

TOWN OF WEST TISBURY, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of West Tisbury, Massachusetts as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of West Tisbury, Massachusetts's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of West Tisbury, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions and other post-employment benefits – schedules of funding progress and employer contributions on pages 3-9, 50 and 51 – 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. E. Brown & Company

March 9, 2015

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, 2014. 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 nearly \$19.6 million (net position). Of this amount, \$1.1 million is considered unrestricted (unrestricted net position) and may be used to meet the government's ongoing obligations to citizens and creditors.
- The governmental activities total net position increased by \$1.9 million or 10.4% from fiscal 2013. Receipts of \$1.2 million in a state grant and \$0.5 million in private donations for the library construction project were the major contributors to the increase in net position.
- The Town continued to recognize other post employment benefits expense (OPEB) under GASB 43 and 45. In April 2014, the town directly appropriated \$60,000 in addition to the \$99,000 OPEB contribution contained in the operating budget for FY 2014 and made these payments into the Dukes County Pooled OPEB Trust. Those contributions combined with \$116,132 in investment earnings left the Town's balance in the trust as of June 30, 2014 at \$1,120,765.
- The Town's general fund reported an unassigned fund balance of \$1,480,028 at the end of fiscal 2014. This represents 9.7% of total general fund expenditures. An additional amount of \$435,000 of the assigned fund balance was designated for funding the fiscal year 2015 budget.
- During fiscal 2014, the Town saw completion of three capital projects for the library, police station and road reconstruction. The road reconstruction was completed in the fall of 2013. The library and police were both able to move into their new buildings in the spring of 2014. Permanent bonding was completed for all three projects for a total of \$6,145,000. This amount was \$222,178 less than the amount authorized.
- The total cost of all Town governmental activities for fiscal 2014 was \$16.0 million, an increase of \$548,284 or 3.6%.
- The Town's total revenue from governmental activities also increased from fiscal 2013. At \$17.9 million, revenue was up \$309,539 or 1.8%.

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

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

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 \$19,627,757 at the close of fiscal year 2014. The Town is able to report positive balances in all categories of net position.

The largest component of the Town’s net position 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 \$15,919,045, or 81.1 % of total net position. 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 position are its *restricted assets* totaling \$2,636,676 (13.4%) which represent resources that are subject to external restrictions on how they may be used.

The third component of the Town’s net position is its *unrestricted net position* totaling \$1,072,036 (5.5%), which may be used to meet the government’s ongoing obligations to its citizens and creditors.

The total change in net position in fiscal 2014 was 10.4%. This large change in net position was caused primarily by the state grant and private support for the library construction project. These funds were converted to capital assets.

Town of West Tisbury - Financial Highlights

	Governmental Activities		% Increase (Decrease)	
	FY 2014	FY 2013	Increase (Decrease)	% Increase (Decrease)
Assets:				
Current assets	\$ 5,046,390	\$ 10,831,805	\$ (5,785,415)	-53.41%
Noncurrent assets (excluding capital)	236,919	485,535	(248,616)	-51.20%
Capital assets	25,896,045	19,829,341	6,066,704	30.59%
Total assets	31,179,354	31,146,681	32,673	0.10%
Liabilities:				
Current liabilities (excluding debt)	512,910	1,064,262	(551,352)	-51.81%
Noncurrent liabilities (excluding debt)	1,061,687	1,044,179	17,508	1.68%
Current debt	864,000	7,434,000	(6,570,000)	-88.38%
Noncurrent debt	9,113,000	3,832,000	5,281,000	137.81%
Total liabilities	11,551,597	13,374,441	(1,822,844)	-13.63%
Net Position:				
Net investment in capital assets	15,919,045	15,173,341	745,704	4.91%
Restricted	2,636,676	1,367,315	1,269,361	92.84%
Unrestricted	1,072,036	1,231,584	(159,548)	-12.95%
Total net position	\$ 19,627,757	\$ 17,772,240	\$ 1,855,517	10.44%
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 569,684	\$ 568,977	707	0.12%
Operating grants and contributions	373,610	340,319	33,291	9.78%
Capital grants and contributions	1,668,237	2,084,755	(416,518)	-19.98%
<i>General Revenues:</i>				
Real Estate and personal property taxes	12,814,996	12,380,145	434,851	3.51%
Tax Liens	71,655	79,367	(7,712)	-9.72%
Motor vehicle and other excise taxes	543,522	469,123	74,399	15.86%
Penalties & interest on taxes	94,731	96,946	(2,215)	-2.28%
Intergovernmental	1,535,560	1,361,436	174,124	12.79%
Departmental	139,511	110,754	28,757	25.96%
Unrestricted investment income	43,755	53,900	(10,145)	-18.82%
Total Revenues	17,855,261	17,545,722	309,539	1.76%
Expenses:				
General Government	2,044,286	1,667,096	377,190	22.63%
Public Safety	1,898,078	1,754,801	143,277	8.16%
Education	8,626,152	8,665,254	(39,102)	-0.45%
Public Works	552,121	441,644	110,477	25.01%
Sanitation	140,753	147,018	(6,265)	-4.26%
Human Services	449,490	499,693	(50,203)	-10.05%
Culture and Recreation	748,462	717,286	31,176	4.35%
Employee Benefits	1,136,583	1,165,062	(28,479)	-2.44%
State and County Assessments	181,153	200,019	(18,866)	-9.43%
Interest	222,666	193,587	29,079	15.02%
Total Expenses	15,999,744	15,451,460	548,284	3.55%
Increase/(decrease) in Net Position before transfers	1,855,517	2,094,262	(238,745)	-11.40%
Transfers	-	-	-	-
Change in Net Position	1,855,517	2,094,262	(238,745)	-11.40%
Net Position - beginning	17,772,240	15,677,978	2,094,262	13.36%
Net Position - ending	\$ 19,627,757	\$ 17,772,240	\$ 1,855,517	10.44%

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 \$4,091,556 a \$1,312,938 increase from the prior year's ending fund balances of \$2,778,618. Most of the increase is due to the permanent bonding of capital projects completed during the fiscal year which offset the accumulated capital outlay used towards those projects.

