

TOWN OF WEST TISBURY, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of West Tisbury, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of West Tisbury, Massachusetts as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of West Tisbury, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of West Tisbury, Massachusetts, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages **2** through **8**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **45** through **46** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

R. E. Brown & Company

March 6, 2013

Management's Discussion and Analysis

As management of the Town of West Tisbury (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider this information in addition to the statements and notes.

The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (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 can assess the financial condition of one government compared to others.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$15.7 million (net assets). Of this amount, \$1.6 million is considered unrestricted (unrestricted net assets) and may be used to meet the government's ongoing obligations to citizens and creditors.
- The governmental activities total net assets increased by \$1.0 million or 7.1% from fiscal 2011. Decreasing debt liability and receipt of the first payment of the state library construction grant were the major contributors to the increase in net assets.
- The Town continued to recognize other post employment benefits expense (OPEB) under GASB 43 and 45. Special legislation to create a Dukes County Pooled OPEB Trust Fund was enacted as Chapter 149 of the Acts of 2010 on July 2, 2010. The Town voted to join the Dukes County Pooled OPEB Trust at the April, 2011 Annual Town Meeting. The Town appropriated and paid into the Trust a total of \$706,377 in fiscal 2012 from the previously created OPEB Stabilization fund and additional appropriation of the April, 2012 Annual Town Meeting.
- The Town's general fund reported an unassigned fund balance of \$1,354,789 at the end of fiscal 2012. This represents 9.1% of total general fund expenditures. An additional total of \$250,000 of the assigned fund balance was designated for funding the fiscal year 2012 budget.
- During fiscal 2012, the Town took action to continue forward on three capital projects for the library, police station and road reconstruction, including bond authorizations of over \$3.8 for the library and roads approved at the April, 2012 Annual Town Meeting.
- The Town completed the acquisition of the Field Gallery property through a combination of Community Preservation Act funds and debt spread over four years. As the future debt payments will be paid through additional CPA funds and general revenue funds that will be offset by rental income, the net use of general funds for the acquisition will be negligible.
- The total cost of all Town governmental activities for fiscal 2012 was \$14.8 million, an increase of \$446,452 or 3.1%. This increase was substantially impacted by the capital outlay for the library construction project and Field Gallery acquisition.
- The Town's total revenue from governmental activities also increased from fiscal 2011. At \$15.8 million, revenue was up \$1,422,546 or 9.9%. This significant increase was due to the state grant and private

donations for the library construction project that totaled nearly \$1 million and was restricted for that use. The general revenue increase was only 2.9% which was reflective of increased tax revenue consistent with the amount of the increased tax levy.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These basic financial statements are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Basic Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, sanitation, human services, culture and recreation, employee benefits, debt service, and state and county assessments. The Town currently does not operate or maintain any business-type activities.

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 three main categories: governmental funds, proprietary funds and fiduciary funds. The Town currently does not operate or maintain any proprietary 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 funds statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both, the Governmental Funds Balance

Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of West Tisbury adopts an annual appropriated budget for its general fund. A budgetary comparison statement 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 statements, as the resources of those funds are **not** available to support the Town’s own programs. The fiduciary funds use the full accrual basis of accounting.

Post Employment Benefits Trust fund & Agency funds – Fiduciary funds are each reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions “post employment benefits trust fund” and “agency funds”, respectively.

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 funds financial statements.

Government-wide Financial Analysis:

The chart on the following page summarizes key financial components of the Town’s financial statements.

As noted earlier, assets exceed liabilities by \$15,677,978 at the close of fiscal year 2012. The Town is able to report positive balances in all categories of net assets.

The largest component of the Town’s net assets are its *investment in capital assets* (e.g., land, buildings, machinery and equipment, vehicles, and infrastructure), less any related outstanding debt used to acquire those assets, is \$10,073,927, or 64.3% of total net assets. The Town uses these capital assets to provide services to citizens; consequently, these assets **are not** available for future spending. Although the investment in the Town’s 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.

The second largest component of the Town’s net assets are its *restricted assets* totaling \$3,971,381 (25.3%) which represent resources that are subject to external restrictions on how they may be used.

The third component of the Town’s net assets are its *unrestricted net assets* totaling \$1,632,670 (10.4%), which may be used to meet the government’s ongoing obligations to its citizens and creditors.

The total change in net assets in fiscal year 2012 was 7.1%. The change in net assets were caused primarily by the capital outlay for the library construction project’s work-in-progress and the Field Gallery land acquisition, the reduction of bonded debt, and a decrease in OPEB liability due to the Town’s initial payment into the new OPEB trust.

