

PART II

THE TOWN OF OAK BLUFFS

The Town of Oak Bluffs, incorporated in 1880, is located in The County of Dukes County. The Town is bordered by the Town of Edgartown on the south, the Town of Tisbury on the west and Nantucket Sound on the north and east. Oak Bluffs is primarily a residential community and occupies a land area of approximately 7.37 square miles.

CONSTITUTIONAL STATUS and FORM OF GOVERNMENT

Massachusetts cities and towns are subject to the plenary legislative power of the Commonwealth. As stated by the Supreme Judicial Court:

A town is not an independent sovereignty. It is merely a subordinate agency of the State Government. It is a creature of the Commonwealth, from which are derived all its powers and those of its voters and officers.

Cities and towns provide general governmental services at the local level. Municipalities were traditionally authorized to exercise only those powers granted by the State legislature, but Massachusetts adopted a Home Rule Amendment to its Constitution in 1966, under which a city or town may exercise by ordinance or by-law any power which the State legislature could confer upon it, provided that the ordinance or by-law is consistent with the laws enacted by the State legislature. Certain powers are excluded from home rule and may still be exercised only when authorized by State law; these powers include the power to levy taxes, the power to borrow money, and the power to enact private or civil law governing civil relationships except as an incident to the exercise of an independent municipal power. Under the Home Rule Amendment the State legislature may enact general laws relating to a class of two or more municipalities but (except in limited circumstances) may enact a special law relating to a particular city or town only on request of the city or town or on recommendation of the governor and passage by a two-thirds vote of both houses of the legislature.

An amendment to the State Constitution provides that any law imposing additional costs on two or more cities or towns by regulating aspects of municipal employment will not be effective within a city or town until the city council or town meeting accepts the law. Local acceptance will not be required if the legislature has either passed the law by a two-thirds vote or provided that the additional costs would be assumed by the State.

Cities and towns may change their form of government by adopting home rule charters or amending existing charters. A town of less than 12,000 population may not change to a city form of government and a town of less than 6,000 inhabitants may not change from the open town meeting form of government to a limited or representative town meeting form.

Cities are generally governed by a city council and an elected mayor who has the power to veto council actions; the council may override a mayoral veto by a two-thirds vote of the councilors. Some cities are governed by a city council and an appointed city manager who has no power to veto council actions; some municipalities, although still called "towns," have adopted a similar city form of government with a town council and town manager or administrator. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

Most towns are governed by open town meetings in which any voter may participate. Others have an elected representative town meeting, often with public officers serving as ex officio members of the town meeting. Provision is usually made for a referendum on actions of the representative town meeting upon petition of a sufficient number of voters. Administrative affairs are generally managed by a board of three or more selectmen, sometimes with the assistance of a town manager or executive secretary.

School affairs of cities and towns are administered by an elected school committee, except in those towns whose educational functions are carried out entirely through a regional school district.

GOVERNING BODIES AND OFFICERS

Local legislative decisions are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by Town Meeting, the affairs of the Town are generally administered by a board of five selectmen, elected for staggered three-year terms on an at-large basis who are assisted by a Town Administrator. Local taxes are assessed by a board of three assessors appointed for staggered three-year terms.

The following are the principal executive officers:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Selectmen	Brian Packish, Chair	Elected/3 years	2020
	Michael Santoro	Elected/3 years	2020
	Jason Balboni	Elected/3 years	2021
	Gregory Coogan	Elected/3 years	2021
	Gail Barmakian	Elected/3 years	2022
Town Administrator	Robert Whritenour	Appointed/3 years	2022
Treasurer	Cheryll Sashin	Appointed/3 years	2021
Asst. Accountant	Deborah Potter	Appointed/ 3 years	2020
Tax Collector	Cheryll Sashin	Appointed/3 years	2021
Town Clerk	Laura Johnston	Elected/3 years	2020
Town Counsel	Ronald H. Rappaport	Appointed	Indefinite

SERVICES

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, public education in grades pre-kindergarten through eight, curbside residential refuse and recycling services, streets, parks and recreation, and cemetery maintenance and operation.

The Oak Bluffs Water and Sanitation District provides water and sewer services to the Town. The Town is a member of the Martha’s Vineyard Transit Authority (the “Lift”), which provides year-round transit services to the elderly and disabled as well as island-wide bus service.

The Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority provides regular ferry service from Woods Hole and Hyannis. The Martha's Vineyard Regional High School District provides academic education in grades nine through twelve. Bus transportation is provided by The Martha's Vineyard Transit Authority from mid-June through Columbus Day with limited year-round routes.

The principal services provided by The County of Dukes County are space for courts, a jail and house of correction, and registry of deeds. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of its general obligation notes. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth’s expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex county) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county governments in other counties.

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of the revenue of the current fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the Treasurer with the approval of the Selectmen.

DEBT LIMITS

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, bonds for gas, electric and telecommunication systems, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for housing, urban renewal and economic development (subject to various debt limits). Revenue bonds are not subject to these debt limits. The General Debt Limit applies at the time the debt is authorized. The special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years (see "Taxation to Meet Deficits" herein). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

TYPES OF OBLIGATIONS

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes, and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes

being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the State Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state reimbursements. They must generally mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Clean Water Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. The Town does not have an electric department.

DEBT (1)

The following shows the direct debt to be outstanding as of October 15, 2019, including the Bonds:

General Obligation Bonds:		
Within General Debt Limit (2)		
Sewers & Drains	\$ 3,816,776	
Other Building	7,750,000	
Streets, Sidewalks & Parking	675,000	
Architectural & Engineering Services	125,000	
Other Inside General	240,000	
The Bonds	<u>8,075,000</u>	
Total Within the General Debt Limit		\$20,681,776
Total Outside the General Debt Limit		<u>0</u>
Total Long-Term Indebtedness		\$20,681,776
Temporary Loans in anticipation of:		
Revenue	0	
Bonds (4)	1,000,000	
Grants	<u>0</u>	
Total Temporary Loans		<u>\$ 1,000,000</u>
 Total Direct Debt		 <u>\$21,681,776 (3)</u>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liabilities.

(2) At the present time, the normal General Debt Limit is \$159,524,235 and the Double General Debt Limit (see Debt Limits herein) is \$319,048,470.

(3) \$8,974,803 principal amount of currently outstanding bonds have been excluded from the provisions of Proposition 2½ as well as \$8,190,000* of the Bonds. \$2,377,388 is expected to be self-supporting.

(4) Does not include \$2,250,000 bond anticipation notes maturing on October 17, 2019 which will be retired with the proceeds of the Bonds.

AUTHORIZED UNISSUED DEBT

After the issuance of the Bonds, the Town will have \$10,130,750 in authorized and unissued debt which consists of \$9,880,753 for a new town hall and \$250,000 for culvert repairs. Construction bids for the new town hall exceeded the budgeted cost of the project. The Town anticipates redesigning the project.

FIVE YEARS OUTSTANDING DEBT ⁽¹⁾

	As of June 30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Long-Term Indebtedness					
Within the General Debt Limit:					
Sewers & Drains	\$ 4,864,662	\$ 6,290,710	\$ 7,685,481	\$ 9,049,135	\$10,381,726
Land Acquisition	0	0	100,000	200,000	300,000
Other Building	8,195,000	8,845,000	9,495,000	10,150,000	1,775,000
Streets Sidewalks & Parking	750,000	825,000	900,000	975,146	0
Departmental Equipment	0	85,000	170,000	260,000	0
Architectural & Engineering Services	150,000	175,000	205,000	239,150	0
Other Inside General	<u>240,000</u>	<u>280,000</u>	<u>450,000</u>	<u>625,000</u>	<u>800,000</u>
Total Within the General Debt Limit	\$14,199,662	\$16,500,710	\$19,005,481	\$21,498,431	\$13,256,726
Outside the General Debt Limit:					
Schools	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Outside the General Debt Limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service:	\$14,199,662	\$16,500,710	\$19,005,481	\$21,498,431	\$13,256,726
Short-Term Indebtedness					
Revenue Anticipation Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Grant Anticipation Notes	0	0	0	3,810,873	289,237
Bond Anticipation Notes	<u>3,340,000</u>	<u>1,130,000</u>	<u>120,000</u>	<u>0</u>	<u>350,000</u>
Total Short-Term Indebtedness	<u>\$ 3,340,000</u>	<u>\$ 1,130,000</u>	<u>\$ 120,000</u>	<u>\$ 3,810,873</u>	<u>\$ 639,237</u>
Total Outstanding Indebtedness	<u>\$17,539,662</u>	<u>\$17,630,710</u>	<u>\$19,125,481</u>	<u>\$25,309,304</u>	<u>\$13,895,963</u>

(1) Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liabilities.

Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Amount (1)	\$14,199,662	\$16,500,719	\$19,005,481	\$21,498,431	\$13,256,726
Per Capita (2)	\$3,035	\$3,527	\$4,063	\$4,618	\$2,834
Percent of Assessed Valuation (3)	0.44%	0.54%	0.67%	0.80%	0.52%
Percent of Equalized Valuation (4)	0.45%	0.58%	0.67%	0.81%	0.50%
Amount per Capita as a percent of Personal Income per Capita (2)	7.67%	8.91%	10.27%	11.67%	7.16%

(1) Outstanding principal on general obligation bonds. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.

(2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.

(3) Assessed valuation used here is the assessed valuation for that fiscal year.

(4) Equalized valuation used here is the equalized valuation in effect for that fiscal year.

ANNUAL DEBT SERVICE ⁽¹⁾

October 15, 2019

<u>Fiscal Year</u>			<u>This Issue</u>		<u>Total Debt Service</u>	<u>Cumulative % Principal Retired</u> ⁽⁴⁾
	<u>Principal</u> ⁽²⁾	<u>Interest</u> ⁽²⁾	<u>Principal</u> ⁽³⁾	<u>Interest</u> ⁽³⁾		
2020	\$ 495,000	\$ 266,917	\$ 0	\$ 0	\$ 761,917	2.4%
2021	2,100,439	379,688	445,000	285,950	3,211,077	14.7
2022	1,189,102	308,019	445,000	263,700	2,205,821	22.6
2023	1,192,216	257,586	445,000	241,450	2,136,252	30.5
2024	1,040,391	210,178	445,000	219,200	1,914,769	37.7
2025	868,631	174,750	445,000	196,950	1,685,331	44.1
2026	776,937	155,682	430,000	174,700	1,537,319	49.9
2027	780,310	137,378	430,000	153,200	1,500,888	55.7
2028	783,749	117,169	425,000	131,700	1,457,618	61.6
2029	490,000	97,131	420,000	110,450	1,117,581	66.0
2030	415,000	83,556	415,000	99,950	1,031,506	70.0
2031	415,000	71,106	385,000	89,575	960,681	73.9
2032	415,000	58,656	385,000	79,950	938,606	77.7
2033	415,000	45,947	385,000	70,325	916,272	81.6
2034	410,000	33,056	385,000	60,700	888,756	85.4
2035	410,000	19,988	365,000	51,556	846,544	89.2
2036	410,000	6,662	365,000	42,888	824,550	92.9
2037	0	0	365,000	34,675	399,675	94.7
2038	0	0	365,000	26,280	391,280	96.5
2039	0	0	365,000	17,703	382,703	98.2
2040	0	0	365,000	8,943	373,943	100.0%
	<u>\$12,606,776</u>	<u>\$2,423,471</u>	<u>\$8,075,000</u>	<u>\$2,359,844</u>	<u>\$26,765,758</u>	

⁽¹⁾ Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.

⁽²⁾ \$8,974,803 of outstanding principal and interest totaling \$2,062,459 has been exempted from the provisions of Proposition 2½. \$2,377,388 principal amount of outstanding bonds and interest totaling \$277,888 is expected to be self-supporting.

⁽³⁾ Average coupon of 3.61%. \$7,735,000 of the Bonds have been excluded from the provisions of Proposition 2½.

⁽⁴⁾ Includes the Bonds.

REVENUE ANTICIPATION BORROWING

The Town has not issued revenue anticipation notes in the past five years and does not expect any future issuance of revenue notes.

CONTRACTS

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally will be expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, (see “Constitutional Status and Form of Government” herein), cities and towns may also be empowered to make other contracts and leases.

The Towns of Oak Bluffs and Tisbury have entered into a joint contract with Browning-Ferris Industries, Inc. for the operation of a transfer station and the hauling and disposal of solid waste. The Town pays a per tonnage user fee based upon the waste it processes through the transfer station. The current hauling and disposal contract was awarded to Bruno’s Rolloff, Inc., which commenced on November 1, 2012 and expires on October 31, 2019. The contract allows for a maximum extension of the contract of three years. The Town is currently in the process of negotiating a new contract with Bruno’s Rolloff, Inc. The Town paid \$133,777 for this contract in fiscal 2017, \$125,488 for fiscal 2018 and \$124,685 for fiscal 2019. The Town budgeted \$142,000 for fiscal 2020.

Other than the above, the Town does not have any contracts of a material nature.

OVERLAPPING DEBT (1)

The following table indicates the portion of overlapping debt relating to the Town:

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Estimated Share of Oak Bluffs</u>	<u>Assessments for Operations and Debt Service Fiscal Year 2020</u>
The County of Dukes County (2)	\$1,120,000	\$1,265,791	15.52%	\$73,865
Martha's Vineyard Regional School District (3)	\$720,000	\$0	27.01%	\$5,115,713
MV Regional Transit Authority (4)	\$1,750,000	\$0	15.20%	\$135,150

(1) Excludes temporary loans in anticipation of revenue. Omits debt of The Commonwealth of Massachusetts.

(2) Source: Treasurer, Dukes County. Outstanding debt is as of October 15, 2019. Authorized debt includes debt authorized by the County Commissioners under general laws and debt permitted by special enabling acts whether or not yet voted by County Commissioners. Shares of debt service vary from year to year according to valuations of taxable property as last equalized by the State Department of Revenue. Amount shown here is based on the 2018 equalized valuations.

(3) Source: Martha's Vineyard Regional School District. Debt is as of October 15, 2019. The other District members are the Towns of Aquinnah, Chilmark, Edgartown, Tisbury, and West Tisbury. Towns may organize regional school districts to carry out general or specialized educational functions. The debt service of regional school districts is apportioned among the member municipalities in accordance with the agreements establishing the districts.

(4) Source: Martha's Vineyard Regional Transit Authority. Debt is as of October 15, 2019. The Authority currently has a \$1,750,000 revenue note outstanding that will mature in April 2020.

UNDERLYING DEBT

The Oak Bluffs Water District provides water services to substantially all the territory located within the Town.

<u>Name</u>	<u>Debt Outstanding (1)</u>	<u>% of Town Covered</u>	<u>Fiscal 2019 Tax Rate</u>
Oak Bluffs Water District	\$4,013,911	80%	\$0.00

(1) Debt is as of October 15, 2019.

Contingent Liabilities

The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the "Authority") was created by Chapter 701 of the Massachusetts Acts of 1960, as amended, (the "Act"). The Act provides for the acquisition, maintenance and operation of a boat service operating between the mainland and the islands of Nantucket and Martha's Vineyard and authorizes the Authority to issue revenue bonds for replacement and new construction or acquisition of vessels and other facilities required to provide adequate service.