The general fund is the primary operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,480,228, while total fund balance of the general fund stood at \$2,390,984. 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 9.7% of total general fund expenditures, while total fund balance represents 15.7% of that same amount.

The unassigned stabilization fund has accumulated a fund balance of \$492,410 which represents 3.2% of annual general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval.

General Fund Budget Highlights

At its Annual Town Meeting on April 9, 2013 and Special Town Meeting on November 5, 2013, the Town appropriated \$15,040,744 through raise and appropriate articles from the fiscal 2014 general fund. The subsequent Annual Meeting in April 2014 voted additional general fund appropriations from free cash in the amount of \$160,000 for fiscal 2014. The tax levy for fiscal 2014 was \$12,907,945, an increase of \$386,419 or 3.1% over fiscal 2013. \$210,000 of free cash from fiscal 2013 was used to decrease the fiscal 2014 tax levy. At year end, \$332,660 of unexpended appropriation balances were closed out to unassigned fund balance. Also, state revenue and local receipts (not including property taxes and tax lien redemptions) exceeded budget by \$257,403.

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, 2014, amounts to \$25,896,045, 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 \$6,066,704 due to the additional outlay for the three capital projects for roads (infrastructure), library and police station and the reclassification of the prior construction-in-progress.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Increase (Decrease)	% Increase (Decrease)
	FY 2014	FY 2013		
Land	\$ 1,877,108	\$ 1,877,108	\$ -	0.00%
Buildings & Improvements	19,533,230	10,988,005	8,545,225	77.77%
Machinery and Equipment	33,102	45,907	(12,805)	-27.89%
Vehicles	691,939	313,697	378,242	120.58%
Infrastructure	3,760,666	1,392,095	2,368,571	170.14%
Construction in Progress	-	5,212,529	(5,212,529)	-100.00%
Total Capital Assets	\$ 25,896,045	\$ 19,829,341	\$ 6,066,704	30.59%

Long Term Debt - The Town's debt burden is reasonable in relation to other communities its size. Outstanding debt , as of June 30, 2014, totaled \$9,977,000. Total debt consists of the following:

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2014	Outstanding June 30, 2013	Increase (Decrease)	% Increase (Decrease)
General Obligation Bonds	\$ 9,977,000	\$ 4,656,000	\$ 5,321,000	114.28%

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 2015 budget and tax rates including the following:

- The fiscal 2015 tax rate is projected to be \$5.70, a 29 cent increase from fiscal 2014. The percentage increase in the tax rate of 5.4 % is slightly lower than the increase of the total tax levy of 6.0% due to a relatively small increase in the overall assessed value of property in the town--\$2,401,012,860 vs. \$2,385,941,704, an increase of less than 0.1%. The excess levy capacity will be \$648,196 or 4.7% of the tax levy. The tax levy limit is approximately \$46 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 56.1% of the Town's operating budget for fiscal 2015. Due to a decrease in the proportion of its students used in the high school district's formula, West Tisbury's assessment decreased by \$151,622 or 5.7% from fiscal 2014. However, the Up-island regional district's assessment increased \$545,262 or 9.3% due to a higher percentage of West Tisbury's students and increases in the total district budget.
- The fiscal 2015 budget increased the OPEB dedicated amount in the health insurance line item to \$120,000 to go to the OPEB trust. It is management's intent to continue to make contributions to reduce OPEB liability through the budget process.
- At the April, 2013 Annual Town Meeting, the Town authorized bonding in the amount of \$2,495,000 for a new police station to be built as an addition to the Town's Public Safety Building. The town's actual borrowing was for \$2,445,000. The fiscal 2015 tax levy includes \$200,000 to pay the estimated principal and interest on this obligation.
- 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's actual borrowing for \$1,500,000 occurred during fiscal 2014.. The fiscal 2015 budget includes \$133,275 to pay principal and interest on this obligation.
- 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. The town's actual borrowing for \$2,200,000 occurred during fiscal 2014. The fiscal 2014 budget includes \$207,283 to pay principal and interest on this obligation.
- 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 2015 required no Proposition 2 ½ overrides.

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 POSITION
JUNE 30, 2014**

	PRIMARY GOVERNMENT
	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
CURRENT:	
CASH AND SHORT-TERM INVESTMENTS	\$ 3,492,119
INVESTMENTS	736,700
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	
REAL ESTATE AND PERSONAL PROPERTY TAXES	371,310
TAX LIENS	102,001
MOTOR VEHICLE AND OTHER EXCISE TAXES	82,191
DEPARTMENTAL AND OTHER	25,148
INTERGOVERNMENTAL	236,921
NONCURRENT:	
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	
INTERGOVERNMENTAL	236,919
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	25,896,045
TOTAL ASSETS	<u>31,179,354</u>
<u>LIABILITIES</u>	
CURRENT:	
ACCOUNTS PAYABLE	249,221
OTHER LIABILITIES	50,966
ACCRUED INTEREST	24,720
LANDFILL POSTCLOSURE CARE COSTS	7,000
COMPENSATED ABSENCES	181,003
BONDS AND NOTES PAYABLE	864,000
NONCURRENT:	
LANDFILL POSTCLOSURE CARE COSTS	91,000
COMPENSATED ABSENCES	134,817
POSTEMPLOYMENT BENEFITS	835,870
BONDS AND NOTES PAYABLE	9,113,000
TOTAL LIABILITIES	<u>11,551,597</u>
<u>NET POSITION</u>	
NET INVESTMENT IN CAPITAL ASSETS	15,919,045
RESTRICTED FOR:	
PERMANENT FUNDS:	
EXPENDABLE	7,058
NONEXPENDABLE	65,533
OTHER PURPOSES	2,564,085
UNRESTRICTED	1,072,036
TOTAL NET POSITION	<u><u>\$ 19,627,757</u></u>