Town of West Tisbury - Financial Highlights

	Governmental Activities		Increase (Decrease)	% Increase (Decrease)
	FY 2012	FY 2011		
Assets:				
Current assets	\$ 6,162,707	\$ 6,172,550	\$ (9,843)	-0.16%
Noncurrent assets (excluding capital)	725,322	947,682	(222,360)	-23.46%
Capital assets	15,578,927	15,138,230	440,697	2.91%
Total assets	22,466,956	22,258,462	208,494	0.94%
Liabilities:				
Current liabilities (excluding debt)	406,132	397,512	8,620	2.17%
Noncurrent liabilities (excluding debt)	877,846	1,207,099	(329,253)	-27.28%
Current debt	849,000	790,000	59,000	7.47%
Noncurrent debt	4,656,000	5,225,000	(569,000)	-10.89%
Total liabilities	6,788,978	7,619,611	(830,633)	-10.90%
Net Assets:				
Capital assets net of related debt	10,073,927	9,123,230	950,697	10.42%
Restricted	3,971,381	2,513,602	1,457,779	58.00%
Unrestricted	1,632,670	3,002,019	(1,369,349)	-45.61%
Total net assets	\$ 15,677,978	\$ 14,638,851	\$ 1,039,127	7.10%
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 479,553	\$ 493,618	(14,065)	-2.85%
Operating grants and contributions	584,362	456,005	128,357	28.15%
Capital grants and contributions	978,586	64,544	914,042	1416.15%
<i>General Revenues:</i>				
Real Estate and personal property taxes	11,779,316	11,460,982	318,334	2.78%
Tax Liens	78,628	30,281	48,347	159.66%
Motor vehicle and other excise taxes	425,392	471,761	(46,369)	-9.83%
Penalties & interest on taxes	116,660	104,002	12,658	12.17%
Intergovernmental	1,339,974	1,304,950	35,024	2.68%
Departmental	40,210	12,954	27,256	210.41%
Unrestricted investment income	12,006	13,044	(1,038)	-7.96%
Total Revenues	15,834,687	14,412,141	1,422,546	9.87%
Expenses:				
General Government	1,053,175	1,481,281	(428,106)	-28.90%
Public Safety	1,659,270	1,551,766	107,504	6.93%
Education	8,202,442	7,999,010	203,432	2.54%
Public Works	392,072	411,091	(19,019)	-4.63%
Sanitation	146,709	159,992	(13,283)	-8.30%
Human Services	417,872	437,980	(20,108)	-4.59%
Culture and Recreation	1,261,767	685,652	576,115	84.02%
Employee Benefits	1,251,797	1,181,000	70,797	5.99%
State and County Assessments	224,250	228,913	(4,663)	-2.04%
Interest	186,206	212,423	(26,217)	-12.34%
Total Expenses	14,795,560	14,349,108	446,452	3.11%
Increase/(decrease) in Net Assets before transfers	1,039,127	63,033	976,094	1548.54%
Transfers	-	-	-	-
Change in Net Assets	1,039,127	63,033	976,094	1548.54%
Net Assets - beginning	14,638,851	14,575,818	63,033	0.43%
Net Assets - ending	\$ 15,677,978	\$ 14,638,851	\$ 1,039,127	7.10%

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 *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing 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 fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5,020,359 a \$67,748 decrease from the prior year's ending fund balances of \$5,088,107.

The general fund is the primary operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,354,789, while total fund balance of the general fund stood at \$2,225,763. As a measure of the general 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 9.1% of total general fund expenditures, while total fund balance represents 15.0% of that same amount.

The undesignated stabilization fund has accumulated a fund balance of \$489,490 which represents 3.3% of annual general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval. An additional \$368,332 or 2.5% of general fund expenditures have been transferred to stabilization funds with the intended uses for ambulance acquisition and a future fire truck purchase; these funds need appropriation by town meeting vote before expenditure.

General Fund Budget Highlights

At its Annual Town Meeting on April 12, 2011 and a Special Town Meeting on November 15, 2011, the Town appropriated \$13,889,796 through raise and appropriate articles from the fiscal 2012 general fund. The subsequent Annual Meeting in April 2012 and Special Town Meeting in June 2012 voted additional general fund appropriations from free cash and other available sources of \$341,452 in articles for fiscal 2012. The tax levy for fiscal 2012 was \$11,865,494, an increase of \$356,655 or 3.1% over fiscal 2011. \$250,000 of free cash from fiscal 2011 was used to decrease the fiscal 2012 tax levy. At year end, \$302,288 of unexpended appropriation balances was closed out to unassigned fund balance. Also, state revenue and local receipts (not including property taxes and tax lien redemptions) exceeded budget by \$142,633.

Capital Asset and Debt Administration

Capital Assets - In conjunction with the operating budget process, the Town has a Capital Improvements Planning Committee (CIPC) to assist in budgeting for current and future capital needs. The CIPC reviews all capital project requests from town departments; maintains a five year plan for capital projects; and makes recommendations on capital appropriations for Town Meetings.

The Town's investment in capital assets for governmental activities, as summarized below, as of June 30, 2012, amounts to \$15,578,927, net of accumulated depreciation. The investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress.

The governmental activities capital assets increased by only \$1,080,420 during the current fiscal year. Total depreciation was \$639,723, resulting in a total increase to capital assets (net of accumulated depreciation) of \$440,697.

Capital Assets (Net of Depreciation)				
	Governmental Activities		Increase (Decrease)	% Increase (Decrease)
	FY 2012	FY 2011		
Land	\$ 1,877,108	\$ 1,451,633	\$ 425,475	29.31%
Buildings	11,443,983	11,693,411	(249,428)	-2.13%
Machinery and Equipment	58,712	46,669	12,043	25.81%
Vehicles	339,292	398,282	(58,990)	-14.81%
Infrastructure	1,496,430	1,533,028	(36,598)	-2.39%
Construction in Progress	363,402	15,207	348,195	2289.70%
Total Capital Assets	\$ 15,578,927	\$ 15,138,230	\$ 440,697	2.91%

Long Term Debt - The Town's debt burden is reasonable in relation to other communities its size. Outstanding long-term debt, as of June 30, 2012, totaled \$5,505,000. Total debt consists of the following:

Outstanding Debt at Year End				
Governmental Activities	Outstanding June 30, 2012	Outstanding June 30, 2011	Increase (Decrease)	% Increase (Decrease)
General Obligation Bonds	\$ 5,505,000	\$ 6,015,000	\$ (510,000)	-8.48%

Please refer to **Notes 5 and 8** for further discussion of the major capital asset and debt activity.

Economic Factors and Next Year's Budgets & Rates

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2013 budget and tax rates including the following:

- The fiscal 2013 tax rate was set at \$5.26, a 34 cent increase from fiscal 2012. The percentage increase in the tax rate of 6.9 % was higher than the increase of the total tax levy of 5.5% due to a relatively small decrease in the overall assessed value of property in the town--\$2,380,518,271 vs. \$2,411,686,767, a decrease of 1.3%.

The excess levy capacity stood at \$561,287 or 4.5% of the tax levy. The tax levy limit is over \$47 million under the debt ceiling.