The Authority is composed of five voting members: one resident of The County of Nantucket County appointed by the County Commissioners; one resident of The County of Dukes County appointed by the County Commissioners; one resident of the Town of Falmouth appointed by the selectmen; one resident of the Town of Barnstable appointed by the Town Council; and one member who is a resident of the City of New Bedford appointed by the Mayor of the City of New Bedford with the approval of the City Council.

Section 9 of the Act establishing the Authority provides that, if at any time any principal or interest is due or about to become due on bonds issued by the Authority and funds to pay the same are not available, the Authority shall certify to the State Treasurer the amount required to meet such obligations and the Commonwealth shall thereupon pay over to the Authority the amount so certified. In the opinion of bond counsel to the Authority, the obligation of the Commonwealth to pay the required amount to the Authority is a general obligation of the Commonwealth and the full faith and credit of the Commonwealth is pledged to make such payment. Section 9 further provides that the Authority or any holder of any unpaid bond shall have the right to require the Commonwealth to pay the Authority the amount remaining unpaid, which right shall be enforceable as a claim against the Commonwealth.

Also under Section 9 of the Act, if on the last day of December in any year the amount remaining in the Authority's reserve fund shall be insufficient to meet the cost of service, including interest on and amortization of bonds or notes of the Authority, the Authority shall notify the State Treasurer of the amount of such deficiency, less the amount in the reserve fund applicable thereto, and The Commonwealth of Massachusetts shall thereupon pay over to the Authority the amount of such deficiency, and the Authority shall apply the amount so received from the Commonwealth in payment of such deficiency. In order to meet any such payment by the Commonwealth the State Treasurer may borrow such sums as may be necessary therefor, in anticipation of the assessments described below to be levied upon the towns specified. Depending on the term of any such borrowing, a two-thirds vote of the legislature and a recommendation by the Governor of the term of the borrowing may be prerequisites to a borrowing by the State Treasurer. The Act further provides that, pending such payment by the Commonwealth, the Authority shall borrow such amount as may be necessary to enable it to make all payments as they become due.

In addition the Act provides that, in the event the Commonwealth shall be called upon to pay the Authority any amount on account of any such deficiency, such amount with interest or other charges incurred in borrowing the money for the purpose, except such amounts as may be appropriated by the general court therefore, shall be assessed on the Towns of Barnstable, Falmouth and Nantucket and the City of New Bedford and The County of Dukes County, in the following proportions: 10% each on the Towns of Barnstable and Falmouth and the City of New Bedford; 35% on the Town of Nantucket, and 35% on The County of Dukes County. The County Commissioners of the County of Dukes County shall allocate such assessment upon said County to be paid severally by the towns in said county, excepting the Town of Gosnold, in the same proportions as in the assessment of the county tax. The City of New Bedford shall be assessed fifty percent of any net operating losses, not to exceed \$650,000 annually, accrued for any passenger and freight service run by the Authority from the port of New Bedford which is directly attributable to such service, excluding any net operating losses resulting from the operation of the Authority's M/V Schamonchi, in the calendar years 2003, 2004 and 2005 and 25 percent of any such net operating losses, not to exceed \$650,000 annually, accrued in calendar years 2006 and 2007. In calendar year 2008 and thereafter, the City of New Bedford shall pay ten percent of any annual deficiency, in an identical fashion, to the Towns of Falmouth and Barnstable, pursuant to this section. At the end of each calendar year beginning with the calendar year subsequent to 2002, the Authority shall prepare a report calculating the operating losses in accordance with generally accepted accounting principles and shall submit the same to the Auditor of the Commonwealth for his approval. The amount certified by the Auditor shall be paid to the Authority by the State Treasurer and assessed on the City of New Bedford in accordance with the above principles.

Pursuant to Chapter 580 of the Act of 1980 as amended by Chapter 782 of the Acts of 1981 ("Proposition 2 1/2"), the annual increase in the total assessments on account of the Authority's operations is limited to (a) 2 1/2 percent of the prior year's assessments and (b) "any increase in costs, charges or fees for service customarily provided locally or for services subscribed to at local option". No such assessments have needed to be made since the effective date of Proposition 2 1/2. The obligation of the Commonwealth to make payments under Section 9 of the Act, is not in any way conditional upon the payment of such assessments.

The obligation of the Commonwealth to make a payment required by Section 9 of the Act, the payment of a judgment obtained against the Commonwealth under Section 9 of the Act, and the ability of the State Treasurer to issue notes of the Commonwealth to make any payment pursuant to Section 9 of the Act, may be subject to legislative appropriation of the necessary funds.

Source: The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate state-wide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with

systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The annual contributions of the Town to the County of Dukes County Retirement System for the current and most recent fiscal years, as well as the budgeted amount for fiscal 2020, are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020 (budgeted)	\$1,211,198
2019 (unaudited)	1,093,943
2018	1,041,850
2017	1,039,744
2016	997,263
2015	975,963
2014	952,680

The foregoing data do not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

As of January 1, 2018 the actuarial pension benefit liability of the County of Dukes County Contributory Retirement System was calculated to be \$193,470,945 and the actuarial value of the assets was \$147,758,673, leaving an estimated actuarial unfunded pension benefit obligation of \$45,712,272.⁽¹⁾ Based on the current data, the System is 76.4% funded with an assumed rate of return of 7.50%. The Town’s actuarial unfunded liability of the System is approximately \$7,849,498.

For additional information on the County’s Contributory Retirement System, refer to www.mass.gov/perac/dukes/dukesval18.pdf

(1) Source: Dukes County Retirement.

OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis.

The pay-as-you-go cost to the Town for such benefits in recent years and the amount budgeted for fiscal 2020 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020 (budgeted)	\$567,742
2019 (unaudited)	567,742
2018	544,515
2017	312,390
2016	400,000
2015	383,153
2014	438,801

The Governmental Accounting Standards Board (“GASB”) Statement No. 75, “Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions”, replaces the requirements of Statement No. 45, “Accounting and Financial Reporting by Employers for Post-Employment Benefits other Than Pensions”. Statement 75 introduces a new actuarial cost method and discount rate as well as new disclosure and methodologies for reporting plan liability and OPEB expenses. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, for the Town, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Using a 3.87% discount rate, the Town has determined the net OPEB Liability for other post-employment benefits for active and retired employees following the GASB Statement 75 (including health care and life insurance) was \$36,635,096.

As of June 30, 2019 (unaudited), the Town’s total contribution to the OPEB Trust Fund was \$235,000.

PROPERTY TAXATION AND VALUATION

Tax Rate and Valuation-General. Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 percent of its share of the total taxable valuation; the effective rate for open space must be at least 75 percent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer’s principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized valuation". (See Debt Limits herein.)

VALUATIONS

The following shows the assessed and equalized valuations for the most recent fiscal years:

	For Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Real Property ⁽¹⁾	\$3,158,861,680	\$2,983,039,520	\$2,769,801,800	\$2,608,257,000	\$2,495,267,700
Personal Property ⁽¹⁾	<u>55,858,190</u>	<u>55,258,840</u>	<u>68,111,660</u>	<u>63,578,130</u>	<u>55,037,740</u>
Total	<u>\$3,214,719,870</u>	<u>\$3,038,298,360</u>	<u>\$2,837,913,460</u>	<u>\$2,671,835,130</u>	<u>\$2,550,305,440</u>
Equalized Value ⁽²⁾	\$3,190,484,700	\$2,830,191,100	\$2,830,191,100	\$2,643,282,300	\$2,643,282,300
Percent of Total Assessed	113.6%	107.4%	100.3%	101.1%	96.5%

⁽¹⁾ As of January 1, of the prior fiscal year.

⁽²⁾ Based on equalized valuation in effect for each year.

The following table shows the breakdown of the total assessed valuation for fiscal years 2019 through 2017 by classification:

<u>Type of Property</u>	<u>Fiscal 2019 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Fiscal 2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Fiscal 2017 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Residential	\$2,993,008,409	93.1%	\$2,830,194,739	93.2%	\$2,624,461,918	92.5%
Open space	1,668,900	0.1	2,129,200	0.1	2,052,400	0.1
Commercial	159,165,971	5.0	145,792,281	4.8	138,542,682	4.9
Industrial	5,018,400	0.2	4,923,300	0.2	4,744,800	0.2
Personal Property	55,858,190	1.7	55,258,840	1.8	68,111,660	2.4
Total	<u>\$3,214,719,870</u>	<u>100.0%</u>	<u>\$3,038,298,360</u>	<u>100.0%</u>	<u>\$2,837,913,460</u>	<u>100.0%</u>

TAX RATES

The following shows the actual tax rate per \$1,000 of assessed valuation and the full value rate based on the equalized valuations for the most recent fiscal years:

<u>Fiscal Year</u>	<u>Actual Tax Rate</u>	<u>Estimated Full Value Tax Rate</u>
2019	\$7.69	\$8.73
2018	7.83	8.41
2017	8.15	8.17
2016	8.11	8.20
2015	7.96	7.68

LARGEST TAXPAYERS (1)

The following shows the assessed valuation of the Town's ten largest taxpayers as well as their respective tax levies and percentages of the 2019 total tax levy:

<u>Name</u>	<u>Nature of Business</u>	<u>2019 Total Assessed Valuation</u>	<u>Amount of Tax</u>	<u>% of Total Levy</u>
NSTAR	Utility	\$ 16,155,220	\$131,665	0.55%
MV Campmeeting Assoc.	CML/RES	10,569,900	86,145	0.55
Preserve at the Woodlands	Residential	10,239,400	83,451	0.35
Barmakian Prop Ltd	Residential	9,221,700	75,157	0.32
Sideline Development	Residential	7,871,070	64,149	0.27
Charles Hajjar	Residential	6,479,100	52,805	0.22
Allan DeBettencourt	Residential	6,167,900	50,268	0.21
Wesley Hotels	Hotel	5,801,600	47,283	0.20
Alexandra Clancy	Residential	5,565,640	45,360	0.19
Total:		<u>\$78,071,530</u>	<u>\$636,283</u>	<u>2.87%</u>

(1) As of January 1, 2018. All of the largest taxpayers listed above are current in their real estate and personal property taxes

TAX LEVIES

Levy-General. The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Tax Limitations" herein. As to the inclusion of debt service and final judgments, see Security and Remedies herein.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Except special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" herein) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" herein).

Taxation to Meet Deficits. As noted elsewhere (see "Abatements and Overlay" herein) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations. Chapter 59, Section 21C of the General Laws known as "Proposition 2 1/2" imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-

thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund. The applicable tax limits may also be reduced in any year by a majority of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculations of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. **The Town has voted to exempt the debt service on \$8,974,803 principal amount of currently outstanding bonds, as well as \$8,190,000 (preliminary, subject to change) of the Bonds, from the limitations of Proposition 2 ½, subject to the provisions of Chapter 44, Section 20 of the General Laws.** It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2 ½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 1/2 limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2 ½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA, and certain districts for which special legislation provides otherwise) to the sum of (a) 2 1/2 percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veteran's districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2 ½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Pledged Taxes. Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes.

Initiative Petitions. Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

CALCULATION OF TAX LEVIES

The following table shows the details of the calculation of the tax levies for the most recent fiscal years:

	For Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross Amount to be Raised:					
Appropriations	\$32,500,695	\$33,233,304	\$30,967,218	\$29,148,328	\$28,287,874
Other Local Expenditures	297,940	339,239	185,046	254,917	267,591
State & County Charges	1,122,060	1,212,788	1,074,471	1,086,576	1,033,665
Overlay Reserve	<u>106,910</u>	<u>103,066</u>	<u>133,111</u>	<u>123,385</u>	<u>112,600</u>
Total Gross Amount to be Raised	<u>\$34,027,605</u>	<u>\$34,888,397</u>	<u>\$32,359,847</u>	<u>\$30,613,206</u>	<u>\$29,701,730</u>
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State	1,442,350	1,513,336	1,405,140	1,475,508	1,718,918
Estimated Receipts - Local	6,914,267	7,024,182	6,816,457	6,021,752	6,529,021
Available Funds Appropriated:					
Free Cash	412,667	1,938,928	309,833	200,124	499,670
Revenue Sharing	0	0	0	0	0
Other Available Funds	537,125	622,075	699,422	997,239	403,690
Free Cash & Other Revenue Used to Reduce the Tax Rate	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>250,000</u>
Total Estimated Receipts & Revenue	<u>9,306,409</u>	<u>11,098,521</u>	<u>9,230,852</u>	<u>8,944,623</u>	<u>9,401,299</u>
Net Amount to be Raised (Tax Levy)	<u>\$24,721,196</u>	<u>\$23,789,876</u>	<u>\$23,128,995</u>	<u>\$21,668,583</u>	<u>\$20,300,431</u>

The following shows the calculation of levy limits for the most recent fiscal years:

	For Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Primary Levy Limit (1)	\$80,367,997	\$75,957,459	\$70,947,836	\$66,795,878	\$63,757,636
Prior Fiscal Year Levy Limit	21,494,560	20,757,301	20,064,474	19,408,891	18,190,117
2.5% Levy Growth	537,364	518,933	501,612	485,222	454,753
New Growth (2)	285,387	218,326	191,215	170,361	164,021
Overrides	<u>275,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>600,000</u>
Growth Levy Limit	22,592,311	21,494,560	20,757,301	20,064,474	19,408,891
Debt Exclusions	2,158,815	2,318,828	2,377,314	1,689,452	1,227,807
Capital Expenditure Exclusions	0	0	0	0	0
Other Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Levy Limit	\$24,751,126	\$23,813,388	\$23,134,615	\$21,753,926	\$20,636,698
Tax Levy	<u>24,721,196</u>	<u>23,789,876</u>	<u>23,128,995</u>	<u>21,668,583</u>	<u>20,300,431</u>
Unused Levy Capacity (3)	\$ 29,930	\$ 23,512	\$ 5,620	\$ 85,343	\$ 336,267
Unused Primary Levy Capacity (4)	<u>\$57,775,686</u>	<u>\$54,462,899</u>	<u>\$50,190,536</u>	<u>\$46,731,404</u>	<u>\$44,348,745</u>

⁽¹⁾ 2.5% of assessed valuation.

⁽²⁾ Allowed addition for new valuations certified by the Department of Revenue.

⁽³⁾ Tax Levy Limit less Tax Levy.

⁽⁴⁾ Primary Levy Limit less Growth Levy Limit.

TAX COLLECTIONS AND ABATEMENTS

Payment Dates. The Town has accepted a statute providing for quarterly tax payments. Under that statute preliminary tax payments are to be due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if the actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum.

Lien. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

Personal Liability. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described in "Taking and Sale" herein.

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each fiscal year:

	<u>For Fiscal Year</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Tax Levy	\$24,721,196	\$23,789,876	\$23,128,995	\$21,668,583	\$20,300,431
Overlay Reserve for Abatements	106,910	103,066	133,111	123,385	112,600
Net Tax Levy ⁽¹⁾	<u>\$24,614,286</u>	<u>\$23,686,810</u>	<u>\$22,995,883</u>	<u>\$21,545,198</u>	<u>\$20,187,831</u>
Amount Collected					
During Fiscal Year Payable ⁽²⁾	\$24,361,178	\$23,527,035	\$22,250,813	\$20,680,913	\$19,583,955
Percent of Net Tax Levy	99.0%	99.3%	97%	96%	97.0%

⁽¹⁾Net after deduction of overlay reserve for abatements.

⁽²⁾Actual collections of levy less refunds and amounts refundable.