See accompanying notes to the basic financial statements

**TOWN OF WEST TISBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

<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	\$ 2,044,286	\$ 24,751	\$ 1,843	\$ -	\$ (2,017,692)
PUBLIC SAFETY	1,898,078	344,845	47,508	-	(1,505,725)
EDUCATION	8,626,152	-	-	-	(8,626,152)
PUBLIC WORKS	552,121	-	5,582	-	(546,539)
SANITATION	140,753	95,341	-	-	(45,412)
HUMAN SERVICES	449,490	22,976	158,668	-	(267,846)
CULTURE & RECREATION	748,462	81,771	63,632	1,668,237	1,065,178
EMPLOYEE BENEFITS	1,136,583	-	96,377	-	(1,040,206)
STATE & COUNTY ASSESSMENTS	181,153	-	-	-	(181,153)
INTEREST	222,666	-	-	-	(222,666)
TOTAL PRIMARY GOVERNMENT	\$ 15,999,744	\$ 569,684	\$ 373,610	\$ 1,668,237	\$ (13,388,213)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF WEST TISBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

	PRIMARY GOVERNMENT
	GOVERNMENTAL ACTIVITIES
CHANGES IN NET POSITION:	
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (13,388,213)
GENERAL REVENUES:	
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	12,814,996
TAX LIENS	71,655
MOTOR VEHICLE EXCISE TAXES	543,522
PENALTIES AND INTEREST ON TAXES	94,731
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,535,560
UNRESTRICTED INVESTMENT INCOME	43,755
MISCELLANEOUS	139,511
TOTAL GENERAL REVENUES AND TRANSFERS	15,243,730
CHANGE IN NET POSITION	1,855,517
NET POSITION:	
BEGINNING OF YEAR	17,772,240
END OF YEAR	\$ 19,627,757

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF WEST TISBURY, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

<u>ASSETS</u>	GENERAL	COMMUNITY PRESERVATION	LIBRARY PROJECT	PUBLIC SAFETY BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 2,385,103	\$ 337,457	\$ 28,802	\$ 124,447	\$ 616,310	\$ 3,492,119
INVESTMENTS	-	736,700	-	-	-	736,700
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:						
REAL ESTATE AND PERSONAL PROPERTY TAXES	371,310	-	-	-	-	371,310
TAX LIENS	102,001	-	-	-	-	102,001
MOTOR VEHICLE AND OTHER EXCISE TAXES	82,191	-	-	-	-	82,191
DEPARTMENTAL AND OTHER	-	13,481	-	-	11,667	25,148
INTERGOVERNMENTAL	473,840	-	-	-	-	473,840
TOTAL ASSETS	\$ 3,414,445	\$ 1,087,638	\$ 28,802	\$ 124,447	\$ 627,977	\$ 5,283,309
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
LIABILITIES:						
ACCOUNTS PAYABLE	\$ 106,487	\$ 3,287	\$ 16,145	\$ 109,013	\$ 14,289	\$ 249,221
OTHER LIABILITIES	50,556	410	-	-	-	50,966
TOTAL LIABILITIES	157,043	3,697	16,145	109,013	14,289	300,187
DEFERRED INFLOWS OF RESOURCES:						
DEFERRED PROPERTY TAXES	392,578	-	-	-	-	392,578
DEFERRED INTERGOVERNMENTAL REVENUE	473,840	-	-	-	-	473,840
DEFERRED OTHER REVENUE	-	13,481	-	-	11,667	25,148
TOTAL DEFERRED INFLOWS OF RESOURCES	866,418	13,481	-	-	11,667	891,566
FUND BALANCES:						
NONSPENDABLE	-	-	-	-	65,533	65,533
RESTRICTED	-	1,070,460	12,657	15,434	543,901	1,642,452
COMMITTED	293,278	-	-	-	-	293,278
ASSIGNED	617,678	-	-	-	-	617,678
UNASSIGNED	1,480,028	-	-	-	(7,413)	1,472,615
TOTAL FUND BALANCES	2,390,984	1,070,460	12,657	15,434	602,021	4,091,556
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 3,414,445	\$ 1,087,638	\$ 28,802	\$ 124,447	\$ 627,977	\$ 5,283,309