- The Board of Selectmen voted during their classification hearing to maintain the same tax rate for all classes of property.
- Regional school district budgets comprised over 59% of the Town's operating budget for fiscal 2013. Due to minor increases in the proportion of its students used in the regional districts' formulas, West Tisbury assessments increased by \$445,660 or 5.5% from fiscal 2012.
- At the April, 2012 Annual Town Meeting and November, 2012 Special Town Meeting, the Town authorized funds to proceed with additional design and preparation of construction bid documents for a new police station to be built as an addition to the Town's Public Safety Building. This will allow the Town to have an actual bid amount to bring to the town at its April, 2013 Annual Town Meeting for consideration to proceed with the project.
- At the April, 2012 Annual Town Meeting, the town authorized bonding in the amount of \$1,500,000 for the town's approximately 25% share of the West Tisbury Free Public Library's renovation and construction project. The town received the first payment of 30% of its \$2,982,544 of its Massachusetts Board of Library Commissioners grant in June of 2012. The balance of the \$6.2 million project will be funded through private funding donated to the Town.
- At the April, 2012 Annual Town Meeting, the Town authorized bonding of an amount up to \$2.37 million to supplement available state Chapter 90 funds for reconstruction of town roads.
- All of the capital projects described above and the resultant debt repayment schedules are being phased in as existing debt declines or is retired, so that capital expenditures and debt services may remain as level as possible over time.
- The tax levy for fiscal 2013 required no Proposition 2 ½ overrides. This continues recent history and fiscal policies that have seen the tax levy increase by only 17.5% in the six year period from fiscal 2006 to fiscal 2013; this reflects an average annual increase of less than 2.5%. For comparison, tax levy changes for the other five Martha's Vineyard towns for the same seven year period range from 27.6% to 50.6%.

Request for Information

This financial report is designed to provide a general overview of the Town of West Tisbury's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town Accountant, PO Box 278, West Tisbury, MA 02575.

**TOWN OF WEST TISBURY, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	PRIMARY GOVERNMENT
	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
CURRENT:	
CASH AND SHORT-TERM INVESTMENTS	\$ 5,016,752
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	
REAL ESTATE AND PERSONAL PROPERTY TAXES	423,722
TAX LIENS	110,904
MOTOR VEHICLE AND OTHER EXCISE TAXES	49,990
DEPARTMENTAL AND OTHER	18,607
INTERGOVERNMENTAL	542,732
NONCURRENT:	
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	
INTERGOVERNMENTAL	710,761
DEPARTMENTAL AND OTHER	14,561
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	15,578,927
TOTAL ASSETS	<u>22,466,956</u>
<u>LIABILITIES</u>	
CURRENT:	
ACCOUNTS PAYABLE	143,147
OTHER LIABILITIES	34,190
ACCRUED INTEREST	50,542
LANDFILL POSTCLOSURE CARE COSTS	7,000
COMPENSATED ABSENCES	171,253
BONDS AND NOTES PAYABLE	849,000
NONCURRENT:	
LANDFILL POSTCLOSURE CARE COSTS	105,000
COMPENSATED ABSENCES	128,300
POSTEMPLOYMENT BENEFITS	644,546
BONDS AND NOTES PAYABLE	4,656,000
TOTAL LIABILITIES	<u>6,788,978</u>
<u>NET ASSETS</u>	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	10,073,927
RESTRICTED FOR:	
STREETS	305,811
PERMANENT FUNDS:	
EXPENDABLE	6,435
NONEXPENDABLE	64,933
OTHER PURPOSES	3,594,202
UNRESTRICTED	1,632,670
TOTAL NET ASSETS	<u>\$ 15,677,978</u>

See accompanying notes to the basic financial statements

**TOWN OF WEST TISBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,053,175	\$ 14,252	\$ 2,842	\$ -	\$ (1,036,081)
PUBLIC SAFETY	1,659,270	276,287	6,933	-	(1,376,050)
EDUCATION	8,202,442	-	-	-	(8,202,442)
PUBLIC WORKS	392,072	-	5,175	83,823	(303,074)
SANITATION	146,709	99,787	-	-	(46,922)
HUMAN SERVICES	417,872	17,128	165,053	-	(235,691)
CULTURE & RECREATION	1,261,767	72,099	311,196	894,763	16,291
EMPLOYEE BENEFITS	1,251,797	-	93,163	-	(1,158,634)
STATE & COUNTY ASSESSMENTS	224,250	-	-	-	(224,250)
INTEREST	186,206	-	-	-	(186,206)
TOTAL PRIMARY GOVERNMENT	\$ 14,795,560	\$ 479,553	\$ 584,362	\$ 978,586	\$ (12,753,059)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF WEST TISBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

	PRIMARY GOVERNMENT
	GOVERNMENTAL ACTIVITIES
CHANGES IN NET ASSETS:	
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	<u>\$ (12,753,059)</u>
GENERAL REVENUES:	
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	11,779,316
TAX LIENS	78,628
MOTOR VEHICLE EXCISE TAXES	425,392
PENALTIES AND INTEREST ON TAXES	116,660
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,339,974
UNRESTRICTED INVESTMENT INCOME	12,006
MISCELLANEOUS	<u>40,210</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>13,792,186</u>
CHANGE IN NET ASSETS	1,039,127
NET ASSETS:	
BEGINNING OF YEAR	<u>14,638,851</u>
END OF YEAR	<u><u>\$ 15,677,978</u></u>

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF WEST TISBURY, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