Abatements and Overlay. A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following shows the abatements granted during the most recent fiscal years:

	<u>For Fiscal Year</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Levy	\$24,721,196	\$23,789,876	\$23,128,995	\$21,668,583	\$20,300,431
Overlay Reserve for Abatements	\$106,910	\$103,066	\$133,111	\$123,385	\$112,600
Percent of Tax Levy	0.4%	0.4%	0.6%	0.6%	0.6%
Abatements Granted:					

During Fiscal Year of Levy \$11,241 \$85,719 \$40,143 \$77,913 \$42,326

Taking and Sale. Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

Sales of Tax Receivables. Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual meeting which takes place in April. Appropriations may also be voted at special meetings. The Town has a Finance Committee which submits reports and recommendations on proposed expenditures at town meetings.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by town meetings, but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs and may affect the level of State aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In fiscal 1994 through 2019, and budgeted fiscal 2020, the Town's net school spending exceeded the minimum required local contribution.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See Property Taxation herein.)

BUDGET COMPARISON

The following table sets forth the operating budgets for fiscal years 2020-2016:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Government	\$ 3,112,567	\$ 2,955,529	\$ 2,986,700	\$ 2,980,294	\$ 2,842,061
Public Safety	4,003,291	3,902,687	3,641,217	3,627,038	3,730,145
Highway & Roads	1,685,104	1,654,162	1,598,154	1,598,155	1,509,297
Cultural/Recreational	736,604	704,288	669,178	669,178	613,497
Health and Human Services	511,678	508,492	469,410	469,410	438,362
School	13,505,467	13,095,611	12,419,439	12,564,584	11,862,415
State & County Charges & Other	1,121,765	1,122,060	1,212,786	1,074,471	1,086,576
Debt Service	2,326,559	2,531,420	2,804,917	2,763,194	1,780,987
Employee Benefits	4,376,919	4,249,713	4,014,799	3,984,799	3,480,211
Total	<u>\$31,379,957</u>	<u>\$30,723,962</u>	<u>\$29,816,600</u>	<u>\$29,731,123</u>	<u>\$27,343,551</u>

STATE AID

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The State annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, these measures could restrict the amount of state revenues available for state aid to local communities.

The following table sets forth the State aid received in each of the last five fiscal years and the budgeted amount for fiscal 2020:

<u>Fiscal Year</u>	<u>Amount</u>
2020 (budgeted)	\$1,522,437
2019 (unaudited)	1,442,350
2018	1,282,581
2017	1,220,095
2016	1,242,045
2015	883,409

State School Building Assistance Program

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has

assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

MOTOR VEHICLE EXCISE

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due, bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the Registrar of Motor Vehicles.

The following table shows the actual receipts in each of the most recent fiscal years and the budgeted amount for fiscal year 2020:

	For Fiscal Year				
	Budgeted 2020	Unaudited 2019	2018	2017	2016
Motor Vehicle Excise Taxes ⁽¹⁾	\$825,000	\$945,474	\$907,648	\$867,827	\$723,031

⁽¹⁾ Net after refunds. Includes receipts for prior years.

COMMUNITY PRESERVATION ACT

Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “*Tax Limitations*” under “PROPERTY TAX” herein). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund, the dedication of revenue. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town accepted the provisions of the CPA in 2005 with the maximum surcharge of 3% and the low-income exemption of \$100,000. As of June 30, 2019 (unaudited), the balance in the CPA fund was \$2,583,821.

OTHER TAXES

Three additional sources of revenue for local governments are the room occupancy excise tax, local meals excise tax, and the aviation fuel tax. All of these taxes take effect only where accepted by individual municipalities. Under the room occupancy excise tax, local governments may tax the provision of hotel, motel, lodging house and bed and breakfast rooms at a rate not to exceed six percent of the cost of renting such rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located. The Town has voted to impose the room occupancy excise tax.

The local meals excise tax, effective for sales of restaurant meals on or after October 1, 2009, is a three-fourths percent tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The Town Meeting voted to accept the increase to the meals tax in October 2009 and voted to increase the hotel/motel excise tax at the 2010 Special Town Meeting.

The following table shows the actual Room Occupancy receipts for the most recent fiscal years and the budgeted amount for fiscal 2020:

<u>Fiscal Year</u>	<u>Receipts</u>
2020 (budgeted)	\$525,000
2019 (unaudited)	642,161
2018	578,436
2017	525,640
2016	479,220
2015	400,000

The following table shows the actual Meals Tax receipts for the most recent fiscal years and the budgeted amount for fiscal 2020:

<u>Fiscal Year</u>	<u>Receipts</u>
2020 (budgeted)	\$275,000
2019 (unaudited)	361,922
2018	332,843
2017	339,753
2016	479,220
2015	400,000

In addition to the above revenue sources, the Oak Bluffs Marina is the second largest revenue source for the Town. The following table shows the actual receipts for the most recent fiscal years as well as the budgeted amount for fiscal year 2020:

<u>Fiscal Year</u>	<u>Receipts</u>
2020 (budgeted)	\$ 900,000
2019 (unaudited)	1,078,585
2018	1,077,769
2017	941,107
2016	1,008,560
2015	965,261

TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS

Cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax

increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½.

The Town has not voted to create any development districts.

UNASSIGNED FUND BALANCE AND FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following shows the unassigned general fund balance and free cash for the most recent fiscal years:

<u>July 1,</u>	<u>Unassigned General Fund Balance</u>	<u>Free Cash</u>
2019 (estimated)	\$1,084,111 ⁽¹⁾	n.a.
2018	3,525,285	653,490
2017	3,789,717	1,109,397
2016	1,389,717	1,511,935
2015	1,188,156	347,789
2014	2,897,509	169,237

⁽¹⁾ Non-GAAP basis. Does not include Stabilization Funds.

STABILIZATION FUND

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes, funds may be appropriated from the Fund for any municipal purpose by a two-thirds vote of the town meeting. The following is the balance in the account at the end of the most recent fiscal years.

<u>Fiscal Year</u>	<u>Balance</u>
2019 (unaudited)	\$2,381,221
2018	2,060,159
2017	791,291
2016	1,312,220
2015	1,040,052
2014	1,094,631

INVESTMENTS

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements, with a maturity of not more than 90 days secured by federal or federal agency securities, or in participation units in the Massachusetts Municipal Depository Trust ("MMDT") or in shares of SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and

is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems.

COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 220 full and part-time employees, of which approximately 54% percent belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of Members</u>	<u>Contract Expires</u>
AFSCME	General Gov't	25	6/30/20
MCOPS	Police	16	6/30/20
MV Teachers & Educators Assoc.	Custodians & Secretaries	12	6/30/22
MV Educators Assoc.	School (Teachers & Aides)	<u>24</u>	6/30/22
		<u>117</u>	

PHYSICAL AND ECONOMIC CHARACTERISTICS

The Town of Oak Bluffs, an ocean-front resort community, is located on the northeast shore of the island of Martha’s Vineyard. Oak Bluffs is bordered by Nantucket Sound on the north and east, the Town of Edgartown on the south, and the Town of Tisbury on the west and northwest. The Steamship Authority provides seasonal ferry services to Oak Bluffs from the mainland and provides year-round service in the neighboring Town of Tisbury. Additional regular seasonal ferry lines directly to Oak Bluffs include the Island Queen, Hyline and Rhode Island Fast Ferry, which all offer multiple daily trips to Oak Bluffs Harbor.

Based on fiscal year 2019 assessed valuations, approximately 93.1% of the property is residential while 5.2% is commercial and industrial. According to the 2010 U.S. Census, Oak Bluffs has a year-round population of 4,527; the Island, as a whole, has a year-round population of 14,987. This number increases to approximately 106,000 in the summer season. Oak Bluffs enjoys a rich history as the nation’s first planned resort community, and is widely known for its delightful gingerbread cottages built in the 19th Century, as well as being home to the oldest working carousel in America.

Today, Oak Bluffs is building on its rich historic past with several new tourism and economic development-related projects which include the new Steamship Authority Ferry Pier, a major renovation and historic preservation of the waterfront clay-roofed Bathhouse Facility, the construction of a new Fishing Pier scheduled for May, 2013 and the proposed development of a new sea wall and public Boardwalk project linking Oak Bluffs Harbor with the Town’s central business district.

The Town is a member of the Martha’s Vineyard Commission. Formed in 1974, the Commission was the first regional land-use planning agency in the State.

PRINCIPAL EMPLOYERS

The following are the principal employers, other than the Town itself, located in the Town:

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Current Employees</u>
Martha's Vineyard Hospital	Hospital	200
YMCA	Community Service	110
Tony's Market	Grocery	22
Goodale Construction	Construction	20
DaRosa MV Printing	Office Supplies	15
Reliable Supermarket	Grocery	12
Santander Bank	Bank	10
Summer Camp Inn	Hotel	7 ⁽²⁾
Our Market	Grocery	15

⁽¹⁾ Source: *The Town, as of July 2019.*

⁽²⁾ 30 seasonal employees

EMPLOYMENT BY INDUSTRY

	<u>Calendar Year Average</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Construction & Natural Resources	118	115	106	97	90
Manufacturing	25	19	26	25	24
Trade, Transportation & Utilities	233	233	242	222	233
Financial Activities	45	44	47	47	42
Professional & Business Services	48	38	30	29	46
Education & Health Services	579	584	581	566	574
Leisure & Hospitality	558	572	557	516	476
Information & Other Services	169	156	174	163	170
Total Employment	<u>1,775</u>	<u>1,761</u>	<u>1,763</u>	<u>1,665</u>	<u>1,655</u>
Number of Establishments	247	249	241	236	222
Total Annual Wage (000)	\$89,969	\$88,051	\$83,026	\$76,878	\$73,281
Average Weekly Wage	\$877	\$869	\$833	\$804	\$773

Source: *Massachusetts Executive Office of Labor & Workforce Development.*

BUILDING PERMITS ⁽¹⁾

<u>Calendar Year</u>	<u>Number</u>	<u>Estimated Value</u>
2019 (through 6-30-19)	450	\$29,150,487
2018	422	22,817,669
2017	426	24,292,500
2016	388	12,352,334
2015	422	19,589,948
2014	361	14,753,657

⁽¹⁾ Source: *Building Department.*

OTHER DATA

Unemployment

<u>Calendar Year (2)</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment Rate %</u>			
			<u>Town</u>	<u>County</u>	<u>State</u>	<u>US</u>
2019 (July)	3,445	3,376	2.0	1.9	2.9	4.0
2018	2,644	2,519	4.7	4.6	3.3	3.9
2017	2,589	2,455	5.2	4.9	3.8	4.4
2016	2,533	2,395	5.4	5.2	3.9	4.9
2015	2,557	2,391	6.5	6.5	4.8	5.3

(1) Source: Massachusetts Executive Office of Labor & Workforce Development.

(2) Full year averages except for 2019 which is for the month indicated.

Population (1)

<u>Year</u>	<u>Oak Bluffs</u>		<u>Dukes County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2018 estimate	4,678	3.3	17,352	4.9	6,902,149	5.4
2010	4,527	21.9	16,535	10.3	6,547,629	3.1
2000	3,713	32.4	14,987	28.8	6,349,097	5.5
1990	2,804	38.7	11,639	30.2	6,016,425	4.9
1980	2,021	0.0	8,942	0.0	5,737,037	0.0

(1) Source: U.S. Department of Commerce for actuals and estimates.

Population Density (1)

<u>Year</u>	<u>Oak Bluffs (2)</u>		<u>Dukes County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2018 estimate	4,678	634.7	17,352	167.1	6,902,149	880.6
2010	4,527	614.2	16,535	159.3	6,547,629	835.4
2000	3,713	503.8	14,987	144.4	6,349,097	810.0
1990	2,804	380.5	11,639	112.1	6,016,425	767.6
1980	2,021	274.2	8,942	86.1	5,737,037	732.0

(1) Source: U.S. Department of Commerce for actuals and estimates.

(2) Based on 7.4 square miles.

Population Composition By Age (1)

<u>Age</u>	<u>Oak Bluffs</u>		<u>Dukes County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	345	7.4	755	4.4	362,855	5.3
5 Years to 19 Years	984	21.0	3,063	17.7	1,229,762	18.1
20 Years to 64 Years	2,114	45.2	9,798	56.7	4,146,951	61.1
65 Years and Over	<u>1,232</u>	<u>26.4</u>	<u>3,659</u>	<u>21.2</u>	<u>1,049,751</u>	<u>15.5</u>
Total	<u>4,675</u>	<u>100.0</u>	<u>17,275</u>	<u>100.0</u>	<u>6,789,319</u>	<u>100.0</u>
Median Age	43.0		45.9		39.4	
Median Age (2000)	39.4		40.7		36.5	

(1) Source: U.S. Department of Commerce. 2017 5-year estimates.

Per Capita Income Levels (1)

<u>Year</u>	<u>Oak Bluffs</u>		<u>Dukes County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
2017 5-year estimates	\$39,578	66.1	\$42,956	62.3	\$39,913	53.8
1999	23,829	42.7	26,472	44.8	25,952	50.7
1989	16,695	184.6	18,280	149.7	17,224	131.0
1979	5,867	0.0	7,322	0.0	7,457	0.0
% Below Poverty Level (2017 5-year estimates)	12.2		8.4		11.1	

(1) Source: U.S. Department of Commerce.

Family Income Distribution (1)

<u>Income for Families</u>	<u>Oak Bluffs</u>		<u>Dukes County</u>		<u>Massachusetts</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	48	4.8	83	2.1	56,902	3.5
10,000 - 24,999	40	4.0	147	3.8	118,641	7.2
25,000 - 49,999	128	12.7	759	19.6	241,405	14.7
50,000 - 74,999	124	12.3	483	12.5	236,935	14.4
75,000 - 99,999	69	6.8	505	13.0	218,799	13.3
100,000 - 149,999	397	39.3	1,073	27.7	344,327	20.9
150,000 or more	<u>203</u>	<u>20.1</u>	<u>820</u>	<u>21.2</u>	<u>430,610</u>	<u>26.1</u>
Total	<u>1,009</u>	<u>100.0</u>	<u>3,870</u>	<u>100.0</u>	<u>1,647,619</u>	<u>100.0</u>
Median Income	\$107,821		\$98,735		\$94,110	

(1) Source: U.S. Department of Commerce. 2017 5-year estimates.

Household Income Distribution (1)

Income for Households	Oak Bluffs		Dukes County		Massachusetts	
	Households	Percent	Households	Percent	Households	Percent
Less than \$10,000	149	8.8	314	5.1	148,170	5.7
10,000 - 24,999	104	6.2	576	9.4	324,816	12.6
25,000 - 49,999	371	22.0	1,374	22.4	442,384	17.1
50,000 - 74,999	249	14.8	966	15.7	390,219	15.1
75,000 - 99,999	149	8.8	735	12.0	317,494	12.3
100,000 - 149,999	417	24.8	1,136	18.5	451,683	17.5
150,000 or more	<u>245</u>	<u>14.5</u>	<u>1,038</u>	<u>16.9</u>	<u>510,949</u>	<u>19.8</u>
Total	<u>1,684</u>	<u>100.0</u>	<u>6,139</u>	<u>100.0</u>	<u>2,585,715</u>	<u>100.0</u>
Median Income	\$66,091		\$67,535		\$74,167	

(1) Source: U.S. Department of Commerce. 2017 5-year estimates.

