704	-	-	-	10,704
Motor vehicle and other excise taxes.....	41,220	-	-	-	-	41,220
Intergovernmental.....	-	-	-	-	291,953	291,953
Community preservation state share.....	-	179,256	-	-	-	179,256
Tax foreclosures.....	37,321	690	-	-	-	38,011
<b>TOTAL ASSETS.....</b>	<b>\$ 3,124,870</b>	<b>\$ 2,111,163</b>	<b>\$ 293,907</b>	<b>\$ 601,198</b>	<b>\$ 1,041,140</b>	<b>\$ 7,172,278</b>
<b>LIABILITIES</b>						
Warrants payable.....	\$ 72,613	\$ -	\$ -	\$ -	\$ 13,219	\$ 85,832
Accrued payroll.....	74,271	-	-	23,216	-	97,487
Other liabilities.....	46,027	-	-	-	-	46,027
Notes payable.....	-	-	1,100,000	-	-	1,100,000
<b>TOTAL LIABILITIES.....</b>	<b>192,911</b>	<b>-</b>	<b>1,100,000</b>	<b>23,216</b>	<b>13,219</b>	<b>1,329,346</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes paid in advance.....	19,984	-	-	-	-	19,984
Unavailable revenue.....	217,652	190,943	-	-	65,176	473,771
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>237,636</b>	<b>190,943</b>	<b>-</b>	<b>-</b>	<b>65,176</b>	<b>493,755</b>
<b>FUND BALANCES</b>						
Nonspendable.....	-	-	-	-	50,933	50,933
Restricted.....	-	1,920,220	-	577,982	911,812	3,410,014
Committed.....	589,070	-	-	-	-	589,070
Assigned.....	30,777	-	-	-	-	30,777
Unassigned.....	2,074,476	-	(806,093)	-	-	1,268,383
<b>TOTAL FUND BALANCES.....</b>	<b>2,694,323</b>	<b>1,920,220</b>	<b>(806,093)</b>	<b>577,982</b>	<b>962,745</b>	<b>5,349,177</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 3,124,870</b>	<b>\$ 2,111,163</b>	<b>\$ 293,907</b>	<b>\$ 601,198</b>	<b>\$ 1,041,140</b>	<b>\$ 7,172,278</b>

