

TOWN OF CHILMARK, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2014

TOWN OF CHILMARK, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	9
Statement of Net Position	11
Statement of Activities	12
Governmental funds – balance sheet.....	14
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position	15
Governmental funds – statement of revenues, expenditures and changes in fund balances.....	16
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	17
Fiduciary funds – statement of fiduciary net position.....	18
Fiduciary funds – statement of changes in fiduciary net position	19
Notes to basic financial statements	20
Required Supplementary Information.....	40
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	42
Retirement system schedule of funding progress.....	44
Retirement system schedule of employer contributions	45
OPEB schedule of funding progress and employer contributions	46
OPEB actuarial methods and assumptions	47
Notes to required supplementary Information.....	48



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Independent Auditor's Report

To the Board of Selectmen
Town of Chilmark, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town Chilmark, 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 Chilmark, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the Town of Chilmark's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chilmark's internal control over financial reporting and compliance.



November 10, 2014

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Chilmark, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principals (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets of the Town of Chilmark exceeded its liabilities \$18.3 million (net position) at year end.
- Of this amount \$1.6 million (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors.
- The Town's long-term debt totaled \$4.2 million at year end.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Chilmark's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Chilmark adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Chilmark's assets exceeded liabilities by \$18.3 million at the close of 2014.

Net position of \$15.5 million (84%) reflects its investment in capital assets (e.g., land, buildings, vehicles); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position, \$1.2 million (7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1.6 million (9%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the Town of Chilmark is able to report positive balances in all three categories of net position.

Key components of net position are shown on the following schedule.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 4,736,730	\$ 4,404,265
Capital assets.....	<u>19,723,596</u>	<u>19,618,821</u>
Total assets.....	24,460,326	24,023,086
Liabilities:		
Current liabilities (excluding debt).....	398,389	368,745
Noncurrent liabilities (excluding debt).....	1,482,495	1,208,766
Current debt.....	585,000	600,000
Noncurrent debt.....	<u>3,650,000</u>	<u>4,235,000</u>
Total liabilities.....	6,115,884	6,412,511
Net Position:		
Net investment in capital assets.....	15,488,596	14,783,821
Restricted.....	1,241,486	1,172,700
Unrestricted.....	<u>1,614,360</u>	<u>1,654,054</u>
Total net position.....	\$ <u>18,344,442</u>	\$ <u>17,610,575</u>
Program revenues:		
Charges for services.....	\$ 1,628,875	\$ 1,468,078
Operating grants and contributions.....	332,662	291,809
Capital grants and contributions.....	350,995	600,391
General Revenues:		
Real estate and personal property taxes.....	7,735,854	7,149,681
Tax liens.....	15,293	6,702
Motor vehicle and other excise taxes.....	196,662	190,352
Community preservation tax surcharges.....	213,055	168,209
Nonrestricted grants.....	-	514
Unrestricted investment income.....	11,413	8,189
Other revenues.....	<u>87,093</u>	<u>82,631</u>
Total revenues.....	10,571,902	9,966,556
Expenses:		
General Government.....	1,905,546	1,850,119
Public Safety.....	3,080,063	2,549,273
Education.....	3,084,353	2,790,282
Public Works.....	546,644	477,303
Community Preservation.....	41,036	29,185
Human Services.....	210,881	198,170
Culture and Recreation.....	828,898	780,447
Interest.....	<u>140,614</u>	<u>158,926</u>
Total expenses.....	9,838,035	8,833,705
Change in net position.....	733,867	1,132,851
Net position at the beginning of the year.....	<u>17,610,575</u>	<u>16,477,724</u>
Net position at the end of the year.....	\$ <u>18,344,442</u>	\$ <u>17,610,575</u>

The governmental expenses totaled \$9.8 million of which \$2.3 million (23%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$8.3 million, primarily coming from property taxes, motor vehicle excise taxes and community preservation tax surcharges.

The governmental activities net position increased by \$734,000 during the current year. This was due to better than expected budgetary results, principal payments on debt exceeding depreciation expense, and the acquisition of capital assets using current year revenues.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$4.3 million of which \$1.7 million is for the general fund, \$911,000 is for the community preservation fund and \$1.7 million is for nonmajor governmental funds. Cumulatively there was an increase of \$311,000 in fund balances from the prior year.