<u>ASSETS</u>	GENERAL	COMMUNITY PRESERVATION	LIBRARY PROJECT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 2,171,888	\$ 1,384,867	\$ 894,763	\$ 565,234	\$ 5,016,752
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES	423,722	-	-	-	423,722
TAX LIENS	110,904	-	-	-	110,904
MOTOR VEHICLE AND OTHER EXCISE TAXES	49,990	-	-	-	49,990
DEPARTMENTAL AND OTHER	-	15,875	-	17,293	33,168
INTERGOVERNMENTAL	947,682	-	-	305,811	1,253,493
TOTAL ASSETS	\$ 3,704,186	\$ 1,400,742	\$ 894,763	\$ 888,338	\$ 6,888,029
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 92,879	\$ 183	\$ 41,477	\$ 8,608	\$ 143,147
OTHER LIABILITIES	34,190	-	-	-	34,190
DEFERRED REVENUES	1,351,354	15,875	-	323,104	1,690,333
TOTAL LIABILITIES	1,478,423	16,058	41,477	331,712	1,867,670
FUND BALANCES:					
NONSPENDABLE	-	-	-	64,933	64,933
RESTRICTED	-	1,384,684	853,286	493,334	2,731,304
COMMITTED	271,652	-	-	-	271,652
ASSIGNED	599,322	-	-	-	599,322
UNASSIGNED	1,354,789	-	-	(1,641)	1,353,148
TOTAL FUND BALANCES	2,225,763	1,384,684	853,286	556,626	5,020,359
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,704,186	\$ 1,400,742	\$ 894,763	\$ 888,338	\$ 6,888,029

See accompanying notes to the basic financial statements

**TOWN OF WEST TISBURY, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2012**

	GENERAL	COMMUNITY PRESERVATION	LIBRARY PROJECT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 11,850,054	\$ -	\$ -	\$ -	\$ 11,850,054
MOTOR VEHICLE EXCISE TAXES	481,328	-	-	-	481,328
PENALTIES AND INTEREST ON TAXES	116,660	-	-	-	116,660
INTERGOVERNMENTAL	1,226,817	131,782	894,763	46,909	2,300,271
CHARGES FOR SERVICES	-	-	-	113,278	113,278
INVESTMENT INCOME	12,006	3,839	-	583	16,428
CONTRIBUTIONS & DONATIONS	-	-	-	43,449	43,449
DEPARTMENTAL AND OTHER	554,705	315,587	-	246,580	1,116,872
TOTAL REVENUES	14,241,570	451,208	894,763	450,799	16,038,340
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	1,221,772	184,352	-	152,812	1,558,936
PUBLIC SAFETY	1,657,200	-	-	8,128	1,665,328
EDUCATION	7,936,073	-	-	-	7,936,073
PUBLIC WORKS	206,782	2,025	-	99,787	308,594
SANITATION	146,709	-	-	-	146,709
HUMAN SERVICES	399,976	-	-	16,021	415,997
CULTURE & RECREATION	596,259	6,983	267,212	678,913	1,549,367
EMPLOYEE BENEFITS	1,591,541	-	-	-	1,591,541
STATE & COUNTY ASSESSMENTS	224,250	-	-	-	224,250
DEBT SERVICE					
PRINCIPAL	705,956	84,044	-	-	790,000
INTEREST	158,337	40,956	-	-	199,293
TOTAL EXPENDITURES	14,844,855	318,360	267,212	955,661	16,386,088
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(603,285)	132,848	627,551	(504,862)	(347,748)
OTHER FINANCING SOURCES (USES)					
PROCEEDS FROM BONDS AND NOTES	-	-	-	280,000	280,000
OPERATING TRANSFERS IN	32,555	-	225,735	547,109	805,399
OPERATING TRANSFERS OUT	-	(547,109)	-	(258,290)	(805,399)
TOTAL OTHER FINANCING SOURCES (USES)	32,555	(547,109)	225,735	568,819	280,000
NET CHANGE IN FUND BALANCES	(570,730)	(414,261)	853,286	63,957	(67,748)
FUND BALANCES AT BEGINNING OF YEAR	2,796,493	1,798,945	-	492,669	5,088,107
FUND BALANCES AT END OF YEAR	\$ 2,225,763	\$ 1,384,684	\$ 853,286	\$ 556,626	\$ 5,020,359

See accompanying notes to the basic financial statements

**TOWN OF WEST TISBURY, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2012**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 5,020,359
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		15,578,927
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		1,690,333
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(50,542)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		
BONDS AND NOTES PAYABLE	(5,505,000)	
COMPENSATED ABSENCES	(299,553)	
POSTEMPLOYMENT BENEFITS	(644,546)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(112,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(6,561,099)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 15,677,978</u></u>

See accompanying notes to the basic financial statements

**TOWN OF WEST TISBURY, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (67,748)
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.		
CAPITAL OUTLAY	1,080,420	
DEPRECIATION EXPENSE	<u>(639,723)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		440,697
REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE		
		(203,653)
THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.		
PROCEEDS FROM BONDS AND NOTES	(280,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>790,000</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		510,000
SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.		
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(525)	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	340,269	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	7,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>13,087</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>359,831</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,039,127</u>

See accompanying notes to the basic financial statements

**TOWN OF WEST TISBURY, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2012**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY AMOUNTS	OVER/UNDER
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES,				
NET OF TAX REFUNDS	\$ 11,737,160	\$ 11,737,160	\$ 11,850,054	\$ 112,894
MOTOR VEHICLE EXCISE TAXES	392,000	392,000	481,328	89,328
PENALTIES & INTEREST ON TAXES	100,000	100,000	116,660	16,660
INTERGOVERNMENTAL	1,122,118	1,122,118	1,133,654	11,536
INVESTMENT INCOME	8,000	8,000	9,169	1,169
DEPARTMENTAL AND OTHER	539,495	539,495	554,706	15,211
TOTAL REVENUES	13,898,773	13,898,773	14,145,571	246,798
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,438,794	1,423,799	1,221,772	202,027
PUBLIC SAFETY	1,804,243	1,804,243	1,657,200	147,043
EDUCATION	7,936,073	7,936,073	7,936,073	-
PUBLIC WORKS	248,242	248,242	206,782	41,460
SANITATION	163,438	165,089	146,709	18,380
HUMAN SERVICES	425,879	434,559	399,976	34,583
CULTURE & RECREATION	660,861	705,150	596,259	108,891
EMPLOYEE BENEFITS	998,465	1,004,780	967,001	37,779
STATE & COUNTY ASSESSMENTS	225,231	225,231	224,250	981
DEBT SERVICE:				
PRINCIPAL	705,956	705,956	705,956	-
INTEREST	162,123	162,123	158,337	3,786
TOTAL EXPENDITURES	14,769,305	14,815,245	14,220,315	594,930
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(870,532)	(916,472)	(74,744)	841,728
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	4,511	24,511	32,555	8,044
NET CHANGE IN FUND BALANCE	(866,021)	(891,961)	(42,189)	849,772
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	1,410,130	1,410,130	1,410,130	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 544,109	\$ 518,169	\$ 1,367,941	\$ 849,772

