

TOWN OF TISBURY, MASSACHUSETTS

**Report on the Examination
Of Basic Financial Statements**

For the Year Ended June 30, 2018

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For the Year Ended June 30, 2018

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Tisbury, 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 Tisbury, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Tisbury, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tisbury, Massachusetts, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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, pension plan and other post employment benefit plan schedules as listed on 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tisbury, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, on our consideration of the Town of Tisbury Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Tisbury, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Tisbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$20,388,664 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$16,756,826, or an increase of \$3,631,838 (22%).
- As required by Government Accounting Standards Board (GASB) Statement No. 75, in fiscal year 2018, the Town recognized increases to the Other Post Employment Benefits (OPEB) obligation payable of \$18,600,801 on the statement of net position from the previous year, see Note 5.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$22,306,215 an increase of \$1,600,070 (8%) in comparison to the prior year.
- The General Fund's total fund balance increased \$1,106,748 (9%) to \$14,110,896. The ending General fund balance is 48% of revenues and transfers in and 49% of expenditures and transfers out.
- Total liabilities of the Town decreased by \$4,681,550 (9%) to \$48,014,301. The decrease was mainly attributed to a net increase in warrants payable of \$450,520 and net decreases in the bond anticipation notes of \$591,625, in the other post employment benefit (OPEB) liability of \$734,637, in the net pension liability of \$2,275,284 and in net bonds payable of \$1,606,936 from the prior year.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$3,581,847. The key factors that attributed to the free cash amount for fiscal year 2018 were unexpended/unencumbered appropriations of \$1,702,900, excess over budget state and local receipts of \$768,300 and excess over budget other financing sources of \$50,900.
- The Town's enterprise fund certified free cash is as follows:
 - Sewer fund \$ 465,608.
 - Water works fund \$ 687,644.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Tisbury's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal 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, public works, education, health and human services, culture and recreation, employee benefits and insurance, intergovernmental assessments and interest. The business-type activities are sewer and the water works.

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 spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 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 decision. 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 Tisbury adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water works 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 statements 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 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.

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2018	2017	Change
Assets:			
Current assets	\$ 27,150,212	\$ 25,100,992	\$ 2,049,220
Capital assets	19,705,370	19,008,225	697,145
Total assets	46,855,582	44,109,217	2,746,365
Deferred Outflows of Resources	777,361	1,432,258	(654,897)
Liabilities:			
Current liabilities (excluding debt)	2,368,945	1,835,152	533,793
Current debt	962,239	1,437,964	(475,725)
Noncurrent liabilities (excluding debt)	31,625,908	34,389,878	(2,763,970)
Noncurrent debt	4,131,423	4,943,662	(812,239)
Total liabilities	39,088,515	42,606,656	(3,518,141)
Deferred Inflows of Resources	2,719,603	84,924	2,634,679
Net Position:			
Net investment in capital assets	14,723,270	12,753,300	1,969,970
Restricted	7,285,046	7,117,751	167,295
Unrestricted	(16,183,491)	(17,021,156)	837,665
Total net position	\$ 5,824,825	\$ 2,849,895	\$ 2,974,930

	Business-Type Activities		
	2018	2017	Change
Assets:			
Current assets	\$ 4,187,688	\$ 5,008,637	\$ (820,949)
Noncurrent assets (excluding capital assets)	2,288,602	2,573,988	(285,386)
Capital assets	17,163,582	16,322,144	841,438
Total assets	23,639,872	23,904,769	(264,897)
Deferred Outflows of Resources	51,195	97,115	(45,920)
Liabilities:			
Current liabilities (excluding debt)	210,883	229,804	(18,921)
Current debt	2,565,051	2,800,597	(235,546)
Noncurrent liabilities (excluding debt)	2,512,810	2,746,701	(233,891)
Noncurrent debt	3,637,042	4,312,093	(675,051)
Total liabilities	8,925,786	10,089,195	(1,163,409)
Deferred Inflows of Resources	201,442	5,758	195,684
Net Position:			
Net investment in capital assets	11,675,071	10,019,882	1,655,189
Restricted	2,739,275	3,925,464	(1,186,189)
Unrestricted	149,493	(38,415)	187,908
Total net position	\$ 14,563,839	\$ 13,906,931	\$ 656,908

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2018	2017	Change
Program Revenues:			
Charges for services	\$ 1,468,074	\$ 1,524,892	\$ (56,818)
Operating grants and contributions	2,780,017	2,933,379	(153,362)
Capital grants and contributions	1,118,910	333,573	785,337
General Revenues:			
Property taxes	24,913,187	23,721,987	1,191,200
Motor vehicle excise and other taxes	1,017,334	1,036,669	(19,335)
Hotel room occupancy and meal taxes	518,509	504,155	14,354
Penalties and interest on taxes	181,472	153,784	27,688
Nonrestricted grants	555,934	520,777	35,157
Unrestricted investment income	55,600	94,118	(38,518)
Miscellaneous	5,962	15,265	(9,303)
Total revenues	32,614,999	30,838,599	1,776,400
Expenses:			
General government	2,737,818	2,653,456	84,362
Public safety	3,856,898	3,801,449	55,449
Public works	2,144,755	2,035,173	109,582
Education	11,339,419	10,495,135	844,284
Health and human services	766,950	651,323	115,627
Culture and recreation	768,335	739,105	29,230
Employee benefits and insurance	6,382,477	7,508,600	(1,126,123)
State assessments	1,334,889	1,317,021	17,868
Interest	194,718	232,102	(37,384)
Total expenses	29,526,259	29,433,364	92,895
Contributions to permanent funds	5,706	6,262	(556)
Transfers	(119,516)	(204,822)	85,306
Change in net position	2,974,930	1,206,675	1,768,255
Net position - beginning of year	2,849,895	1,643,220	1,206,675
Net position - end of year	\$ 5,824,825	\$ 2,849,895	\$ 2,974,930

	Business-Type Activities		
	2018	2017	Change
Program Revenues:			
Charges for services	\$ 2,877,948	\$ 2,782,269	\$ 95,679
Operating grants and contributions	99,629	112,799	(13,170)
Total revenues	2,977,577	2,895,068	82,509
Expenses:			
Sewer	1,046,178	1,020,843	25,335
Water works	1,394,007	1,508,427	(114,420)
Total expenses	2,440,185	2,529,270	(89,085)
Transfers	119,516	204,822	(85,306)
Change in net position	656,908	570,620	86,288
Net position - beginning of year	13,906,931	13,336,311	570,620
Net position - end of year	\$ 14,563,839	\$ 13,906,931	\$ 656,908

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,388,664 at the close of fiscal year 2018.