Reported within the general fund are the general chief operating and the stabilization funds. At the end of the current year, unassigned fund balances of the general fund and the stabilization fund were \$736,000 and \$507,000, respectively. Unassigned fund balance represents 14% of the total general fund expenditures, while total fund balance represents 19% of that same amount. Fund balance committed for articles and continuing appropriations totaled \$318,000 while fund balance was assigned for encumbrances and subsequent year's expenditures in the amounts of \$3,000 and \$139,000, respectively.

The Town's general fund essentially broke even in 2014. This was due to budgetary revenues and expenditures meeting expectations and the use of the stabilization fund.

The community preservation fund is used to account for the Town's resources for the acquisition, creation, preservation and support of open space, historic resources, and community housing. The fund increased by \$154,000 and has a fund balance of \$911,000 at year end.

General Fund Budgetary Highlights

There was substantially no difference between the original budget and the final amended budget.

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

The Town's investment in capital assets as of June 30, 2014, amounted to \$19.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, vehicles, equipment and infrastructure.

The major capital asset events during the current year were Tabor House and Menemsha Hill paving projects, the final payment of a new fire tanker, and acquisition of a new police vehicle, construction of a new harbor master shed and the purchase of new fire equipment.

Debt Administration

Outstanding long-term debt of the general government, as of June 30, 2014, totaled \$4.2 million, of which \$840,000 is related to school construction projects, \$735,000 is related to the Town Hall renovations and addition project, \$405,000 is related to the landfill closure, \$1.1 million is related to the Middle Line Road project, \$115,000 is for land acquisitions and \$1.0 million is related to the Wharf Reconstruction project.

Please refer to Notes 4, 7, and 8 of the financial statements for further discussion of the major capital and debt activity.

Pension and Other Postemployment Benefits

At June 30, 2014, the Town had an unfunded liability of \$1.5 million and \$5.5 million for its Pension and Other Postemployment Benefits (OPEB), respectively. These unfunded liabilities represent the future amounts that the Town would have to accumulate in order fully fund its obligation to provide benefits to its current and future retirees. The pension obligation is being funded based on an actuarial study which calculates the Annual Required Contribution (ARC) the Town must make to the retirement system each year, which the Town pays to the Dukes County Retirement System. The OPEB obligation also uses actuarial valuation to determine the ARC. To date, the Town is not fully funding its OPEB obligation and the difference between the ARC and the amount paid is reported as a liability on the statement of net position. Please see Notes 11 and 12 and the Required Supplementary Schedules for additional information.

Requests for Information

This financial report is designed to provide a general overview of the Town of Chilmark's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, P.O. Box 119, Chilmark, MA 02525.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2014

		<u>Primary Government</u>
		<u>Governmental Activities</u>
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	4,287,894
Investments.....		277,859
Receivables, net of allowance for uncollectibles:		
Real estate and personal property taxes.....		131,060
Tax liens.....		10,340
Motor vehicle and other excise taxes.....		26,600
Intergovernmental.....		2,977
NONCURRENT:		
Capital assets, nondepreciable.....		8,347,619
Capital assets, net of accumulated depreciation.....		<u>11,375,977</u>
TOTAL ASSETS.....		<u>24,460,326</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		122,566
Accrued payroll.....		143,642
Accrued interest.....		57,566
Other liabilities.....		56,396
Compensated absences.....		18,219
Bonds payable.....		585,000
NONCURRENT:		
Compensated absences.....		163,973
Other postemployment benefits.....		1,318,522
Bonds payable.....		<u>3,650,000</u>
TOTAL LIABILITIES.....		<u>6,115,884</u>
NET POSITION		
Net investment in capital assets.....		15,488,596
Restricted for:		
Permanent funds:		
Expendable.....		17,437
Nonexpendable.....		56,459
Other purposes.....		1,167,590
Unrestricted.....		<u>1,614,360</u>
TOTAL NET POSITION.....	\$	<u>18,344,442</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,905,546	\$ 85,555	\$ 86,171	\$ -	\$ (1,733,820)
Public safety.....	3,080,063	1,298,825	10,412	152,570	(1,618,256)
Education.....	3,084,353	-	188,400	-	(2,895,953)
Public works.....	546,644	40,364	-	-	(506,280)
Community preservation.....	41,036	-	-	198,425	157,389
Human services.....	210,881	13,440	7,911	-	(189,530)
Culture and recreation.....	828,898	190,691	9,868	-	(628,339)
Interest.....	140,614	-	29,900	-	(110,714)
Total Governmental Activities....	\$ 9,838,035	\$ 1,628,875	\$ 332,662	\$ 350,995	\$ (7,525,503)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Primary Government
	Governmental Activities
Changes in net position:	
Net (expense) revenue from previous page.....	\$ (7,525,503)
<i>General revenues:</i>	
Real estate and personal property taxes, net of tax refunds payable.....	7,735,854
Tax liens.....	15,293
Motor vehicle and other excise taxes.....	196,662
Community preservation tax surcharges.....	213,055
Hotel/motel tax.....	57,965
Penalties and interest on taxes.....	29,128
Unrestricted investment income.....	11,413
Total general revenues.....	8,259,370
Change in net position.....	733,867
<i>Net Position:</i>	
Beginning of year.....	17,610,575
End of year.....	\$ 18,344,442
See notes to basic financial statements.	(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 1,660,631	\$ 910,292	\$ 1,716,971	\$ 4,287,894
Investments.....	277,859	-	-	277,859
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	131,060	-	-	131,060
Tax liens.....	9,572	768	-	10,340
Motor vehicle and other excise taxes.....	26,600	-	-	26,600
Intergovernmental.....	-	2,977	-	2,977
TOTAL.....	\$ 2,105,722	\$ 914,037	\$ 1,716,971	\$ 4,736,730
LIABILITIES				
Warrants payable.....	\$ 114,535	\$ 423	\$ 7,608	\$ 122,566
Accrued payroll.....	115,655	-	27,987	143,642
Other liabilities.....	56,396	-	-	56,396
TOTAL.....	286,586	423	35,595	322,604
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues.....	116,005	2,356	-	118,361
FUND BALANCES				
Nonspendable.....	-	-	56,459	56,459
Restricted.....	-	911,258	1,624,917	2,536,175
Committed.....	318,180	-	-	318,180
Assigned.....	141,302	-	-	141,302
Unassigned.....	1,243,649	-	-	1,243,649
TOTAL FUND BALANCES.....	1,703,131	911,258	1,681,376	4,295,765
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 2,105,722	\$ 914,037	\$ 1,716,971	\$ 4,736,730