See accompanying notes to the basic financial statements

**TOWN OF WEST TISBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	POSTEMPLOYMENT BENEFITS TRUST FUND	AGENCY FUNDS
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ 9,814
DEPOSITS HELD BY TRUSTEE	<u>706,377</u>	<u>-</u>
TOTAL ASSETS	<u>706,377</u>	<u>9,814</u>
<u>LIABILITIES</u>		
OTHER LIABILITIES	<u>-</u>	<u>9,814</u>
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	<u><u>\$ 706,377</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

TOWN OF WEST TISBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2012

	POSTEMPLOYMENT BENEFITS TRUST FUND
<u>ADDITIONS:</u>	
CONTRIBUTIONS:	
EMPLOYER DONATIONS	\$ 706,377
<u>DEDUCTIONS:</u>	-
CHANGES IN NET ASSETS	706,377
NET ASSETS AT BEGINNING OF YEAR	-
NET ASSETS AT END OF YEAR	\$ 706,377

See accompanying notes to the basic financial statements

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of West Tisbury, 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 following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by an elected three member Board of Selectmen (the Board). The Board is responsible for appointing an Town Administrator whose responsibility is to manage the day to day operations. 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, blended or discretely presented, 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. Blended component units, although legally separate entities, are, in substance, part of the government's operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government's financial reporting entity.

Joint Ventures

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint ventures:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Annual Assessment</u>
Martha's Vineyard Regional High School District	To provide Jr./ Sr. high education services	RR2, Box 261 Vineyard Haven, MA 02568	\$ 5,814,685
Up-Island Regional School District	To provide elementary education services	2 Pine Street RR2 Box 261 Vineyard Haven, MA 02568	\$ 2,303,894
M.V. Regional Refuse & Resource Recovery District	To process solid waste of the member communities	P.O. Box 2067 Edgartown, MA 02539	\$ 114,188

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The Martha's Vineyard Regional High School District is governed by a fourteen (14) member school committee consisting of three representatives from the Up-Island Regional School District (one appointee from each Town). The Town is indirectly liable for debt and other expenditures of the School and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has no equity interest in the joint venture.

The Up-Island Regional School District is governed by a five (5) member school committee consisting of one (1) elected representative from the Town of West Tisbury, one (1) elected representative from the Town of Chilmark and from the Town of Aquinnah, and two (2) at-large members elected from the three Towns. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has no equity interest in the joint venture.

The Martha's Vineyard Regional Refuse and Resource Recovery District was created by an act of the legislature of the Commonwealth of Massachusetts. Its purpose is to handle and process all the solid waste needs of the member communities. Members of the District include the Towns of Aquinnah, Chilmark, Edgartown, and West Tisbury. A district manager has been appointed by the District Committee to oversee the day to day operation of the facility. The District Committee is comprised of two appointed members of each community's Board of Health.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

The Town of West Tisbury has no *business-type activities* as of June 30, 2012.

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.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. If the total assets, liabilities, revenues, or expenditures of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds), and
- b. If the total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding element for all governmental 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 fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The effect of interfund activity has been removed from the government-wide financial statements.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the 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., when they become both 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 interest on general long-term debt which is recognized when due, and the noncurrent portion of compensated absences, landfill post closure care costs, and postemployment benefits, which are recognized when the obligations are expected to be liquidated with current expendable available resources.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. 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 to purchase open space, provide for affordable housing, or preservation of historical property under the guidelines of the Community Preservation Act of the Massachusetts General Laws.
- The *Library Project fund* is a capital projects fund used to account for the construction activity for the new library building.
- The *Nonmajor Governmental funds* consist of other special revenue, capital projects, and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

Fiduciary Fund Financial Statements

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

The following fiduciary fund types are reported:

- The *Postemployment Benefits Trust fund* is used to account for assets held to fund future postemployment benefits of current and retired employees.
- The *Agency fund* is used to account for assets held in a purely custodial capacity

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide, proprietary fund, and fiduciary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

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

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

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. 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.

Departmental and Other

Departmental and other receivables consist primarily of the Community Preservation Act and Title V receivables in the fiscal year accrued. Since these receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Intergovernmental

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

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

F. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, machinery & equipment, vehicles, buildings and improvements, infrastructure (roadways and similar items), and construction in progress are reported in the governmental activities column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. 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 if material.

All purchases and construction costs in excess of \$10,000 (all land costs) are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

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

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings and Improvements	40
Machinery & Equipment	5-10
Vehicles	5-15
Infrastructure	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 fiscal year of purchase for the various funds.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
 - *Permanent funds -expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *Permanent funds -nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other Specific Purposes* represents restrictions placed on assets from outside parties.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town uses the following criteria for fund balance policies and procedures:

- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the least restricted amount will be considered to have been spent.