Net position of \$26,398,341 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 the net position, \$10,024,321 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* consists of (\$16,033,998).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The Town is able to report positive balances in all three categories of net position for the business-type activities.

The governmental activities net position increased by \$2,974,930 (104%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2018 was attributed to net increases due to the acquisition of \$2,012,687 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$1,315,542, resulting from the change in governmental funds of \$1,600,070, in recognizing this year's OPEB obligation of \$651,543 and net pension liability of \$2,119,558 and in the repayment of debt for \$936,339; and the net decreases resulting from the change to deferred outflow/inflow of resources related to OPEB of \$1,345,005 and to deferred outflow/inflow of resources related to pensions of \$1,944,571.

There was an increase of \$656,908 (5%) in net position reported in connection with the sewer and water works business-type activities. Of this, there was a decrease of \$32,907 attributed to the sewer department and an increase of \$689,815 attributed to the water works department.

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 *spendable* resources. Such information is useful in assessing financing requirements. In particular, the general fund *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$22,306,215, an increase of \$1,600,070 (8%) in comparison with the prior year.

The breakdown of the governmental funds and the percentage of total fund governmental balance they represent are as follows:

- Non-spendable fund balance – \$617,845 (3%).
- Restricted fund balance – \$5,886,941 (26%).
- Committed fund balance – \$1,758,646 (8%).
- Assigned fund balance – \$6,830,541 (31%).
- Unassigned fund balance – \$7,212,242 (32%).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a fund balance of \$14,110,896 increasing \$1,106,748 (9%) from the prior year. Of the \$14,110,896, the unassigned amount is \$7,280,355 (52%) and the assigned amount is \$6,830,541 (48%). General fund revenues were \$815,291 (3%) more than the prior fiscal year and expenditures also increased by \$1,467,192 (5%). Other activity in the General Fund is net transfers from other funds of \$258,917.

The main components of the increases in general fund revenues were related to increases in property taxes in the amount of \$950,796 (4%) and in licenses, permits and fees of \$151,777 and decreases in intergovernmental receipts of \$147,762 (14%) and in intergovernmental – “on-behalf” payments of \$100,605 (8%).

The major changes in the general fund expenditures from the prior fiscal year are as follows:

- Increase in General government expenditures of \$199,616.
- Increase in Education expenditures of \$813,290 (8%).
- Increase in Employee benefits and insurance expenditures of \$158,348 (3%).
- Increase in Debt service expenditures (principal and interest) of \$266,057 (22%).

Proprietary funds. The *proprietary funds* statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The *Sewer Fund* has accumulated a fund balance of \$7,482,982 used in the financing and operations of the Town's sewer system. For the current fiscal year, the sewer fund shows a decrease of \$32,097 (.4%) in total operations. This change was attributed to operating expenditures exceeding operating revenues by \$177,658, interest income of \$34, special assessments of \$43,818, intergovernmental revenues of \$87,205, interest expense of \$134,622 and net transfers in from the general fund of \$148,316. Operating revenues decreased by \$56,075 (7%) while operating expenses increased by \$44,554 (5%) from the prior year.

The *Water Works Fund* has accumulated a fund balance of \$7,080,857 used in the financing and operations of the Town's water system. The water works fund shows an increase of \$689,815 (11%) in total operations. This change resulted from operating revenues exceeding current operating costs by \$762,125, interest income of \$12,390, interest expense of \$55,900 and net transfers out to the general fund of \$28,800. Operating revenues increased by \$153,499 (8%) while operating expenses decreased by \$108,264 (7%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2018 was \$31,764,193. This was an increase of \$1,903,412 (6%) over the previous year's budget.

There was an increase between the original budget and the final amended budget. The change is attributed to the Town amending specific budget line items of the original budget during the Special Town Meeting in April 2018 and the Annual Town Meeting in April 2018 for various budget operating line items.

General fund expenditures were less than budgeted by \$4,725,962. Of the \$4,725,962 in under budget expenditures \$3,023,068 has been carried over to fiscal year 2019.

There are negative variances in property taxes of \$131,307 and in intergovernmental receipts of \$12,271 as collections did not meet expectations (budget) for the year.

A negative variance exists in debt service (principal) of \$8,275. This was due to the payments exceeding the budget.

Overall, the variance with the final budget was a positive \$2,339,922 consisting of a revenue surplus of \$637,028 and an appropriation surplus of \$1,702,894.

Capital Assets and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities amounts to \$19,705,370 and \$17,163,582, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Lake Street pier improvements for \$976,323.
- Energy efficiency upgrades for \$140,925.
- Cornell Theater building improvements for \$79,764.
- Police Station improvements for \$17,000.
- Police vehicle purchase for \$47,182.
- Highway fuel management system for \$14,052.
- Highway vehicle purchases for \$52,120.
- Road infrastructure improvements for \$142,003.
- School improvements for \$523,518.
- Veterans' Park improvements for \$19,800.

Major capital events during the current fiscal year in the business-type funds included the following:

Sewer Fund:

- Leeching facility improvements for \$115,734.

Water Works Fund:

- Water vehicle purchase for \$26,824.
- Garage facility improvements for \$1,310,803.

Debt Administration - The Town's outstanding long-term governmental debt, as of June 30, 2018 totaled \$4,943,662. Of this, \$4,130,000 is for the public safety facility, \$190,000 is for the department equipment, \$300,000 is for the harbor and channel dredging, \$180,000 is for the school roof, \$32,100 is for the landfill closure and \$111,562 is for the Title V septic repair program.

The Town also has a bond anticipation note outstanding as of June 30, 2018 in the amount of \$150,000 for governmental activities for the school feasibility study.

The business-type funds have \$2,718,781 in sewer debt and \$1,593,312 in water works debt.

The Town also has \$1,890,000 in business-type temporary debt. \$1,090,000 for the sewer projects and \$800,000 for the water works garage facility project.

Please refer to notes 4D, 4F and 4G for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Tisbury operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2018 do not reflect the fiscal year 2019 Town Meeting action except for the free cash amount. The Annual Town Meeting on April 10, 2018 authorized a fiscal year 2019 operating and capital budget as follows:

From the tax levy		\$	28,320,569
From sewer user charges	\$	727,106	
From sewer betterments		150,000	
From sewer fund balance		7,500	884,606
From water user charges		1,791,562	
From water fund balance		6,000	1,797,562
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash			2,807,473
Non-major Governmental Funds:			
Community preservation revenues		674,071	
Landfill trash fees		105,000	
Steamship Embarkation Fees		4,250	
Waterways fund		163,750	947,071
			<u>\$</u>
			<u>34,757,281</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Tisbury's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant and Town Treasurer, Town Hall, Spring Street, Tisbury, Massachusetts.

