

TOWN OF OAK BLUFFS, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2021

TOWN OF OAK BLUFFS, MASSACHUSETTS

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FOR THE YEAR ENDED JUNE 30, 2021

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Independent Auditor's Report

To the Honorable Select Board
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, 2021, 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, 2021, 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 July 22, 2022 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* in considering the effectiveness of the Town of Oak Bluffs, Massachusetts internal control over financial reporting and compliance.



July 22, 2022

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Oak Bluffs (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. 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, community preservation, and interest. 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*.

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 and capital projects fund are considered major funds 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 proprietary 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 \$20.1 million at the close of 2021.

Net position of \$49.2 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 \$5.1 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 \$34.2 million and this is largely due to the recognition of a \$44.5 million other postemployment benefits liability and a \$4 million net pension liability.

Governmental Activities

	2021	(as revised) 2020
	<u>2021</u>	<u>2020</u>
Assets:		
Current assets.....	\$ 30,547,414	\$ 17,668,863
Capital assets, non depreciable.....	17,250,646	11,467,561
Capital assets, net of accumulated depreciation....	44,643,955	45,293,226
Total assets.....	<u>92,442,015</u>	<u>74,429,650</u>
Deferred outflows of resources.....	<u>15,221,140</u>	<u>16,755,627</u>
Liabilities:		
Current liabilities (excluding debt).....	4,847,806	3,592,826
Noncurrent liabilities (excluding debt).....	47,494,146	58,543,245
Current debt.....	2,261,576	2,646,611
Noncurrent debt.....	30,419,900	16,162,872
Total liabilities.....	<u>85,023,428</u>	<u>80,945,554</u>
Deferred inflows of resources.....	<u>15,515,744</u>	<u>3,450,202</u>
Net position:		
Net investment in capital assets.....	37,797,569	38,034,148
Restricted.....	5,083,798	4,677,052
Unrestricted.....	(35,757,384)	(35,921,679)
Total net position.....	<u>\$ 7,123,983</u>	<u>\$ 6,789,521</u>

Net position of \$37.8 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 \$5.1 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 \$35.8 million and this is largely due to the recognition of a \$42.9 million net OPEB liability as well as a \$3.7 million net pension liability.

	2021	(as revised) 2020
	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for services..... \$	4,842,222	\$ 4,641,142
Operating grants and contributions.....	5,193,669	4,573,696
Capital grants and contributions.....	422,692	1,284,649
General Revenues:		
Real estate and personal property taxes, and tax liens, net of tax refunds payable.....	26,739,474	25,093,030
Motor vehicle and other excise taxes.....	1,042,180	971,439
Hotel/motel tax.....	1,420,538	1,000,868
Meals tax.....	246,873	353,789
Community preservation tax.....	844,816	793,069
Penalties and interest on taxes.....	514,404	229,522
Payments in lieu of taxes.....	15,951	15,090
Grants and contributions not restricted to specific programs.....	328,311	489,804
Unrestricted investment income.....	54,728	187,923
Total revenues.....	<u>41,665,858</u>	<u>39,634,021</u>
Expenses:		
General government.....	5,726,207	5,214,275
Public safety.....	9,738,546	8,237,138
Education.....	19,090,200	20,664,398
Public works.....	2,181,577	2,720,763
Community development.....	667,559	826,656
Health and human services.....	960,762	633,927
Culture and recreation.....	1,385,557	1,217,658
Community preservation.....	734,760	643,514
Interest.....	543,272	477,408
Total expenses.....	<u>41,028,440</u>	<u>40,635,737</u>
Excess (Deficiency) before transfers.....	637,418	(1,001,716)
Transfers.....	<u>(302,956)</u>	<u>(635,977)</u>
Change in net position.....	334,462	(1,637,693)
Net position, beginning of year (as revised).....	<u>6,789,521</u>	<u>8,427,214</u>
Net position, end of year..... \$	<u><u>7,123,983</u></u>	<u><u>6,789,521</u></u>

The governmental activities net position increased by \$334,000 during the current year which compares to a decrease of \$1.6 million in the prior year. The current year change in net position is net of a few offsetting items: 1) the recognition of capital grant revenue; 2) increased expenses associated with the net pension and other postemployment benefits; and 3) positive results on the budgetary basis.

Business-type Activities Financial Analysis

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

	2021	2020
Assets:		
Current assets.....	\$ 1,905,014	\$ 2,620,942
Noncurrent assets (excluding capital).....	1,609,004	1,939,873
Capital assets, non depreciable.....	1,000,000	1,000,000
Capital assets, net of accumulated depreciation....	12,652,287	13,104,306
Total assets.....	17,166,305	18,665,121
Deferred outflows of resources.....	520,629	559,541
Liabilities:		
Current liabilities (excluding debt).....	58,990	92,560
Noncurrent liabilities (excluding debt).....	1,851,566	1,943,836
Current debt.....	404,103	1,315,440
Noncurrent debt.....	1,842,235	2,246,338
Total liabilities.....	4,156,894	5,598,174
Deferred inflows of resources.....	532,246	156,627
Net position:		
Net investment in capital assets.....	11,405,949	11,387,241
Unrestricted.....	1,591,845	2,082,620
Total net position.....	\$ 12,997,794	\$ 13,469,861

Net position of \$11.4 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 \$1.6 million may be used to meet ongoing obligations.

	2021	2020
Program Revenues:		
Charges for services.....	\$ 907,504	\$ 960,815
Operating grants and contributions.....	23,127	87,346
Total revenues.....	930,631	1,048,161
Expenses:		
Wastewater.....	1,705,654	1,588,430
Excess (Deficiency) before transfers.....	(775,023)	(540,269)
Transfers.....	302,956	602,814
Change in net position.....	(472,067)	62,545
Net position, beginning of year.....	13,469,861	13,407,316
Net position, end of year.....	\$ 12,997,794	\$ 13,469,861

Net position of the Wastewater Enterprise Fund decreased \$473,000 primarily due to increased expenses associated with the net other postemployment benefits liability.

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 \$21.5 million, an increase of \$12.5 from the prior year. The significant reasons for the increase 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 \$6.4 million while total fund balance was \$7.2 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 18.7% of total general fund expenditures while total fund balance represents 21.0% of total general fund expenditures.

The fund balance of the general fund increased \$2.5 million when compared to the prior year. This is due to prudent management of departmental costs which resulted in actual expenditures and encumbrances being less than budgeted amounts. Also, actual revenues and other transfer in exceeded budgeted amounts by \$2.1 million primarily because of conservative budget estimates that were necessitated by COVID-19 considerations that were necessary at the time the final budget was approved at Town Meeting.

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 balance of \$8.7 million as compared to a deficit of \$1.1 million in the prior year. Fund balance increased \$9.8 million due to timing differences between the recognition of expenditures and revenues and other financing sources.