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....		\$ 5,349,177
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		20,582,260
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		473,771
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.....		117,000
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(10,497)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(1,370,000)	
Net pension liability.....	(1,381,418)	
Net other postemployment benefits liability.....	(3,163,187)	
Compensated absences.....	<u>(284,959)</u>	
Net effect of reporting long-term liabilities.....		<u>(6,199,564)</u>
Net position of governmental activities.....		<u>\$ 20,312,147</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	Community Preservation	Capital Projects	Tri-Town Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 9,602,882	\$ -	\$ -	\$ -	\$ -	\$ 9,602,882
Motor vehicle and other excise taxes.....	251,007	-	-	-	-	251,007
Hotel/motel tax.....	144,043	-	-	-	-	144,043
Charges for services.....	70,071	-	-	283,871	-	353,942
Penalties and interest on taxes.....	27,092	-	-	-	-	27,092
Fees and rentals.....	551,113	-	-	-	2,015	553,128
Payments in lieu of taxes.....	4,534	-	-	-	-	4,534
Licenses and permits.....	111,790	-	-	-	-	111,790
Fines and forfeitures.....	7,811	-	-	-	-	7,811
Intergovernmental - other.....	5,402	-	-	-	248,727	254,129
Intergovernmental - COVID-19 relief.....	-	-	-	-	3,854	3,854
Departmental and other.....	9,728	-	-	1,113,870	27,482	1,151,080
Community preservation taxes.....	-	255,837	-	-	-	255,837
Community preservation-state match.....	-	145,129	-	-	-	145,129
Contributions and donations.....	4,720	-	-	-	126,437	131,157
Investment income.....	28,500	2,663	-	8,378	4,735	44,276
<b>TOTAL REVENUES.....</b>	<b>10,818,693</b>	<b>403,629</b>	<b>-</b>	<b>1,406,119</b>	<b>413,250</b>	<b>13,041,691</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government.....	1,492,770	-	-	-	8,873	1,501,643
Public safety.....	2,049,369	-	1,006,093	1,210,279	7,653	4,273,394
Education.....	3,467,944	-	-	-	-	3,467,944
Public works.....	405,981	-	-	-	232,923	638,904
Health and human services.....	406,446	-	-	-	6,000	412,446
Culture and recreation.....	637,136	-	-	-	12,084	649,220
COVID-19.....	-	-	-	-	39,055	39,055
Pension benefits.....	237,771	-	-	-	-	237,771
Property and liability insurance.....	120,711	-	-	-	-	120,711
Employee benefits.....	936,047	-	-	-	-	936,047
Community preservation.....	-	43,961	-	-	-	43,961
State and county charges.....	320,320	-	-	-	-	320,320
<b>Debt service:</b>						
Principal.....	440,000	-	-	-	-	440,000
Interest.....	41,600	-	-	-	-	41,600
<b>TOTAL EXPENDITURES.....</b>	<b>10,556,095</b>	<b>43,961</b>	<b>1,006,093</b>	<b>1,210,279</b>	<b>306,588</b>	<b>13,123,016</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>262,598</b>	<b>359,668</b>	<b>(1,006,093)</b>	<b>195,840</b>	<b>106,662</b>	<b>(81,325)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in.....	335,386	-	200,000	-	9,330	544,716
Transfers out.....	(209,330)	(14,209)	-	(282,177)	(39,000)	(544,716)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>126,056</b>	<b>(14,209)</b>	<b>200,000</b>	<b>(282,177)</b>	<b>(29,670)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>388,654</b>	<b>345,459</b>	<b>(806,093)</b>	<b>(86,337)</b>	<b>76,992</b>	<b>(81,325)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>2,305,669</b>	<b>1,574,761</b>	<b>-</b>	<b>664,319</b>	<b>885,753</b>	<b>5,430,502</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,694,323</b>	<b>\$ 1,920,220</b>	<b>\$ (806,093)</b>	<b>\$ 577,982</b>	<b>\$ 962,745</b>	<b>\$ 5,349,177</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....		\$ (81,325)
<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.....	1,479,109	
Depreciation expense.....	<u>(550,569)</u>	
Net effect of reporting capital assets.....		928,540
<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>		
		339,099
<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>		
Debt service principal payments.....		440,000
<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.....	(29,680)	
Net change in accrued interest on long-term debt.....	3,583	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(949,483)	
Net change in net pension liability.....	1,036,940	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	285,460	
Net change in the net other postemployment benefits liability.....	<u>(234,241)</u>	
Net effect of recording long-term liabilities.....		<u>112,579</u>
Change in net position of governmental activities.....		\$ <u>1,738,893</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Post Employment Benefit Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ -	\$ 4,555
Investments:		
Dukes County Pooled OPEB Trust.....	1,797,700	-
<b>TOTAL ASSETS</b> .....	<b>1,797,700</b>	<b>4,555</b>
<b>LIABILITIES</b>		
Other liabilities.....	-	4,555
<b>NET POSITION</b>		
Restricted for other postemployment benefits.....	\$ 1,797,700	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Other Post Employment Benefit Trust Fund
<b>ADDITIONS:</b>	
Contributions:	
Employer contributions.....	\$ 177,196
Employer contributions for other postemployment benefit payments.....	196,555
Total contributions.....	373,751
Net investment income:	
Investment income.....	32,076
Net change in fair value of investments.....	49,098
Less: investment expense.....	(5,854)
Net investment income (loss).....	75,320
TOTAL ADDITIONS.....	449,071
<b>DEDUCTIONS:</b>	
Other postemployment benefit payments.....	196,555
NET INCREASE (DECREASE) IN NET POSITION.....	252,516
NET POSITION AT BEGINNING OF YEAR.....	1,545,184
NET POSITION AT END OF YEAR.....	\$ 1,797,700

See notes to basic financial statements.

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

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

**A. Reporting Entity**

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

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. There are no component units that meet the requirements for inclusion in the Town's basic financial statements.