BASIC FINANCIAL STATEMENTS

TOWN OF TISBURY, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 20,962,666	\$ 3,297,506	\$ 24,260,172
Investments	3,126,520	-	3,126,520
Receivables, net of allowance for uncollectibles:			
Property Taxes	687,577	-	687,577
Tax Liens	1,138,792	-	1,138,792
Excise Taxes	201,689	-	201,689
Departmental	225,219	-	225,219
User Charges	-	500,287	500,287
Special Assessments	-	240,899	240,899
Due from Other Governments	807,749	148,996	956,745
Total current assets	27,150,212	4,187,688	31,337,900
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	1,679,047	1,679,047
Due from Other Governments	-	609,555	609,555
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	5,226,669	1,851,188	7,077,857
Depreciable	14,478,701	15,312,394	29,791,095
Total noncurrent assets	19,705,370	19,452,184	39,157,554
Total Assets	46,855,582	23,639,872	70,495,454
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	766,827	50,337	817,164
Deferred Outflows Related to OPEB	10,534	858	11,392
Total Deferred Outflows of Resources	777,361	51,195	828,556
LIABILITIES			
CURRENT:			
Warrants Payable	1,079,079	91,641	1,170,720
Accrued Payroll	691,065	13,419	704,484
Payroll Withholdings	286,611	-	286,611
Accrued Interest	47,888	71,098	118,986
Compensated Absences	264,302	34,725	299,027
Bond Anticipation Notes Payable	150,000	1,890,000	2,040,000
Bonds Payable	812,239	675,051	1,487,290
Total current liabilities	3,331,184	2,775,934	6,107,118
NONCURRENT:			
Compensated Absences	285,430	47,866	333,296
Net OPEB Liability	25,786,419	2,100,355	27,886,774
Net Pension Liability	5,554,059	364,589	5,918,648
Bonds Payable	4,131,423	3,637,042	7,768,465
Total noncurrent liabilities	35,757,331	6,149,852	41,907,183
Total Liabilities	39,088,515	8,925,786	48,014,301
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,364,064	89,542	1,453,606
Deferred Inflows Related to OPEB	1,355,539	111,900	1,467,439
Total Deferred Inflows of Resources	2,719,603	201,442	2,921,045
NET POSITION			
Net Investment in Capital Assets	14,723,270	11,675,071	26,398,341
Restricted for:			
Capital Projects	510,940	283,943	794,883
Federal & State Grants	650,507	-	650,507
Community Preservation	3,071,179	-	3,071,179
Permanent Funds:			
Expendable	639,642	-	639,642
Nonexpendable	617,845	-	617,845
Other Purposes	1,794,933	2,455,332	4,250,265
Unrestricted	(16,183,491)	149,493	(16,033,998)
Total Net Position	\$ 5,824,825	\$ 14,563,839	\$ 20,388,664

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF TISBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-Type	
	Expenses	Services	Grants and	Grants and	Activities	Activities	Total
			Contributions	Contributions			
Governmental Activities:							
General Government	\$ 2,737,818	\$ 266,660	\$ 461,494	\$ 780,500	\$ (1,229,164)	\$ -	\$ (1,229,164)
Public Safety	3,856,898	897,541	24,974	-	(2,934,383)	-	(2,934,383)
Public Works	2,144,755	169,030	13,138	143,645	(1,818,942)	-	(1,818,942)
Education	11,339,419	53,802	879,129	194,765	(10,211,723)	-	(10,211,723)
Health and Human Services	766,950	62,501	49,604	-	(654,845)	-	(654,845)
Culture and Recreation	768,335	18,540	145,278	-	(604,517)	-	(604,517)
Employee Benefits and Insurance	6,382,477	-	1,202,799	-	(5,179,678)	-	(5,179,678)
Intergovernmental Assessments	1,334,889	-	-	-	(1,334,889)	-	(1,334,889)
Interest	194,718	-	3,601	-	(191,117)	-	(191,117)
Total Governmental Activities	29,526,259	1,468,074	2,780,017	1,118,910	(24,159,258)	-	(24,159,258)
Business-Type Activities:							
Sewer	1,046,178	777,716	87,239	-	-	(181,223)	(181,223)
Water Works Fund	1,394,007	2,100,232	12,390	-	-	718,615	718,615
Total Primary Government	\$ 31,966,444	\$ 4,346,022	\$ 2,879,646	\$ 1,118,910	(24,159,258)	537,392	(23,621,866)
General Revenues:							
Property Taxes					24,913,187	-	24,913,187
Motor vehicle excise and other taxes					1,017,334	-	1,017,334
Hotel room occupancy and meal taxes					518,509	-	518,509
Penalties & Interest on taxes					181,472	-	181,472
Grants & Contributions not restricted to specific programs					555,934	-	555,934
Unrestricted Investment Income					55,600	-	55,600
Miscellaneous					5,962	-	5,962
Contributions to Permanent Funds					5,706	-	5,706
Transfers, net					(119,516)	119,516	-
Total General Revenues, Contributions and Transfers					27,134,188	119,516	27,253,704
Change in Net Position					2,974,930	656,908	3,631,838
Net Position:							
Beginning of year (as restated)					2,849,895	13,906,931	16,756,826
End of year					\$ 5,824,825	\$ 14,563,839	\$ 20,388,664

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF TISBURY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 13,244,439	\$ 7,718,227	\$ 20,962,666
Investments	2,587,684	538,836	3,126,520
Receivables, net of allowance for uncollectibles:			
Property Taxes	669,092	18,485	687,577
Tax Liens	1,111,328	27,464	1,138,792
Excise Taxes	201,689	-	201,689
Departmental	53,380	171,839	225,219
Due from Other Governments	13,818	793,931	807,749
Total Assets	\$ 17,881,430	\$ 9,268,782	\$ 27,150,212
Liabilities:			
Warrants Payable	\$ 975,244	\$ 103,835	\$ 1,079,079
Accrued Payroll	681,372	9,693	691,065
Payroll Withholdings	286,611	-	286,611
Bond Anticipation Notes Payable	-	150,000	150,000
Total Liabilities	1,943,227	263,528	2,206,755
Deferred Inflows of Resources:			
Unavailable Revenue	1,827,307	809,935	2,637,242
Fund Balance:			
Nonspendable	-	617,845	617,845
Restricted	-	5,886,941	5,886,941
Committed	-	1,758,646	1,758,646
Assigned	6,830,541	-	6,830,541
Unassigned	7,280,355	(68,113)	7,212,242
Total Fund Balance	14,110,896	8,195,319	22,306,215
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,881,430	\$ 9,268,782	\$ 27,150,212