General Fund Budgetary Highlights

There was an increase of \$620,000 between the original budget and the final amended budget. The increase is the result of actions taken at the June 2020 Special Town Meeting. At this meeting, the Town funded workers compensation claims 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, 2021, is approximately \$30 million, of which \$28.7 million is related to building and other facility construction, \$525,000 is related to library construction projects, and \$760,000 is related to Sengekontacket Pond dredging and roadway improvements.

The Town did not have any outstanding short-term debt at year end.

The wastewater enterprise fund has \$2.2 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 2021, the general fund's subsidy to the wastewater enterprise fund totaled approximately \$668,000.

The Town's governmental activities capital asset additions for 2021 are comprised of purchases of an approximate amount of \$7.2 million for various vehicle, infrastructure, land improvements, machinery and equipment costs.

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

STATEMENT OF NET POSITION

JUNE 30, 2021

	<i>Primary Government</i>		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 26,071,202	\$ 888,728	\$ 26,959,930
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	936,345	-	936,345
Tax liens.....	2,258,143	-	2,258,143
Community preservation fund surtax.....	18,554	-	18,554
Motor vehicle and other excise taxes.....	249,094	-	249,094
User charges.....	-	634,700	634,700
Departmental and other.....	406,741	-	406,741
Intergovernmental.....	607,335	-	607,335
Special assessments.....	-	381,586	381,586
Total current assets.....	<u>30,547,414</u>	<u>1,905,014</u>	<u>32,452,428</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	1,609,004	1,609,004
Capital assets, nondepreciable.....	17,250,646	1,000,000	18,250,646
Capital assets, net of accumulated depreciation.....	<u>44,643,955</u>	<u>12,652,287</u>	<u>57,296,242</u>
Total noncurrent assets.....	<u>61,894,601</u>	<u>15,261,291</u>	<u>77,155,892</u>
TOTAL ASSETS.....	<u>92,442,015</u>	<u>17,166,305</u>	<u>109,608,320</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	1,552,730	87,162	1,639,892
Deferred outflows related to other postemployment benefits.....	<u>13,668,410</u>	<u>433,467</u>	<u>14,101,877</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>15,221,140</u>	<u>520,629</u>	<u>15,741,769</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,586,805	30,457	2,617,262
Accrued payroll.....	1,407,806	16,801	1,424,607
Accrued interest.....	193,869	11,732	205,601
Other liabilities.....	254,943	-	254,943
Capital lease obligations.....	165,383	-	165,383
Compensated absences.....	137,000	-	137,000
Workers' compensation.....	102,000	-	102,000
Bonds payable.....	<u>2,261,576</u>	<u>404,103</u>	<u>2,665,679</u>
Total current liabilities.....	<u>7,109,382</u>	<u>463,093</u>	<u>7,572,475</u>
NONCURRENT:			
Capital lease obligations.....	401,751	-	401,751
Compensated absences.....	860,000	-	860,000
Net pension liability.....	3,747,360	210,358	3,957,718
Net other postemployment benefits liability.....	42,886,786	1,641,208	44,527,994
Bonds payable.....	<u>30,018,149</u>	<u>1,842,235</u>	<u>31,860,384</u>
Total noncurrent liabilities.....	<u>77,914,046</u>	<u>3,693,801</u>	<u>81,607,847</u>
TOTAL LIABILITIES.....	<u>85,023,428</u>	<u>4,156,894</u>	<u>89,180,322</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	904,784	-	904,784
Deferred inflows related to pensions.....	2,854,770	160,252	3,015,022
Deferred inflows related to other postemployment benefits.....	<u>11,756,190</u>	<u>371,994</u>	<u>12,128,184</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>15,515,744</u>	<u>532,246</u>	<u>16,047,990</u>
NET POSITION			
Net investment in capital assets.....	37,797,569	11,405,949	49,203,518
Restricted for:			
Permanent funds:			
Expendable.....	1,021,261	-	1,021,261
Nonexpendable.....	15,934	-	15,934
Gifts and grants.....	1,409,710	-	1,409,710
Community preservation.....	2,636,893	-	2,636,893
Unrestricted.....	<u>(35,757,384)</u>	<u>1,591,845</u>	<u>(34,165,539)</u>
TOTAL NET POSITION.....	<u>\$ 7,123,983</u>	<u>\$ 12,997,794</u>	<u>\$ 20,121,777</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,726,207	\$ 350,323	\$ 310,393	\$ -	\$ (5,065,491)
Public safety.....	9,738,546	4,107,024	233,312	-	(5,398,210)
Education.....	19,090,200	10,613	3,895,166	-	(15,184,421)
Public works.....	2,181,577	299,227	-	124,877	(1,757,473)
Community development.....	667,559	-	715,280	-	47,721
Health and human services.....	960,762	62,235	17,928	-	(880,599)
Culture and recreation.....	1,385,557	12,800	21,590	33,831	(1,317,336)
Community preservation.....	734,760	-	-	263,984	(470,776)
Interest.....	543,272	-	-	-	(543,272)
Total Governmental Activities.....	<u>41,028,440</u>	<u>4,842,222</u>	<u>5,193,669</u>	<u>422,692</u>	(30,569,857)
<i>Business-Type Activities:</i>					
Wastewater.....	<u>1,705,654</u>	<u>907,504</u>	<u>23,127</u>	<u>-</u>	(775,023)
Total Primary Government.....	<u>\$ 42,734,094</u>	<u>\$ 5,749,726</u>	<u>\$ 5,216,796</u>	<u>\$ 422,692</u>	(31,344,880)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(30,569,857)	(775,023)	(31,344,880)
<i>General revenues:</i>			
Real estate and personal property taxes and tax liens, net of tax refunds payable.....	26,739,474	-	26,739,474
Motor vehicle and other excise taxes.....	1,042,180	-	1,042,180
Hotel/motel tax.....	1,420,538	-	1,420,538
Meals tax.....	246,873	-	246,873
Community preservation tax.....	844,816	-	844,816
Penalties and interest on taxes.....	514,404	-	514,404
Payments in lieu of taxes.....	15,951	-	15,951
Grants and contributions not restricted to specific programs.....	328,311	-	328,311
Unrestricted investment income.....	54,728	-	54,728
<i>Transfers, net</i>	(302,956)	302,956	-
Total general revenues and transfers.....	30,904,319	302,956	31,207,275
Change in net position.....	334,462	(472,067)	(137,605)
<i>Net position:</i>			
Beginning of year (as revised).....	6,789,521	13,469,861	20,259,382
End of year..... \$	7,123,983	12,997,794	20,121,777