**Joint Ventures**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in four joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the Town's joint venture and related information:

Name	Purpose	Address	Fiscal 2020 Assessment
Martha's Vineyard Regional High School District	To provide educational services	100 Edgartown Road Oak Bluffs, MA 02557	\$ 894,814
Up-Island Regional School District	To provide educational services	401 Old County Road West Tisbury, MA 02979	\$ 2,356,297
Martha's Vineyard Refuse Disposal and Resource Recovery District	To control solid waste disposal	PO Box 2067 Edgartown, MA 02539	\$ 94,346
Tri-Town Ambulance	To provide ambulance service	P.O. Box 340 Chilmark, MA 02535	\$ 371,290

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, Acquinnah 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 changes in net position) 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 is used to account for all financial resources, except those that are required to be accounted for in another fund.

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

The *capital projects fund* is a capital project fund used to account for resources related to a building renovation and construction project.

The *tri-town ambulance fund* is a special revenue fund used to account 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* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report 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.

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

#### 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 – Fair Value Measurements.

#### 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 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on October 1<sup>st</sup> and April 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the 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 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 values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

### ***Intergovernmental – Federal and State***

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

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

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

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

All purchases and construction costs in excess of \$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:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
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 position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town recorded deferred outflows of resources related to pensions and OPEB 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 position 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 deferred inflows of resources related to pensions, OPEB and taxes paid in advance 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 Preservations” 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 Board of Selectmen 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. Restatement of Beginning Net Position

The beginning net position of the governmental activities was restated by \$567,419. As a result, beginning net position of the governmental activities increased from \$18,005,835 to \$18,573,254.

### S. 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 52 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 \$1,797,700 as of June 30, 2020. Details related to the OPEB Trust investments can be obtained by contacting the OPEB Trust at P. O. 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 of Chilmark'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 \$4,246,669 and the bank balance totaled \$4,206,044. Of the bank balance, \$794,818 was covered by Federal Depository Insurance, \$2,891,744 was covered by the Depositors Insurance Fund, \$519,852 was collateralized.

Investments

As of June 30, 2020, 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>Debt securities:</u>			
U.S. treasury bonds.....	\$ 540,200	\$ 45,108	\$ 435,008
Government sponsored enterprises.....	511,719	4,218	210,877
Corporate bonds.....	535,359	39,253	410,633
Bond mutual funds.....	342,955	-	342,955
Total debt securities.....	1,930,233	\$ 88,579	\$ 1,399,473
<u>Other investments:</u>			
Equity securities.....	95,834		
Money market mutual funds.....	198,285		
MMDT - Cash portfolio.....	-		
Total investments.....	\$ 2,224,352		

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 \$1,930,323 and in equity securities of \$95,834 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 US Treasury obligations or investments fully collateralized by US 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 follows:

<u>Quality Rating</u>	<u>U.S. Treasury Bonds</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>	<u>Bond Mutual Funds</u>
AAA.....	\$ 540,200	\$ -	\$ 50,381	\$ 342,955
AA+.....	-	511,719	31,825	-
AA-.....	-	-	55,006	-
A+.....	-	-	67,568	-
A.....	-	-	54,175	-
A-.....	-	-	131,774	-
BBB+.....	-	-	118,748	-
BBB.....	-	-	25,882	-
Total.....	<u>\$ 540,200</u>	<u>\$ 511,719</u>	<u>\$ 535,359</u>	<u>\$ 342,955</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 tables on the following page presents financial assets at June 30, 2020, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy.