TOWN OF WEST TISBURY, MASSACHUSETTS
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L. Long-term debt

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

N. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

Government-Wide Financial Statements

The total amount to be paid in future years is presented in the government-wide statement of net assets. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2012 is recorded in the governmental fund financial statement.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health insurance is recognized by recording the employer's 75% share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from estimates that were used.

Q. Total Column

Fund Financial Statements

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund as well as for those special revenue funds for which the provisions of Chapter 44, Section 53f 1/2 have been adopted. The budgets for all departments and operations of the Town, except that of the regional schools, are prepared under the direction of the various department heads. The budgets are presented to the Finance Committee for review, which then makes recommendations to Town Meeting for final approval. The School Districts' budgets are prepared under the direction of the School Committees. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

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

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2012 approved budget authorized \$14,415,923 in current year appropriations and other amounts to be raised and \$353,382 in encumbrances and articles carried over from previous fiscal years. Supplemental budget increases of \$45,940 were approved at one Town Meeting during fiscal year 2012.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

Net change in fund balance - budgetary basis	\$ (42,189)
Basis of accounting differences:	
Net stabilization fund activity	(528,541)
Increase in revenue for on-behalf payments - MTRS	93,163
Increase in expenditures for on-behalf payments - MTRS	<u>(93,163)</u>
Net change in fund balance - GAAP basis	<u>\$ (570,730)</u>

C. Deficit Fund Balances

A fund deficit exists within the Special Revenue fund. The deficit will be eliminated through subsequent fiscal year budget transfers or grants during fiscal year 2013.

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

Deposits

▪ *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits "in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

The Town does not have a formal deposit policy for custodial credit risk.

The Town carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the Depositor's Insurance Fund (DIF). The Town also carries deposits that are uninsured, uncollateralized, or collateralized with securities held by the pledging financial institution's trust department but not in the Town's name.

TOWN OF WEST TISBURY, MASSACHUSETTS
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The following table illustrates how much of the Town's bank deposits are insured or collateralized, and how much of the Town's bank deposits are uninsured, uncollateralized, or collateralized with securities held by the pledging financial institution's trust department but not in the Town's name as of June 30, 2012:

Total bank balances		<u><u>\$ 5,078,223</u></u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	2,056,852	
Depositor's Insurance Fund (DIF)	<u>796,559</u>	
Total bank balances covered by deposit insurance		2,853,411
Balances subject to custodial credit risk		
Bank balances collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's names	<u>2,224,812</u>	
Total bank balances subject to custodial credit risk		<u>2,224,812</u>
Total bank balances		<u><u>\$ 5,078,223</u></u>

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013.

Investments

Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

TOWN OF WEST TISBURY, MASSACHUSETTS
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The Town did not hold or own any fixed income securities as of June 30, 2012.

a) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

The Town has not adopted a formal policy related to Credit Risk.

b) Custodial Credit Risk

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 security that are in possession of an outside party.

The Town does not have an investment policy for custodial credit risk.

c) Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the market interest rates. 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.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – RECEIVABLES

The receivables at June 30, 2012 for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 437,967	\$ (14,245)	\$ 423,722
Tax liens	110,904	-	110,904
Motor vehicle and other excise taxes	172,566	(122,576)	49,990
Departmental and other	33,168	-	33,168
Intergovernmental	1,253,493	-	1,253,493
Total	<u>\$ 2,008,098</u>	<u>\$ (136,821)</u>	<u>\$ 1,871,277</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred Revenue Analysis				
Receivable Type:	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 242,778	\$ -	\$ -	\$ 242,778
Tax Liens	110,904	-	-	110,904
Motor vehicle and other excise taxes	49,990	-	-	49,990
Departmental and other	-	15,875	17,293	33,168
Intergovernmental	947,682	-	305,811	1,253,493
Total	<u>\$ 1,351,354</u>	<u>\$ 15,875</u>	<u>\$ 323,104</u>	<u>\$ 1,690,333</u>

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities:	Beginning Balance	Increases	Reclassifications & Decreases	Ending Balance
<i>Capital assets not being depreciated :</i>				
Land	\$ 1,451,633	\$ 425,475	\$ -	\$ 1,877,108
Construction in progress	15,207	415,932	(67,737)	363,402
Total capital assets not being depreciated	1,466,840	841,407	(67,737)	2,240,510
<i>Capital assets being depreciated :</i>				
Buildings and improvements	18,035,106	204,000	-	18,239,106
Machinery & equipment	170,231	23,665	-	193,896
Vehicles	1,132,287	11,348	-	1,143,635
Infrastructure	2,022,030	-	67,737	2,089,767
Total capital assets being depreciated	21,359,654	239,013	67,737	21,666,404
<i>Less accumulated depreciation for :</i>				
Buildings and improvements	(6,341,695)	(453,428)	-	(6,795,123)
Machinery & equipment	(123,562)	(11,622)	-	(135,184)
Vehicles	(734,005)	(70,338)	-	(804,343)
Infrastructure	(489,002)	(104,335)	-	(593,337)
Total accumulated depreciation	(7,688,264)	(639,723)	-	(8,327,987)
Total capital assets being depreciated, net	13,671,390	(400,710)	67,737	13,338,417
Total governmental activities capital assets, net	\$ 15,138,230	\$ 440,697	\$ -	\$ 15,578,927

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 123,714
Public safety	116,293
Education	266,369
Public works	107,143
Human services	8,875
Culture and recreation	<u>17,329</u>
Total depreciation expense - governmental activities	<u>\$ 639,723</u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Library Project	Non-major Governmental Funds	Total
Non-major Governmental Funds	\$ 24,511	\$ 225,735	\$ -	\$ 250,246 (1)
Non-major Governmental Funds	8,044	-	-	8,044 (2)
Major Community Preservation Fund	<u>-</u>	<u>-</u>	<u>547,109</u>	<u>547,109 (3)</u>
Total	<u>\$ 32,555</u>	<u>\$ 225,735</u>	<u>\$ 547,109</u>	<u>\$ 805,399</u>

(1) Represents various budgeted transfers.