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances.....	\$	4,295,765
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		19,723,596
Accounts receivable are not available to pay for current-period expenditures and, therefore, are reported as a deferred inflow of resources in the funds.....		118,361
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(57,566)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Compensated absences.....	(182,192)	
Other postemployment benefits.....	(1,318,522)	
Bonds payable.....	<u>(4,235,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(5,735,714)</u>
Net position of governmental activities.....	\$	<u><u>18,344,442</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 7,747,139	\$ -	\$ -	\$ 7,747,139
Tax liens.....	15,293	-	-	15,293
Motor vehicle and other excise taxes.....	195,658	-	-	195,658
Hotel/motel tax.....	57,965	-	-	57,965
Charges for services.....	58,735	-	-	58,735
Penalties and interest on taxes.....	29,128	-	-	29,128
Fees and rentals.....	504,144	-	2,930	507,074
Licenses and permits.....	102,975	-	-	102,975
Fines and forfeitures.....	11,877	-	-	11,877
Intergovernmental - federal and state.....	49,636	198,425	831,559	1,079,620
Lease income.....	204,900	-	-	204,900
Departmental and other.....	27,396	-	246,915	274,311
Community preservation tax surcharges.....	-	213,508	-	213,508
Contributions.....	-	-	72,971	72,971
Investment income.....	8,902	883	1,628	11,413
TOTAL REVENUES.....	9,013,748	412,816	1,156,072	10,582,636
EXPENDITURES:				
Current:				
General government.....	1,029,913	-	111,692	1,141,605
Public safety.....	1,564,497	-	924,059	2,488,556
Education.....	2,992,444	-	-	2,992,444
Public works.....	724,751	-	-	724,751
Community preservation.....	-	-	41,036	41,036
Human services.....	173,415	-	3,921	177,336
Culture and recreation.....	518,711	-	6,352	525,063
Pension benefits.....	300,930	-	-	300,930
Property and liability insurance.....	148,600	-	-	148,600
Employee benefits.....	671,779	-	-	671,779
State and county charges.....	281,902	-	-	281,902
Capital outlay.....	-	-	29,222	29,222
Debt service:				
Principal.....	600,000	-	-	600,000
Interest.....	148,004	-	-	148,004
TOTAL EXPENDITURES.....	9,154,946	-	1,116,282	10,271,228
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(141,198)	412,816	39,790	311,408
OTHER FINANCING SOURCES (USES):				
Transfers in.....	63,361	-	262,713	326,074
Transfers out.....	(5,000)	(259,321)	(61,753)	(326,074)
TOTAL OTHER FINANCING SOURCES (USES).....	58,361	(259,321)	200,960	-
NET CHANGE IN FUND BALANCES.....	(82,837)	153,495	240,750	311,408
FUND BALANCES AT BEGINNING OF YEAR.....	1,785,968	757,763	1,440,626	3,984,357
FUND BALANCES AT END OF YEAR.....	\$ 1,703,131	\$ 911,258	\$ 1,681,376	\$ 4,295,765

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds..... \$ 311,408

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.....	567,184
Depreciation expense.....	<u>(462,409)</u>

Net effect of reporting capital assets..... 104,775

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....