Government sponsored enterprises, U.S. government treasuries, equity securities, and equity 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, 2020	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)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 540,200	\$ 540,200	\$ -	\$ -
Government sponsored enterprises.....	511,719	511,719	-	-
Corporate bonds.....	535,359	-	535,359	-
Bond mutual funds.....	342,955	342,955	-	-
Total debt securities.....	1,930,233	1,394,874	535,359	-
<u>Other investments:</u>				
Equity securities.....	95,834	95,834	-	-
Money market mutual funds.....	198,285	198,285	-	-
Total other investments.....	294,119	294,119	-	-
Total investments measured at fair value.....	2,224,352	1,688,993	535,359	-

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, 2020, receivables for the individual major, non-major governmental funds and internal service 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.....	\$ 385,911	\$ -	\$ 385,911
Tax liens.....	24,963	-	24,963
Community preservation fund surtax.....	10,704	-	10,704
Motor vehicle and other excise taxes.....	41,220	-	41,220
Intergovernmental - other.....	291,953	-	291,953
Community preservation state share.....	179,256	-	179,256
Total.....	\$ 934,007	\$ -	\$ 934,007

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 follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 115,131	\$ -	\$ 115,131
Tax liens.....	23,980	983	24,963
Community preservation fund surtax.....	-	189,960	189,960
Motor vehicle and other excise taxes.....	41,220	-	41,220
Intergovernmental - other.....	-	65,176	65,176
Tax foreclosures.....	37,321	-	37,321
Total.....	<u>\$ 217,652</u>	<u>\$ 256,119</u>	<u>\$ 473,771</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 8,686,522	\$ 900,120	\$ -	\$ 9,586,642
Construction in progress.....	-	106,093	-	106,093
Total capital assets not being depreciated.....	<u>8,686,522</u>	<u>1,006,213</u>	<u>-</u>	<u>9,692,735</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	426,623	-	-	426,623
Buildings.....	10,733,135	169,136	-	10,902,271
Machinery and equipment.....	753,220	158,307	-	911,527
Vehicles.....	1,609,954	27,596	-	1,637,550
Infrastructure.....	4,989,086	117,857	-	5,106,943
Total capital assets being depreciated.....	<u>18,512,018</u>	<u>472,896</u>	<u>-</u>	<u>18,984,914</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(46,907)	(21,331)	-	(68,238)
Buildings.....	(4,111,560)	(269,594)	-	(4,381,154)
Machinery and equipment.....	(451,754)	(54,342)	-	(506,096)
Vehicles.....	(1,344,856)	(38,803)	-	(1,383,659)
Infrastructure.....	(1,589,743)	(166,499)	-	(1,756,242)
Total accumulated depreciation.....	<u>(7,544,820)</u>	<u>(550,569)</u>	<u>-</u>	<u>(8,095,389)</u>
Total capital assets being depreciated, net.....	<u>10,967,198</u>	<u>(77,673)</u>	<u>-</u>	<u>10,889,525</u>
Total governmental activities capital assets, net.....	<u>\$ 19,653,720</u>	<u>\$ 928,540</u>	<u>\$ -</u>	<u>\$ 20,582,260</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 142,356
Public safety.....	161,986
Education.....	96,137
Public works.....	91,073
Culture and recreation.....	<u>59,017</u>
 Total depreciation expense - governmental activities.....	 \$ <u>550,569</u>

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2020, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Town Hall Renovations	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 200,000	\$ 9,330	\$ 209,330 (1)
Community Preservation.....	14,209	-	-	14,209 (1)
Tri-Town Ambulance.....	282,177	-	-	282,177 (2)
Nonmajor governmental funds.....	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000 (1)</u>
 Total.....	 \$ <u>335,386</u>	 \$ <u>200,000</u>	 \$ <u>9,330</u>	 \$ <u>544,716</u>

- (1) Budgeted transfers for fund administrative costs associated with the Community Preservation Fund, Town Hall renovations and to fund the Town share of various grants.
- (2) Transfer from the Tri-Town Ambulance service to fund administrative costs.

**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 during the year:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
<b>Governmental Funds:</b>							
	Municipal Purpose.....	1.40%	05/28/21	\$ -	\$ 1,100,000	\$ -	\$ 1,100,000

**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, 2020, \$405,000 of bonds outstanding from the advance refunding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Municipal Purpose Bonds of 2011.....	2025	\$ 1,400,000	2.0 - 5.0	\$ 500,000
Municipal Purpose Bonds of 2012.....	2022	1,300,000	2.00	260,000
Municipal Purpose Bonds of 2015 .....	2022	600,000	2.50	225,000
Municipal Purpose Refunding Bonds of 2015.....	2022	1,090,000	2.50	385,000
Total Bonds Payable.....				<u>1,370,000</u>

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

Year	Principal	Interest	Total
2021.....	\$ 435,000	\$ 44,694	\$ 479,694
2022.....	435,000	28,151	463,151
2023.....	300,000	12,519	312,519
2024.....	100,000	4,500	104,500
2025.....	100,000	1,500	101,500
Total.....	\$ <u>1,370,000</u>	\$ <u>91,364</u>	\$ <u>1,461,364</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the Town had authorized and unissued debt of \$440,000 for building design.



Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>						
Long-term bonds payable.....	\$ 1,810,000	\$ (440,000)	\$ -	\$ -	\$ 1,370,000	\$ 435,000
Compensated absences.....	255,279	-	93,500	(63,820)	284,959	134,594
Net pension liability.....	2,418,358	-	(1,036,940)	-	1,381,418	-
Other postemployment benefits....	2,928,946	-	234,241	-	3,163,187	-
Total governmental activity long-term liabilities.....	<u>\$ 7,412,583</u>	<u>\$ (440,000)</u>	<u>\$ (709,199)</u>	<u>\$ (63,820)</u>	<u>\$ 6,199,564</u>	<u>\$ 569,594</u>

**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 \$1.17 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	Town Hall Renovation	Tri-Town Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	50,933	\$ 50,933
Restricted for:						
Community Preservation Fund Special Revenue....	-	1,920,220	-	-	-	1,920,220
Tri-Town Ambulance.....	-	-	-	577,982	-	577,982
Reserve for Appropriations.....	-	-	-	-	267,124	267,124
State Grants.....	-	-	-	-	88,179	88,179
Federal Grants.....	-	-	-	-	2,138	2,138
Gifts.....	-	-	-	-	241,583	241,583
Other Special Revenue Funds.....	-	-	-	-	289,003	289,003
Middle Line Path Road.....	-	-	-	-	8,572	8,572
Permanent fund.....	-	-	-	-	15,213	15,213
Committed to:						
Articles and continuing appropriations:						
General government.....	359,528	-	-	-	-	359,528
Public safety.....	135,051	-	-	-	-	135,051
Education.....	66,930	-	-	-	-	66,930
Public works.....	6,107	-	-	-	-	6,107
Health and human services.....	9,647	-	-	-	-	9,647
Culture and recreation.....	6,131	-	-	-	-	6,131
State and county charges.....	5,676	-	-	-	-	5,676
Assigned to:						
Encumbrances:						
General government.....	7,038	-	-	-	-	7,038
Public safety.....	101	-	-	-	-	101
State and county charges.....	23,638	-	-	-	-	23,638
Unassigned.....	2,074,476	-	(806,093)	-	-	1,268,383
Total Fund Balances.....	\$ 2,694,323	\$ 1,920,220	\$ (806,093)	\$ 577,982	\$ 962,745	\$ 5,349,177

## 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 \$350,571, equaled its actual contribution for the year ended December 31, 2019. The amount contributed is equal to 13.69% 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, 2020, the Town reported a liability of \$1,381,418 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2019, the Town's proportion was 4.841% which is equal to the percentage measured at December 31, 2018.

*Pension Expense*

For the year ended June 30, 2020, the Town recognized pension expense of \$263,114. At June 30, 2020, the Town reported deferred outflows and deferred inflows of resources related to pensions of \$335,718 and \$721,478, respectively. Component of these are as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 12,153	\$ (14,278)	\$ (2,125)
Difference between projected and actual earnings.....	-	(617,178)	(617,178)
Changes in assumptions.....	266,163	-	266,163
Changes in proportion and proportionate share of contributions...	57,402	(90,022)	(32,620)
Total deferred outflows/(inflows) of resources.....	\$ <u>335,718</u>	\$ <u>(721,478)</u>	\$ <u>(385,760)</u>

The Town’s deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020.....	\$ (85,296)
2021.....	(93,239)
2022.....	(26,991)
2023.....	(181,440)
2024.....	1,206
	\$ (385,760)