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, 2014**

	GENERAL	COMMUNITY PRESERVATION	LIBRARY PROJECT	PUBLIC SAFETY BUILDING	ROAD IMPROVEMENTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 12,884,982	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,884,982
MOTOR VEHICLE EXCISE TAXES	528,480	-	-	-	-	-	528,480
PENALTIES AND INTEREST ON TAXES	94,731	-	-	-	-	-	94,731
INTERGOVERNMENTAL	1,248,249	279,558	1,193,018	-	-	51,084	2,771,909
CHARGES FOR SERVICES	-	-	-	-	-	107,714	107,714
INVESTMENT INCOME	43,721	5,734	746	-	-	4,741	54,942
CONTRIBUTIONS & DONATIONS	-	-	416,862	-	-	22,206	439,068
DEPARTMENTAL AND OTHER	744,198	341,078	58,357	-	-	50,613	1,194,246
TOTAL REVENUES	15,544,361	626,370	1,668,983	-	-	236,358	18,076,072
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	1,286,124	571,267	-	-	-	60,631	1,918,022
PUBLIC SAFETY	1,872,026	-	-	2,106,534	-	21,175	3,999,735
EDUCATION	8,373,680	-	-	-	-	-	8,373,680
PUBLIC WORKS	320,372	1,860	-	-	363,765	92,713	778,710
SANITATION	140,753	-	-	-	-	-	140,753
HUMAN SERVICES	430,813	-	-	-	-	16,802	447,615
CULTURE & RECREATION	590,394	50,734	4,202,028	-	-	31,375	4,874,531
EMPLOYEE BENEFITS	1,100,055	-	-	-	-	-	1,100,055
STATE & COUNTY ASSESSMENTS	181,153	-	-	-	-	-	181,153
DEBT SERVICE							
PRINCIPAL	715,388	108,612	-	-	-	-	824,000
INTEREST	238,492	31,388	-	-	-	-	269,880
TOTAL EXPENDITURES	15,249,250	763,861	4,202,028	2,106,534	363,765	222,696	22,908,134
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	295,111	(137,491)	(2,533,045)	(2,106,534)	(363,765)	13,662	(4,832,062)
OTHER FINANCING SOURCES (USES)							
PROCEEDS FROM BONDS AND NOTES	-	-	1,500,000	2,445,000	2,200,000	-	6,145,000
OPERATING TRANSFERS IN	69,586	-	105,865	-	-	71,761	247,212
OPERATING TRANSFERS OUT	(80,252)	(50,000)	-	-	(65,430)	(51,530)	(247,212)
TOTAL OTHER FINANCING SOURCES (USES)	(10,666)	(50,000)	1,605,865	2,445,000	2,134,570	20,231	6,145,000
NET CHANGE IN FUND BALANCES	284,445	(187,491)	(927,180)	338,466	1,770,805	33,893	1,312,938
FUND BALANCES AT BEGINNING OF YEAR	2,106,539	1,257,951	939,837	(323,032)	(1,770,805)	568,128	2,778,618
FUND BALANCES AT END OF YEAR	\$ 2,390,984	\$ 1,070,460	\$ 12,657	\$ 15,434	\$ -	\$ 602,021	\$ 4,091,556

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 POSITION
JUNE 30, 2014**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 4,091,556
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		25,896,045
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		891,566
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(24,720)
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	(9,977,000)	
COMPENSATED ABSENCES	(315,820)	
POSTEMPLOYMENT BENEFITS	(835,870)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(98,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(11,226,690)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 19,627,757</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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 1,312,938**

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	6,864,918	
DEPRECIATION EXPENSE	<u>(798,214)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		6,066,704

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 (220,811)

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	(6,145,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>824,000</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(5,321,000)

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	(23,187)	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	(13,341)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	7,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>47,214</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>17,686</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,855,517**

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, 2014**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY AMOUNTS	OVER/UNDER
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES,				
NET OF TAX REFUNDS	\$ 12,798,672	\$ 12,798,672	\$ 12,884,982	\$ 86,310
MOTOR VEHICLE EXCISE TAXES	450,000	450,000	528,480	78,480
PENALTIES & INTEREST ON TAXES	70,000	70,000	94,731	24,731
INTERGOVERNMENTAL	1,151,431	1,151,431	1,151,872	441
INVESTMENT INCOME	8,000	8,000	40,553	32,553
DEPARTMENTAL AND OTHER	623,000	623,000	744,198	121,198
TOTAL REVENUES	15,101,103	15,101,103	15,444,816	343,713
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	1,548,866	1,559,352	1,286,124	273,228
PUBLIC SAFETY	1,986,781	1,986,781	1,872,026	114,755
EDUCATION	8,405,656	8,405,656	8,373,680	31,976
PUBLIC WORKS	333,187	349,602	320,372	29,230
SANITATION	161,577	161,577	140,753	20,824
HUMAN SERVICES	451,767	451,767	430,813	20,954
CULTURE & RECREATION	592,369	632,369	590,393	41,976
EMPLOYEE BENEFITS	976,868	1,044,967	1,003,678	41,289
STATE & COUNTY ASSESSMENTS	182,193	182,193	181,153	1,040
DEBT SERVICE:				
PRINCIPAL	715,392	715,392	715,389	3
INTEREST	239,599	239,599	238,492	1,107
TOTAL EXPENDITURES	15,594,255	15,729,255	15,152,873	576,382
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(493,152)	(628,152)	291,943	920,095
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFERS IN	68,327	68,327	69,586	1,259
OPERATING TRANSFERS OUT	(73,491)	(73,491)	(80,252)	(6,761)
TOTAL OTHER FINANCING SOURCES (USES)	(5,164)	(5,164)	(10,666)	(5,502)
NET CHANGE IN FUND BALANCE	(498,316)	(633,316)	281,277	914,593
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	1,561,486	1,561,486	1,561,486	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 1,063,170	\$ 928,170	\$ 1,842,763	\$ 914,593

See accompanying notes to the basic financial statements

TOWN OF WEST TISBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	POSTEMPLOYMENT BENEFITS TRUST FUND	AGENCY FUNDS
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ 46,341
DEPOSITS HELD BY TRUSTEE	1,120,795	-
TOTAL ASSETS	1,120,795	46,341
<u>LIABILITIES</u>		
OTHER LIABILITIES	-	46,341
<u>NET POSITION</u>		
NET POSITION - HELD IN TRUST FOR POSTEMPLOYMENT BENEFITS	\$ 1,120,795	\$ -