(10,734)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Debt service principal payments..... 600,000

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.....	(52,437)
Net change in other postemployment benefits.....	(226,535)
Net change in accrued interest on long-term debt.....	<u>7,390</u>

Net effect of recording long-term liabilities..... (271,582)

Change in net position of governmental activities..... \$ 733,867

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Other Postemployment Benefit Trust Fund	Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 609,169	\$ 4,318
	609,169	4,318
LIABILITIES		
Liabilities due depositors.....	-	4,318
	-	4,318
NET POSITION		
Held in trust for other postemployment benefits and other purposes.....	\$ 609,169	\$ -
	609,169	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer.....	\$ 100,000
Net investment income:	
Net change in fair value of investments.....	51,441
Interest.....	11,198
Total investment income.....	62,639
Less: investment expense.....	(2,287)
Net investment income.....	60,352
Intergovernmental.....	9,084
CHANGE IN NET ASSETS.....	169,436
NET POSITION AT BEGINNING OF YEAR.....	439,733
NET POSITION AT END OF YEAR.....	\$ 609,169

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Joint Ventures

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

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

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Fiscal 2014 Assessment</u>
Martha's Vineyard Regional High School District	To provide educational services	RR2, Box 261 Vineyard Haven, MA 02568	\$ 658,251
Up-Island Regional School District	To provide educational services	RR2, Box 261 Vineyard Haven, MA 02568	\$ 2,326,326
Martha's Vineyard Refuse Disposal and Resource Recovery District	To control solid waste disposal	PO Box 2067 Edgartown, MA 02539	\$ 86,666
Tri-Town Ambulance	To provide ambulance service	P.O. Box 340 Chilmark, MA 02535	\$ 221,557

The Martha's Vineyard Regional High School District is governed by a nine-member school committee consisting of one elected representative from the Town, and the Up-Island Regional School District is governed by a five-member school committee, also consisting of one elected representative from the Town. The Town is indirectly liable for the Districts' debt and other expenditures and is assessed annually for its share of operating and capital costs.

The Town is a member of the Martha's Vineyard Refuse Disposal and Resource Recovery District (District), which was established under Chapter 40, Sections 44A through 44K of the Massachusetts General Laws, for the purpose of controlling solid waste disposal on Martha's Vineyard. All six Town's on Martha's Vineyard were members of the District pursuant to the District agreement entered into on January 5, 1983. On May 1, 1994, the Towns of Oak Bluffs and Tisbury formally withdrew from the District. The District is governed by an eight member District Committee. Members of the District Committee are appointed by the Board of Health of each member Town.

Tri-Town Ambulance is an agreement in which the Town shares the costs of providing ambulance service with two other towns.

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities are primarily supported by taxes and intergovernmental revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

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

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

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

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

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

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

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund type is reported:

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

Government-Wide and Fund Financial Statements

For the government-wide financial statements and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on November 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed six to nine months after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

Motor Vehicle Excise Taxes

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

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

Intergovernmental – Federal and State

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

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

F. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets***Government-Wide Financial Statements***

Capital assets, which include land, buildings, vehicles, equipment, construction in progress and infrastructure, are reported in the applicable governmental activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the

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

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

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Vehicles.....	5
Equipment.....	15 - 25
Infrastructure.....	10 - 20

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

Governmental Fund Financial Statements

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

I. 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.

J. Interfund Transfers

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

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

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

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds - expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other purposes” represents restrictions placed on assets from outside parties.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Investment Income

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

O. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

P. Use of Estimates

Government-Wide and Fund Financial Statements

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

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Chilmark's deposits may not be returned to it. The Town has a Board approved deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$4,901,381 and the bank balance totaled \$4,498,739. Of the bank balance, \$593,211 was covered by Federal Depository Insurance, \$3,546,359 was covered by the Depositors Insurance Fund and \$359,169 was uncollateralized.