*Actuarial Assumptions* – The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2019:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method - UAAL.....	Increasing dollar amount at 4.5% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2030.
2002 & 2003 ERI Actuarial Liability.....	Increasing dollar amount to reduce the unfunded liability to zero on or before 2028.
Remaining amortization period.....	10 years for UAL as of December 31, 2019 8 years for 2002 and 2003’s ERIS’s as of December 31, 2019

Asset valuation method.....	<p>The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:</p> <ul style="list-style-type: none"> <li>a) 80% of gains and losses of the prior year,</li> <li>b) 60% of gains and losses of the second prior year and</li> <li>c) 40% of gains and losses of the third prior year.</li> <li>c) 20% of gains and losses of the fourth prior year.</li> </ul> <p>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.</p>
Investment rate of return.....	7.5%, 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.....	4% per year
Cost of living adjustments.....	3% of the first \$14,000 of the annual retirement allowance.
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-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled members, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

*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 January 1, 2018, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	30.00%	5.90%
International equity.....	5.00%	3.80%
PRIT Core.....	50.00%	5.00%
Real estate.....	5.00%	6.60%
Fixed income.....	10.00%	2.90%
Total.....	100.00%	

#### *Rate of return*

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.99%. 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 7.5%. 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 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	December 31, 2019 Measurement Date		
	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
	The Town's proportionate share of the net pension liability.....	\$ 2,582,273	\$ 1,381,418

## **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 2020, the Town pre-funded future OPEB liabilities in the amount of \$196,555 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, 2020, the balance of this fund totaled \$1,797,700.

The annual money-weighted rate of return on OPEB plan investments was 4.42%. 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, 2020:

Active members.....	38
Inactive members currently receiving benefits.....	<u>16</u>
Total.....	<u><u>54</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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$ 4,960,887
Less: OPEB plan's fiduciary net position.....	<u>(1,797,700)</u>
Net OPEB liability.....	<u><u>\$ 3,163,187</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	36.24%

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the July 1, 2018, 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, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method
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.....	7.00%
Inflation rate.....	2.4% per year
Healthcare cost trend rates.....	8 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent, then grading to an ultimate trend rate of 3.9 percent, utilizing the Society of Actuaries Getzen Medical Trend Module. The ultimate medical inflation rate is reached in 2075
Payroll growth.....	3.5% per year
Mortality rates:	
Post-retirement.....	Based on the RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB
Pre-retirement.....	Based on RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB

*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, 2020, 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%	5.00%
Mid cap equity.....	10.00%	6.40%
Small cap equity.....	10.00%	6.50%
International equity.....	15.00%	3.30%
Real estate.....	10.00%	6.30%
Fixed income.....	20.00%	3.00%
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 7%.

*Discount rate*

The discount rate used to measure the total OPEB 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 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 7%, 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 (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net OPEB liability..... \$	3,887,268	\$ 3,163,187	\$ 2,578,503

*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 of 7%, 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.

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	7% Year 1	8% Year 1	9% Year 1
	Decreasing to	Decreasing to	Decreasing to
	(6%)	(7%)	(8%)
Net OPEB liability.....	\$ 2,447,732	\$ 3,163,187	\$ 4,070,694

*Changes in Assumptions and Plan Provisions* – The discount rate changed from 7.5% as of June 30, 2019, to 7% as of June 30, 2020. In addition, health cost trend rate and inflation assumption have been updated since the prior measurement. Plan provisions remain unchanged.

*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*

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 4,474,130	\$ 1,545,184	\$ 2,928,946
Changes for the year:			
Service cost.....	186,233	-	186,233
Interest.....	342,156	-	342,156
Changes of benefit terms.....	(167,222)	-	(167,222)
Differences between expected and actual experience...	-	-	-
Changes in assumptions and other inputs.....	322,145	-	322,145
Benefit payments.....	(196,555)	(196,555)	-
Employer contributions.....	-	373,751	(373,751)
Net investment income.....	-	75,320	(75,320)
Net change.....	486,757	252,516	234,241
Balances at June 30, 2020.....	\$ 4,960,887	\$ 1,797,700	\$ 3,163,187