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF TISBURY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 23,954,668	\$ 620,566	\$ 24,575,234
Intergovernmental	878,824	1,777,472	2,656,296
Excise and Other Taxes	994,002	145,697	1,139,699
Hotel Room Occupancy and Meal Taxes	518,509	-	518,509
Licenses, Permits, Fees	1,305,930	-	1,305,930
Charges for Services	-	334,685	334,685
Gifts and Donations	-	32,806	32,806
Interest on Delinquent Taxes	178,529	2,943	181,472
Investment Income	55,600	605	56,205
Other	-	344,690	344,690
Intergovernmental - "On-behalf" Payments	1,210,810	-	1,210,810
Total Revenues	29,096,872	3,259,464	32,356,336
Expenditures:			
Current:			
General Government	2,253,040	1,560,687	3,813,727
Public Safety	3,350,789	134,781	3,485,570
Public Works	1,789,429	173,019	1,962,448
Education	11,012,691	691,172	11,703,863
Health and Human Services	585,623	55,573	641,196
Culture and Recreation	590,880	97,093	687,973
Employee Benefits and Insurance	5,849,953	14,049	5,864,002
Intergovernmental Assessments	1,334,889	-	1,334,889
Debt Service:			
Principal	1,287,964	-	1,287,964
Interest	193,783	12,960	206,743
Total Expenditures	28,249,041	2,739,334	30,988,375
Excess of Revenues Over (Under) Expenditures	847,831	520,130	1,367,961
Other Financing Sources (Uses):			
Operating Transfers In	573,533	145,000	718,533
Operating Transfers Out	(314,616)	(523,433)	(838,049)
Proceeds from the issuance of bonds and notes	-	351,625	351,625
Total Other Financing Sources (Uses)	258,917	(26,808)	232,109
Net Change in Fund Balances	1,106,748	493,322	1,600,070
Fund Balances, Beginning of Year	13,004,148	7,701,997	20,706,145
Fund Balances, End of Year	\$ 14,110,896	\$ 8,195,319	\$ 22,306,215

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF TISBURY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2018

Total Governmental Fund Balances	\$	22,306,215
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		19,705,370
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		2,637,242
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.		(1,942,242)
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$	(4,943,662)
Net OPEB Liability		(25,786,419)
Net Pension Liability		(5,554,059)
Compensated Absences		(549,732)
		(36,833,872)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		(47,888)
Net Position of Governmental Activities	\$	5,824,825

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF TISBURY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ 1,600,070**

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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 2,012,687	
Depreciation	<u>(1,315,542)</u>	697,145

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. 264,369

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt Principal	1,287,964	
Proceeds from Issuance of Bonds and Notes	<u>(351,625)</u>	936,339

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 governmental funds:

Net Change in Compensated Absences	(16,543)	
Net Change in Net Other Post Employment Benefits Liability	651,543	
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	(1,345,005)	
Net Change in Net Pension Liability	2,119,558	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(1,944,571)	
Net Change in Accrued Interest	<u>12,025</u>	<u>(522,993)</u>

Change in Net Position of Governmental Activities **\$ 2,974,930**

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF TISBURY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts					
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget	Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
Revenues:						
Property Taxes	\$ -	\$ 24,118,975	\$ 24,118,975	\$ 23,987,668	\$ -	\$ (131,307)
Intergovernmental	-	891,095	891,095	878,824	-	(12,271)
Excise and Other Taxes	-	870,000	870,000	994,002	-	124,002
Hotel Room Occupancy and Meal Taxes	-	375,000	375,000	518,509	-	143,509
Licenses, Permits, Fees	-	875,000	875,000	1,305,930	-	430,930
Interest on Delinquent Taxes	-	120,000	120,000	178,529	-	58,529
Investment Income	-	15,000	15,000	38,636	-	23,636
Total Revenues	-	27,265,070	27,265,070	27,902,098	-	637,028
Expenditures:						
Current:						
General Government	577,937	2,413,405	3,336,448	2,253,040	911,066	172,342
Public Safety	594,740	3,981,414	5,312,246	3,350,789	1,579,438	382,019
Public Works	334,081	1,928,967	2,387,159	1,789,429	340,850	256,880
Education	49,330	11,000,399	11,049,729	11,012,691	7,080	29,958
Health and Human Services	35,302	612,155	647,457	585,623	852	60,982
Culture and Recreation	130,011	639,443	769,453	590,880	160,122	18,451
Employee Benefits and Insurance	-	5,295,592	5,293,123	4,639,143	23,660	630,320
Intergovernmental Assessments	-	1,364,243	1,364,243	1,334,889	-	29,354
Debt Service:						
Principal	-	1,279,689	1,279,689	1,287,964	-	(8,275)
Interest	-	324,646	324,646	193,783	-	130,863
Total Expenditures	1,721,401	28,839,953	31,764,193	27,038,231	3,023,068	1,702,894
Excess of Revenues Over (Under) Expenditures	(1,721,401)	(1,574,883)	(4,499,123)	863,867	(3,023,068)	2,339,922
Other Financing Sources (Uses):						
Operating Transfers In	-	708,250	1,072,589	1,123,533	-	50,944
Operating Transfers (Out)	-	(549,616)	(549,616)	(549,616)	-	-
Total Other Financing Sources (Uses)	-	158,634	522,973	573,917	-	50,944
Net Change in Budgetary Fund Balance	(1,721,401)	(1,416,249)	(3,976,150)	\$ 1,437,784	\$ (3,023,068)	\$ 2,390,866
Other Budgetary Items:						
Free Cash and Other Reserves	-	1,416,249	2,254,749			
Prior Year Encumbrances	1,721,401	-	1,721,401			
Total Other Budgetary Items	1,721,401	1,416,249	3,976,150			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF TISBURY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2018