Value Distribution Of Specified Owner-Occupied Housing Units (1)

Units	Oak Bluffs		Dukes County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than \$100,000	-0-	0.0	44	0.9	63,524	3.9
100,000 - 199,999	24	1.8	37	0.8	205,591	12.8
200,000 - 299,999	19	1.4	88	1.8	354,531	22.0
300,000 - 499,999	455	34.4	1,076	22.6	572,911	35.5
500,000 - 999,999	742	56.1	2,777	58.2	340,606	21.1
1,000,000 or more	83	6.3	748	15.7	75,166	4.7
Total	<u>1,323</u>	<u>100.0</u>	<u>4,770</u>	<u>100.0</u>	<u>1,612,329</u>	<u>100.0</u>
Median Value	\$577,900		\$674,600		\$352,600	

(1) Source: U.S. Department of Commerce. 2017 5-yr estimates.

Age Distribution Of Housing Units (1)

Year Built	Oak Bluffs		Dukes County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
2000 or later	449	9.6	2,507	14.2	266,492	9.3
1980 to 1999	2,013	43.2	7,226	40.9	530,038	18.5
1940 to 1979	894	19.2	4,921	27.8	1,113,226	38.9
1939 or Earlier	<u>1,302</u>	<u>28.0</u>	<u>3,023</u>	<u>17.1</u>	<u>955,233</u>	<u>33.3</u>
Total	<u>4,658</u>	<u>100.0</u>	<u>17,677</u>	<u>100.0</u>	<u>2,864,989</u>	<u>100.0</u>

(1) Source: U.S. Department of Commerce. 2017 5-yr estimates.

Housing Unit Inventory (1)

<u>Units in Structure</u>	Oak Bluffs		Dukes County		Massachusetts	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1, Detached	4,015	86.2	16,272	92.1	1,496,092	52.2
1, Attached	126	2.7	345	2.0	151,949	5.3
2 to 4	231	5.0	687	3.9	596,427	20.8
5 to 9	49	1.1	75	0.4	166,765	5.8
10 to 19	106	2.3	126	0.7	122,890	4.3
20 or More	105	2.3	129	0.7	306,265	10.7
Mobile Home, Trailer, Other	26	0.6	43	0.2	24,601	0.9
Total	<u>4,658</u>	<u>100.0</u>	<u>17,677</u>	<u>100.0</u>	<u>2,864,989</u>	<u>100.0</u>

(1) Source: U.S. Department of Commerce. 2017 5-yr estimates.

Educational Attainment (1)

<u>Years of School Completed</u>	Oak Bluffs		Dukes County		Massachusetts	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th Grade	64	1.9	122	1.0	216,649	4.6
9th to 12th Grade, No Diploma	45	1.4	314	2.5	241,431	5.1
High School Graduate	681	20.7	2,799	22.0	1,162,683	24.7
Some College, No Degree	888	27.0	2,688	21.1	741,582	15.8
Associate's Degree	220	6.7	912	7.2	363,330	7.7
Bachelor's Degree	743	22.6	3,591	28.2	1,101,605	23.4
Graduate or Professional Degree	650	19.8	2,301	18.1	879,256	18.7
Total	<u>3,291</u>	<u>100.0</u>	<u>12,727</u>	<u>100.0</u>	<u>4,706,536</u>	<u>100.0</u>
High School Graduate or Higher	3,182	96.7	12,291	96.6	4,248,456	90.3
Bachelor's Degree or Higher	1,393	42.3	5,892	46.3	1,980,861	42.1

(1) Source: U.S. Department of Commerce. 2017 5-year estimates

SCHOOL FACILITIES

The public schools operated by the Town for pupils in grades Pre-kindergarten through grade 8 presently include one school building with an estimated capacity of 500 pupils. Enrollment in those grades on October 1, 2018 was 435 pupils.

The Town is a member of the Martha's Vineyard Regional High School District which provides facilities for pupils in grades 9 - 12 in its senior high school. Other members of the District are the Towns of Aquinnah (formerly Gay Head), Chilmark, Edgartown, Tisbury, and West Tisbury. As of October 1, 2018, 50 pupils from Oak Bluffs attended the Martha's Vineyard Regional High School.

PUBLIC SCHOOL ENROLLMENTS ⁽¹⁾

	Actual				
	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Pre K-8	395	426	430	426	435
9-12	<u>783</u>	<u>692</u>	<u>661</u>	<u>643</u>	<u>642</u>
Total	<u>1,178</u>	<u>1,118</u>	<u>1,091</u>	<u>1,069</u>	<u>1,077</u>

⁽¹⁾As of October 1 of each year.

LITIGATION

In the opinion of the Town, there is no litigation pending, or to its knowledge threatened, which is likely to result, either individually or in the aggregate, in final judgments against the Town materially affecting its financial position or its ability to pay its obligations.

TOWN OF OAK BLUFFS
Massachusetts

By: /s/ Cheryll A. Sashin
Treasurer

Dated: September 24, 2019

APPENDIX A

The following Balance Sheets for fiscal years ending June 30, 2018 through 2015 and the Comparative Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years ending June 30, 2018 through 2014, have been taken from the audited financial statements of the Town for those years.

The Town engaged the firm of Powers & Sullivan, Certified Public Accountants to audit the accounts for the Town for the year ending June 30, 2018.

**TOWN OF OAK BLUFFS
 MASSACHUSETTS
 BALANCE SHEET
 GENERAL FUND ⁽¹⁾
 June 30,**

Assets:	<u>2019</u>
Cash and short-term investments	\$7,668,033
Receivables:	
Real and personal property taxes	817,298
Tax liens	1,712,858
Excise taxes	185,929
Intergovernmental	11,078
Tax foreclosures/possessions	504,446
Total Assets	<u>\$10,899,642</u>
 Liabilities:	
Warrants payable	\$ 2,136,577
Accrued payroll	866,340
Other liabilities	77,437
Total Liabilities	<u>\$ 3,020,896</u>
 <u>Deferred Inflows of Resources</u>	 3,108,600
 <u>Fund Balances:</u>	
Committed	\$ 386,281
Assigned	0
Unassigned	<u>4,383,865</u>
Total Fund Balances	<u>\$ 4,770,146</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$10,899,642</u>

(1) Extracted from the draft audited financial statements of the Town.

**TOWN OF OAK BLUFFS
MASSACHUSETTS
BALANCE SHEET
GENERAL FUND ⁽¹⁾
June 30,**

Assets:	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash and short-term investments	\$5,688,032	\$5,777,918	\$5,226,053	\$4,716,457
Receivables:				
Real and personal property taxes	909,810	865,552	1,048,405	693,072
Tax liens	1,669,412	1,585,879	1,514,010	2,306,420
Excise taxes	170,608	159,587	167,597	154,325
Intergovernmental	16,201	82,124	119,665	156,407
Due from other funds	41,189	0	44,685	0
Tax foreclosures/possessions	599,708	662,639	662,639	662,639
Prepaid expenses	<u>0</u>	<u>0</u>	<u>181,921</u>	<u>0</u>
Total Assets	<u>\$9,094,960</u>	<u>\$9,133,699</u>	<u>\$8,964,975</u>	<u>\$8,689,320</u>
<u>Liabilities:</u>				
Warrants payable	\$ 370,746	\$ 538,752	\$ 655,494	\$ 737,792
Accrued payroll	836,947	923,880	788,226	718,001
Payroll withholdings	0	218,724	133,085	206,199
Other liabilities	77,437	20,091	20,357	20,357
Deferred revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>1,285,130</u>	<u>1,701,447</u>	<u>1,597,162</u>	<u>1,682,349</u>
<u>Deferred Inflows of Resources</u>	3,408,779	2,972,049	3,311,812	3,795,729
<u>Fund Balances:</u>				
Committed	\$875,766	\$ 652,635	\$ 327,850	\$ 589,947
Assigned	0	17,851	59,775	72,641
Unassigned	<u>3,525,285</u>	<u>3,789,717</u>	<u>3,668,376</u>	<u>2,548,654</u>
Total Fund Balances	<u>4,401,051</u>	<u>4,460,203</u>	<u>4,056,001</u>	<u>3,211,242</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$9,094,960</u>	<u>\$9,133,699</u>	<u>\$8,964,975</u>	<u>\$8,689,320</u>

(1) Extracted from the audited financial statements of the Town.

TOWN OF OAK BLUFFS
Massachusetts
Combined Statement of Revenues, Expenditures and Changes in Fund Balances ⁽¹⁾
GENERAL FUND
June 30,

2018

Revenues:

Real and personal property taxes	\$24,474,231
Net of reserve for abatements	
Tax liens	343,450
Excise taxes	949,491
Hotel/Motel/Meals Tax	642,161
Meals Tax	361,923
Penalties and Interest on Taxes	256,798
Fees and rentals	456,264
Slip Fees	975,023
Intergovernmental-state aid	1,230,641
Intergovernmental-teachers retirement	1,465,243
Intergovernmental	45,152
Departmental and other	691,156
Investment income	<u>132,865</u>
Total Revenue	<u>32,040,971</u>

Expenditures:

General government	3,194,408
Public safety	4,239,054
Education	13,074,932
Public works	1,702,622
Health & human services	537,250
Culture and recreation	703,471
Pension	1,066,129
Pension-teachers retirement	1,465,243
Employee benefits	3,079,107
State, county & local charges	1,141,024
Debt service	<u>1,421,468</u>
Total Expenditures	<u>31,624,708</u>

Excess of Revenues Over (Under) Expenditures	416,263
---	---------

Other Financing Sources (Uses):

Capital lease financing	0
Transfers In	565,247
Transfers Out	<u>(612,415)</u>
Total Other Financing Sources (Uses)	(47,168)

New change in Fund Balances	369,095
-----------------------------	---------

Fund Balances, Beginning of Year	<u>4,401,051</u>
Fund Balances, End of Year	<u>\$ 4,770,146</u>

⁽¹⁾ *Extracted from the draft audited financial statements of the Town.*

⁽²⁾ *Restated.*

TOWN OF OAK BLUFFS
Massachusetts
Combined Statement of Revenues, Expenditures and Changes in Fund Balances ⁽¹⁾
GENERAL FUND

	June 30,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:					
Real and personal property taxes	\$23,149,245	\$23,012,613	\$21,118,797	\$19,940,655	\$19,197,017
Net of reserve for abatements					
Tax liens	289,179	416,926	883,949	293,050	262,268
Excise taxes	917,626	845,026	873,639	732,326	692,021
Hotel/Motel/Meals Tax	578,436	865,393	484,808	706,818	660,225
Meals Tax	332,843	0	320,024	0	0
Penalties and Interest on Taxes	341,851	272,837	450,236	208,777	198,296
Fees and rentals	359,837	365,981	368,901	1,384,060	1,287,199
Slip Fees	1,074,425	938,077	1,008,560	0	0
Intergovernmental-state aid	1,314,140	0	0	0	0
Intergovernmental-teachers retirement	1,436,834	0	0	0	0
Intergovernmental	49,043	2,572,645	2,245,591	2,196,884	2,238,440
Departmental and other	716,459	689,789	684,976	624,464	622,481
Investment income	<u>22,366</u>	<u>19,289</u>	<u>18,150</u>	<u>18,567</u>	<u>14,779</u>
Total Revenue	<u>30,582,284</u>	<u>29,998,576</u>	<u>28,457,631</u>	<u>26,105,601</u>	<u>25,172,726</u>
Expenditures:					
General government	2,998,810	2,971,814	2,854,114	2,579,512	2,552,811
Public safety	4,143,760	3,884,329	3,543,918	4,131,623	3,357,195
Education	12,460,319	12,049,574	11,942,284	11,188,538	9,980,836
Public works	1,598,360	1,865,074	1,718,885	1,761,816	1,527,437
Health & human services	535,912	450,343	418,714	385,661	411,557
Culture and recreation	684,414	641,031	668,353	498,927	529,228
Pension	1,014,723	2,467,374	2,068,001	1,646,776	1,583,624
Pension-teachers retirement	1,436,834	0	0	0	0
Employee benefits	2,995,072	2,581,355	2,440,208	2,259,792	2,388,960
State, county & local charges	1,125,493	891,192	991,243	1,125,769	949,086
Debt service	<u>1,580,265</u>	<u>1,668,499</u>	<u>893,743</u>	<u>920,500</u>	<u>1,259,602</u>
Total Expenditures	<u>30,573,962</u>	<u>29,470,585</u>	<u>27,539,463</u>	<u>26,498,914</u>	<u>24,540,336</u>
Excess of Revenues Over (Under) Expenditures	8,322	527,991	918,168	(393,313)	632,390
Other Financing Sources (Uses):					
Capital lease financing	0	106,042	193,688	0	0
Transfers In	563,437	679,736	450,909	933,385	708,620
Transfers Out	<u>(630,911)</u>	<u>(909,567)</u>	<u>(718,006)</u>	<u>(665,351)</u>	<u>(738,122)</u>
Total Other Financing Sources (Uses)	<u>(67,474)</u>	<u>(123,789)</u>	<u>(73,409)</u>	<u>268,034</u>	<u>(29,502)</u>
New change in Fund Balances	(59,152)	404,202	844,759	(125,279)	602,888
Fund Balances, Beginning of Year	<u>4,460,203</u>	<u>4,056,001</u>	<u>3,211,242</u>	<u>3,336,521</u>	<u>2,733,633 ⁽²⁾</u>
Fund Balances, End of Year	<u>\$ 4,401,051</u>	<u>\$ 4,460,203</u>	<u>\$ 4,056,001</u>	<u>\$ 3,211,242</u>	<u>\$ 3,336,521</u>

⁽¹⁾ Extracted from the audited financial statements of the Town.

⁽²⁾ Restated.

There follows in this Appendix the draft audited financial statements of the Town of Oak Bluffs, Massachusetts, as of June 30, 2019, prepared by Powers & Sullivan, Certified Public Accountants.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in this Report. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in this Report and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented.

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TOWN OF OAK BLUFFS, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2019

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TOWN OF OAK BLUFFS, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Oak Bluffs, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Bluffs, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Oak Bluffs, 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 of 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Bluffs, Massachusetts, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 March _____, 2020 on our consideration of the Town of Oak Bluffs, Massachusetts' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

March _____, 2020

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Oak Bluffs, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2019. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Oak Bluff'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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community development, health and human services, culture and recreation, and community preservation. The business-type activities include the activities of the Town's Wastewater operations.

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

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The Town of Oak Bluffs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund as required supplementary information, to demonstrate compliance with this budget.

The Town's general fund is considered a major fund for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are aggregated and shown as nonmajor funds.

Proprietary funds. The Town maintains only one type of propriety fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town's enterprise fund accounts for its' Wastewater activities.

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. The accounting used for fiduciary funds is much like that used for propriety funds.

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. Oak Bluffs' assets and deferred outflows of resources exceeded its' liabilities and deferred inflows of resources on a government-wide basis by \$21.7 million at the close of 2019.

Net position of \$50 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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 net position in the amount of \$5.6 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is in a deficit of \$34.1 million and this is largely due to the recognition of a \$42.7 million OPEB liability and a \$8.6 million net pension liability.