(2) Represents other transfers.

(3) Represents other transfer to the affordable housing fund and land purchase capital project.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth of Massachusetts, through the issuance of State Aid anticipation notes (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

The following is a summary of changes in short-term debt for the year ended June 30, 2012:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
RAN	Revenue	0.30	5/1/2012	\$ -	\$ 1,500,000	\$ (1,500,000)	\$ -

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit however require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

The following is a summary of the changes in long-term debt for the year ended June 30, 2012:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate %	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
School	5.06	\$ 1,075,000	\$ -	\$ 365,000	\$ 710,000
Multiple Purpose	3.01	730,000	-	185,000	545,000
Town Hall	3.11	4,210,000	-	240,000	3,970,000
Land Acquisition	0.98	-	160,000	-	160,000
Land Acquisition	3.50	-	120,000	-	120,000
Total		<u>\$ 6,015,000</u>	<u>\$ 280,000</u>	<u>\$ 790,000</u>	<u>\$ 5,505,000</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2012 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 849,000	\$ 170,805	\$ 1,019,805
2014	824,000	139,439	963,439
2015	479,000	108,869	587,869
2016	299,000	99,268	398,268
2017	259,000	92,945	351,945
2018-2022	1,175,000	366,569	1,541,569
2023-2027	1,160,000	183,747	1,343,747
2028-2029	460,000	17,106	477,106
Total	<u>\$ 5,505,000</u>	<u>\$ 1,178,748</u>	<u>\$ 6,683,748</u>

TOWN OF WEST TISBURY, MASSACHUSETTS
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Massachusetts School Building Authority Reimbursements

Chapter 645 of the Act of 1948 as amended ("Chapter 645") created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth's Fiscal 2001 budget repealed 645 and created a new school building assistance program codified as Chapter 70B of the Massachusetts General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain "grandfathered" projects will be based on the statutory percentages provided for in Chapter 645.

The Town has been approved for a 52% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$236,921 from scheduled annual payments in FY 2012 from the MSBA for completed school construction projects.

Loans Authorized and Unissued

As of June 30, 2012, the Town has loans authorized and unissued as follows:

Description	Date Authorized	Amount
Library Renovation	#14 4/10/12	\$ 1,500,000
Town Roads	#22 4/10/12	<u>2,372,178</u>
Total		<u><u>\$ 3,872,178</u></u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 6,015,000	\$ 280,000	\$ (790,000)	\$ 5,505,000	\$ 849,000
Landfill postclosure care costs	119,000	-	(7,000)	112,000	7,000
Compensated absences	299,028	525	-	299,553	171,253
Postemployment benefits	<u>984,815</u>	<u>-</u>	<u>(340,269)</u>	<u>644,546</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 7,417,843</u>	<u>\$ 280,525</u>	<u>\$ (1,137,269)</u>	<u>\$ 6,561,099</u>	<u>\$ 1,027,253</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2012:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Martha's Vineyard Public Schools	\$ 2,540,000	17.00%	\$ 431,800
Up-Island Regional School District	1,500,000	80.00%	1,200,000
Martha's Vineyard Refuse Disposal & Resource Recovery District	1,478,000	15.50%	229,090
Dukes County	<u>200,000</u>	13.11%	<u>26,220</u>
	<u>\$ 4,218,000</u>		<u>\$ 687,110</u>

NOTE 9 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2012.

The Town is a member of the Dukes County Municipal Health Group which now consists of Dukes County Commissioners; the Towns of Chilmark, Edgartown, Gosnold, Oak Bluffs, Tisbury, West Tisbury, and Aquinnah.; Martha's Vineyard Refuse Disposal and Resource Recovery District; Martha's Vineyard Commission; Martha's Vineyard Land Bank Commission; Oak Bluff's Water District; Martha's Vineyard Regional School District; Up-Island Regional School District; Martha's Vineyard Charter School; and Martha's Vineyard Transit Authority.

The Group has entered into a Joint Negotiation Purchase of Health Coverage with the Cape Cod Municipal Health Group (CCMHG). CCMHG is a Massachusetts Municipal Health Insurance Joint purchase group.

Health benefits consist of a traditional medical indemnity program and a Medex program with Blue Cross Blue Shield of Massachusetts. The traditional medical indemnity program consists of Master Health Plus and Master Health/ Master Medical, and Master Medical Carveout plans. In addition, the CCMHG has adopted an Exclusive Provider Organization plan with Harvard Pilgrim Health Care (HPHC) and a self funded medi-wrap plan, Harvard Pilgrim Health Care Enhance Medicare. All of these plans are self-funded. The CCMHG adopted four Medicare+Choice plans: Medicare HMO Blue, Managed Blue for Seniors and Tufts Medicare Preferred and Medicare Preferred Prime (fully insured).

TOWN OF WEST TISBURY, MASSACHUSETTS
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The CCMHG has adopted Blue Cross/Blue Shield (BC/BS) Network Blue, a self-funded, Exclusive Provider Organization (EPO) plan as well as two Preferred Provider Organization (PPO) plans. Blue Care Elect Preferred PPO is administered by BCBS, and Harvard Pilgrim PPO is administered by HPHC. Both PPO plans are self-funded.

The CCMHG has adopted a contributory dental insurance plan (self-funded) and a voluntary dental plan. These plans are self-funded.

The traditional medical indemnity plans, Blue Care Elect Preferred PPO plan, Network Blue EPO plan, and Medex plan are on a claims-paid basis, and are administered by Blue Cross Blue Shield of Massachusetts for a monthly administration fee based on the number of individual, single parent/single child, and family plan subscribers for that particular month.

The Harvard Pilgrim EPO Plan, Harvard Pilgrim PPO plan, Rate Saver plans and Harvard Pilgrim Health Care Enhance Medicare plan are on a claims-paid basis, and are administered by Harvard Pilgrim Health Care for a monthly administration fee based on a number of individual and family plan subscribers for that particular month.