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 27,902,098	\$ 27,038,231
<u>Adjustments:</u>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	16,964	-
Recognition of Intergovernmental Revenue - "on behalf payments"	1,210,810	-
Recognition of Expenditures - "on behalf payments"	-	1,210,810
Net Decrease in Revenue from Recording 60-Day Receipts	(33,000)	-
Reported on a GAAP Basis	<u>\$ 29,096,872</u>	<u>\$ 28,249,041</u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF TISBURY, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Works Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 1,595,174	\$ 1,702,332	\$ 3,297,506
Receivables, net of allowance for uncollectibles:			
User Charges	335,617	164,670	500,287
Special Assessments	240,899	-	240,899
Due from Other Governments	148,996	-	148,996
Total current assets	2,320,686	1,867,002	4,187,688
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	1,679,047	-	1,679,047
Due from Other Governments	609,555	-	609,555
Capital Assets, net of accumulated depreciation:			
Nondepreciable	-	1,851,188	1,851,188
Depreciable	7,301,934	8,010,460	15,312,394
Total noncurrent assets	9,590,536	9,861,648	19,452,184
Total Assets	11,911,222	11,728,650	23,639,872
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	18,304	32,033	50,337
Deferred Outflows Related to OPEB	139	719	858
Total Deferred Outflows of Resources	18,443	32,752	51,195
LIABILITIES			
CURRENT:			
Warrants Payable	44,338	47,303	91,641
Accrued Payroll	4,413	9,006	13,419
Accrued Interest	52,092	19,006	71,098
Compensated Absences	8,613	26,112	34,725
Bond Anticipation Notes Payable	1,090,000	800,000	1,890,000
Bonds Payable	401,129	273,922	675,051
Total current liabilities	1,600,585	1,175,349	2,775,934
NONCURRENT:			
Compensated Absences	5,814	42,052	47,866
Net OPEB Liability	339,639	1,760,716	2,100,355
Net Pension Liability	132,578	232,011	364,589
Bonds Payable	2,317,652	1,319,390	3,637,042
Total noncurrent liabilities	2,795,683	3,354,169	6,149,852
Total Liabilities	4,396,268	4,529,518	8,925,786
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	32,561	56,981	89,542
Deferred Inflows Related to OPEB	17,854	94,046	111,900
Total Deferred Inflows of Resources	50,415	151,027	201,442
NET POSITION			
Net Investment in Capital Assets	4,206,735	7,468,336	11,675,071
Restricted for Capital Projects	250,981	32,962	283,943
Restricted for Special Assessments	2,455,332	-	2,455,332
Unrestricted	569,934	(420,441)	149,493
Total Net Position	\$ 7,482,982	\$ 7,080,857	\$ 14,563,839

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF TISBURY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Works Fund	Total
Operating Revenues:			
Charges for Services	\$ 733,898	\$ 1,874,073	\$ 2,607,971
Other	-	226,159	226,159
Total Operating Revenues	733,898	2,100,232	2,834,130
Operating Expenses:			
Salaries & Wages	218,383	481,841	700,224
Operating Expenses	338,605	598,911	937,516
Depreciation	354,568	257,355	611,923
Total Operating Expenses	911,556	1,338,107	2,249,663
Operating Income (Loss)	(177,658)	762,125	584,467
Non-Operating Revenues (Expenses):			
Interest Income	34	12,390	12,424
Special Assessments	43,818	-	43,818
Intergovernmental	87,205	-	87,205
Interest Expense	(134,622)	(55,900)	(190,522)
Total Non-Operating Revenues (Expenses)	(3,565)	(43,510)	(47,075)
Income (Loss) Before Operating Transfers	(181,223)	718,615	537,392
Operating Transfers:			
Transfer In	169,616	-	169,616
Transfer (Out)	(21,300)	(28,800)	(50,100)
Total Operating Transfers	148,316	(28,800)	119,516
Change in Net Position	(32,907)	689,815	656,908
Net Position at Beginning of Year (as restated)	7,515,889	6,391,042	13,906,931
Net Position at End of Year	\$ 7,482,982	\$ 7,080,857	\$ 14,563,839

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF TISBURY, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Works Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 777,017	\$ 1,836,745	\$ 2,613,762
Receipts from Other Revenues	-	226,159	226,159
Payments to Vendors	(322,425)	(626,099)	(948,524)
Payments to Employees	(217,298)	(475,903)	(693,201)
Net Cash Provided by (Used for) Operating Activities	237,294	960,902	1,198,196
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	148,316	(28,800)	119,516
Net Cash Provided by (Used for) Noncapital Financing Activities	148,316	(28,800)	119,516
Cash Flows from Capital and Related Financing Activities:			
Special Assessments	221,168	-	221,168
Intergovernmental	194,304	-	194,304
Acquisition and Construction of Capital Assets	(115,734)	(1,337,627)	(1,453,361)
Principal Payments on Bonds and Notes	(431,675)	(478,922)	(910,597)
Interest Expense	(142,904)	(54,841)	(197,745)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(274,841)	(1,871,390)	(2,146,231)
Cash Flows from Investing Activities:			
Investment Income	34	12,390	12,424
Net Cash Provided by (Used for) Investing Activities	34	12,390	12,424
Net Increase (Decrease) in Cash and Cash Equivalents	110,803	(926,898)	(816,095)
Cash and Cash Equivalents at Beginning of Year	1,484,371	2,629,230	4,113,601
Cash and Cash Equivalents at End of Year	\$ 1,595,174	\$ 1,702,332	\$ 3,297,506

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

Operating Income (Loss)	\$ (177,658)	\$ 762,125	\$ 584,467
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	354,568	257,355	611,923
Deferred (Outflows)/Inflows of Resources Related to Pensions	42,600	87,962	130,562
Deferred (Outflows)/Inflows of Resources Related to OPEB	17,715	93,327	111,042
Change in Assets and Liabilities:			
Increase (Decrease) in Warrants Payable	(6,711)	(7,081)	(13,792)
Increase (Decrease) in Accrued Payroll	169	(131)	38
Increase (Decrease) in Compensated Absences	916	6,069	6,985
Increase (Decrease) in Net OPEB Liability	(8,581)	(74,513)	(83,094)
Increase (Decrease) in Net Pension Liability	(28,843)	(126,883)	(155,726)
Decrease (Increase) in User Charges Receivable	43,119	(37,328)	5,791
Total Adjustments	414,952	198,777	613,729
Net Cash Provided by (Used for) Operating Activities	\$ 237,294	\$ 960,902	\$ 1,198,196

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF TISBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	<div> <div>Other</div> <div>Post Employment Benefits Trust Fund</div> <div>Private Purpose Trust Funds</div> <div>Agency Funds</div> </div>		
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 23,268	\$ 159,594
Investments	1,277,656	779,523	-
Total Assets	1,277,656	802,791	159,594
LIABILITIES			
Warrants Payable	-	-	2,507
Due to Others	-	-	118,671
Due to Student Groups	-	-	8,096
Escrows and Deposits	-	-	30,320
Total Liabilities	-	-	159,594
NET POSITION:			
Held in Trust for Other Purposes	\$ 1,277,656	\$ 802,791	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF TISBURY, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions:		
Employer Contributions	\$ 1,266,058	\$ -
Investment Income	32,455	902
Total Additions	<u>1,298,513</u>	<u>902</u>
Deductions:		
General Expenses	-	5,787
Employee Benefits and Insurance	991,058	-
Total Deductions	<u>991,058</u>	<u>5,787</u>
Change in Net Position	<u>307,455</u>	<u>(4,885)</u>
Net Position at Beginning of Year	<u>970,201</u>	<u>807,676</u>
Net Position at End of Year	<u><u>\$ 1,277,656</u></u>	<u><u>\$ 802,791</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1671 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three-member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2018, it was determined that no entities met the required GASB-39 and GASB-61 criteria of component units.