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Governmental Activities

	2019	2018
Assets:		
Current assets..... \$	19,074,115	\$ 16,806,858
Capital assets, non depreciable.....	14,236,441	11,021,778
Capital assets, net of accumulated depreciation....	36,970,621	38,318,392
Total assets.....	70,281,177	66,147,028
 Deferred outflows of resources.....	 9,248,275	 754,770
 Liabilities:		
Current liabilities (excluding debt).....	5,893,846	2,201,442
Noncurrent liabilities (excluding debt).....	50,576,029	37,854,784
Current debt.....	1,894,513	2,275,487
Noncurrent debt.....	11,171,989	9,816,518
Total liabilities.....	69,536,377	52,148,231
 Deferred inflows of resources.....	 1,683,196	 2,825,286
 Net position:		
Net investment in capital assets.....	39,392,125	37,735,966
Restricted.....	5,630,186	5,563,382
Unrestricted.....	(36,712,432)	(31,371,067)
 Total net position..... \$	 8,309,879	 \$ 11,928,281

Net position of \$39.4 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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 net position in the amount of \$5.6 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is in a deficit of \$36.7 million and this is largely due to the recognition of a \$41.4 million OPEB liability as well as a \$8.1 million net pension liability.

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	2019	2018
Program Revenues:		
Charges for services.....	\$ 4,716,190	\$ 4,329,736
Operating grants and contributions.....	3,957,565	3,902,296
Capital grants and contributions.....	395,782	327,532
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	23,994,299	23,592,816
Tax and other liens.....	291,634	309,779
Motor vehicle and other excise taxes.....	966,357	935,864
Hotel/motel tax.....	642,161	651,090
Meals tax.....	361,923	332,843
Community preservation tax.....	576,541	630,558
Penalties and interest on taxes.....	261,166	348,000
Payments in lieu of taxes.....	16,573	14,339
Grants and contributions not restricted to specific programs.....	458,783	312,620
Unrestricted investment income.....	147,248	33,061
Total revenues.....	36,786,222	35,720,534
Expenses:		
General government.....	4,810,323	4,793,999
Public safety.....	9,144,895	9,266,357
Education.....	19,465,946	18,019,381
Public works.....	2,469,732	2,440,607
Community development.....	838,952	867,480
Health and human services.....	835,805	739,711
Culture and recreation.....	1,546,944	1,315,984
Community preservation.....	359,388	640,259
Interest.....	320,224	345,394
Total expenses.....	39,792,209	38,429,172
Excess (Deficiency) before transfers.....	(3,005,987)	(2,708,638)
Transfers.....	(612,415)	(630,911)
Change in net position.....	(3,618,402)	(3,339,549)
Net position, beginning of year.....	11,928,281	15,267,830
Net position, end of year.....	\$ 8,309,879	\$ 11,928,281

The governmental activities net position decreased by \$3.6 million during the current year. The decrease is attributable to a combined \$3 million increase in the Town's net OPEB liability and net pension liability and related deferred inflows and outflows of resources. The increase in the liabilities were not funded.

Also contributing to the decrease in net position is the results of operations in the Ambulance Revolving Fund. Revenues increased \$262,000 due to declining insurance reimbursements while costs of services decreased \$54,000 due to higher fuel costs, increased workers compensation expenditures and costs associated with medical transports off-island.

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Business-type Activities Financial Analysis

The Town accounts for its Wastewater Enterprise Fund as a business type activity.

	2019	2018
Assets:		
Current assets.....	\$ 2,736,243	\$ 2,737,118
Noncurrent assets (excluding capital).....	2,540,839	3,131,645
Capital assets, non depreciable.....	1,000,000	1,000,000
Capital assets, net of accumulated depreciation....	13,556,324	14,008,343
Total assets.....	19,833,406	20,877,106
Deferred outflows of resources.....	348,873	41,777
 Liabilities:		
Current liabilities (excluding debt).....	73,885	84,120
Noncurrent liabilities (excluding debt).....	1,785,589	1,310,095
Current debt.....	1,302,887	1,267,548
Noncurrent debt.....	3,561,778	4,864,665
Total liabilities.....	6,724,139	7,526,428
Deferred inflows of resources.....	50,824	124,512
 Net position:		
Net investment in capital assets.....	10,808,002	10,237,139
Unrestricted.....	2,599,314	3,030,804
Total net position.....	\$ 13,407,316	\$ 13,267,943

Net position of \$10.8 million reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment, etc.), 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.

The remaining balance of *unrestricted net position* of \$2.6 million may be used to meet the government's ongoing obligations to citizens and creditors.

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	2019	2018
Program Revenues:		
Charges for services..... \$	1,050,949	\$ 1,062,768
Operating grants and contributions.....	98,533	125,980
Total revenues.....	1,149,482	1,188,748
Expenses:		
Wastewater.....	1,622,524	1,623,070
Excess (Deficiency) before transfers.....	(473,042)	(434,322)
Transfers.....	612,415	630,911
Change in net position.....	139,373	196,589
Net position, beginning of year.....	13,267,943	13,071,354
Net position, end of year..... \$	13,407,316	\$ 13,267,943

Fund balance of the Wastewater Enterprise Fund was essentially unchanged which is representative of management’s ability to establish rates that recover the cost of services, salaries and wages and a portion of debt service costs. Also contributing to the stable fund balance was a transfer in from the General Fund to fund a portion of debt service.

Financial Analysis of the Government’s Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$8.4 million, a decrease of \$721,000 from the prior year. The significant reasons for the decrease are explained in the following paragraphs.

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$4.4 million while total fund balance was \$4.8 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.9% of total general fund expenditures while total fund balance represents 15.1% of total general fund expenditures.

The fund balance of the general fund was essentially unchanged from the prior year. This is due to prudent management of departmental costs which resulted in actual expenditures and encumbrances being roughly equal to budgeted amounts. The Town also anticipated using existing fund balance to balance the budget; however, this was offset by actual revenues and transfers in being higher than budgeted amounts.

Community Preservation Fund

The Town's Community Preservation Fund is classified as a major fund in the governmental fund financial statements. The community preservation fund is attributable to the Town's acceptance of the Community Preservation Act which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and affordable housing. The community preservation fund has a year-end balance of \$2.6 million which is reflective of an approximately \$242,000 increase in fund balance. The increase in fund balance is a result of an approximately \$386,000 decrease in fund expenditures. Expenditures decreased due to decrease in affordable housing purposes and historic preservation projects. Revenues recorded in the fund were essentially unchanged from the prior year.

Capital Projects Fund

The Capital Projects Fund is classified as a major fund in the governmental fund financial statements. This fund accounts for resources that are either restricted, committed, or assigned to expenditures for various capital purposes. The fund has a year-end deficit balance of \$2.3 million as compared to a deficit of \$841,000 in the prior year. Fund balance decreased \$1.4 million due to timing differences between the recognition of expenditures and revenues or other financing sources.

General Fund Budgetary Highlights

There was an increase of \$204,000 between the original budget and the final amended budget. The increase is the result of actions taken at the April 2019 Special Town Meeting. At this meeting, the Town funded an OPEB contribution, transferred monies to the Stabilization Fund, and increased appropriations for a variety of departmental purposes.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Outstanding long-term debt of the general government, as of June 30, 2019, is approximately \$11.6 million, of which \$9.7 million is related to building and other facility construction, \$875,000 is related to library construction projects, \$750,000 is related to street infrastructure projects, and \$240,000 million is related to Sengekontacket Pond dredging and roadway improvements.

The Town had outstanding short-term debt of \$1 million at year end.

The wastewater enterprise fund has \$4.9 million in outstanding debt at the end of the year.

The Town's general revenues finance 1/2 of the annual principal and interest payments on long-term debt for wastewater projects. Wastewater fees fund the remaining debt and 1/2 of the salary for the clerk responsible for the collection of wastewater fees. For 2019, the general fund's subsidy to the wastewater fund totaled approximately \$680,000.

The Town's governmental activities capital asset additions for 2019 are comprised of purchases of an approximate amount of \$599,000 for various vehicle, infrastructure, land improvements, machinery and equipment costs.

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Please refer to the notes 4, 6, 7 and 8 to the basic financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Oak Bluff'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 1327, Oak Bluffs, Massachusetts 02557.

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Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 14,677,683	\$ 1,324,123	\$ 16,001,806
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	817,298	-	817,298
Tax liens.....	1,737,805	-	1,737,805
Community preservation fund surtax.....	17,143	-	17,143
Motor vehicle and other excise taxes.....	185,929	-	185,929
User charges.....	-	763,349	763,349
Departmental and other.....	449,891	-	449,891
Intergovernmental	683,920	-	683,920
Intergovernmental - debt subsidy.....	-	256,368	256,368
Special assessments.....	-	392,403	392,403
Tax foreclosures.....	504,446	-	504,446
	19,074,115	2,736,243	21,810,358
Total current assets.....			
	19,074,115	2,736,243	21,810,358
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental - debt subsidy.....	-	266,528	266,528
Special assessments.....	-	2,274,311	2,274,311
Capital assets, nondepreciable.....	14,236,441	1,000,000	15,236,441
Capital assets, net of accumulated depreciation.....	36,970,621	13,556,324	50,526,945
	51,207,062	17,097,163	68,304,225
Total noncurrent assets.....			
	51,207,062	17,097,163	68,304,225
TOTAL ASSETS.....	70,281,177	19,833,406	90,114,583
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	2,133,157	119,745	2,252,902
Deferred outflows related to other postemployment benefits	7,115,118	229,128	7,344,246
	9,248,275	348,873	9,597,148
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	9,248,275	348,873	9,597,148
LIABILITIES			
CURRENT:			
Warrants payable.....	4,541,121	19,132	4,560,253
Accrued payroll.....	876,595	-	876,595
Accrued interest.....	100,151	54,753	154,904
Other liabilities.....	17,979	-	17,979
Capital lease obligations.....	61,522	-	61,522
Compensated absences.....	139,000	-	139,000
Workers' compensation.....	219,000	-	219,000
Notes payable.....	1,000,000	-	1,000,000
Bonds payable.....	832,991	1,302,887	2,135,878
	7,788,359	1,376,772	9,165,131
Total current liabilities.....			
	7,788,359	1,376,772	9,165,131
NONCURRENT:			
Capital lease obligations.....	64,294	-	64,294
Compensated absences.....	845,000	-	845,000
Workers' compensation.....	207,000	-	207,000
Net pension liability.....	8,122,690	455,967	8,578,657
Net other postemployment benefits liability.....	41,401,339	1,329,622	42,730,961
Bonds payable.....	11,107,695	3,561,778	14,669,473
	61,748,018	5,347,367	67,095,385
Total noncurrent liabilities.....			
	61,748,018	5,347,367	67,095,385
TOTAL LIABILITIES.....	69,536,377	6,724,139	76,260,516
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	269,939	-	269,939
Deferred inflows related to pensions.....	221,671	12,444	234,115
Deferred inflows related to other postemployment benefits..	1,191,586	38,380	1,229,966
	1,683,196	50,824	1,734,020
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,683,196	50,824	1,734,020
NET POSITION			
Net investment in capital assets.....	39,392,125	10,808,002	50,200,127
Restricted for:			
Permanent funds:			
Expendable.....	1,208,456	-	1,208,456
Gifts and grants.....	1,672,495	-	1,672,495
Community preservation.....	2,749,235	-	2,749,235
Unrestricted.....	(36,712,432)	2,599,314	(34,113,118)
	8,309,879	13,407,316	21,717,195
TOTAL NET POSITION.....	\$ 8,309,879	\$ 13,407,316	\$ 21,717,195

See notes to basic financial statements.

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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 4,810,323	\$ 439,569	\$ 37,776	\$ -	\$ (4,332,978)
Public safety.....	9,144,895	3,824,291	90,525	-	(5,230,079)
Education.....	19,465,946	74,567	2,876,389	-	(16,514,990)
Public works.....	2,469,732	275,923	3,963	233,976	(1,955,870)
Community development.....	838,952	-	894,599	-	55,647
Health and human services.....	835,805	60,147	28,462	-	(747,196)
Culture and recreation.....	1,546,944	41,693	25,851	-	(1,479,400)
Community preservation.....	359,388	-	-	161,806	(197,582)
Interest.....	320,224	-	-	-	(320,224)
Total Governmental Activities.....	39,792,209	4,716,190	3,957,565	395,782	(30,722,672)
<i>Business-Type Activities:</i>					
Wastewater.....	1,622,524	1,050,949	98,533	-	(473,042)
Total Primary Government.....	\$ 41,414,733	\$ 5,767,139	\$ 4,056,098	\$ 395,782	\$ (31,195,714)

See notes to basic financial statements.

(Continued)

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STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(30,722,672)	(473,042)	(31,195,714)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	23,994,299	-	23,994,299
Tax and other liens.....	291,634	-	291,634
Motor vehicle and other excise taxes.....	966,357	-	966,357
Hotel/motel tax.....	642,161	-	642,161
Meals tax.....	361,923	-	361,923
Community preservation tax.....	576,541	-	576,541
Penalties and interest on taxes.....	261,166	-	261,166
Payments in lieu of taxes.....	16,573	-	16,573
Grants and contributions not restricted to specific programs.....	458,783	-	458,783
Unrestricted investment income.....	147,248	-	147,248
<i>Transfers, net</i>	(612,415)	612,415	-
Total general revenues and transfers.....	<u>27,104,270</u>	<u>612,415</u>	<u>27,716,685</u>
Change in net position.....	(3,618,402)	139,373	(3,479,029)
<i>Net position:</i>			
Beginning of year.....	<u>11,928,281</u>	<u>13,267,943</u>	<u>25,196,224</u>
End of year..... \$	<u><u>8,309,879</u></u>	<u><u>13,407,316</u></u>	<u><u>21,717,195</u></u>

See notes to basic financial statements.

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GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2019

	General	Community Preservation Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 7,668,033	\$ 2,594,981	\$ 1,130,078	\$ 3,284,591	\$ 14,677,683
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	817,298	-	-	-	817,298
Tax liens.....	1,712,858	24,947	-	-	1,737,805
Community preservation fund surtax.....	-	17,143	-	-	17,143
Motor vehicle and other excise taxes.....	185,929	-	-	-	185,929
Departmental and other.....	-	-	-	449,891	449,891
Intergovernmental.....	11,078	123,222	-	549,620	683,920
Tax foreclosures.....	504,446	-	-	-	504,446
TOTAL ASSETS.....	\$ 10,899,642	\$ 2,760,293	\$ 1,130,078	\$ 4,284,102	\$ 19,074,115
LIABILITIES					
Warrants payable.....	\$ 2,136,577	\$ 1,030	\$ 2,381,643	\$ 21,871	\$ 4,541,121
Accrued payroll.....	866,340	-	-	10,255	876,595
Other liabilities.....	17,979	-	-	-	17,979
Notes payable.....	-	-	1,000,000	-	1,000,000
TOTAL LIABILITIES.....	3,020,896	1,030	3,381,643	32,126	6,435,695
DEFERRED INFLOWS OF RESOURCES					
Taxes paid in advance.....	259,911	10,028	-	-	269,939
Unavailable revenue.....	2,848,689	165,313	-	933,867	3,947,869
TOTAL DEFERRED INFLOWS OF RESOURCES.....	3,108,600	175,341	-	933,867	4,217,808
FUND BALANCES					
Nonspendable.....	-	-	-	15,934	15,934
Restricted.....	-	2,583,922	-	3,302,175	5,886,097
Committed.....	386,281	-	-	-	386,281
Unassigned.....	4,383,865	-	(2,251,565)	-	2,132,300
TOTAL FUND BALANCES.....	4,770,146	2,583,922	(2,251,565)	3,318,109	8,420,612
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 10,899,642	\$ 2,760,293	\$ 1,130,078	\$ 4,284,102	\$ 19,074,115

See notes to basic financial statements.