The Group has a specific excess medical and prescription drug claims reinsurance contract with an insurance carrier covering claims paid in excess of \$500,000 per individual, to a lifetime maximum amount payable of \$2,000,000 at June 30, 2012, for the traditional medical indemnity plan. The Group reinsures its Carveout A plan with a policy with a \$50,000 specific deductible. The Group does not reinsure its Medex and HPHC Medicare Enhance plans. The policy period covers claims incurred within twelve months and paid within twenty-four months.

As of June 30, 2012, the Cape Cod Municipal Health Group had total assets of \$38,475,624, total liabilities of \$17,630,349 (including \$17,367,706 in estimated benefits obligations), and a total surplus of \$20,845,275.

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the following disclosures with regard to the retiree medical, dental, and life insurance benefits:

Plan Description. The Post Retirement Benefits Plan of the Town of West Tisbury (The Plan) is a single-employer defined benefit healthcare plan administered by the Town of West Tisbury. The Plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General laws Chapter 32B to provide 75% of the premium cost of retirees' health and life insurance costs.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2012, the estimated total Town premiums plus implicit costs for the retiree medical program are \$817,949.

TOWN OF WEST TISBURY, MASSACHUSETTS
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Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the plan:

Annual Required Contribution (ARC)	\$ 468,736
Interest on Net OPEB Obligation	39,393
Adjustment to Annual Required Contribution (ARC)	<u>(30,449)</u>
Annual OPEB Cost	477,680
Employer Contributions	<u>(817,949)</u>
Change in Net OPEB Obligation	(340,269)
Net OPEB obligation - beginning of year	<u>984,815</u>
Net OPEB obligation - end of year	<u>\$ 644,546</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Increase (Decrease) in Net OPEB Obligation	Net OPEB Obligation
6/30/2009	\$ 442,186	14.05%	\$ 380,047	\$ 380,047
6/30/2010	\$ 366,259	22.48%	\$ 283,932	\$ 663,979
6/30/2011	\$ 450,552	28.79%	\$ 320,836	\$ 984,815
6/30/2012	\$ 477,680	171.23%	\$ (340,269)	\$ 644,546

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$5.737 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.737 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,936,154, and the ratio of the UAAL to the covered payroll was 296.3%.

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

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

In the July 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.00% percent graded down to 5.00% over three years. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at June 30, 2012, was 26 years.

Near the end of fiscal year 2012, the Town contributed \$706,377 to the Dukes County pooled OPEB Trust Fund to partially fund the unfunded liability.

NOTE 11 – PENSION PLANS

A. Plan Descriptions

The Town contributes to the Dukes County Contributory Retirement System (the "system"), a cost sharing, multiple-employer, defined benefit pension plan administered by the Dukes County Retirement Board. Substantially all employees are members of the "System" except for public school teachers and certain school administrators who are members of the Massachusetts Teachers' Retirement System (MTRS) to which the Town does not contribute.

The "System" and the MTRS are contributory defined benefit plans and membership in both the "System" and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees. The "System" and the MTRS provide retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The "System" issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission ("PERAC"), One Ashburton Place, Boston, Massachusetts 02108.

TOWN OF WEST TISBURY, MASSACHUSETTS
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B. Funding Policies

Dukes County Contributory Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2012, 2011, and 2010 were \$286,500, \$273,667, and \$248,384 respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$93,163 for fiscal year 2012. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did not expend more than \$500,000 of federal awards during the period ended June 30, 2012. These programs may still be subject to financial and compliance audits. Accordingly, the amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

The Town is a member of the Martha’s Vineyard Regional Refuse and Resource Recovery District. The District previously operated a landfill based in the Town of West Tisbury, which was closed and capped. The Town is still responsible for post-closure monitoring of the site for 16 years and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$112,000 reported as landfill post-closure liability at June 30, 2012 is based on what it would cost to perform all post-closure care costs at June 30, 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

TOWN OF WEST TISBURY, MASSACHUSETTS
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NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #64**, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53. This pronouncement required no additional disclosure and did not impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is reviewing the impact of these pronouncements will have on the basic financial statements.

**TOWN OF WEST TISBURY, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS**

Schedules of Funding Progress and Employer Contributions

The following schedules are presented in accordance with GASB Statement No. 45:

Projected Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
07/01/07	\$ -	\$ 5,035,611	\$ 5,035,611	0.0%	\$ 1,760,241	286.1%
06/30/09	\$ -	\$ 4,597,047	\$ 4,597,047	0.0%	\$ 1,810,597	253.9%
07/01/10	\$ -	\$ 5,737,480	\$ 5,737,480	0.0%	\$ 1,936,154	296.3%

Schedule of Employer Contributions :

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase (Decrease) in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 442,186	14.1%	\$ 380,047	\$ 380,047
2010	\$ 366,259	22.5%	\$ 283,932	\$ 663,979
2011	\$ 450,552	28.8%	\$ 320,836	\$ 984,815
2012	\$ 477,680	171.2%	\$ (340,269)	\$ 644,546

* Based on expected premium payments.

**TOWN OF WEST TISBURY, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
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The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2010
Discount Rate	4.00%
Medical Trend	8.0% grading down to 5% in Year 2014 and thereafter
Cost Method	Projected Unit Credit Cost Method
Amortization Method	30-year level-percent-of-pay, assuming 4.5% increases; closed basis.
Remaining Amortization Period	26
Mortality	RP-2000 Combined Healthy Table Projected 10 years using Scale AA

Participation	85% of future retirees are assumed to participate in the retiree medical plan. 70% of future retirees are expected to elect life insurance.
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Medical Plan Participants:

Current retirees, beneficiaries, and dependants	11
Current active members/participants	<u>30</u>
Total	<u><u>41</u></u>