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	General	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 9,803,582	\$ 9,357,090	\$ 6,910,530	\$ 26,071,202
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	936,345	-	-	936,345
Tax liens.....	2,222,619	-	35,524	2,258,143
Community preservation fund surtax.....	-	-	18,554	18,554
Motor vehicle and other excise taxes.....	249,094	-	-	249,094
Departmental and other.....	-	-	406,741	406,741
Intergovernmental.....	-	-	607,335	607,335
TOTAL ASSETS.....	\$ 13,211,640	\$ 9,357,090	\$ 7,978,684	\$ 30,547,414
LIABILITIES				
Warrants payable.....	\$ 967,992	\$ 607,263	\$ 1,011,550	\$ 2,586,805
Accrued payroll.....	1,328,980	-	78,826	1,407,806
Other liabilities.....	10,699	-	244,244	254,943
TOTAL LIABILITIES.....	2,307,671	607,263	1,334,620	4,249,554
DEFERRED INFLOWS OF RESOURCES				
Taxes paid in advance.....	878,674	-	26,110	904,784
Unavailable revenue.....	2,861,103	-	999,545	3,860,648
TOTAL DEFERRED INFLOWS OF RESOURCES.....	3,739,777	-	1,025,655	4,765,432
FUND BALANCES				
Nonspendable.....	-	-	15,934	15,934
Restricted.....	-	8,749,827	5,602,475	14,352,302
Committed.....	769,892	-	-	769,892
Unassigned.....	6,394,300	-	-	6,394,300
TOTAL FUND BALANCES.....	7,164,192	8,749,827	5,618,409	21,532,428
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 13,211,640	\$ 9,357,090	\$ 7,978,684	\$ 30,547,414

See notes to basic financial statements.

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

JUNE 30, 2021

Total governmental fund balances.....		\$ 21,532,428
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		61,894,601
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		3,860,648
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.....		610,180
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(193,869)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(32,279,725)	
Net pension liability.....	(3,747,360)	
Net other postemployment benefits liability.....	(42,886,786)	
Capital lease obligations.....	(567,134)	
Workers' compensation.....	(102,000)	
Compensated absences.....	(997,000)	
Net effect of reporting long-term liabilities.....		<u>(80,580,005)</u>
Net position of governmental activities.....		<u>\$ 7,123,983</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	General	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 26,570,000	\$ -	\$ -	\$ 26,570,000
Tax liens.....	512,621	-	-	512,621
Motor vehicle and other excise taxes.....	1,066,642	-	-	1,066,642
Hotel/motel tax.....	1,420,538	-	-	1,420,538
Meals tax.....	246,873	-	-	246,873
Slip fees.....	1,166,783	-	-	1,166,783
Penalties and interest on taxes.....	507,157	-	7,247	514,404
Fees and rentals.....	281,236	-	27,875	309,111
Payments in lieu of taxes.....	15,951	-	-	15,951
Intergovernmental - state aid.....	1,400,793	-	-	1,400,793
Intergovernmental - Teachers Retirement.....	2,229,243	-	-	2,229,243
Intergovernmental - other.....	-	-	1,938,305	1,938,305
Departmental and other.....	657,581	-	2,789,418	3,446,999
Community preservation taxes.....	-	-	681,694	681,694
Community preservation state match.....	-	-	263,984	263,984
Investment income.....	43,066	-	11,662	54,728
TOTAL REVENUES.....	36,118,484	-	5,720,185	41,838,669
EXPENDITURES:				
Current:				
General government.....	3,734,391	5,218,706	532,596	9,485,693
Public safety.....	4,428,898	-	2,556,549	6,985,447
Education.....	13,565,352	445,266	507,560	14,518,178
Public works.....	1,726,791	43,562	126,195	1,896,548
Community development.....	-	-	667,559	667,559
Health and human services.....	427,653	-	13,354	441,007
Culture and recreation.....	687,408	-	73,539	760,947
Community preservation.....	-	-	1,247,797	1,247,797
Pension benefits.....	1,258,450	-	-	1,258,450
Pension benefits - Teachers Retirement.....	2,229,243	-	-	2,229,243
Employee benefits.....	3,111,773	-	-	3,111,773
State and county charges.....	1,174,567	-	-	1,174,567
Debt service:				
Principal.....	1,230,000	-	-	1,230,000
Interest.....	613,793	-	-	613,793
TOTAL EXPENDITURES.....	34,188,319	5,707,534	5,725,149	45,621,002
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,930,165	(5,707,534)	(4,964)	(3,782,333)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	14,045,000	570,000	14,615,000
Premium from issuance of bonds.....	-	1,419,760	82,093	1,501,853
Capital lease financing.....	500,044	-	-	500,044
Transfers in.....	622,021	49,092	15,883	686,996
Transfers out.....	(592,048)	-	(397,904)	(989,952)
TOTAL OTHER FINANCING SOURCES (USES)....	530,017	15,513,852	270,072	16,313,941
NET CHANGE IN FUND BALANCES.....	2,460,182	9,806,318	265,108	12,531,608
FUND BALANCES AT BEGINNING OF YEAR (as revised)...	4,704,010	(1,056,491)	5,353,301	9,000,820
FUND BALANCES AT END OF YEAR.....	\$ 7,164,192	\$ 8,749,827	\$ 5,618,409	\$ 21,532,428

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds.....		\$ 12,531,608
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	7,211,704	
Depreciation expense.....	<u>(2,077,890)</u>	
Net effect of reporting capital assets.....		5,133,814
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(172,811)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	95,704	
Issuance of bonds.....	(14,615,000)	
Premium from issuance of bonds.....	(1,501,853)	
Capital lease financing.....	(500,044)	
Debt service principal payments.....	<u>1,230,000</u>	
Net effect of reporting long-term debt.....		(15,291,193)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(11,000)	
Net amortization of premium from issuance of bonds.....	114,482	
Net change in accrued interest on long-term debt.....	(43,961)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(10,911)	
Net change in net pension liability.....	892,496	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	(12,927,575)	
Net change in net other postemployment benefits liability.....	10,080,513	
Net change in workers' compensation liability.....	<u>39,000</u>	
Net effect of recording long-term liabilities.....		<u>(1,866,956)</u>
Change in net position of governmental activities.....		\$ <u>334,462</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Business -type Activities - Wastewater Enterprise</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 888,728
Receivables, net of allowance for uncollectibles:	
User charges.....	634,700
Special assessments.....	<u>381,586</u>
Total current assets.....	<u>1,905,014</u>
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Special assessments.....	1,609,004
Capital assets, non depreciable.....	1,000,000
Capital assets, net of accumulated depreciation.....	<u>12,652,287</u>
Total noncurrent assets.....	<u>15,261,291</u>
TOTAL ASSETS.....	<u>17,166,305</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions.....	87,162
Deferred outflows related to other postemployment benefits.....	<u>433,467</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>520,629</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	30,457
Accrued payroll.....	16,801
Accrued interest.....	11,732
Bonds payable.....	<u>404,103</u>
Total current liabilities.....	<u>463,093</u>
NONCURRENT:	
Net pension liability.....	210,358
Net other postemployment benefits liability.....	1,641,208
Bonds payable.....	<u>1,842,235</u>
Total noncurrent liabilities.....	<u>3,693,801</u>
TOTAL LIABILITIES.....	<u>4,156,894</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions.....	160,252
Deferred inflows related to other postemployment benefits.....	<u>371,994</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>532,246</u>
NET POSITION	
Net investment in capital assets.....	11,405,949
Unrestricted.....	<u>1,591,845</u>
TOTAL NET POSITION.....	<u>\$ 12,997,794</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	<u>Business-type Activities - Wastewater Enterprise</u>
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 860,141
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	806,022
Salaries and wages.....	378,464
Depreciation.....	<u>452,019</u>
TOTAL OPERATING EXPENSES.....	<u>1,636,505</u>
OPERATING INCOME (LOSS).....	<u>(776,364)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest expense.....	(69,149)
Penalties and interest.....	20,025
Special assessment interest.....	27,338
Intergovernmental - subsidy.....	<u>23,127</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>1,341</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	<u>(775,023)</u>
<u>TRANSFERS:</u>	
Transfers in.....	592,048
Transfers out.....	<u>(289,092)</u>
TOTAL TRANSFERS.....	<u>302,956</u>
CHANGE IN NET POSITION.....	(472,067)
NET POSITION AT BEGINNING OF YEAR.....	<u>13,469,861</u>
NET POSITION AT END OF YEAR.....	<u>\$ 12,997,794</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