Included in the carrying amount of deposits is \$1,044,029 invested in certificates of deposit.

Investments

As of June 30, 2014, the Town of Chilmark had the following investments:

Investment Type	<u>Fair Value</u>	<u>Maturity Under 1 Year</u>	<u>Quality Ratings</u>
<u>Debt Securities:</u>			
U.S. Government Securities..... \$	132,107	\$ 132,107	AA+
Corporate Bonds.....	<u>75,264</u>	<u>75,264</u>	BBB+
Total Debt Securities..... \$	207,371	<u>\$ 207,371</u>	
<u>Other Investments:</u>			
Equity Securities.....	<u>70,488</u>		
Total Investments..... \$	<u>277,859</u>		

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in debt securities of \$207,371 and \$70,488 in equity securities are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have a formal investment policy for custodial credit risk.

Concentration of Credit Risk

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

NOTE 3 – RECEIVABLES

At June 30, 2014, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 131,060	\$ -	\$ 131,060
Tax liens.....	10,340	-	10,340
Motor vehicle and other excise taxes.....	26,600	-	26,600
Intergovernmental.....	2,977	-	2,977
Total.....	<u>\$ 170,977</u>	<u>\$ -</u>	<u>\$ 170,977</u>

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 79,833	\$ -	\$ 79,833
Tax liens.....	9,572	768	10,340
Motor vehicle and other excise taxes.....	26,600	-	26,600
Intergovernmental.....	-	1,588	1,588
Total.....	<u>\$ 116,005</u>	<u>\$ 2,356</u>	<u>\$ 118,361</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 8,347,619	\$ -	\$ -	\$ 8,347,619
<u>Capital assets being depreciated:</u>				
Buildings.....	10,407,237	24,000	-	10,431,237
Vehicles.....	1,199,728	156,033	-	1,355,761
Equipment.....	580,834	55,418	-	636,252
Infrastructure.....	3,568,067	331,733	-	3,899,800
Total capital assets being depreciated.....	15,755,866	567,184	-	16,323,050
<u>Less accumulated depreciation for:</u>				
Buildings.....	(2,560,498)	(257,218)	-	(2,817,716)
Vehicles.....	(1,073,231)	(32,920)	-	(1,106,151)
Equipment.....	(143,218)	(45,802)	-	(189,020)
Infrastructure.....	(707,717)	(126,469)	-	(834,186)
Total accumulated depreciation.....	(4,484,664)	(462,409)	-	(4,947,073)
Total capital assets being depreciated, net.....	11,271,202	104,775	-	11,375,977
Total governmental activities capital assets, net.....	\$ 19,618,821	\$ 104,775	\$ -	\$ 19,723,596

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

Governmental Activities:	
General government.....	\$ 116,897
Public safety.....	125,085
Education.....	91,909
Public works.....	69,501
Culture and recreation.....	59,017
Total depreciation expense - governmental activities.....	\$ 462,409

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 5,000	\$ 5,000 (1)
Community Preservation.....	1,608	257,713	259,321 (1)
Nonmajor Governmental Funds.....	61,753	-	61,753 (2)
Total.....	<u>\$ 63,361</u>	<u>\$ 262,713</u>	<u>\$ 326,074</u>

- (1) Budgeted transfer to capital projects.
- (2) Budgeted transfer from waterways fund.

NOTE 6 – OPERATING LEASE

The Town leases a school building to the Up-Island Regional School District (District). The District has orally agreed to pay rent to the Town in the amount of the annual debt service costs associated with the original school construction project. Rental payments for 2014 totaled \$204,900 and are reported as lease income.

The minimum lease payments anticipated to be received in future years, based on the oral agreement, are as follows:

Years Ending June 30	Governmental Activities
2015.....	\$ 194,750
2016.....	187,950
2017.....	181,150
2018.....	170,687
2019.....	146,813
Total.....	<u>\$ 881,350</u>

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

The Town had no short-term debt activity during the year.