The Town is responsible for electing the governing board and/or committee members of the Martha's Vineyard Regional High School District, the Martha's Vineyard Land Bank Commission and the Martha's Vineyard Commission. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board and/or committee members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Martha's Vineyard Regional High School District – A regional school district made up of six towns to serve and provide education to the Town's students. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects three school committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Martha's Vineyard Land Bank Commission – A public body that was created to acquire, hold and manage land on the island of Martha's Vineyard in its natural, scenic or open condition. The commission is an autonomous and self-sufficient agency under the Commonwealth of Massachusetts general laws. The Town has no significant influence over management, budget or policies of the authority.

Martha's Vineyard Commission – A regional planning agency for Dukes County. The agency is an autonomous and self-sufficient agency. The Town has no significant influence over management, budget or policies of the agency.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter 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. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

Major Fund Criteria

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

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

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

Proprietary and 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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *water works fund* is used to account for the water activities.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

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

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Additionally, the Town reports the following fund types:

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 government programs. The Town reports the following fiduciary funds:

The *Other Postemployment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. 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. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2017 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town accepted the provisions of the Massachusetts General Laws Chapter 59, Section 57C which enables the Town to have a quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for fiscal year 2018 on June 28, 2017 that were due on August 1, 2017 and November 1, 2017 and the actual tax bills were mailed on December 20, 2017 and were due on February 1, 2018 and May 1, 2018, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2018 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2018	\$ 23,553,556
Add: Debt Exclusion	1,049,154
Add: Stabilization override	85,000
Maximum Allowable Levy	<u>\$ 24,687,710</u>

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The total amount raised by taxation was \$24,420,077.

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

Excise Taxes

Excise taxes consist of motor vehicle excise and vessel excise. Excise taxes are assessed annually for each vehicle and vessel registered in the Town, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

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

User Charges

User charges and fees of the primary government consist of sewer and water that is levied based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer and water liens are processed each year and are included as a lien on the property owner's tax bill. Sewer and water charges and liens are recorded as receivables in the fiscal year of the levy.

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

Departmental

Departmental receivables consist of mooring fees, ambulance charges, police off-duty fees and septic system repair loans.

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

Special Assessments

Special assessments consist of sewer betterments in the business-type activities.

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

Due from Other Governments

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

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

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Capital Assets

Capital assets of the primary government include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (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. 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.

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Years
Buildings and renovations	10-40
Machinery, equipment and other	3-20
Infrastructure	20-50
Water works infrastructure	10-99

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.

G. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

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

H. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the items in this category are *deferred outflows related to pensions and deferred outflows related to OPEB*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the item in this category are *deferred inflows related to pensions and deferred inflows related to OPEB*.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property and excise taxes; departmental revenue and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Net Position and Fund Balances

In the Governmental-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Community preservation fund" represents amounts that are restricted for the preservation of open space, historical resources and community housing.

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

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

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The spendable portion of the fund balance comprises the remaining four classifications of fund balance: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

J. Long-term Debt

Long-term debt of the primary government is reported as liabilities in the government-wide statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

K. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Individuals are able to buy back 25% of their sick leave for individuals with less than 10 years of service and 50% for employees over ten years of service. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

L. Pension Benefits

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 (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the 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 according with the benefit terms. Investments are reported at their fair value.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 75% share of insurance premiums in the general fund in the fiscal year paid.

N. Use of Estimates

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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Departments submit budget requests to the Finance Director.
- Finance Director reviews budget requests. Finance Director submits revenue forecasts and budget recommendations to the Board of Selectmen and the finance committee.
- Board of Selectmen and finance committee review budget recommendations and submit their own recommendations to Town meeting.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2018, the Town incurred a final budget deficit of \$3,976,150 for the General Fund.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 2,254,749
Prior year's encumbrances	<u>1,721,401</u>
	<u>\$ 3,976,150</u>

B. Deficit Fund Balances

The following fund has a deficit at June 30, 2018 as measured by the balance of unreserved fund balance:

- The *School Feasibility Study* capital project fund has a deficit of \$68,113. This project is partially funded by the Massachusetts School Building Authority (MSBA). The Town has a temporary bond anticipation note outstanding of \$150,000 for this project. The deficit will be eliminated upon the future receipt of grant funds and upon the issuance of permanent debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2018 were \$24,466,838. Of these, \$445,651 is exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

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

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT's fair value is measured at amortized cost.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

As of June 30, 2018, the Town had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. government agencies	\$ 395,050	\$ 109,614	\$ 285,436
Corporate bonds	362,412	251,231	111,181
	<u>757,462</u>	<u>\$ 360,845</u>	<u>\$ 396,617</u>
Other Investments:			
Certificate of deposits	1,332,592		
Equity mutual funds	73,238		
Equity securities-domestic	1,107,695		
MMDT	635,056		
PRIT	1,277,656		
	<u>\$ 5,183,699</u>		

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$5,183,699 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2018 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Government Agencies:	
Aaa	\$ 395,050
Corporate Bonds:	
Aa3	111,181
Baa2	251,231
	<u>\$ 757,462</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. There are no investments that are more than 5 percent.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. government agencies	\$ 395,050	\$ 395,050	\$ -	\$ -
Certificates of deposit	1,332,592	1,332,592	-	-
Equity mutual funds	73,238	73,238	-	-
Equity securities - domestic	1,107,695	1,107,695	-	-
Corporate bonds	362,412	-	362,412	-
	3,270,987	\$ 2,908,575	\$ 362,412	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	635,056			
External Investment Pools (PRIT)	1,277,656			
Total Investments	\$ 5,183,699			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2018, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts of the primary government, are as follows:

Major and nonmajor governmental funds:	Allowance		
	Gross Amount	for Uncollectibles	Net Amount
Property taxes	\$ 712,162	\$ (24,585)	\$ 687,577
Tax liens	1,223,038	(84,246)	1,138,792
Excise taxes	266,712	(65,023)	201,689
Departmental	611,338	(386,119)	225,219
Due from other governments	807,749	-	807,749
	\$ 3,620,999	\$ (559,973)	\$ 3,061,026

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

At June 30, 2018, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 317,457	\$ -	\$ 317,457
Tax liens	18,160	-	18,160
Special assessments	1,919,946	-	1,919,946
Due from other governments	758,551	-	758,551
Water Works Fund:			
User charges	128,259	-	128,259
Tax liens	36,411	-	36,411
	<u>\$ 3,178,784</u>	<u>\$ -</u>	<u>\$ 3,178,784</u>