	<u>Business -type Activities - Wastewater Enterprise</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 938,190
Payments to vendors.....	(458,899)
Payments to employees.....	<u>(412,667)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>66,624</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers in.....	592,048
Transfers out.....	<u>(289,092)</u>
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>302,956</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Principal payments on bonds and notes.....	(1,048,912)
Interest expense.....	(67,592)
Receipts from special assessments.....	<u>384,054</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(732,450)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(362,870)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>1,251,598</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 888,728</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>	
<u>FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ <u>(776,364)</u>
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	452,019
Deferred (outflows)/inflows related to pensions.....	613
Deferred (outflows)/inflows related to other postemployment benefits.....	413,918
Penalties and interest.....	20,025
Changes in assets and liabilities:	
User charges.....	58,024
Other assets.....	2,659
Warrants payable.....	22,203
Accrued payroll.....	(34,203)
Net pension liability.....	(50,100)
Net other postemployment benefit liability.....	<u>(42,170)</u>
Total adjustments.....	<u>842,988</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 66,624</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Intergovernmental subsidy of debt service.....	\$ 289,655

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Other Postemployment Benefits Trust Fund
ASSETS	
Investments:	
Dukes County Pooled OPEB Trust.....	\$ <u>610,171</u>
NET POSITION	
Restricted for other postemployment benefits.....	\$ <u>610,171</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

		Other Postemployment Benefits Trust Fund
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$	149,523
Employer contributions for other postemployment benefit payments.....		915,999
		<hr/>
Total contributions.....		1,065,522
		<hr/>
Investment income.....		133,550
		<hr/>
TOTAL ADDITIONS.....		1,199,072
		<hr/>
<u>DEDUCTIONS:</u>		
Other postemployment benefit payments.....		915,999
		<hr/>
NET INCREASE (DECREASE) IN NET POSITION.....		283,073
		<hr/>
NET POSITION AT BEGINNING OF YEAR.....		327,098
		<hr/>
NET POSITION AT END OF YEAR.....	\$	610,171
		<hr/> <hr/>

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 (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 Select Board.

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 2021 assessment was \$5,378,372.

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, 2021, 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.

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions 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 *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 *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 other postemployment benefits (OPEB) liabilities.

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 taxes paid in advance, 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 and taxes paid in advance 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. 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 that has a weighted average maturity of 57 days. The pool is unrated.

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 \$610,171 as of June 30, 2021. Details related to the OPEB Trust investments can be obtained by contacting the OPEB Trust at P. O. Box 921, Vineyard Haven, MA 02568.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the 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 \$26,840,712, and the bank balance totaled \$27,070,765. Of the bank balance, \$1,216,803 was covered by Federal Depository Insurance, \$17,882,105 was covered by the Depositors Insurance Fund, \$1,373,271 was collateralized, and \$6,598,586 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, 2021, the Town was in compliance with its investment policy.

Investments

As of June 30, 2021, the Town had the following investments:

<u>Investment Type</u>		
Dukes County Pooled OPEB Trust.....	\$	610,171
MMDT - Cash portfolio.....		<u>119,218</u>
Total investments.....	\$	<u><u>729,389</u></u>

Custodial Credit Risk – Investments

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

The Town’s investment in MMDT and the Dukes County Pooled OPEB Trust is not subject custodial credit risk because the investment is not evidenced by securities that exist in physical or book-entry form.

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, 2021 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, 2021 that are subject to concentration of credit risk disclosures.

Fair Value Measurement

The Town has the following investments that are measured at fair value on a recurring basis:

<u>Investment Type</u>	<u>June 30, 2021</u>
Investments measured at amortized cost:	
Dukes County Pooled OPEB Trust.....	\$ 610,171
MMDT - Cash portfolio.....	<u>119,218</u>
 Total investments.....	 <u>\$ 729,389</u>

The investment in MMDT is comprised of a cash portfolio. The cash portfolio is valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost 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.

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, 2021, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as presented on the following page.

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,444,286	\$ (507,941)	\$ 936,345
Tax liens.....	2,258,143	-	2,258,143
Community preservation fund surtax.....	18,554	-	18,554
Motor vehicle and other excise taxes.....	256,732	(7,638)	249,094
Departmental and other.....	1,628,194	(1,221,453)	406,741
Intergovernmental.....	176,428	-	176,428
Community preservation state share.....	430,907	-	430,907
 Total.....	 <u>\$ 6,213,244</u>	 <u>\$ (1,737,032)</u>	 <u>\$ 4,476,212</u>

At June 30, 2021, receivables for the wastewater enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 634,700	\$ -	\$ 634,700
Special assessments.....	1,990,590	-	1,990,590
 Total.....	 <u>\$ 2,625,290</u>	 <u>\$ -</u>	 <u>\$ 2,625,290</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.....	\$ 389,390	\$ -	\$ 389,390
Tax liens.....	2,222,619	35,524	2,258,143
Community preservation fund surtax.....	-	18,554	18,554
Motor vehicle and other excise taxes.....	249,094	-	249,094
Departmental and other.....	-	406,741	406,741
Intergovernmental.....	-	107,819	107,819
Community preservation state share.....	-	430,907	430,907
 Total.....	 <u>\$ 2,861,103</u>	 <u>\$ 999,545</u>	 <u>\$ 3,860,648</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 11,021,778	\$ -	\$ -	\$ 11,021,778
Construction in progress.....	445,783	5,783,085	-	6,228,868
Total capital assets not being depreciated....	11,467,561	5,783,085	-	17,250,646
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,617,819	10,825	-	5,628,644
Buildings.....	40,680,786	-	-	40,680,786
Machinery and equipment.....	2,623,154	529,137	-	3,152,291
Vehicles.....	5,527,390	-	-	5,527,390
Infrastructure.....	21,134,987	888,657	-	22,023,644
Total capital assets being depreciated.....	75,584,136	1,428,619	-	77,012,755
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,571,723)	(254,148)	-	(1,825,871)
Buildings.....	(12,048,352)	(1,052,241)	-	(13,100,593)
Machinery and equipment.....	(1,874,496)	(117,580)	-	(1,992,076)
Vehicles.....	(4,904,745)	(139,559)	-	(5,044,304)
Infrastructure.....	(9,891,594)	(514,362)	-	(10,405,956)
Total accumulated depreciation.....	(30,290,910)	(2,077,890)	-	(32,368,800)
Total capital assets being depreciated, net.....	45,293,226	(649,271)	-	44,643,955
Total governmental activities capital assets, net.....	\$ 56,760,787	\$ 5,133,814	\$ -	\$ 61,894,601