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In previous years, certain general obligation bonds were defeased by placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2014, \$865,000 of Governmental Fund bonds outstanding from the advance refunding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Municipal Purpose Bonds of 2005.....	2023	3,083,000	3.0 - 4.2	\$ 1,470,000	\$ -	\$ 195,000	\$ 1,275,000
Municipal Purpose Bonds of 2011.....	2025	1,400,000	2.0 - 5.0	1,200,000	-	100,000	1,100,000
Municipal Purpose Refunding Bonds of 2011.....	2019	1,360,000	2.0 - 4.0	995,000	-	175,000	820,000
Municipal Purpose Bonds of 2012.....	2022	1,300,000	2.00	1,170,000	-	130,000	1,040,000
Total governmental bonds payable.....				\$ 4,835,000	\$ -	\$ 600,000	\$ 4,235,000

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

Year	Principal	Interest	Total
2015.....	\$ 585,000	\$ 129,675	714,675
2016.....	540,000	110,181	650,181
2017.....	540,000	91,356	631,356
2018.....	530,000	74,543	604,543
2019.....	510,000	60,169	570,169
2020.....	365,000	46,606	411,606
2021.....	365,000	33,606	398,606
2022.....	365,000	21,538	386,538
2023.....	235,000	10,335	245,335
2024.....	100,000	4,500	104,500
2025.....	100,000	1,500	101,500
Total.....	\$ 4,235,000	\$ 584,009	\$ 4,819,009

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the Town had no authorized and unissued debt.

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
Long-term bonds.....	\$ 4,835,000	\$	-	\$	(600,000)	\$	4,235,000	\$	585,000
Compensated absences.....	129,755		65,413		(12,976)		182,192		18,219
Other postemployment benefits.....	<u>1,091,987</u>		<u>494,144</u>		<u>(267,609)</u>		<u>1,318,522</u>		<u>-</u>
Total.....	<u>\$ 6,056,742</u>	\$	<u>559,557</u>	\$	<u>(880,585)</u>	\$	<u>5,735,714</u>	\$	<u>603,219</u>

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town adopted GASB 54 as part of its fiscal year 2011 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

At year end the balance of the General Stabilization Fund is \$506,563 and is reported as unassigned fund balance within the General Fund.

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

In addition to the Nonspendable fund balance, GASB 54 has provided a hierarchy of Spendable fund balances, based on a hierarchy of spending constraints.

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

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

	GOVERNMENTAL FUNDS			
	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Permanent fund principal..... \$	-	-	\$ 56,459	\$ 56,459
Restricted for:				
Community Preservation Fund Special Revenue.....	-	911,258	-	911,258
Reserve for Appropriations.....	-	-	188,941	188,941
State Grants.....	-	-	112,343	112,343
Federal Grants.....	-	-	3,341	3,341
Gifts.....	-	-	139,060	139,060
Other Special Revenue Funds.....	-	-	702,092	702,092
Town Hall Addition & Renovation.....	-	-	1,234	1,234
Permanent fund.....	-	-	17,437	17,437
Community Preservation Fund Capital Project.....	-	-	344,472	344,472
Middle Line Path Road.....	-	-	9,556	9,556
Menemsha Pier.....	-	-	106,441	106,441
Committed to:				
General government.....	236,714	-	-	236,714
Public safety.....	63,054	-	-	63,054
Public works.....	17,270	-	-	17,270
Culture and recreation.....	1,142	-	-	1,142
Assigned to:				
Public safety.....	361	-	-	361
Public works.....	2,374	-	-	2,374
Free cash used for subsequent year's budget.....	138,567	-	-	138,567
Unassigned.....	<u>1,243,649</u>	<u>-</u>	<u>-</u>	<u>1,243,649</u>
TOTAL FUND BALANCES..... \$	<u>1,703,131</u>	<u>911,258</u>	<u>1,681,376</u>	<u>4,295,765</u>

NOTE 10 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town is insured under a risk pool.

The Town participates in a health insurance risk pool trust administered by Cape Cod Municipal Health Group (Group), a non-profit organization incorporated in July of 1987 to obtain health insurance for member governments at costs eligible for larger groups. The Group offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Group. The Town is obligated to pay the group its required premiums and, in the event the Group is terminated, its pro-rata share of a deficit should one exist.

The Town participates in a workers' compensation insurance risk pool for its employees, which is administered by a third party administrator, the Massachusetts Interlocal Insurance Association (MIIA). MIIA is a nonprofit organization that provides insurance services to cities, towns and other local governmental entities of the Commonwealth.

NOTE 11 – PENSION PLAN

Plan Description – The Town contributes to the Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Dukes County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$13,400 for the year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Dukes County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 9 Airport Road, RR1 Box 862, Vineyard Haven, Massachusetts, 02568.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$287,530, \$274,694, and \$222,900, respectively, which equaled its required contribution for each year.

The schedule of funding progress and the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, present multiyear trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and for required and actual employer contributions.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2014, the Town pre-funded future OPEB liabilities in the amount of \$100,000.