See accompanying notes to the basic financial statements

**TOWN OF WEST TISBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2014**

	POSTEMPLOYMENT BENEFITS TRUST FUND
<u>ADDITIONS:</u>	
CONTRIBUTIONS:	
CONTRIBUTIONS FROM GOVERNMENT	\$ 159,000
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>116,132</u>
TOTAL ADDITIONS	275,132
<u>DEDUCTIONS:</u>	<u>-</u>
CHANGES IN NET POSITION	275,132
NET POSITION AT BEGINNING OF YEAR	<u>845,663</u>
NET POSITION AT END OF YEAR	<u><u>\$ 1,120,795</u></u>

See accompanying notes to the basic financial statements

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 a 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:

Name	Purpose	Address	Annual Assessment
Martha's Vineyard Regional High School District	To provide Jr./ Sr. high education services	RR2, Box 261 Vineyard Haven, MA 02568	\$ 5,825,584
Up-Island Regional School District	To provide elementary education services	2 Pine Street RR2 Box 261 Vineyard Haven, MA 02568	\$ 2,674,288
M.V. Regional Refuse & Resource Recovery District	To process solid waste of the member communities	P.O. Box 2067 Edgartown, MA 02539	\$ 111,943

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 position 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, 2014.

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, 2014

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, 2014

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 post-employment 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 *Public Safety Building fund* is a capital projects fund used to account for the construction activity for the new public safety building.
- The *Road Improvements fund* is a capital projects fund used to account for road resurfacing.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

- The *Nonmajor Governmental funds* consist of other special revenue, capital projects, and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Fiduciary Fund Financial Statements

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 post-employment 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.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are 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 uncollectible.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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 position.

Fund Financial Statements

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

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 position.

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 Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred inflows of resources at the fund level, represents the amount of assets that have been recognized, but the related revenue has not been recognized since it is not available.

Deferred inflows of resources at the fund level consist of the succeeding year property tax revenue, Intergovernmental revenue, and other revenue not collected within sixty days after year-end.

TOWN OF WEST TISBURY, MASSACHUSETTS
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JUNE 30, 2014

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position is classified into three components:

- a. *Net investment in capital assets* – 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.
- b. *Restricted net position* – Consists of net position 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 position has been “restricted” for the following:

- *Permanent funds -expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *Permanent funds -nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other Purposes* represents restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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- 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.

L. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. 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 position. 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).

TOWN OF WEST TISBURY, MASSACHUSETTS
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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, 2014 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.

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.

TOWN OF WEST TISBURY, MASSACHUSETTS
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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 2014 approved budget authorized \$15,189,351 in current year appropriations and other amounts to be raised and \$404,904 in encumbrances and articles carried over from previous fiscal years. Supplemental budget increases of \$135,500 were approved at one Town Meeting during fiscal year 2014.

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, 2014, is presented below:

Net Change in Fund Balance - Budgetary Basis	\$ 281,277
Basis of Accounting Differences:	
Net Stabilization Fund Activity	3,168
Increase in Revenue for On-Behalf Payments - MTRS	96,377
Increase in Expenditures for On-Behalf Payments - MTRS	<u>(96,377)</u>
Net Change in Fund Balance - GAAP Basis	<u><u>\$ 284,445</u></u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, actual expenditures exceeded appropriations for snow removal expenses. This over-expenditure will be funded by available funds during fiscal year 2015.

D. Deficit Fund Balances

Several fund deficits exist within the Special Reevenue fund. These deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds from long-term debt during fiscal year 2015.

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.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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), Shared Insurance Fund (SIF), and the Depositor's Insurance Fund (DIF). The Town also carries deposits that are collateralized with securities held by the pledging financial institution's trust department but not in the Town's name.

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 collateralized with securities held by the pledging financial institution's trust department but not in the Town's name as of June 30, 2014:

Total Bank Balances		<u>\$ 3,633,561</u>
Bank Balances Covered by Deposit Insurance		
Federal Deposit Insurance Corporation (FDIC)	1,533,860	
Depositor's Insurance Fund (DIF)	1,266,670	
Shared Insurance Fund (SIF)	<u>354,327</u>	
Total Bank Balances Covered by Deposit Insurance		<u>3,154,857</u>
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>478,704</u>	
Total Bank Balances Subject to Custodial Credit Risk		<u>478,704</u>
Total Bank Balances		<u>\$ 3,633,561</u>

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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).

Presented below is the actual rating as of year end for each investment type of the Town.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End
			Unrated
Certificates of Deposit	\$ 734,855	N/A	\$ 734,855
Money Market Mutual Funds	1,845	N/A	1,845
Total Investments	<u>\$ 736,700</u>		<u>\$ 736,700</u>

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 investments in certificates of deposit are not exposed to custodial credit risk because the related certificates of deposit are fully insured by Federal Depositors Insurance Corporation (FDIC). The money market mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town does not have an investment policy for custodial credit risk.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

Investment Type	Fair Value	Investment Maturity (in Years) Less than 1
<u>Fixed Income Securities</u>		
Certificates of Deposit	\$ 734,855	\$ 734,855
<u>Other Investments</u>		
Money Market Mutual Funds	1,845	1,845
Total Investments	<u>\$ 736,700</u>	<u>\$ 736,700</u>

d) Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investments are in the following securities:

Issuer	Percentage of Total Investments
Discover Bank Greenwood, Del. - Certificate of Deposit	33.26%
Bank of India New York, NY - Certificate of Deposit	33.27%
State Bank India New York, NY - Certificate of Deposit	33.23%