The composition of amounts due from other governments as of June 30, 2018 for governmental funds is as follows:

General Fund:		
Commonwealth of Massachusetts:		
Department of Veterans Services:		
Veterans Benefits	\$	13,818
Nonmajor Governmental Funds:		
U. S. Department of Agriculture		
School lunch	\$ 4,559	
U. S. Department of the Interior:		
Clean vessel act	18,000	
Commonwealth of Massachusetts:		
Department of Elementary and Secondary Education:		
School lunch	187	
Department of Energy Resources:		
Green Communities Grant	35,230	
Massachusetts School Building Authority:		
School Building Assistance	47,872	
Massachusetts Department of Transportation:		
Highway Department - Chapter 90 funds	688,083	793,931
	<u>\$</u>	<u>807,749</u>

The composition of amounts due from other governments as of June 30, 2018 for business-type funds is as follows:

Sewer Fund:	
Commonwealth of Massachusetts:	
Massachusetts Clean Water Trust:	
Principal loan subsidy	<u>\$ 758,551</u>

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

C. Deferred Inflows of Resources – Unavailable Revenue

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

General Fund:			
Property taxes	\$	447,092	
Tax liens		1,111,328	
Excise and other taxes		201,689	
Departmental		53,380	
Due from other governments		13,818	\$ 1,827,307
Nonmajor governmental funds:			
Property taxes		18,485	
Tax liens		27,464	
Departmental		171,839	
Due from other governments		592,147	809,935
			<u>\$ 2,637,242</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2018, is as follows

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,387,745	\$ -	\$ -	\$ 4,387,745
Construction in Progress	340,019	498,905	-	838,924
Total capital assets not being depreciated	4,727,764	498,905	-	5,226,669
Capital assets being depreciated:				
Buildings and Renovations	20,891,644	302,219	-	21,193,863
Machinery, equipment and other	4,176,265	113,354	(73,909)	4,215,710
Infrastructure	4,905,838	1,098,209	-	6,004,047
Total capital assets being depreciated	29,973,747	1,513,782	(73,909)	31,413,620
Less accumulated depreciation for:				
Buildings and Renovations	10,701,859	724,725	-	11,426,584
Machinery, equipment and other	2,971,845	356,714	(73,909)	3,254,650
Infrastructure	2,019,582	234,103	-	2,253,685
Total accumulated depreciation	15,693,286	1,315,542	(73,909)	16,934,919
Total capital assets being depreciated, net	14,280,461	198,240	-	14,478,701
Total governmental activities capital assets, net	\$ 19,008,225	\$ 697,145	\$ -	\$ 19,705,370

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 381,600	\$ -	\$ -	\$ 381,600
Construction in Progress	158,785	1,310,803	-	1,469,588
Total capital assets not being depreciated	540,385	1,310,803	-	1,851,188
Capital assets being depreciated:				
Buildings and Renovations	175,018	-	-	175,018
Machinery, equipment and other	863,337	26,824	(26,190)	863,971
Infrastructure	22,724,190	115,734	-	22,839,924
Total capital assets being depreciated	23,762,545	142,558	(26,190)	23,878,913
Less accumulated depreciation for:				
Buildings and Renovations	142,330	5,025	-	147,355
Machinery, equipment and other	651,646	63,356	(26,190)	688,812
Infrastructure	7,186,810	543,542	-	7,730,352
Total accumulated depreciation	7,980,786	611,923	(26,190)	8,566,519
Total capital assets being depreciated, net	15,781,759	(469,365)	-	15,312,394
Total Business-type activities capital assets, net	\$ 16,322,144	\$ 841,438	\$ -	\$ 17,163,582

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

Governmental Activities:

General government	\$ 106,115
Public safety	456,916
Public works	373,965
Education	167,757
Health and human services	122,548
Culture and recreation	88,241
Total depreciation expense - governmental activities	<u>\$ 1,315,542</u>

Business-Type Activities:

Sewer fund	\$ 354,568
Water works fund	257,355
Total depreciation expense - business-type activities	<u>\$ 611,923</u>

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2018, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 145,000	\$ 169,616	\$ 314,616
Nonmajor governmental funds	523,433	-	-	523,433
Business-type fund	50,100	-	-	50,100
Total transfers out	\$ 573,533	\$ 145,000	\$ 169,616	\$ 888,149

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2017	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2018
Bond anticipation note:						
School feasibility study	1.25%	5/24/2018	\$ 501,625	\$ -	\$ 501,625	\$ -
School feasibility study	2.00%	5/24/2019	-	150,000	-	150,000
Total Governmental Activities			\$ 501,625	\$ 150,000	\$ 501,625	\$ 150,000

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Details related to the short-term debt activity of the business-type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2017	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2018
Bond anticipation note:						
Sewer Fund:						
Wastewater Treatment Facility	1.00%	2/23/2018	\$ 1,130,000	\$ -	\$ 1,130,000	\$ -
Wastewater Treatment Facility	1.55%	2/22/2019	-	1,090,000	-	1,090,000
			<u>1,130,000</u>	<u>1,090,000</u>	<u>1,130,000</u>	<u>1,090,000</u>
Water Works Fund:						
Garage Facility	0.95%	8/17/2017	1,000,000	-	1,000,000	-
Garage Facility	1.30%	8/17/2018	-	800,000	-	800,000
			<u>1,000,000</u>	<u>800,000</u>	<u>1,000,000</u>	<u>800,000</u>
Total Business-type Activities			<u>\$ 2,130,000</u>	<u>\$ 1,890,000</u>	<u>\$ 2,130,000</u>	<u>\$ 1,890,000</u>

G. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2018
Inside Debt:					
Municipal Purpose Loan of 2010:					
Public safety facility construction	3.05%	3/15/2010	3/15/2025	\$ 6,800,000	\$ 3,850,000
Public safety facility design	2.90%	3/15/2010	3/15/2025	640,000	280,000
Municipal Purpose Loan of 2014:					
DPW Departmental Equipment	2.0-3.0%	8/15/2014	8/15/2019	350,000	140,000
Parking System Departmental Equipment	2.0-3.0%	8/15/2014	8/15/2019	125,000	50,000
Harbor & Channel Dredging	2.0-3.0%	8/15/2014	8/15/2023	450,000	300,000
Tisbury School Roof	2.0-3.0%	8/15/2014	8/15/2023	275,000	180,000
Total Inside Debt					<u>4,800,000</u>
Outside Debt:					
Massachusetts Clean Water Trust:					
Landfill closure	N/A	11/1/1998	8/1/2018	493,200	32,100
Title V Septic Repair Program	N/A	5/28/2002	8/1/2020	197,403	31,000
Title V Septic Repair Program	N/A	1/7/2015	1/15/2035	94,779	80,562
Total Outside Debt					<u>143,662</u>
Total governmental type debt					<u><u>\$ 4,943,662</u></u>