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended June 30, 2020, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$322,465. At June 30, 2020, the Town reported deferred outflows and deferred inflows of resources totaled \$717,193 and \$214,433, respectively, and are reported below.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience..... \$	-	\$ (214,433)	\$ (214,433)
Difference between projected and actual earnings.....	76,563	-	76,563
Changes in assumptions.....	640,630	-	640,630
Changes in proportion and proportionate share of contributions...	-	-	-
Contributions made subsequent to the measurement date.....	-	-	-
Total deferred outflows/(inflows) of resources..... \$	<u>717,193</u>	<u>\$ (214,433)</u>	<u>\$ 502,760</u>

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

Measurement date year ended June 30:

2021.....	\$ 89,196
2022.....	89,197
2023.....	82,424
2024.....	75,422
2025.....	64,919
Thereafter.....	<u>101,602</u>
	 \$ <u>502,760</u>

### 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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

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 – COVID-19**

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. The Governor also issued orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 21, 2021, which is the date the financial statements were available to be issued.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2019, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.

- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- 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 #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*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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, 2020

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 9,643,980	\$ 9,643,980	\$ 9,325,267	\$ -	\$ (318,713)
Motor vehicle and other excise taxes.....	265,000	265,000	251,007	-	(13,993)
Hotel/motel tax.....	75,000	75,000	144,043	-	69,043
Charges for services.....	35,000	35,000	70,071	-	35,071
Penalties and interest on taxes.....	32,000	32,000	27,092	-	(4,908)
Fees and rentals.....	45,000	45,000	9,728	-	(35,272)
Payments in lieu of taxes.....	5,000	5,000	4,534	-	(466)
Licenses and permits.....	123,000	123,000	111,790	-	(11,210)
Fines and forfeitures.....	8,000	8,000	7,811	-	(189)
Intergovernmental.....	5,412	5,412	5,402	-	(10)
Departmental and other.....	486,500	486,500	551,113	-	64,613
Contributions and donations.....	-	-	4,720	-	4,720
Investment income.....	6,000	6,000	11,867	-	5,867
<b>TOTAL REVENUES.....</b>	<b>10,729,892</b>	<b>10,729,892</b>	<b>10,524,445</b>	<b>-</b>	<b>(205,447)</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	1,825,899	1,980,625	1,483,577	366,566	130,482
Public safety.....	2,108,191	2,313,718	2,042,879	135,152	135,687
Education.....	3,365,738	3,534,874	3,467,944	66,930	-
Public works.....	463,683	463,683	405,981	6,107	51,595
Health and human services.....	436,039	436,039	406,446	9,647	19,946
Culture and recreation.....	681,514	681,514	637,136	6,131	38,247
Pension benefits.....	281,518	281,518	237,771	-	43,747
Property and liability insurance.....	218,000	218,000	120,711	-	97,289
Employee benefits.....	978,074	978,074	936,047	-	42,027
State and county charges.....	399,425	399,425	320,320	29,314	49,791
Debt service:					
Principal.....	440,000	440,000	440,000	-	-
Interest.....	41,600	41,600	41,600	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>11,239,681</b>	<b>11,769,070</b>	<b>10,540,412</b>	<b>619,847</b>	<b>608,811</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(509,789)</b>	<b>(1,039,178)</b>	<b>(15,967)</b>	<b>(619,847)</b>	<b>403,364</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Use of fund balance to fund prior year encumbrances.....	514,403	514,403	-	-	(514,403)
Use of free cash to fund capital articles.....	-	257,892	-	-	(257,892)
Use of free cash to fund transfers out.....	-	280,000	-	-	(280,000)
Other amounts raised.....	1,177	189,758	-	-	(189,758)
Transfers in.....	14,209	101,455	383,632	-	282,177
Transfers out.....	(20,000)	(304,330)	(304,330)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>509,789</b>	<b>1,039,178</b>	<b>79,302</b>	<b>-</b>	<b>(959,876)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>63,335</b>	<b>(619,847)</b>	<b>(556,512)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>1,138,394</b>	<b>1,138,394</b>	<b>1,138,394</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 1,138,394</b>	<b>\$ 1,138,394</b>	<b>\$ 1,201,729</b>	<b>\$ (619,847)</b>	<b>\$ (556,512)</b>