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

JUNE 30, 2019

Total governmental fund balances.....	\$	8,420,612
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		51,207,062
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		3,947,869
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		7,835,018
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(100,151)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(11,940,686)	
Net pension liability.....	(8,122,690)	
Net other postemployment benefits liability.....	(41,401,339)	
Capital lease obligations.....	(125,816)	
Workers' compensation.....	(426,000)	
Compensated absences.....	(984,000)	
Net effect of reporting long-term liabilities.....		<u>(63,000,531)</u>
Net position of governmental activities.....	\$	<u>8,309,879</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	General	Community Preservation Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 24,474,231	\$ -	\$ -	\$ -	\$ 24,474,231
Tax liens.....	343,450	-	-	-	343,450
Motor vehicle and other excise taxes.....	949,491	-	-	4,019	953,510
Hotel/motel tax.....	642,161	-	-	-	642,161
Meals tax.....	361,923	-	-	-	361,923
Slip fees.....	975,023	-	-	-	975,023
Penalties and interest on taxes.....	256,798	4,368	-	-	261,166
Fees and rentals.....	456,264	-	-	45,650	501,914
Payments in lieu of taxes.....	16,573	-	-	-	16,573
Intergovernmental - state aid.....	1,230,641	-	-	-	1,230,641
Intergovernmental - Teachers Retirement.....	1,465,243	-	-	-	1,465,243
Intergovernmental - other.....	45,152	-	-	1,966,451	2,011,603
Departmental and other.....	691,156	-	-	2,799,925	3,491,081
Community preservation taxes.....	-	606,637	-	-	606,637
Community preservation state match.....	-	161,806	-	-	161,806
Contributions and donations.....	-	-	-	350	350
Investment income.....	132,865	11,372	-	3,011	147,248
TOTAL REVENUES.....	32,040,971	784,183	-	4,819,406	37,644,560
EXPENDITURES:					
Current:					
General government.....	3,194,408	-	187,289	68,477	3,450,174
Public safety.....	4,239,054	-	12,856	2,279,208	6,531,118
Education.....	13,074,932	-	3,214,663	413,730	16,703,325
Public works.....	1,702,622	-	-	386,971	2,089,593
Community development.....	-	-	-	838,952	838,952
Health and human services.....	537,250	-	-	27,062	564,312
Culture and recreation.....	703,471	-	284,869	122,154	1,110,494
Community preservation.....	-	542,565	-	-	542,565
Pension benefits.....	1,066,129	-	-	-	1,066,129
Pension benefits - Teachers Retirement.....	1,465,243	-	-	-	1,465,243
Employee benefits.....	3,079,107	-	-	-	3,079,107
State and county charges.....	1,141,024	-	-	-	1,141,024
Debt service:					
Principal.....	1,033,500	-	-	-	1,033,500
Interest.....	387,968	-	-	-	387,968
TOTAL EXPENDITURES.....	31,624,708	542,565	3,699,677	4,136,554	40,003,504
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	416,263	241,618	(3,699,677)	682,852	(2,358,944)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds.....	-	-	2,250,000	-	2,250,000
Transfers in.....	565,247	-	40,000	4,002	609,249
Transfers out.....	(612,415)	-	-	(609,249)	(1,221,664)
TOTAL OTHER FINANCING SOURCES (USES)....	(47,168)	-	2,290,000	(605,247)	1,637,585
NET CHANGE IN FUND BALANCES.....	369,095	241,618	(1,409,677)	77,605	(721,359)
FUND BALANCES AT BEGINNING OF YEAR.....	4,401,051	2,342,304	(841,888)	3,240,504	9,141,971
FUND BALANCES AT END OF YEAR.....	\$ 4,770,146	\$ 2,583,922	\$ (2,251,565)	\$ 3,318,109	\$ 8,420,612

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds.....		\$	(721,359)
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.....	3,813,372		
Depreciation expense.....	<u>(1,946,480)</u>		
Net effect of reporting capital assets.....			1,866,892
Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....			
			(858,338)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.			
Principal payments on capital leases.....	58,870		
Issuance of bonds.....	(2,250,000)		
Debt service principal payments.....	<u>1,033,500</u>		
Net effect of reporting long-term debt.....			(1,157,630)
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.....	(35,000)		
Net amortization of premium from issuance of bonds.....	53,133		
Net change in accrued interest on long-term debt.....	14,611		
Net change in deferred outflow/(inflow) of resources related to pensions.....	2,572,674		
Net change in net pension liability.....	(2,707,744)		
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	7,332,860		
Net change in net other postemployment benefits liability.....	(10,148,501)		
Net change in workers' compensation liability.....	<u>170,000</u>		
Net effect of recording long-term liabilities.....			<u>(2,747,967)</u>
Change in net position of governmental activities.....		\$	<u>(3,618,402)</u>

See notes to basic financial statements.

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PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2019

		Business -type Activities - Wastewater Enterprise
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	1,324,123
Receivables, net of allowance for uncollectibles:		
User charges.....		763,349
Intergovernmental - debt subsidy.....		256,368
Special assessments.....		<u>392,403</u>
Total current assets.....		<u>2,736,243</u>
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental - debt subsidy.....		266,528
Special assessments.....		2,274,311
Capital assets, non depreciable.....		1,000,000
Capital assets, net of accumulated depreciation.....		<u>13,556,324</u>
Total noncurrent assets.....		<u>17,097,163</u>
TOTAL ASSETS.....		<u>19,833,406</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....		119,745
Deferred outflows related to other postemployment benefits.....		<u>229,128</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....		<u>348,873</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		19,132
Accrued interest.....		54,753
Bonds payable.....		<u>1,302,887</u>
Total current liabilities.....		<u>1,376,772</u>
NONCURRENT:		
Net pension liability.....		455,967
Net other postemployment benefits liability.....		1,329,622
Bonds payable.....		<u>3,561,778</u>
Total noncurrent liabilities.....		<u>5,347,367</u>
TOTAL LIABILITIES.....		<u>6,724,139</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....		12,444
Deferred inflows related to other postemployment benefits.....		<u>38,380</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....		<u>50,824</u>
NET POSITION		
Net investment in capital assets.....		10,808,002
Unrestricted.....		<u>2,599,314</u>
TOTAL NET POSITION.....	\$	<u><u>13,407,316</u></u>

See notes to basic financial statements.

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PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2019

	Business -type Activities - Wastewater Enterprise
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 972,950
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	610,930
Salaries and wages.....	378,059
Depreciation.....	452,019
TOTAL OPERATING EXPENSES.....	1,441,008
OPERATING INCOME (LOSS).....	(468,058)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest expense.....	(181,516)
Penalties and interest.....	18,189
Special Assessment Interest.....	59,810
Intergovernmental - subsidy.....	98,533
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(4,984)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(473,042)
<u>TRANSFERS:</u>	
Transfers in.....	612,415
CHANGE IN NET POSITION.....	139,373
NET POSITION AT BEGINNING OF YEAR.....	13,267,943
NET POSITION AT END OF YEAR.....	\$ 13,407,316

See notes to basic financial statements.

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PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	Business -type Activities - Wastewater Enterprise
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 1,014,290
Payments to vendors.....	(508,463)
Payments to employees.....	(378,059)
	<u>127,768</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>127,768</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers in.....	<u>612,415</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Principal payments on bonds and notes.....	(1,022,882)
Interest expense.....	(100,975)
Receipts from special assessments.....	<u>398,230</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(725,627)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	14,556
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>1,309,567</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 1,324,123</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ (468,058)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	452,019
Deferred (outflows)/inflows related to pensions.....	(143,968)
Deferred (outflows)/inflows related to other postemployment benefits.....	(236,816)
Penalties and interest.....	18,189
Changes in assets and liabilities:	
User charges.....	23,151
Warrants payable.....	7,757
Net pension liability.....	155,671
Other postemployment benefits.....	<u>319,823</u>
Total adjustments.....	<u>595,826</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 127,768</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Intergovernmental subsidy of debt service.....	\$ 343,199

See notes to basic financial statements.

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FIDUCIARY FUNDS STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Other Postemployment Benefit Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ -	\$ 117,333
Investments:		
Dukes County Pooled OPEB Trust.....	<u>263,716</u>	<u>-</u>
TOTAL ASSETS.....	<u>263,716</u>	<u>117,333</u>
LIABILITIES		
Liabilities due depositors.....	<u>-</u>	<u>117,333</u>
NET POSITION		
Restricted for other postemployment benefits.....	<u>\$ 263,716</u>	<u>\$ -</u>

See notes to basic financial statements.

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FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	Other Postemployment Benefit Trust Fund
ADDITIONS:	
Contributions:	
Employer contributions.....	\$ 30,000
Employer contributions for other postemployment benefit payments....	893,103
Total contributions.....	923,103
Net investment income:	
Investment income.....	13,604
Less: investment expense.....	(557)
Net investment income (loss).....	13,047
TOTAL ADDITIONS.....	936,150
DEDUCTIONS:	
Other postemployment benefit payments.....	893,103
NET INCREASE (DECREASE) IN NET POSITION.....	43,047
NET POSITION AT BEGINNING OF YEAR.....	220,669
NET POSITION AT END OF YEAR.....	\$ 263,716

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Oak Bluffs, 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 Board of Selectmen.

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

Joint Ventures

The Town is a member of the Martha's Vineyard Regional High School that provides for the education of the Town's high school students. The members share in the operations of the High School and each member is responsible for its proportionate share of the operational and capital cost of the High School, which are paid in the form of assessments. The Town does not have an equity interest in the High School and the 2019 assessment was \$5,033,791.

The Town is a member of the Joint Solid Waste Transfer Station (Transfer Station), a joint venture with the Town of Tisbury, Massachusetts, for the operation of a solid waste disposal facility. The members share in overseeing the operations of the Transfer Station. Each member is responsible for its proportionate share of the operational costs of the Transfer Station, which are paid in the form of assessments. As of June 30, 2019, the Town's equity interest in the operations, if any, of the Transfer Station is not reported in these basic financial statements.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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 the 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 of 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 or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

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 restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions 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. However, the effect of interfund services provided and used between functions is not eliminated as the 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 funds collected in accordance with the Community Preservation Act. The funds may be used for the creation, preservation and support of open space, historic resources, land for recreational use and affordable housing.

The *capital projects fund* accounts for resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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 of 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.

Proprietary 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *wastewater enterprise fund*, which is used to account for the wastewater activities, is reported as a major proprietary fund.

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

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *agency fund*, which is used to account for assets held in a purely custodial capacity, is reported as a fiduciary fund.

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. Fair Value Measurements

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

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

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

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

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

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible

that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds 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 and Personal Property Taxes

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 August 1st, November 1st, February 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.

The allowance for uncollectible real estate and personal property tax is estimated based on historical trends and specific account analysis.

Community Preservation Fund Surtax

Community Preservation Fund Surtaxes consist of an additional tax of up to 3% of the value in excess of \$100,000 of real property which is levied by the Town once voters accept the provisions of the Community Preservation Act.

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

Tax Liens

The Town has the ability to secure real estate tax and water and sewer liens by placing property into tax title. Tax liens are recorded as receivables in the year they are processed.

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair 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 uncollectible accounts is estimated based on historical trends and specific account analysis.

User Fees

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Wastewater charges are recorded as receivables in the year of the levy. Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Departmental and Other

Departmental and other receivables consist primarily of ambulance charges and tax foreclosures and are recorded as receivables in the year accrued. The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments in the wastewater fund consist of apportioned and unapportioned sewer betterments assessed to homeowners whose properties were improved through Town run sewer projects.

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

Intergovernmental

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 uncollectible accounts.

Community Preservation Fund State Share

Community Preservation Fund State Share represents the states matching portion of all funds collected through the Community Preservation Surtax.

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

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

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund 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.

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>
Land improvements.....	20
Buildings.....	20-50
Machinery and equipment.....	5-30
Vehicles.....	8
Infrastructure.....	10-65

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources related to pensions and other postemployment benefits 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 a consumption of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The Town has reported deferred inflows of resources related to pensions and other postemployment benefits 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 funds 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. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

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

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

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of

capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

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

Net position has been "restricted for" the following:

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

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

"Gifts and grants" represents restrictions placed on assets from outside parties.

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

"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. Assignments generally only exist temporarily. Additional action does not 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 will, from time to time, fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Pensions

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

O. Investment Income

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

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

P. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

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

R. Individual Fund Deficits

There is fund deficit in the Capital Projects Fund (\$2,251,565). This deficit will be funded through future grants, bond proceeds, and available fund balances.

S. Total Column*Government-Wide Financial Statements*

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

Governmental 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 (the Pool). The Town Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. MMDT maintains a cash portfolio. The cash portfolio had a weighted average maturity of 33 days.

The Town invests in the Dukes County Pooled OPEB Trust Fund (OPEB Trust) which is an investment pool

established by legislature of the Commonwealth of Massachusetts by way of Chapter 149 of the acts of 2010. The fair value of the Town's assets in the OPEB Trust totaled \$263,716 as of June 30, 2019. Details related to the OPEB Trust investments can be obtained by contacting the OPEB Trust at 9 Airport Road, Suite1, Vineyard Haven, MA 02568.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's policy addressing custodial credit risk over deposits is explained in the next paragraph. At year-end, the carrying amount of deposits totaled \$16,119,139, and the bank balance totaled \$15,637,514. Of the bank balance, \$2,314,611 was covered by Federal Depository Insurance, \$9,100,376 was covered by the Depositors Insurance Fund, \$39,009 was covered by the Share Insurance fund, \$2,724,750 was collateralized, and \$1,458,768 was uncollateralized.

It is the policy of the Town to maintain depository relationships with institutions that fully collateralize Town funds, beyond FDIC and DIF insurance, on deposit. Depending on the cash requirements of the Town there may be a need to maintain depository balances that are above and beyond FDIC, DIF and collateral agreement coverage. In these instances, the Town's uncollateralized deposits may not exceed 5% of an institution's assets and no more than 10% of the Town's cash.

At June 30, 2019, the Town was in compliance with its investment policy.

Custodial Credit Risk – Investments

It is the policy of the Town to invest only in the Massachusetts Municipal Depository Trust (MMDT), United States Treasury Notes and United States Agency obligations.

As of June 30, 2019, the Town had an investment with a fair market value of \$2,540,000 in an overnight Repurchase Agreement (REPO). Under the terms of the REPO, the bank agrees to sell and buy back a portion of the Bank's securities portfolio at the purchase price plus interest. The REPO is held by the bank, acting as the Town's agent. In the event of default, the Town has the right to direct the bank to sell the securities and apply the proceeds in satisfaction of the Repurchase Agreement. The REPO is not in the Town's name; however, it is fully collateralized with Collateralized Debt Securities issued by the U.S. Government and U.S. Government Sponsored Enterprises. The REPO is not rated, and the collateral has a Standard & Poors rating of AA+.

Interest & Credit Rate Risk

Town policy dictates that funds may not be invested in fixed income securities of the United States government longer than one year from date of purchase.

The Town does not possess any investments at June 30, 2019 that are subject to interest rate or credit rate risk.