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – RECEIVABLES

The receivables at June 30, 2014 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	\$ 390,182	\$ (18,872)	\$ 371,310
Tax Liens	102,001	-	102,001
Motor Vehicle and Other Excise Taxes	195,637	(113,446)	82,191
Departmental and Other	25,148	-	25,148
Intergovernmental	473,840	-	473,840
Total	<u>\$ 1,186,808</u>	<u>\$ (132,318)</u>	<u>\$ 1,054,490</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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 inflows of resources reported in the governmental funds were as follows:

Deferred Inflows of Resources Analysis				
Deferred Inflows:	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 392,578	\$ -	\$ -	\$ 392,578
Deferred Other Revenue	-	13,481	11,667	25,148
Deferred Intergovernmental Revenue	473,840	-	-	473,840
Total	<u>\$ 866,418</u>	<u>\$ 13,481</u>	<u>\$ 11,667</u>	<u>\$ 891,566</u>

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities:	Beginning Balance	Increases	Reclassifications & Decreases	Ending Balance
<i>Capital Assets not Being Depreciated :</i>				
Land	\$ 1,877,108	\$ -	\$ -	\$ 1,877,108
Construction in Progress	5,212,529	6,806,069	(12,018,598)	-
Total Capital Assets not Being Depreciated	7,089,637	6,806,069	(12,018,598)	1,877,108
<i>Capital Assets Being Depreciated :</i>				
Buildings and Improvements	18,239,106	-	9,101,069	27,340,175
Machinery & Equipment	193,896	-	-	193,896
Vehicles	1,146,662	58,849	394,155	1,599,666
Infrastructure	2,089,767	-	2,523,374	4,613,141
Total Capital Assets Being Depreciated	21,669,431	58,849	12,018,598	33,746,878
<i>Less Accumulated Depreciation for :</i>				
Buildings and Improvements	(7,251,101)	(555,844)	-	(7,806,945)
Machinery & Equipment	(147,989)	(12,805)	-	(160,794)
Vehicles	(832,965)	(74,762)	-	(907,727)
Infrastructure	(697,672)	(154,803)	-	(852,475)
Total Accumulated Depreciation	(8,929,727)	(798,214)	-	(9,727,941)
Total Capital Assets Being Depreciated, Net	12,739,704	(739,365)	12,018,598	24,018,937
Total Governmental Activities Capital Assets, Net	\$ 19,829,341	\$ 6,066,704	\$ -	\$ 25,896,045

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	\$ 126,264
Public Safety	152,884
Education	252,472
Public Works	160,173
Human Services	8,875
Culture and Recreation	<u>97,546</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 798,214</u></u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

Operating Transfers Out:	Operating Transfer In:			
	General Fund	Library Project	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds	\$ 2,917	\$ -	\$ -	\$ 2,917 (1)
General Fund	-	58,491	15,000	73,491 (1)
Non Major Governmental Funds	1,239	47,374	-	48,613 (2)
Community Preservation	-	-	50,000	50,000 (1)
General Fund	-	-	6,761	6,761 (2)
Road Improvements	<u>65,430</u>	<u>-</u>	<u>-</u>	<u>65,430 (1)</u>
Total	<u><u>\$ 69,586</u></u>	<u><u>\$ 105,865</u></u>	<u><u>\$ 71,761</u></u>	<u><u>\$ 247,212</u></u>

(1) Represents various budgeted transfers.

(2) Represents other transfers.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
BAN	Public Safety Building	1.50	6/5/2014	\$ 2,495,000	\$ -	\$ (2,495,000)	\$ -
BAN	Library Renovations	1.25	11/15/2013	1,500,000	-	(1,500,000)	-
BAN	Road Improvements	1.25	11/15/2013	2,615,000	-	(2,615,000)	-
Total				<u>\$ 6,610,000</u>	<u>\$ -</u>	<u>\$ (6,610,000)</u>	<u>\$ -</u>

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate %	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
School	5.06	\$ 345,000	\$ -	\$ 345,000	\$ -
Multiple Purpose	3.01	360,000	-	180,000	180,000
Town Hall	3.11	3,735,000	-	235,000	3,500,000
Land Acquisition	0.98	120,000	-	40,000	80,000
Land Acquisition	3.50	96,000	-	24,000	72,000
Library and Road Repairs	3.74	-	3,700,000	-	3,700,000
Public Safety Building	3.74	-	2,445,000	-	2,445,000
Total		<u>\$ 4,656,000</u>	<u>\$ 6,145,000</u>	<u>\$ 824,000</u>	<u>\$ 9,977,000</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 864,000	\$ 262,027	\$ 1,126,027
2016	684,000	244,726	928,726
2017	644,000	230,703	874,703
2018	620,000	217,001	837,001
2019	620,000	200,339	820,339
2020-2024	3,075,000	767,690	3,842,690
2025-2029	2,870,000	333,875	3,203,875
2030-2034	600,000	63,000	663,000
Total	<u>\$ 9,977,000</u>	<u>\$ 2,319,361</u>	<u>\$ 12,296,361</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 2014 from the MSBA for completed school construction projects.