# ***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 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, 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**

---

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered- employee payroll
December 31, 2019.....	\$ 350,571	\$ (350,571)	-	\$ 2,561,418	13.69%
December 31, 2018.....	359,153	(359,153)	-	2,516,991	14.27%
December 31, 2017.....	342,051	(342,051)	-	1,955,256	17.49%
December 31, 2016.....	338,403	(338,403)	-	2,136,675	15.84%
December 31, 2015.....	327,377	(327,377)	-	2,089,509	15.67%
December 31, 2014.....	300,966	(300,966)	-	2,009,143	14.98%

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

**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
<b>Total OPEB Liability</b>				
Service Cost.....	\$ 149,151	\$ 155,117	\$ 161,169	\$ 186,233
Interest.....	270,822	288,425	305,819	342,156
Changes of benefit terms.....	-	(10,347)	-	(167,222)
Differences between expected and actual experience....	-	-	(286,633)	-
Changes of assumptions.....	-	-	479,951	322,145
Benefit payments.....	<u>(173,016)</u>	<u>(209,464)</u>	<u>(205,184)</u>	<u>(196,555)</u>
Net change in total OPEB liability.....	246,957	223,731	455,122	486,757
Total OPEB liability - beginning.....	<u>3,548,320</u>	<u>3,795,277</u>	<u>4,019,008</u>	<u>4,474,130</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>
<b>Plan fiduciary net position</b>				
Employer contributions.....	\$ 323,016	\$ 359,464	\$ 371,457	\$ 373,751
Net investment income.....	44,257	54,415	72,789	75,320
Benefit payments.....	<u>(173,016)</u>	<u>(209,464)</u>	<u>(205,005)</u>	<u>(196,555)</u>
Net change in plan fiduciary net position.....	194,257	204,415	239,241	252,516
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>
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>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 2,693,749</u>	<u>\$ 2,713,065</u>	<u>\$ 2,928,946</u>	<u>\$ 3,163,187</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	29.02%	32.49%	34.54%	36.24%
Covered-employee payroll.....	\$ 1,990,712	\$ 2,326,953	\$ 2,438,644	\$ 2,583,371
Net OPEB liability as a percentage of covered-employee payroll.....	135.32%	116.59%	120.11%	122.44%

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**

<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- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
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, 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 Board of Selectmen (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, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The difference of \$685,000 between the original budget of \$11.2 million and the final amended budget of \$11.9 million was due to the approval of supplemental appropriations that were funded by a like amount of free cash, transfers in and other amounts to be raised. The supplemental appropriations mainly funded capital articles and transfer to the stabilization funds.

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, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$	63,335
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		54,195
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		<u>271,124</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>388,654</u></u>



**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 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.

**The Other Postemployment Benefit Plan**The 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, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method
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.....	7.00%
Inflation rate.....	2.4% per year
Healthcare cost trend rates.....	8 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent, then grading to an ultimate trend rate of 3.9 percent, utilizing the Society of Actuaries Getzen Medical Trend Module. The ultimate medical inflation rate is reached in 2075
Payroll growth.....	3.5% per year
Mortality rates:	
Post-retirement.....	Based on the RP-2000 Healthy Annuity Mortality Table, base year 2009, projected with generational mortality improvement using scale BB
Pre-retirement.....	Based on RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB

#### 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 discount rate, health cost trend rate and inflation assumption have been updated since the prior measurement.

Change in Plan Provisions – None

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

This page intentionally left blank.



**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**

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

**Independent Auditor's Report**

The Board of Trustees  
Town of Chilmark, Massachusetts,  
West Tisbury, 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 Town of Chilmark, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Chilmark, Massachusetts', internal control over financial reporting (internal control) to determine the 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 Town of Chilmark, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chilmark, Massachusetts', 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 entity's 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Chilmark, Massachusetts', 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Powers & Sullivan, LLC*

January 21, 2020