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

Annual required contribution.....	\$	485,958
Interest on net OPEB obligation.....		36,067
Adjustment to annual required contribution.....		<u>(27,881)</u>
Annual OPEB cost (expense).....		494,144
Contributions made.....		<u>(267,609)</u>
Increase/Decrease in net OPEB obligation.....		226,535
Net OPEB obligation - beginning of year.....		<u>1,091,987</u>
Net OPEB obligation - end of year.....	\$	<u><u>1,318,522</u></u>

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 two preceding years is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 494,144	54%	\$ 1,318,522
6/30/2013	473,555	57%	1,091,987
6/30/2012	451,232	40%	814,816

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.3 million, and the ratio of the UAAL to the covered payroll was 413 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding

progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2012 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 9.0% initially, graded to 5.0% in 2016 and thereafter. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2014 is 30 years.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. The programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

The Town is contingently liable for any deficit, including the operating and debt service costs, which may be incurred by the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the "Authority"). The percentage of any deficit as it is established by the county, not the Steamship Authority, in the same proportions of the assessment of county tax.

As of December 31, 2013, the Authority had \$52,850,000 bonds outstanding and the amount of monies in its reserve fund totaled \$2,624,500. For the year ended December 31, 2012, the Authorities operating revenues exceeded costs of service by \$2,838,804 (Income before Capital Grants and Contributions; Income from Special-Purpose Restricted Funds; and Special Item – Teamsters Pension Merger. Change in Net Position in 2013 was \$4,188,490 when capital grants; income from special-purpose funds and the special item for the Teamsters pension merger are included). The Town is not required to make payment to the Authority unless the amount in the Authority's reserve is insufficient. Since 1962, the Town has never had to make a payment to the Authority.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- The GASB issued Statement #65, Items Previously Reported as Assets and Liabilities. Financial statement changes include the presentation of deferred inflows in the Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and

deferred inflows of resources.

- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement did not impact the financial statements.

Future implementation of GASB pronouncements:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

Management is currently assessing the impact the implementation of these standards will have on the Basic Financial Statements.

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 7,505,993	\$ 7,505,993	\$ 7,505,993
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	170,000	170,000	170,000
Hotel/motel tax.....	-	63,000	63,000	63,000
Charges for services.....	-	41,000	41,000	41,000
Penalties and interest on taxes.....	-	15,000	15,000	15,000
Fees and rentals.....	-	440,000	440,000	440,000
Payments in lieu of taxes.....	-	4,000	4,000	4,000
Licenses and permits.....	-	65,000	65,000	65,000
Fines and forfeitures.....	-	5,500	5,500	5,500
Intergovernmental.....	-	23,056	23,056	23,056
Lease income.....	-	204,000	204,000	204,000
Departmental and other.....	-	2,200	2,200	2,200
Investment income.....	-	5,000	5,000	5,000
TOTAL REVENUES.....	-	8,543,749	8,543,749	8,543,749
EXPENDITURES:				
Current:				
General government.....	52,376	1,285,755	1,338,131	1,338,131
Public safety.....	115,378	1,613,387	1,728,765	1,728,765
Education.....	-	2,992,444	2,992,444	2,992,444
Public works.....	4,272	677,711	681,983	681,983
Human services.....	-	178,630	178,630	178,630
Culture and recreation.....	3,817	556,908	560,725	560,725
Pension benefits.....	-	287,530	287,530	287,530
Property and liability insurance.....	-	150,500	150,500	150,500
Employee benefits.....	-	687,142	687,142	687,142
State and county charges.....	-	184,026	184,026	184,026
Debt service:				
Principal.....	-	610,000	610,000	610,000
Interest.....	-	158,027	158,027	158,027
TOTAL EXPENDITURES.....	175,843	9,382,060	9,557,903	9,557,903
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(175,843)	(838,311)	(1,014,154)	(1,014,154)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	374,609	374,609	405,361
Transfers out.....	-	(74,000)	(74,000)	(74,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	300,609	300,609	331,361
NET CHANGE IN FUND BALANCE.....	(175,843)	(537,702)	(713,545)	(682,793)
BUDGETARY FUND BALANCE, Beginning of year.....	913,362	913,362	913,362	913,362
BUDGETARY FUND BALANCE, End of year.....	\$ 737,519	\$ 375,660	\$ 199,817	\$ 230,569