Loans Authorized and Unissued

As of June 30, 2014, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Town Roads	#22 4/10/12	\$ 415,000
Public Safety Building	#8 4/9/13	<u>50,000</u>
Total		<u><u>\$ 465,000</u></u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and Notes Payable	\$ 4,656,000	\$ 6,145,000	\$ (824,000)	\$ 9,977,000	\$ 864,000
Landfill Postclosure Care Costs	105,000	-	(7,000)	98,000	7,000
Compensated Absences	292,633	23,187	-	315,820	181,003
Postemployment Benefits	<u>822,529</u>	<u>13,341</u>	<u>-</u>	<u>835,870</u>	<u>-</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 5,876,162</u>	<u>\$ 6,181,528</u>	<u>\$ (831,000)</u>	<u>\$ 11,226,690</u>	<u>\$ 1,052,003</u>

TOWN OF WEST TISBURY, MASSACHUSETTS
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The governmental activities long-term liabilities are generally liquidated by the general fund.

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, 2014:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Martha's Vineyard Public Schools	\$ 2,285,000	18.00%	\$ 411,300
Up-Island Regional School District	1,200,000	80.00%	960,000
Martha's Vineyard Refuse Disposal & Resource Recovery District	1,120,000	15.50%	173,600
Dukes County	<u>100,000</u>	13.15%	<u>13,150</u>
Total	<u>\$ 4,705,000</u>		<u>\$ 1,558,050</u>

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has classified its governmental fund balances with the following hierarchy.

	General Fund	Community Preservation Fund	Library Project Fund	Public Safety Building Fund	Nonmajor Governmental Funds	TOTAL
Fund Balances						
Nonspendable						
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -	\$ 65,533	\$ 65,533
Restricted For:						
General Government	-	-	-	-	295,188	295,188
Public Safety	-	-	-	15,434	35,147	50,581
Public Works	-	-	-	-	44,911	44,911
Human Services	-	-	-	-	93,718	93,718
Culture & Recreation	-	-	12,657	-	52,845	65,502
Employee Benefits	-	-	-	-	15,034	15,034
Community Preservation	-	1,070,460	-	-	-	1,070,460
Expendable Trust Fund	-	-	-	-	7,058	7,058
	<u>-</u>	<u>1,070,460</u>	<u>12,657</u>	<u>15,434</u>	<u>543,901</u>	<u>1,642,452</u>
Committed To:						
Continuing Appropriations						
General Government	103,616	-	-	-	-	103,616
Public Safety	45,969	-	-	-	-	45,969
Education	31,976	-	-	-	-	31,976
Public Works	90,430	-	-	-	-	90,430
Culture & Recreation	21,287	-	-	-	-	21,287
	<u>293,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,278</u>
Assigned To:						
Encumbered For:						
General Government	3,174	-	-	-	-	3,174
Public Safety	22,853	-	-	-	-	22,853
Public Works	4,007	-	-	-	-	4,007
Sanitation	1,005	-	-	-	-	1,005
Human Services	828	-	-	-	-	828
Subsequent Years Expenditures	435,000	-	-	-	-	435,000
Stabilization - Ambulance	53,928	-	-	-	-	53,928
Stabilization - Building Maintenance	25,007	-	-	-	-	25,007
Stabilization - Fire	71,876	-	-	-	-	71,876
	<u>617,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>617,678</u>
Unassigned						
General Fund	987,619	-	-	-	-	987,619
General Stabilization Fund	492,409	-	-	-	-	492,409
Capital Projects						
Public Works	-	-	-	-	(7,413)	(7,413)
	<u>1,480,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,413)</u>	<u>1,472,615</u>
Total Governmental Fund Balances	<u>\$ 2,390,984</u>	<u>\$ 1,070,460</u>	<u>\$ 12,657</u>	<u>\$ 15,434</u>	<u>\$ 602,021</u>	<u>\$ 4,091,556</u>

NOTE 10 – STABILIZATION ARRANGEMENTS

The Town has established several funds where the town has set aside amounts for emergency and capital needs. These funds consist of the following;

- The *Stabilization fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$492,409 as of June 30, 2014. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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- *The Fire Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the fire department and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. The fire stabilization fund balance is \$71,876 as of June 30, 2014. This fund was established under Chapter 40 sub-section 5B of **MGL**.

- *The Ambulance Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment and Ambulance vehicles, and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. The ambulance stabilization fund balance is \$53,928 as of June 30, 2014. This fund was established under Chapter 40 sub-section 5B of **MGL**.

- *The Building Maintenance Stabilization Fund* purpose is to budget and set aside funds necessary for future anticipated major maintenance items for town owned buildings. Funds will be appropriated from the stabilization funds at future town meetings as planned maintenance items are scheduled to be performed. The building maintenance stabilization fund balance is \$25,007 as of June 30, 2014. The fund was established at the November 5, 2013 Special Town Meeting and voted to transfer from free cash the initial amount of \$25,000 at the Annual Town Meeting on April 8, 2014.

NOTE 11 – 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 2014.

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 Joint Health Insurance Purchase Group.

TOWN OF WEST TISBURY, MASSACHUSETTS
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Health benefit plans for active employees and non-Medicare eligible retirees consist of a traditional medical indemnity plan, two Preferred Provider Organization (PPO) plans and two Exclusive Provider Organization (EPO) plans. All active employees are self funded with Blue Cross and Blue Shield of Massachusetts (BCBSMA) and Harvard Pilgrim Health Care (HPHC) as third party administrators. The Group offers six health plans for Medicare eligible retirees, which include two self-funded Medicare Supplement plans, one of which is administered by BCBSMA and one by HPHC, one fully insured Medicare Supplement with a Medicare Prescription Drug (PDP) plan provided by Tufts Health Plan, one HMO Medicare wrap plan fully insured by BCBSMA, and two fully insured Medicare Advantage HMO plans, one of which is from BCBSMA and one from Tufts Health Plan.