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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.....	(238,429)	(12,888)	-	(251,317)
Buildings.....	(1,964,311)	(87,126)	-	(2,051,437)
Machinery and equipment.....	(1,601,874)	(4,974)	-	(1,606,848)
Vehicles.....	(107,694)	(121,239)	-	(228,933)
Infrastructure.....	(3,092,567)	(225,792)	-	(3,318,359)
 Total accumulated depreciation.....	 (7,004,875)	 (452,019)	 -	 (7,456,894)
 Total capital assets being depreciated, net.....	 13,104,306	 (452,019)	 -	 12,652,287
 Total business-type activities capital assets, net....	 \$ 14,104,306	 \$ (452,019)	 \$ -	 \$ 13,652,287

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

Governmental Activities:	
General government.....	\$ 403,095
Public safety.....	476,002
Education.....	539,977
Public works.....	393,503
Health and human services.....	15,724
Culture and recreation.....	249,589
 Total depreciation expense - governmental activities.....	 \$ 2,077,890
 Business-Type Activities:	
Wastewater.....	\$ 452,019

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Capital Projects Fund	Nonmajor governmental funds	Wastewater Enterprise fund	
General fund.....	\$ -	\$ -	\$ -	\$ 592,048	\$ 592,048 (a)
Nonmajor governmental funds.....	382,021	-	15,883	-	397,904 (b)
Wastewater Enterprise fund.....	240,000	49,092	-	-	289,092 (c)
Total.....	\$ <u>622,021</u>	\$ <u>49,092</u>	\$ <u>15,883</u>	\$ <u>592,048</u>	\$ <u>1,279,044</u>

- (a) = Budgeted transfers to subsidize enterprise fund debt service.
- (b) = Budgeted transfers from Ferry Fee Receipts, Ambulance Revolving and other receipts to offset General Fund costs.
- (c) = Reauthorization of excess bond and grant funds.

NOTE 6 – CAPITAL LEASES

The Town has entered into a lease agreement to finance the acquisition of highway department vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have 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.....	\$ 964,098
Less: accumulated depreciation...	<u>(365,460)</u>
Total.....	\$ <u>598,638</u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2021, are as follows:

Years ending June 30:	Governmental Activities
2022.....	\$ 174,269
2023.....	188,305
2024.....	152,570
2025.....	<u>84,036</u>
Total minimum lease payments.....	599,180
Less: amounts representing interest.....	<u>(32,046)</u>
Present value of minimum lease payments... \$	<u><u>567,134</u></u>

NOTE 7 – SHORT-TERM FINANCING

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

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

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

As of June 30, 2021 the Town had the following short-term debt outstanding in the governmental funds:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
Governmental Funds:							
BAN	Other Bond Anticipation Notice...	0.63%	05/14/21	\$ -	\$ 650,000	\$ (650,000)	\$ -
BAN	Town Hall Construction.....	1.28%	05/14/21	<u>1,302,129</u>	-	<u>(1,302,129)</u>	-
Total Governmental Funds.....				<u>\$ 1,302,129</u>	<u>\$ 650,000</u>	<u>\$ (1,952,129)</u>	<u>\$ -</u>

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 general obligation bonds payable outstanding indebtedness at June 30, 2021, 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, 2021
Building Remodeling.....	2023	\$ 250,000	2% - 3%	\$ 50,000
Library construction.....	2024	3,500,000	3% - 4.63%	525,000
Dredging.....	2025	500,000	2% - 3%	160,000
Architectural Services Building- Town Hall.....	2024	239,150	2% - 5%	100,000
Building Remodeling- Fire.....	2035	8,288,000	2% - 5%	6,210,000
Public Way.....	2028	975,146	2% - 5%	600,000
Building Remodeling- Fire.....	2024	287,000	2% - 5%	120,000
General Obligation Bond of 2019.....	2040	8,075,000	2.25% - 5%	7,630,000
General Obligation Bond of 2021.....	2041	14,615,000	2% - 5%	14,615,000
Total General Obligation Bonds Payable.....		\$ 36,729,296		30,010,000
Add: Unamortized premium on bonds.....				2,269,725
Total General Obligation Bonds Payable, net.....				\$ 32,279,725

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

Year	Principal	Interest	Total
2022.....	\$ 1,980,000	\$ 988,788	\$ 2,968,788
2023.....	1,975,000	908,219	2,883,219
2024.....	1,950,000	811,206	2,761,206
2025.....	1,775,000	723,119	2,498,119
2026.....	1,665,000	651,831	2,316,831
2027.....	1,665,000	581,750	2,246,750
2028.....	1,660,000	509,956	2,169,956
2029.....	1,655,000	442,131	2,097,131
2030.....	1,570,000	380,870	1,950,870
2031.....	1,535,000	321,420	1,856,420
2032.....	1,535,000	277,294	1,812,294
2033.....	1,535,000	240,260	1,775,260
2034.....	1,530,000	203,284	1,733,284
2035.....	1,510,000	166,610	1,676,610
2036.....	1,510,000	130,145	1,640,145
2037.....	1,065,000	100,478	1,165,478
2038.....	1,065,000	77,991	1,142,991
2039.....	1,065,000	55,322	1,120,322
2040.....	1,065,000	32,471	1,097,471
2041.....	700,000	14,000	714,000
Total.....	\$ 30,010,000	\$ 7,617,146	\$ 37,627,146

Bonds Payable Schedule – Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<u>General Obligations</u>				
Wastewater	2028	\$ 4,505,000	2% - 4.8%	\$ 1,100,000
<u>Direct Borrowings</u>				
Massachusetts Clean Water Trust	2028	2,651,375	2.0%	<u>1,146,338</u>
Total Bonds Payable.....				<u>\$ 2,246,338</u>