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	7,754,687	\$ -	\$ 248,694
	15,293	-	15,293
	195,658	-	25,658
	57,965	-	(5,035)
	58,735	-	17,735
	29,128	-	14,128
	504,144	-	64,144
	-	-	(4,000)
	102,975	-	37,975
	11,877	-	6,377
	36,236	-	13,180
	204,900	-	900
	27,396	-	25,196
	4,171	-	(829)
	<u>9,003,165</u>	<u>-</u>	<u>459,416</u>
	1,029,913	236,714	71,504
	1,525,497	63,415	139,853
	2,992,444	-	-
	724,751	19,644	(62,412)
	173,415	-	5,215
	518,711	1,142	40,872
	287,530	-	-
	148,600	-	1,900
	671,779	-	15,363
	281,902	-	(97,876)
	600,000	-	10,000
	148,004	-	10,023
	<u>9,102,546</u>	<u>320,915</u>	<u>134,442</u>
	<u>(99,381)</u>	<u>(320,915)</u>	<u>593,858</u>
	405,361	-	-
	(74,000)	-	-
	<u>331,361</u>	<u>-</u>	<u>-</u>
	231,980	(320,915)	593,858
	<u>913,362</u>	<u>-</u>	<u>-</u>
\$	<u><u>1,145,342</u></u>	<u><u>(320,915)</u></u>	<u><u>593,858</u></u>

Dukes County Retirement System
Schedule of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/14	\$ 97,172	\$ 141,568	\$ 44,396	68.6%	\$ 34,860	127.4%
1/1/11	73,989	110,359	36,370	67.0%	29,118	124.9%
1/1/09	60,629	97,882	37,253	61.9%	30,407	122.5%
1/1/07	53,493	82,757	29,264	64.6%	26,286	111.3%
1/1/05	43,588	68,303	24,715	63.8%	22,710	108.8%
1/1/03	36,979	63,042	26,063	58.7%	20,191	129.1%

The Town's share of the UAAL, as of January 1, 2014, is approximately 5%.

See notes to required supplementary information.

**Dukes County Retirement System
Schedule of Employer Contributions**

Plan Year Ended December 31	System Wide			Town of Chilmark	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2013	\$ 5,351,220	\$ 5,351,220	\$ 100%	\$ 287,530	5.37%
2012	5,112,101	5,112,101	100%	274,694	5.37%
2011	4,575,700	4,575,700	100%	222,900	4.87%
2010	4,633,656	4,633,656	100%	212,862	4.59%
2009	4,398,687	4,398,687	100%	196,497	4.47%

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

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2012	\$ 403,576	\$ 5,906,334	\$ 5,502,758	7%	1,332,949	412.8%
7/1/2010	403,756	5,732,441	5,328,685	7%	1,284,019	415.0%
6/30/2008	-	4,627,643	4,627,643	0%	1,729,519	267.6%

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

See notes to required supplementary information.

OTHER POST-EMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2014

Actuarial Methods:

Valuation date.....	July 1, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 years on an open amortization
Remaining amortization period.....	30 years

Actuarial Assumptions:

Investment rate of return.....	4.0% partial funding / 8.0% full funding
Health care cost trend rates.....	9.0%, decreasing to 5.0% after 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents	14
Current active members	<u>28</u>
Total	<u><u>42</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (Board) and the Finance Advisory Committee (Committee). The Board and the Committee presents an annual budget to the Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2014 approved budget authorized \$9.5 million in appropriations and other amounts to be raised.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 231,980
<u>Perspective difference:</u>	
Activity of the stabilization fund in the general fund for GAAP.....	(307,269)
<u>Basis of accounting differences:</u>	
Net change in 60 day receipts.....	(7,548)
Increase in revenues due to on-behalf payments.....	13,400
Increase in expenditures due to on-behalf payments.....	<u>(13,400)</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ (82,837)</u>

NOTE B – PENSION PLAN

The Town contributes to the Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Dukes County Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Plan members are required to contribute into the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town

The following actuarial methods and assumptions were used in the Retirement System’s most recent actuarial valuation:

Valuation Date.....	January 1, 2014
Actuarial Cost Method.....	Entry Age Normal Actuarial Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	16 years through 2030
Asset Valuation Method.....	The difference between the expected return and actual investment return on a market value basis is recognized over a five-year period.

Actuarial Assumptions:

Investment rate of return.....	7.75%
Projected salary increases.....	4.00%
Cost of living adjustments.....	3.0% for the first \$14,000 of retirement income

Plan Membership:

Retired member and beneficiaries.....	238
Disabled members.....	12
Inactive members.....	126
Active members.....	<u>629</u>
Total.....	<u><u>1,005</u></u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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