Concentration of Credit Risk

Town policy dictates that, with the exception of MMDT and United States Treasuries or Agencies, no more than 65% of the Town's investments can be invested in a single issuer or financial institution.

The Town does not possess any investments at June 30, 2019 that are subject to concentration of credit risk disclosures.

Fair Value Measurement

The Town does not hold any investments that are measured at fair value on a recurring basis.

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

NOTE 3 - RECEIVABLES

At June 30, 2019, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes..... \$	817,299	\$ -	\$ 817,299
Tax liens.....	1,737,805	-	1,737,805
Community preservation fund surtax.....	17,143	-	17,143
Motor vehicle and other excise taxes.....	215,374	(29,445)	185,929
Departmental and other.....	2,255,426	(1,805,535)	449,891
Intergovernmental.....	560,698	-	560,698
Tax foreclosures.....	504,446	-	504,446
Community preservation state share.....	123,222	-	123,222
	<u>\$ 6,231,413</u>	<u>\$ (1,834,980)</u>	<u>\$ 4,396,433</u>

At June 30, 2019, receivables for the wastewater enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges..... \$	763,349	\$ -	\$ 763,349
Intergovernmental - debt subsidy.....	522,896	-	522,896
Special assessments.....	2,666,714	-	2,666,714
	<u>\$ 3,952,959</u>	<u>\$ -</u>	<u>\$ 3,952,959</u>

Governmental funds report *unavailable revenue* 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 *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 445,456	\$ 1,807	\$ 447,263
Tax liens.....	1,712,858	24,947	1,737,805
Community preservation fund surtax.....	-	17,143	17,143
Motor vehicle and other excise taxes.....	185,929	-	185,929
Departmental and other.....	-	449,891	449,891
Intergovernmental.....	-	482,170	482,170
Community preservation state share.....	-	123,222	123,222
Tax foreclosures.....	504,446	-	504,446
 Total.....	 \$ 2,848,689	 \$ 1,099,180	 \$ 3,947,869

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 11,021,778	\$ 3,214,663	\$ -	\$ 14,236,441
 <u>Capital assets being depreciated:</u>				
Land improvements.....	3,390,460	171,924	-	3,562,384
Buildings.....	32,992,084	-	-	32,992,084
Machinery and equipment.....	2,603,154	20,000	-	2,623,154
Vehicles.....	5,398,099	35,320	-	5,433,419
Infrastructure.....	20,295,463	371,465	-	20,666,928
 Total capital assets being depreciated.....	 64,679,260	 598,709	 -	 65,277,969
 <u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,203,517)	(159,297)	-	(1,362,814)
Buildings.....	(10,373,865)	(792,915)	-	(11,166,780)
Machinery and equipment.....	(1,552,285)	(170,015)	-	(1,722,300)
Vehicles.....	(4,335,871)	(330,612)	-	(4,666,483)
Infrastructure.....	(8,895,330)	(493,641)	-	(9,388,971)
 Total accumulated depreciation.....	 (26,360,868)	 (1,946,480)	 -	 (28,307,348)
 Total capital assets being depreciated, net.....	 38,318,392	 (1,347,771)	 -	 36,970,621
 Total governmental activities capital assets, net.....	 \$ 49,340,170	 \$ 1,866,892	 \$ -	 \$ 51,207,062

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
 <u>Capital assets being depreciated:</u>				
Land improvements.....	257,765	-	-	257,765
Buildings.....	5,858,898	-	-	5,858,898
Machinery and equipment.....	2,554,580	-	-	2,554,580
Vehicles.....	120,129	-	-	120,129
Infrastructure.....	11,317,809	-	-	11,317,809
 Total capital assets being depreciated.....	 20,109,181	 -	 -	 20,109,181
 <u>Less accumulated depreciation for:</u>				
Land improvements.....	(212,653)	(12,888)	-	(225,541)
Buildings.....	(1,721,833)	(121,239)	-	(1,843,072)
Machinery and equipment.....	(1,427,623)	(87,126)	-	(1,514,749)
Vehicles.....	(97,746)	(4,974)	-	(102,720)
Infrastructure.....	(2,640,983)	(225,792)	-	(2,866,775)
 Total accumulated depreciation.....	 (6,100,838)	 (452,019)	 -	 (6,552,857)
 Total capital assets being depreciated, net.....	 14,008,343	 (452,019)	 -	 13,556,324
 Total business-type activities capital assets, net....	 \$ 15,008,343	 \$ (452,019)	 \$ -	 \$ 14,556,324

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

Governmental Activities:

General government.....	\$ 411,598
Public safety.....	675,373
Education.....	283,964
Public works.....	408,066
Health and human services.....	16,094
Culture and recreation.....	151,385

Total depreciation expense - governmental activities..... \$ 1,946,480

Business-Type Activities:

Wastewater.....	\$ <u>452,019</u>
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NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended June 30, 2019, are summarized as follows:

	Transfers In:				
Transfers Out:	General Fund	Capital Projects Fund	Nonmajor governmental funds	Wastewater Enterprise fund	Total
General fund.....	\$ -	\$ -	\$ -	\$ 612,415	\$ 612,415 (a)
Nonmajor governmental funds.....	565,247	40,000	4,002	-	609,249 (b)
Total.....	\$ 565,247	\$ 40,000	\$ 4,002	\$ 612,415	\$ 1,221,664

(a) = Budgeted transfer to subsidize Wastewater Enterprise fund debt service.

(b) = Budgeted transfers from Ferry Fee Receipts, Ambulance Revolving, Fuel Facility Fees and other receipts to offset the General Fund costs.

NOTE 6 - CAPITAL LEASES

The Town has entered into a lease agreement to finance the acquisition of a street sweeper and 2 trucks for the highway department. These lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The following identifies the asset acquired through the capital lease agreement:

Asset:	Governmental Activities
Machinery and equipment.....	\$ 299,730
Less: accumulated depreciation...	(146,537)
Total.....	\$ 153,193

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2019, are as follows:

Years ending June 30:	Governmental Activities
2020.....	\$ 67,191
2021.....	67,191
Total minimum lease payments.....	134,382
Less: amounts representing interest.....	(8,566)
Present value of minimum lease payments... \$	125,816

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.

As of June 30, 2019 the Town had the following short-term debt outstanding in the governmental funds:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
Governmental Funds:							
BAN	Town Hall Construction.....	1.95%	05/15/19	\$ 1,000,000	\$ -	\$ (1,000,000)	-
BAN	School Roof.....	2.00%	10/17/18	50,000	-	(50,000)	-
BAN	Harbor Repairs.....	2.00%	10/17/18	80,000	-	(80,000)	-
BAN	Town Hall Construction.....	2.14%	05/15/20		1,000,000	-	1,000,000
BAN	Various Capital Projects.....	2.14%	10/17/19		2,250,000	(2,250,000)	-
Total Governmental Funds.....				\$ 1,130,000	\$ 3,250,000	\$ (3,380,000)	\$ 1,000,000

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."

Details related to the governmental activities outstanding indebtedness at June 30, 2019, 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, 2019
Building Remodeling.....	2023	\$ 250,000	2% - 3%	\$ 100,000
Library construction.....	2024	3,500,000	3% - 4.63%	875,000
Dredging.....	2025	500,000	2% - 3%	240,000
Architectural Services Building- Town Hall.....	2024	239,150	2% - 5%	150,000
Building Remodeling- Fire.....	2035	8,288,000	2% - 5%	7,040,000
Public Way.....	2028	975,146	2% - 5%	750,000
Building Remodeling- Fire.....	2024	287,000	2% - 5%	180,000
Fuel Facility.....	2040	2,250,000	2.25% - 5%	2,250,000
 Total Bonds Payable.....		 <u>\$ 21,021,496</u>		 11,585,000
 Add: Unamortized premium on bonds.....				 <u>355,686</u>
 Total Bonds Payable, net.....				 <u>\$ 11,940,686</u>

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

Year	Principal	Interest	Total
2020.....	\$ 785,000	\$ 325,656	\$ 1,110,656
2021.....	908,994	369,035	1,278,029
2022.....	908,994	325,942	1,234,936
2023.....	908,994	282,200	1,191,194
2024.....	883,994	238,457	1,122,451
2025.....	708,994	203,640	912,634
2026.....	609,814	185,247	795,061
2027.....	609,814	167,896	777,710
2028.....	608,421	148,707	757,128
2029.....	607,028	128,057	735,085
2030.....	530,635	111,542	642,177
2031.....	522,276	96,188	618,464
2032.....	522,276	81,042	603,318
2033.....	522,276	65,638	587,914
2034.....	517,276	50,052	567,328
2035.....	511,703	34,423	546,126
2036.....	511,703	18,671	530,374
2037.....	101,699	9,709	111,408
2038.....	101,703	7,358	109,061
2039.....	101,703	4,957	106,660
2040.....	101,703	2,504	104,207
 Total.....	 <u>\$ 11,585,000</u>	 <u>\$ 2,856,923</u>	 <u>\$ 14,441,923</u>

Bonds Payable Schedule – Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Wastewater	2028	\$ 22,566,961	4% - 4.8%	\$ 4,864,665

Debt service requirements for principal and interest for the Wastewater Enterprise Fund bonds and notes payable in future years are as follows:

Year	Principal	Interest	Total
2020.....	\$ 1,302,887	\$ 146,379	\$ 1,449,266
2021.....	1,315,440	90,719	1,406,159
2022.....	404,103	55,913	460,016
2023.....	407,217	42,992	450,209
2024.....	280,391	33,856	314,247
2025.....	283,631	26,256	309,887
2026.....	286,937	19,351	306,288
2027.....	290,310	12,378	302,688
2028.....	293,749	5,337	299,086
Total.....	\$ 4,864,665	\$ 433,181	\$ 5,297,846

The Town's Wastewater Enterprise Fund is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$522,896 and interest costs of \$89,954. Thus, net MCWT loan repayments, including interest, are scheduled to be \$1,395,588. The principal subsidies are guaranteed and therefore a \$522,896 intergovernmental receivable has been reported in the enterprise fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2019 principal and interest subsidies totaled \$244,666 and \$98,533, respectively.

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, 2019, the Town had the following authorized and unissued debt:

Purpose	Amount
Culvert repair.....	\$ 250,000
Town Hall construction.....	9,880,753
Oak Bluffs harbor electrical.....	80,000
Oak Bluffs harbor office replacement.....	250,000
Oak Bluffs elementary school roof repair.....	350,000
Oak Bluffs elementary school renovation and repair.....	7,790,270
Total.....	\$ 18,601,023

Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds Redeemed	Bonds Issued	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 10,368,500	\$ (1,033,500)	\$ 2,250,000	\$ -	\$ -	\$ 11,585,000	\$ 785,000
Add: Unamortized premium on bonds.....	408,819	-	-	-	(53,133)	355,686	47,991
Total bonds payable.....	10,777,319	(1,033,500)	2,250,000	-	(53,133)	11,940,686	832,991
Capital lease obligations.....	184,686	-	-	-	(58,870)	125,816	61,522
Compensated absences.....	949,000	-	-	165,000	(130,000)	984,000	139,000
Workers' compensation.....	596,000	-	-	84,000	(254,000)	426,000	219,000
Net pension liability.....	5,414,946	-	-	4,085,540	(1,377,796)	8,122,690	-
Other postemployment benefits.....	31,252,838	-	-	11,018,765	(870,264)	41,401,339	-
Total governmental activity long-term liabilities.....	\$ 49,174,789	\$ (1,033,500)	\$ 2,250,000	\$ 15,353,305	\$ (2,744,063)	\$ 63,000,531	\$ 1,252,513
 Business-Type Activities:							
Long-term bonds payable.....	\$ 6,132,213	\$ (1,267,548)	\$ -	\$ -	\$ -	\$ 4,864,665	\$ 1,302,887
Net pension liability.....	300,296	-	-	237,751	(82,080)	455,967	-
Other postemployment benefits.....	1,009,799	-	-	372,662	(52,839)	1,329,622	-
Total business-type activity long-term liabilities.....	\$ 7,442,308	\$ (1,267,548)	\$ -	\$ 610,413	\$ (134,919)	\$ 6,650,254	\$ 1,302,887

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town reports the following information in order 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.

At June 30, 2019, \$2,069,411 has been set aside in a general stabilization fund and \$102,997 has been set aside in the Solid Waste Land Stabilization Fund. These funds are classified as part of the general fund in the governmental funds financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the Town are dependent upon authorization and approval of Town Meeting. The stabilization funds can be used for general and/or capital purposes upon approval of Town Meeting. Additions to the fund can only be made upon Town Meeting approval.

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. The Town's highest level of decision making authority is the Annual Town Meeting.
- 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.

As of June 30, 2019, the governmental fund balances consisted of the following:

	General	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal..... \$	-	-	-	15,934	15,934
Restricted for:					
Community preservation fund.....	-	2,583,922	-	-	2,583,922
Revolving fund.....	-	-	-	132,997	132,997
Ambulance revolving fund.....	-	-	-	93,335	93,335
Federal grants.....	-	-	-	21,366	21,366
State grants.....	-	-	-	509,108	509,108
Reserve for appropriation.....	-	-	-	666,564	666,564
Highway improvements fund.....	-	-	-	582	582
School lunch fund.....	-	-	-	41,975	41,975
Other special revenue.....	-	-	-	643,726	643,726
Expendable trust funds.....	-	-	-	1,192,522	1,192,522
Committed to:					
General government.....	213,701	-	-	-	213,701
Public safety.....	131,962	-	-	-	131,962
Public works.....	40,618	-	-	-	40,618
Unassigned.....	4,383,865	-	(2,251,565)	-	2,132,300
Total Fund Balances..... \$	4,770,146	2,583,922	(2,251,565)	3,318,109	8,420,612

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 carries commercial insurance.

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 to 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 is self-insured for workers' compensation costs. Expenditures are recorded when the claim is incurred. The Town estimates its future workers' compensation liability based on history and injury type. At June 30, 2019, the amount of the estimated liability for workers' compensation claims totaled approximately \$426,000. Changes in the reported liability since July 1, 2018 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2018..... \$	-	622,000	(26,000)	596,000	219,000
2019.....	596,000	(127,000)	(43,000)	426,000	219,000

NOTE 11 - PENSION PLAN*Plan Descriptions*

The Town is a member of the Dukes County Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 15 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$1,465,243 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$14,459,320 as of the measurement date.

Benefits Provided

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

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the Dukes County Contributory Retirement System a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution was \$1,093,943 which equaled its actual contribution for the year ended December 31, 2018. The System-wide required contribution was allocated based on covered payroll and actuarial measurements. The Town's portion of System-wide covered payroll was 17.57% of covered payroll. The Town's contribution is expected to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2019, the Town reported a liability of \$8,578,657 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, updating procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2018, the Town's proportion was 17.17%, which changed from its 17.23% proportion measured at December 31, 2017.

Pension Expense

For the year ended June 30, 2019, the Town recognized pension expense of \$1,240,716. At June 30, 2019, the Town reported deferred outflows of resources related to pensions of \$2,252,902 and deferred inflows of resources relates to pensions of \$234,115. These deferred amounts are the net differences between projected and actual investment earnings on pension plan investments, changes in assumptions, and changes in proportionate share of contributions.