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

Year	General Obligation			Direct Borrowing			Total
	Principal	Interest	Total	Principal	Interest	Total	
2022.....	\$ 250,000	\$ 34,528	\$ 284,528	\$ 154,103	\$ 21,385	\$ 175,488	\$ 460,016
2023.....	250,000	24,720	274,720	157,217	18,272	175,489	450,209
2024.....	120,000	18,760	138,760	160,391	15,096	175,487	314,247
2025.....	120,000	14,400	134,400	163,631	11,856	175,487	309,887
2026.....	120,000	10,800	130,800	166,937	8,551	175,488	306,288
2027.....	120,000	7,200	127,200	170,310	5,178	175,488	302,688
2028.....	120,000	3,600	123,600	173,749	1,737	175,486	299,086
Total.....	<u>\$ 1,100,000</u>	<u>\$ 114,008</u>	<u>\$ 1,214,008</u>	<u>\$ 1,146,338</u>	<u>\$ 82,075</u>	<u>\$ 1,228,413</u>	<u>\$ 2,442,421</u>

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 \$266,528 and interest costs of \$23,128. Thus, net MCWT loan repayments, including interest, were completed in FY2021. Therefore, no intergovernmental receivable needs to be reported in the wastewater 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 2021 principal and interest subsidies totaled \$266,528 and \$23,128, 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, 2021, the Town had the following authorized and unissued debt as indicated below:

Purpose	Amount
Wastewater design.....	\$ 600,000
Town Hall construction.....	8,578,624
Sidewalks.....	2,774,000
North Bluff restoration.....	<u>39,770</u>
Total.....	<u>\$ 11,992,394</u>

Changes in Long-term Liabilities

During the year ended June 30, 2021, 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.....	\$ 16,625,000	\$ (1,230,000)	\$ 14,615,000	\$ -	\$ -	\$ 30,010,000	\$ 1,980,000
Add: Unamortized premium on bonds.....	882,354	-	-	1,501,853	(114,482)	2,269,725	281,576
Total bonds payable.....	17,507,354	(1,230,000)	14,615,000	1,501,853	(114,482)	32,279,725	2,261,576
Capital lease obligations.....	162,794	-	-	500,044	(95,704)	567,134	165,383
Compensated absences.....	986,000	-	-	197,000	(186,000)	997,000	137,000
Workers' compensation.....	141,000	-	-	33,000	(72,000)	102,000	102,000
Net pension liability.....	4,639,856	-	-	335,192	(1,227,688)	3,747,360	-
Net other postemployment benefits.....	52,967,299	-	-	3,778,007	(13,858,520)	42,886,786	-
Total governmental activity long-term liabilities.....	\$ 76,404,303	\$ (1,230,000)	\$ 14,615,000	\$ 6,345,096	\$ (15,554,394)	\$ 80,580,005	\$ 2,665,959
Business-Type Activities:							
Long-term bonds payable.....	\$ 3,561,778	\$ (1,315,440)	\$ -	\$ -	\$ -	\$ 2,246,338	\$ 404,103
Net pension liability.....	260,458	-	-	18,817	(68,917)	210,358	-
Net other postemployment benefits.....	1,683,378	-	-	447,624	(489,794)	1,641,208	-
Total business-type activity long-term liabilities.....	\$ 5,505,614	\$ (1,315,440)	\$ -	\$ 466,441	\$ (558,711)	\$ 4,097,904	\$ 404,103

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, 2021, \$2,510,159 has been set aside in a general stabilization fund and \$113,990 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, 2021, the governmental fund balances consisted of the following:

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 15,934	\$ 15,934
Restricted for:				
Community preservation fund.....	-	-	2,151,907	2,151,907
Revolving fund.....	-	8,749,827	268,221	9,018,048
Ambulance revolving fund.....	-	-	223,349	223,349
Federal grants.....	-	-	42,994	42,994
State grants.....	-	-	426,829	426,829
Reserve for appropriation.....	-	-	576,126	576,126
Highway improvements fund.....	-	-	30,609	30,609
School lunch fund.....	-	-	40,298	40,298
Other special revenue.....	-	-	820,881	820,881
Expendable trust funds.....	-	-	1,021,261	1,021,261
Committed to:				
General government.....	545,118	-	-	545,118
Public safety.....	119,808	-	-	119,808
Public works.....	94,478	-	-	94,478
Culture and recreation.....	10,488	-	-	10,488
Unassigned.....	6,394,300	-	-	6,394,300
Total Fund Balances.....	\$ 7,164,192	\$ 8,749,827	\$ 5,618,409	\$ 21,532,428

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, 2021,

the amount of the estimated liability for workers' compensation claims totaled \$102,000. Changes in the reported liability since July 1, 2019 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2020.....	\$ 426,000	\$ -	\$ (285,000)	\$ 141,000	\$ 72,000
2021.....	141,000	102,000	(141,000)	102,000	102,000

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 System's audited financial statements may be obtained by contacting the System at 9 Airport Road #1, Edgartown, MA 02539

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, 2020. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$2,229,243 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 \$18,048,454 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 \$1,285,081 which equaled its actual contribution for the year ended December 31, 2020. The System-wide required contribution was allocated based on covered payroll and actuarial measurements. The Town's portion of System-wide covered payroll was 19.74% 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, 2021, the Town reported a liability of \$3,957,718 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2020, the Town's proportion was 16.57%, which decreased from the proportion of 17.17% measured at December 31, 2019.

Pension Expense

For the year ended June 30, 2021, the Town recognized pension expense of \$354,009. At June 30, 2021, the Town reported deferred outflows of resources related to pensions of \$1,639,892 and deferred inflows of resources relates to pensions of \$3,015,022. 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, 2021, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 904,437	\$ (35,343)	\$ 869,094
Difference between projected and actual earnings, net.....	-	(2,731,659)	(2,731,659)
Changes in assumptions.....	685,449	-	685,449
Changes in proportion and proportionate share of contributions...	50,006	(248,020)	(198,014)
Total deferred outflows/(inflows) of resources.....	\$ 1,639,892	\$ (3,015,022)	\$ (1,375,130)

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:	
2022.....	\$ (439,467)
2023.....	(188,674)
2024.....	(715,526)
2025.....	(110,565)
Thereafter.....	79,102
Total.....	\$ (1,375,130)

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2020:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method - UAAL.....	Increasing dollar amount at 4.0% to reduce the unfunded actuarial accrued liability to zero on or before June 30, 2031. The annual increase in appropriation is further limited to 6.1% per year through FY2024 and 6.6% thereafter.
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.....	10 years for the UAAL as of December 31, 2020. 7 years for the 2002 and 2003 ERI as of December 31, 2020.
Asset valuation method.....	The Actuarial Value of Assets is the fair value of assets as of the valuation date reduced by the sum of: 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, including inflation.
Inflation rate.....	2.2% 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.....	3.5% per year.
Cost of living adjustments.....	Cost of living adjustments are assumed to be 3% of the pension amount, 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	30.00%	7.30%
International equity.....	5.00%	4.90%
Real estate.....	5.00%	6.00%
PRIT Core.....	50.00%	5.60%
Fixed income	10.00%	2.70%
 Total.....	 <u>100.00%</u>	

Rate of return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.47%. 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:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount (7.50%)</u>	<u>1% Increase (8.50%)</u>
The Town's proportionate share of the net pension liability.....	\$ 8,405,857	\$ 3,957,718	\$ 194,949

Changes in Assumptions – The administrative expense assumption was increased from \$375,000 to \$400,000; the net 3(8)(c) transfers assumption was increased from \$200,000 to \$400,000, and the mortality tables and mortality improvement rate assumptions were updated.