Prior to July 1, 2012, the Group offered two benefit options for each EPO and PPO plan: The Legacy option and the Rate Saver option. On July 1, 2012, the Group changed its plan designs following applicable law to do so. The plan design changes resulted in a single option for each EPO and each PPO. These options are similar in plan design to the Group Insurance Commission's "benchmark plan" and include additional member cost-sharing features.

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

The Master Health Plus, 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, 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, 2014. 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, 2014, the Cape Cod Municipal Health Group had total assets of \$38,341,466, total liabilities of \$12,592,875 (including \$12,142,593 in estimated benefits obligations), and a total surplus of \$25,748,591.

NOTE 12 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:

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 Dukes County Pooled OPEB Trust Other Postemployment Benefits Program. 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 2014, the estimated total Town premiums plus implicit costs for the retiree medical program are \$421,135.

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)	\$ 426,434
Interest on Net OPEB Obligation	35,433
Adjustment to Annual Required Contribution (ARC)	<u>(27,391)</u>
Annual OPEB Cost	434,476
Employer Contributions	<u>(421,135)</u>
Change in Net OPEB Obligation	13,341
Net OPEB Obligation - Beginning of Year	<u>822,529</u>
Net OPEB Obligation - End of Year	<u><u>\$ 835,870</u></u>

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the five 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
6/30/2013	\$ 381,002	53.29%	\$ 177,983	\$ 822,529
6/30/2014	\$ 434,476	96.93%	\$ 13,341	\$ 835,870

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date, the plan was 12.8% funded. The actuarial accrued liability for benefits was \$5.536 million, and the actuarial value of assets was \$0.706 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.830 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2,016,197, and the ratio of the UAAL to the covered payroll was 239.6%.

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.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

In the July 1, 2012, 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 7.00% percent graded down to 5.00% over two 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, 2014, was 24 years.

For the year ended June 30, 2014, the Town contributed \$159,000 (total contribution of \$935,000) to the Dukes County Pooled OPEB Trust Fund to partially fund the unfunded liability.

NOTE 13 – 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.

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, 2014, 2013, and 2012 were \$326,568, \$311,977, and \$286,500 respectively, which were equal to its required contributions for each of these years.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$96,377 for fiscal year 2014. 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 14 – 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, 2014. 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 14 years and the estimated liability has been recorded in the Statement of Net position, Governmental Activities. The \$98,000 reported as landfill post-closure liability at June 30, 2014 is based on what it would cost to perform all post-closure care costs at June 30, 2014. 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

TOWN OF WEST TISBURY, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2014, the following GASB pronouncements were implemented:

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

Future GASB Pronouncements:

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's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

The GASB issued **Statement #69**, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #70**, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

**TOWN OF WEST TISBURY, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
DUKE'S COUNTY REGIONAL RETIREMENT SYSTEM
JUNE 30, 2014**

Schedules of Funding Progress

The following schedules are presented in accordance with GASB Statement No. 27:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) · Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/1/2014	\$ 97,171,632	\$ 141,568,416	\$ 44,396,784	68.6%	\$ 34,859,969	127.4%
1/1/2011	\$ 73,989,143	\$ 110,358,557	\$ 36,369,414	67.0%	\$ 29,118,456	124.9%
1/1/2009	\$ 60,628,878	\$ 97,882,251	\$ 37,253,373	61.9%	\$ 30,407,294	122.5%
1/1/2007	\$ 53,493,298	\$ 82,756,819	\$ 29,263,521	64.6%	\$ 26,285,973	111.3%
1/1/2005	\$ 43,587,979	\$ 68,303,109	\$ 24,715,130	63.8%	\$ 22,710,276	108.8%
1/1/2003	\$ 36,978,826	\$ 63,042,045	\$ 26,063,219	58.7%	\$ 20,191,180	129.1%
1/1/2001	\$ 31,491,429	\$ 45,304,948	\$ 13,813,519	69.5%	\$ 18,408,970	75.0%
1/1/1998	\$ 21,621,530	\$ 36,447,821	\$ 14,826,291	59.3%	\$ 14,311,001	103.6%

Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of West Tisbury	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2014	\$ 5,351,220	\$ 5,351,220	100%	\$ 326,568	6.10%
2013	\$ 5,112,099	\$ 5,112,099	100%	\$ 311,977	6.10%
2012	\$ 4,575,700	\$ 4,575,700	100%	\$ 286,500	6.26%
2011	\$ 4,663,656	\$ 4,663,656	100%	\$ 273,667	5.87%
2010	\$ 4,398,687	\$ 4,398,687	100%	\$ 248,384	5.65%
2009	\$ 4,200,863	\$ 4,200,863	100%	\$ 237,245	5.65%
2008	\$ 3,612,812	\$ 3,612,812	100%	\$ 219,370	6.07%
2007	\$ 3,612,812	\$ 3,612,812	100%	\$ 219,311	6.07%
2006	\$ 3,612,812	\$ 3,612,812	100%	\$ 197,946	5.48%

**TOWN OF WEST TISBURY, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014**

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%
07/01/12	\$ 706,377	\$ 5,536,281	\$ 4,829,904	12.8%	\$ 2,016,197	239.6%

Schedule of Employer Contributions :

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
2013	\$ 381,002	53.3%	\$ 177,983	\$ 822,529
2014	\$ 434,476	96.93%	\$ 13,341	\$ 835,870

* Based on expected premium payments.

**TOWN OF WEST TISBURY, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014**

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, 2012
Discount Rate	4.00%
Medical Trend	7.0% 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	24
Mortality	RP-2000 Healthy Annuitant Table Projected to 2012 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.

Medical Plan Participants:

Current Retirees, Beneficiaries, and Dependents	10
Current Active Members/Participants	32
Total	<u>42</u>