The balances of deferred outflows and inflows of resources at June 30, 2019, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 64,242	\$ (64,677)	\$ (435)
Difference between projected and actual earnings.....	900,648	-	900,648
Changes in assumptions.....	1,280,659	-	1,280,659
Changes in proportion and proportionate share of contributions...	7,353	(169,438)	(162,085)
Total deferred outflows/(inflows) of resources.....	\$ 2,252,902	\$ (234,115)	\$ 2,018,787

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

Year ended June 30:	
<hr/>	
2020.....	\$ (540,792)
2021.....	(389,907)
2022.....	(372,219)
2023.....	(631,075)
Thereafter.....	<u>(84,794)</u>
 Total.....	 \$ <u><u>(2,018,787)</u></u>

Actuarial Assumptions

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

Valuation date.....	January 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method - UAAL.....	Increasing dollar amount at 4.5% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2030.
Amortization method - 2002 & 2003 ERI...	Increasing dollar amount at 4.5% to reduce the Unfunded Actuarial Accrued Liability attributable to ERI's to zero on or before June 30, 2028.
Remaining amortization period.....	11 years for the UAAL as of December 31, 2018. 9 years for the 2002 and 2003 ERI as of December 31, 2018.
Asset valuation method.....	The Actuarial Value of Assets is the fair value of assets as of the valuation date reduced by the sum of: <ul style="list-style-type: none"> a) 80% of gains and losses of the prior year, b) 60% of gains and losses of the second prior year, c) 40% of gains and losses of the third prior year and d) 20% of gains and losses of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.

Investment rate of return/Discount rate.....	7.50% per year, net of pension plan investment expense, includi
Inflation rate.....	3% per year
Projected salary increases.....	6% - 4.25% for general employees and 7% - 4.75% for public safety, depending on years of service.
Payroll growth.....	4% per year
Cost of living adjustments.....	Cost of living adjustments are assumed to be 3% of the pension capped at \$420 per year.
Mortality rates.....	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled members, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

Investment policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	40.00%	4.60%
International equity.....	15.00%	3.20%
Alternatives - Private equity	5.00%	10.50%
Hedge funds.....	2.50%	1.60%
Real estate.....	10.00%	6.20%
Timber.....	2.50%	3.60%
Fixed income	25.00%	1.60%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -1.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
The Town's proportionate share of the net pension liability.....	\$ 12,675,655	\$ 8,578,657	\$ 5,111,917

Changes in Assumptions – Change in discount rate from 7.75% to 7.50%

Changes in Plan Provisions – None

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Oak Bluffs 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.

The Town adopted MGL, Chapter 32B, Section 18, requiring all Medicare-eligible retirees to enroll in a Medicare supplement plan. The effects of this adoption have been included in the actuarial determination of other postemployment benefits (OPEB) liabilities by the Town’s actuary.

Plan Membership – The Plan’s membership at June 30, 2019 is presented at the top of the following page.

Active members.....	150
Inactive members currently receiving benefits.....	74
	74
Total.....	224
	224

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.

During 2019, the Town pre-funded future OPEB liabilities by contributing \$30,000 to the Dukes County Pooled Other Postemployment Benefits Trust Fund. This amount is in excess of the pay-as-you required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2019, the balance of this fund totaled \$263,716.

The annual money-weighted rate of return on the OPEB plan investments was 6.26%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$	42,994,677
Less: OPEB plan’s fiduciary net position.....		(263,716)
		(263,716)
Net OPEB liability.....	\$	42,730,961
		42,730,961
The OPEB plan’s fiduciary net position		
as a percentage of the total OPEB liability.....		0.61%

Significant Actuarial Methods and Assumptions – The Plan’s total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial methods and assumptions applied to all periods included in the measurement that was updated to June 30, 2019:

Valuation date.....	July 1, 2018
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Increasing at 3.5% over 30 years on an open amortization period
Amortization period.....	30 years
Asset valuation method.....	Market value
Inflation rate.....	2.60% per year
Discount rate.....	3.5%, net of investment expenses, including inflation

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Municipal bond rate.....	3.5%, based on the Bond Buyer 20-Bond GO Index published on June 27, 20
Healthcare cost trend rate.....	8% for 2018, decreasing 0.5% per year to 5.5%, then grading down to an ultimate trend rate of 3.9%
Pre-Retirement Mortality (General and Public Safety employees).....	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Post-Retirement Mortality (General and Public Safety employees).....	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Pre-Retirement Mortality (Teachers).....	RP-2014 Employees Mortality Table, base year 2014, projected with generational mortality improvement using MP-2016
Post-Retirement Mortality (Teachers).....	RP-2014 Healthy Annuitant Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016

Investment policy

The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2019 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity.....	35.00%	4.20%
Mid Cap Equity.....	10.00%	6.60%
Small Cap Equity.....	10.00%	7.10%
International Equity.....	15.00%	2.80%
Real Estate.....	10.00%	6.00%
Fixed Income.....	20.00%	2.00%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the plan’s

funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, the 3.50% municipal bond rate was applied to all periods to determine the total OPEB liability. The 3.50% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 29, 2019.

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 3.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability.....	\$ 51,257,594	\$ 42,730,961	\$ 36,098,607

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net OPEB liability, calculated with a current rate of 8% year 1, decreasing to 5.5%, if it was 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (7.00%)	Current Trend (8.00%)	1% Increase (9.00%)
Net OPEB liability.....	\$ 34,637,486	\$ 42,730,961	\$ 53,993,248

Changes in Assumptions – The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Changes in Plan Provisions – There were no changes in plan provisions.

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018.....	\$ 32,483,306	\$ 220,669	\$ 32,262,637
Changes for the year:			
Service cost.....	1,623,350	-	1,623,350
Interest.....	1,302,646	-	1,302,646
Differences between expected and actual experience.....	787,763	-	787,763
Changes in assumptions and other inputs.....	7,690,715	-	7,690,715
Employer contributions.....	-	923,103	(923,103)
Net investment income.....	-	13,047	(13,047)
Benefit payments.....	(893,103)	(893,103)	-
Net change.....	<u>10,511,371</u>	<u>43,047</u>	<u>10,468,324</u>
Balances at June 30, 2019.....	<u>\$ 42,994,677</u>	<u>\$ 263,716</u>	<u>\$ 42,730,961</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$3,821,781. At June 30, 2019, the Town reported deferred outflows of resources of \$7,344,246 related primarily to changes in assumptions. The Town also reported deferred inflows of resources of \$1,229,966 related to changes in assumptions.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement date year ended June 30:	
2020.....	\$ 911,380
2021.....	911,381
2022.....	911,380
2023.....	910,794
2024.....	910,279
Thereafter.....	<u>1,559,066</u>
Total.....	<u>\$ 6,114,280</u>

NOTE 13 - COMMITMENTS

The Town has various outstanding obligations and commitments for engineering, design, and monitoring activity relating to the East Chop Bluff infrastructure stabilization, beach and waterway restoration and rejuvenation projects, construction work related to the wastewater treatment plant expansion as well as monitoring activity over the Ocean Park effluent beds as mandated by the Commonwealth of Massachusetts Department of Environmental Protection.

NOTE 14 - CONTINGENCIES*Federal Grants*

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still 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.

Other

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, cannot be ascertained, management believes any resulting liability should not materially affect the Town's financial position at June 30, 2019.

During 2011, the Town, along with a designated developer, commenced a project that resulted in the conversion of the Town's former library building into a mix of retail and affordable housing units. Although the main source of funding for this project is a combination of grant funding and Town Meeting warrant articles from the Community Preservation Fund, a portion of the project is reliant upon a mortgage that was drawn in the name of the developer but collateralized in full by the old library building whose title vests with the Town. In the event of a default by the developer the Town is liable for the remaining balance of the unpaid mortgage. The mortgage is due to mature on April 15, 2026.

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

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March _____, 2020, which is the date the financial statements were available to be issued.

NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.

- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

Management is currently assessing the impact the implementation of these pronouncements 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, 2019

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 24,730,950	\$ 24,697,344	\$ 24,392,662	\$ -	\$ (304,682)
Tax liens.....	-	-	343,450	-	343,450
Motor vehicle and boat excise taxes.....	885,000	829,000	949,491	-	120,491
Hotel/motel tax.....	367,424	525,000	642,161	-	117,161
Meals tax.....	280,000	275,000	361,923	-	86,923
Slip fees.....	925,000	900,000	975,023	-	75,023
Penalties and interest on taxes.....	250,000	325,000	256,798	-	(68,202)
Fees and rentals.....	328,637	335,136	456,264	-	121,128
Payments in lieu of taxes.....	-	14,000	16,573	-	2,573
Intergovernmental.....	1,245,479	1,122,061	1,230,641	-	108,580
Departmental and other.....	566,500	638,864	691,158	-	52,294
Investment income.....	10,000	15,000	123,529	-	108,529
TOTAL REVENUES.....	29,588,990	29,676,405	30,439,673	-	763,268
EXPENDITURES:					
Current:					
General government.....	3,325,146	3,419,253	3,194,408	213,701	11,144
Public safety.....	4,256,372	4,384,630	4,239,054	131,962	13,614
Education.....	13,095,611	13,095,611	13,074,932	-	20,679
Public works.....	1,817,162	1,746,306	1,702,622	40,618	3,066
Health and human services.....	579,238	544,930	537,250	-	7,680
Culture and recreation.....	704,288	703,950	703,471	-	479
Pension benefits.....	1,066,129	1,066,129	1,066,129	-	-
Employee benefits.....	3,022,685	3,079,107	3,079,107	-	-
State and county charges.....	1,101,017	1,122,060	1,141,024	-	(18,964)
Debt service:					
Principal.....	1,503,752	1,503,752	1,503,752	-	-
Interest.....	475,481	484,981	484,981	-	-
TOTAL EXPENDITURES.....	30,946,881	31,150,709	30,726,730	386,281	37,698
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,357,891)	(1,474,304)	(287,057)	(386,281)	800,966
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	463,099	463,099	-	-	(463,099)
Use of free cash.....	382,667	424,080	-	-	(424,080)
Use of overlay.....	-	50,000	-	-	(50,000)
Transfers in.....	512,125	537,125	565,247	-	28,122
TOTAL OTHER FINANCING SOURCES (USES).....	1,357,891	1,474,304	565,247	-	(909,057)
NET CHANGE IN FUND BALANCE.....	-	-	278,190	(386,281)	(108,091)
BUDGETARY FUND BALANCE, Beginning of year.....	1,947,708	1,947,708	1,947,708	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,947,708	\$ 1,947,708	\$ 2,225,898	\$ (386,281)	\$ (108,091)

See notes to required supplementary information.

Pension Plan Schedules

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

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

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

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

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2018.....	17.17%	\$ 8,578,657	\$ 6,226,783	137.77%	75.54%
December 31, 2017.....	17.23%	5,715,242	6,516,497	87.70%	82.43%
December 31, 2016.....	17.23%	7,912,331	6,471,406	122.27%	74.21%
December 31, 2015.....	17.75%	6,972,502	6,388,520	109.14%	76.51%
December 31, 2014.....	18.53%	6,395,071	6,142,808	104.11%	76.17%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

DRAFT

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019.....	\$ 1,093,943	\$ (1,093,943)	- \$	6,277,024	17.43%
June 30, 2018.....	1,041,850	(1,041,850)	-	6,566,497	15.87%
June 30, 2017.....	1,044,002	(1,044,002)	-	6,521,406	16.01%
June 30, 2016.....	1,027,947	(1,027,947)	-	6,438,520	15.97%
June 30, 2015.....	997,263	(997,263)	-	6,192,808	16.10%

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

See notes to required supplementary information.

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SCHEDULE OF THE SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2019.....	\$ 14,459,320	\$ 1,465,243	54.84%
2018.....	13,766,349	1,436,834	54.25%
2017.....	14,207,128	1,449,220	52.73%
2016.....	13,130,323	1,064,986	55.38%
2015.....	10,014,351	695,745	61.64%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service Cost.....	\$ 2,013,706	\$ 1,695,270	\$ 1,623,350
Interest.....	1,022,190	1,194,714	1,302,646
Changes of benefit terms.....	-	(47,363)	-
Differences between expected and actual experience....	-	-	787,763
Changes of assumptions.....	(4,545,382)	(1,685,510)	7,690,715
Benefit payments.....	<u>(632,098)</u>	<u>(700,894)</u>	<u>(893,103)</u>
Net change in total OPEB liability.....	(2,141,584)	456,217	10,511,371
Total OPEB liability - beginning.....	<u>34,168,673</u>	<u>32,027,089</u>	<u>32,483,306</u>
Total OPEB liability - ending (a).....	<u>\$ 32,027,089</u>	<u>\$ 32,483,306</u>	<u>\$ 42,994,677</u>
Plan fiduciary net position			
Employer contributions.....	\$ -	\$ 130,000	\$ 923,103
Employer contributions for OPEB payments.....	632,098	700,894	-
Net investment income.....	3,525	7,097	13,047
Benefit payments.....	<u>(632,098)</u>	<u>(700,894)</u>	<u>(893,103)</u>
Net change in plan fiduciary net position.....	3,525	137,097	43,047
Plan fiduciary net position - beginning of year.....	<u>80,047</u>	<u>83,572</u>	<u>220,669</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 83,572</u>	<u>\$ 220,669</u>	<u>\$ 263,716</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 31,943,517</u>	<u>\$ 32,262,637</u>	<u>\$ 42,730,961</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.26%	0.68%	0.61%
Covered-employee payroll.....	\$ 10,905,737	\$ 11,853,400	\$ 11,431,445
Net OPEB liability as a percentage of covered-employee payroll.....	292.91%	272.18%	373.80%

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

See notes to required supplementary information.

DRAFT

SCHEDULE OF THE TOWN'S CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2019.....	\$ 2,863,098	\$ (953,103)	\$ 1,909,995	\$ 11,431,445	8.34%
June 30, 2018.....	2,795,453	(800,894)	1,994,559	11,853,400	6.76%
June 30, 2017.....	2,401,728	(632,098)	1,769,630	10,905,737	5.80%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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SCHEDULE OF INVESTMENT RETURNS OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2019.....	6.26%
June 30, 2018.....	4.26%
June 30, 2017.....	4.42%

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

See notes to required supplementary information.

NOTE A - BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Information

Municipal Law requires the Town to adopt an annual balanced budget that is recommended by the Finance Committee and Board of Selectmen and approved by Town Meeting. The budget, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses is presented to the Open Town Meeting. 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 can occur with a Special Town Meeting vote. During the last two months of the fiscal year, Town Meeting approval is not required and these increases or transfers can be approved with approval of both the Finance Committee and Board of Selectmen. 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 two-thirds majority vote at a Special Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2019 approved budget authorized approximately \$30 million in appropriations and other amounts to be raised inclusive of \$463,000 in carryforwards from the prior year. During 2019, Town Meetings approved supplemental appropriations of approximately \$204,000 for various departmental purposes.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2019, is presented below:

Net change in fund balance - budgetary basis.....	\$	278,190
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		9,336
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		81,569
Recognition of revenue for on-behalf payments.....		1,465,243
Recognition of expenditures for on-behalf payments.....		<u>(1,465,243)</u>
Net change in fund balance - GAAP basis.....	\$	<u>369,095</u>

NOTE B – PENSION PLAN***Pension Plan Schedules***Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of the Town's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions – Change in discount rate from 7.75% to 7.50%

Changes in Plan Provisions – None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered – employee payroll.

Schedule of Investment Return

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

Changes in Assumptions

Change in discount rate from 3.87% to 3.5%

Changes in Plan Provisions

None