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 Massachusetts General Law, 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, 2021 is as follows:

Active members.....	147
Inactive members currently receiving benefits.....	<u>77</u>
Total.....	<u><u>224</u></u>

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.

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 2021, the Town pre-funded future OPEB liabilities by contributing \$149,523 to the Dukes County Pooled Other Postemployment Benefits Trust Fund. This amount is in excess of the pay-as-you required contribution.

The annual money-weighted rate of return on the OPEB plan investments was 30.60%. 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, 2021:

Total OPEB liability.....	\$	45,138,165
Less: OPEB plan’s fiduciary net position.....		<u>(610,171)</u>
Net OPEB liability.....	\$	<u>44,527,994</u>
The OPEB plan’s fiduciary net position		
as a percentage of the total OPEB liability.....		1.35%

Significant Actuarial Methods and Assumptions

The Plan’s total OPEB liability in the July 1, 2020, 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, 2021:

Valuation date.....	July 1, 2020
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.....	Fair value.
Inflation rate.....	2.20% per year.
Discount rate.....	2.16%, net of investment expenses, including inflation.
Municipal bond rate.....	2.16%, based on the Bond Buyer 20-Bond GO Index published on June 30, 2021.
Healthcare cost trend rate.....	7% for 2020, decreasing 0.4% per year to 5.4%, then grading down to an ultimate trend rate of 4.0%.

Pre-Retirement Mortality (General and Public Safety employees).....	RP-2014 Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2018.
Post-Retirement Mortality (General and Public Safety employees).....	RP-2014 Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2018.
Pre-Retirement Mortality (Teachers).....	PUB-2010 Teachers Headcount-Weighted Mortality Table, base year 2010, projected with generational mortality improvement using MP-2020.
Post-Retirement Mortality (Teachers).....	PUB-2010 Teachers Headcount-Weighted Mortality Table, base year 2010, projected with generational mortality improvement using MP-2020.
Investment rate of return.....	6.60%, net of OPEB plan investment expense, including inflation.

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, 2021 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity.....	35.00%	5.34%
Mid Cap Equity.....	10.00%	5.34%
Small Cap Equity.....	10.00%	5.34%
International Equity.....	15.00%	6.10%
Real Estate.....	10.00%	4.40%
Fixed Income.....	20.00%	1.62%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 2.16%. 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 2.16% municipal bond rate was applied to all periods to determine the total OPEB liability. The 2.16% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 30, 2021.

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 2.16%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate.

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability.....	\$ 54,259,289	\$ 44,527,994	\$ 37,064,693

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 7.00% in year 1, decreasing to 4.00%, if it was 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (6.00%)	Current Trend (7.00%)	1% Increase (8.00%)
Net OPEB liability.....	\$ 36,019,491	\$ 44,527,994	\$ 55,999,290

Changes in Assumptions – The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021. Additionally, the inflation rate was updated from 2.40% at June 30, 2020 to 2.20% at June 30, 2021.

Changes in Plan Provisions – None.

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, 2020.....	\$ 54,977,775	\$ 327,098	\$ 54,650,677
Changes for the year:			
Service cost.....	2,385,700	-	2,385,700
Interest.....	1,257,611	-	1,257,611
Differences between expected and actual experience.....	(13,149,242)	-	(13,149,242)
Changes in assumptions and other inputs.....	582,320	-	582,320
Employer contributions.....	-	1,065,522	(1,065,522)
Net investment income.....	-	133,550	(133,550)
Benefit payments.....	(915,999)	(915,999)	-
Net change.....	(9,839,610)	283,073	(10,122,683)
Balances at June 30, 2021.....	\$ 45,138,165	\$ 610,171	\$ 44,527,994

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$4,284,332. At June 30, 2021, the Town reported deferred outflows of resources of \$14,101,877 related to changes in assumptions, differences between expected and actual experience. The Town also reported deferred inflows of resources of \$12,128,184 related to changes in assumptions.

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

<u>Years Ended June 30:</u>	
2022.....	\$ 671,715
2023.....	671,128
2024.....	670,613
2025.....	805,379
2026.....	291,126
Thereafter.....	<u>(1,136,268)</u>
 Total.....	 <u>\$ 1,973,693</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, 2021.

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 – COVID-19

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

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

The United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020 and ended on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

The United States Federal Government established the American Rescue Plan Act (ARPA) to enhance the United States' recovery from the economic and health effects of the COVID-19 pandemic. This Act requires that the payment from these funds be used to cover costs related to; public health; negative economic impacts; services to disproportionately impacted communities; premium pay; infrastructure; revenue replacement; or administration. These funds can only be used to cover costs incurred between March 3, 2021, and December 31, 2024. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

In addition to funding from the CARES Act and the ARPA Act, there are several other federal and state grants available. The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 16 – REVISION OF NET POSITION/FUND BALANCE PREVIOUSLY REPORTED

Beginning net position of the governmental activities has been revised to reflect the implementation of GASB Statement #84, Fiduciary Activities. To reflect this change, the Town is reporting certain funds which had

previously been reported as Agency Funds as Governmental Funds. This has resulted in the revision of the June, 30, 2020, balances as indicated below:

	06/30/2020 Previously Reported Balances	Implementation of GASB #84	06/30/2020 Revised Balances
	<u> </u>	<u> </u>	<u> </u>
Government-Wide Financial Statements			
Governmental activities.....	\$ 6,669,408	\$ 120,113	\$ 6,789,521
	<u> </u>	<u> </u>	<u> </u>
Fund-Based Financial Statements			
Non-major governmental funds.....	\$ 5,233,188	\$ 120,113	\$ 5,353,301
	<u> </u>	<u> </u>	<u> </u>

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 2022, which is the date the financial statements were available to be issued.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #99, *Omnibus 2022*. This pronouncement was implemented with the exception of the clarification of the provisions in Statement No. 87, which will be implemented with Statement No. 87 in fiscal year 2022.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.

- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented in 2022.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, which is required to be implemented in fiscal year 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in fiscal year 2025.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2021

	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.....	\$ 26,361,029	\$ 26,555,508	\$ 26,536,521	\$ -	\$ (18,987)
Tax liens.....	-	-	512,621	-	512,621
Motor vehicle and boat excise taxes.....	777,853	777,853	1,066,642	-	288,789
Hotel/motel tax.....	839,000	839,000	1,420,538	-	581,538
Meals tax.....	275,000	275,000	246,873	-	(28,127)
Slip fees.....	820,910	820,910	1,166,783	-	345,873
Penalties and interest on taxes.....	225,000	225,000	507,157	-	282,157
Fees and rentals.....	373,000	373,000	281,236	-	(91,764)
Payments in lieu of taxes.....	15,090	15,090	15,951	-	861
Intergovernmental.....	1,467,189	1,518,829	1,400,793	-	(118,036)
Departmental and other.....	543,020	543,020	657,581	-	114,561
Investment income.....	100,000	100,000	42,636	-	(57,364)
TOTAL REVENUES.....	31,797,091	32,043,210	33,855,332	-	1,812,122
EXPENDITURES:					
Current:					
General government.....	3,534,504	4,296,234	3,734,391	545,118	16,725
Public safety.....	4,033,809	4,056,088	3,928,854	119,808	7,426
Education.....	13,968,408	13,968,408	13,565,352	-	403,056
Public works.....	1,871,504	1,826,004	1,726,791	94,478	4,735
Health and human services.....	465,573	430,480	427,653	-	2,827
Culture and recreation.....	780,537	699,445	687,408	10,488	1,549
Pension benefits.....	1,258,450	1,258,450	1,258,450	-	-
Employee benefits.....	3,113,741	3,111,773	3,111,773	-	-
State and county charges.....	1,318,365	1,318,365	1,174,567	-	143,798
Debt service:					
Principal.....	1,754,456	1,754,456	1,754,456	-	-
Interest.....	681,385	681,385	681,385	-	-
TOTAL EXPENDITURES.....	32,780,732	33,401,088	32,051,080	769,892	580,116
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(983,641)	(1,357,878)	1,804,252	(769,892)	2,392,238
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	451,620	451,620	-	-	(451,620)
Use of free cash.....	275,000	649,237	-	-	(649,237)
Use of overlay.....	75,000	75,000	-	-	(75,000)
Transfers in.....	382,021	382,021	622,021	-	240,000
Transfers out.....	(200,000)	(200,000)	(200,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	983,641	1,357,878	422,021	-	(935,857)
NET CHANGE IN FUND BALANCE.....	-	-	2,226,273	(769,892)	1,456,381
BUDGETARY FUND BALANCE, Beginning of year.....	1,767,206	1,767,206	1,767,206	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,767,206	\$ 1,767,206	\$ 3,993,479	\$ (769,892)	\$ 1,456,381

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.

**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, 2020.....	16.57%	\$ 3,957,718	\$ 6,510,342	60.79%	89.76%
December 31, 2019.....	17.17%	4,900,314	6,481,725	75.60%	86.73%
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.

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, 2021.....	\$ 1,285,081	\$ (1,285,081)	-	\$ 6,640,549	19.35%
June 30, 2020.....	1,211,198	(1,211,198)	-	6,611,360	18.32%
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.

**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.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2021.....	\$ 18,048,454	\$ 2,229,243	50.67%
2020.....	16,072,951	1,949,124	53.95%
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 Returns 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.

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability					
Service cost.....	\$ 2,013,706	\$ 1,695,270	\$ 1,623,350	\$ 1,670,748	\$ 2,385,700
Interest.....	1,022,190	1,194,714	1,302,646	1,545,581	1,257,611
Changes of benefit terms.....	-	(47,363)	-	(1,892,579)	-
Differences between expected and actual experience.....	-	-	787,763	-	(13,149,242)
Changes of assumptions.....	(4,545,382)	(1,685,510)	7,690,715	11,671,302	582,320
Benefit payments.....	<u>(632,098)</u>	<u>(700,894)</u>	<u>(893,103)</u>	<u>(1,011,954)</u>	<u>(915,999)</u>
Net change in total OPEB liability.....	(2,141,584)	456,217	10,511,371	11,983,098	(9,839,610)
Total OPEB liability - beginning.....	<u>34,168,673</u>	<u>32,027,089</u>	<u>32,483,306</u>	<u>42,994,677</u>	<u>54,977,775</u>
Total OPEB liability - ending (a).....	<u>\$ 32,027,089</u>	<u>\$ 32,483,306</u>	<u>\$ 42,994,677</u>	<u>\$ 54,977,775</u>	<u>\$ 45,138,165</u>
Plan fiduciary net position					
Employer contributions.....	\$ -	\$ 130,000	\$ 923,103	\$ 50,000	\$ 149,523
Employer contributions for OPEB payments.....	632,098	700,894	-	1,011,954	915,999
Net investment income.....	3,525	7,097	13,047	13,382	133,550
Benefit payments.....	<u>(632,098)</u>	<u>(700,894)</u>	<u>(893,103)</u>	<u>(1,011,954)</u>	<u>(915,999)</u>
Net change in plan fiduciary net position.....	3,525	137,097	43,047	63,382	283,073
Plan fiduciary net position - beginning of year.....	<u>80,047</u>	<u>83,572</u>	<u>220,669</u>	<u>263,716</u>	<u>327,098</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 83,572</u>	<u>\$ 220,669</u>	<u>\$ 263,716</u>	<u>\$ 327,098</u>	<u>\$ 610,171</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 31,943,517</u>	<u>\$ 32,262,637</u>	<u>\$ 42,730,961</u>	<u>\$ 54,650,677</u>	<u>\$ 44,527,994</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.26%	0.68%	0.61%	0.59%	1.35%
Covered-employee payroll.....	\$ 10,905,737	\$ 11,853,400	\$ 11,431,445	\$ 11,329,858	\$ 11,613,104
Net OPEB liability as a percentage of covered-employee payroll.....	292.91%	272.18%	373.80%	482.36%	383.43%

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2021.....	\$ 3,981,475	\$ (1,065,522)	\$ 2,915,953	\$ 11,613,104	9.18%
June 30, 2020.....	3,203,442	(1,061,954)	2,141,488	11,329,858	9.37%
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.

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, 2021.....	30.60%
June 30, 2020.....	4.38%
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 Select Board 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 Select Board. 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 2021 approved budget authorized approximately \$33 million in appropriations and other amounts to be raised inclusive of \$452,000 in carryforwards from the prior year. During 2021, Town Meetings approved supplemental appropriations of approximately \$620,000 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, 2021, is presented on the following page.

Net change in fund balance - budgetary basis.....	\$ 2,226,273
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	200,430
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	33,479
Recognition of revenue for on-behalf payments.....	2,229,243
Recognition of expenditures for on-behalf payments.....	<u>(2,229,243)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 2,460,182</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 – The administrative expense assumption was increased from \$375,000 to \$400,000; the net 3(8)(c) transfers assumption was increased from \$200,000 to \$400,000, and the mortality tables and mortality improvement rate assumptions were updated

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 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 PlanSchedule 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 Returns

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

Changes in Assumptions

The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021. Additionally, the inflation rate was updated from 2.40% at June 30, 2020 to 2.20% at June 30, 2021.

Changes in Plan Provisions

None.