Future Debt Service

The annual principal and interest payments to retire all governmental type long term debt outstanding as of June 30, 2018, are as follows:

Year	Principal	Interest	Total
2019	\$ 812,239	\$ 152,952	\$ 965,191
2020	780,139	128,634	908,773
2021	684,939	106,968	791,907
2022	674,739	86,662	761,401
2023	674,739	65,887	740,626
2024-2028	1,283,694	66,100	1,349,794
2029-2033	23,695	-	23,695
2034-2035	9,478	-	9,478
	<u>\$ 4,943,662</u>	<u>\$ 607,203</u>	<u>\$ 5,550,865</u>

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2018
Inside Debt:					
Sewer Fund:					
Massachusetts Clean Water Trust:					
Wastewater treatment facility	N/A	11/6/2003	8/1/2023	\$ 7,482,332	\$ 2,580,993
Total Inside Debt					<u>2,580,993</u>
Outside Debt:					
Sewer Fund:					
United States Department of Agriculture (USDA) Centrifuge					
	3.38%	3/26/2014	3/26/2052	154,000	137,788
Water Works:					
Municipal Purpose Loan of 2004:					
Manter well	3.18%	2/1/2004	2/1/2019	2,000,000	130,000
Water mains	3.18%	2/1/2004	2/1/2019	725,000	45,000
Municipal Purpose Loan of 2012:					
Water mains	1.83%	11/1/2012	11/1/2027	400,000	250,000
Water mains	1.82%	11/1/2012	11/1/2027	513,000	335,000
Water storage tank	1.82%	11/1/2012	11/1/2027	292,000	190,000
United States Department of Agriculture (USDA) Centrifuge					
	2.75%	3/26/2014	3/26/2052	719,000	643,312
Total Outside Debt					<u>1,731,100</u>
Total business-type debt					<u><u>\$ 4,312,093</u></u>

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2018, are as follows:

Year	Principal	Interest	Total
2019	\$ 675,051	\$ 148,144	\$ 823,195
2020	514,232	121,195	635,427
2021	528,413	98,609	627,022
2022	542,595	75,828	618,423
2023	552,049	51,059	603,108
2024-2028	948,403	108,352	1,056,755
2029-2033	114,875	72,279	187,154
2034-2038	114,875	55,850	170,725
2039-2043	114,875	39,421	154,296
2044-2048	114,875	22,993	137,868
2049-2052	91,850	6,566	98,416
	<u>\$ 4,312,093</u>	<u>\$ 800,296</u>	<u>\$ 5,112,389</u>

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

A summary of the changes in governmental activities and business-type long term liabilities during the year is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 5,690,000	\$ -	\$ 890,000	\$ 4,800,000	\$ 765,000
Massachusetts Clean					
Water Trust bonds	190,001	-	46,339	143,662	47,239
Compensated absences	533,189	46,632	30,089	549,732	264,302
OPEB liability obligation	26,437,962	-	651,543	25,786,419	-
Net pension liability	7,673,617	-	2,119,558	5,554,059	-
Governmental activity					
Long-term liabilities	\$ 40,524,769	\$ 46,632	\$ 3,737,529	\$ 36,833,872	\$ 1,076,541
Business-type activities:					
Bonds Payable:					
General obligation bonds	\$ 1,210,000	\$ -	\$ 260,000	\$ 950,000	\$ 255,000
U.S.D.A. bonds	804,075	-	22,975	781,100	22,975
Massachusetts Clean					
Water Trust bonds	2,968,615	-	387,622	2,580,993	397,076
Compensated absences	75,606	6,985	-	82,591	34,725
OPEB liability obligation	2,183,449	-	83,094	2,100,355	-
Net pension liability	520,315	-	155,726	364,589	-
Business-type activity					
Long-term liabilities	\$ 7,762,060	\$ 6,985	\$ 909,417	\$ 6,859,628	\$ 709,776

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$8,267,714 and interest costs of \$4,536,310 for four loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2018 for principal and interest combined for the loans is \$3,051,308. The net repayments, including interest, are scheduled to be \$2,057,828. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2018 principal and interest subsidies totaled \$206,207.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2018 totaled \$7,380,993.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." The following is a computation of the legal debt limit as of June 30, 2018:

Equalized Valuation-Real Estate and Personal Property (2018)		<u>\$ 2,884,208,400</u>
Debt Limit: 5 % of Equalized value		144,210,420
Total Debt Outstanding	\$ 9,255,755	
Less: Debt Outside Debt Limit	<u>(1,874,762)</u>	<u>7,380,993</u>
Inside Debt Excess Borrowing Capacity at June 30, 2018		<u><u>\$ 136,829,427</u></u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2018 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
4/23/2002	Rehabilitate and Replace Water Mains on Main Street and Beach Road	\$ 250,000
9/10/2002	Additional Costs of Wastewater Treatment System Improvements for the Town	394,967
9/10/2002	Additional Costs of Rehabilitating and Replacing Water Mains on Main Street and Beach Road	25,000
4/11/2012	Septic Management Upgrades	105,221
4/14/2015	Wastewater Engineering/Design Plans	70,000
4/12/2016	School Feasibility Study	37,702
4/25/2017	Road and Street improvements	400,000
		<u><u>\$ 1,282,890</u></u>

Overlapping Debt

The Town pays assessments; which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt).

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Martha's Vineyard Regional High School District	\$ 1,080,000	22.19%	\$ 239,652
County of Dukes County	<u>1,280,000</u>	13.52%	<u>173,056</u>
	<u><u>\$ 2,360,000</u></u>		<u><u>\$ 412,708</u></u>

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

H. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2018:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 617,845	\$ 617,845
Restricted:			
Federal, state and local grants	-	58,360	58,360
School revolving funds	-	326,721	326,721
Town revolving funds	-	18,401	18,401
Community preservation	-	3,025,230	3,025,230
Debt service	-	42,966	42,966
Donations and gifts	-	83,817	83,817
Permanent funds	-	639,641	639,641
Capital projects	-	429,053	429,053
Other	-	1,262,752	1,262,752
	-	5,886,941	5,886,941
Committed:			
Ambulance services	-	43,809	43,809
Embarkation fee fund	-	242,692	242,692
Employee benefits and Insurance	-	362,149	362,149
Shellfish trust	-	132,766	132,766
Transfer station	-	977,230	977,230
	-	1,758,646	1,758,646
Assigned:			
General government	911,066	-	911,066
Public safety	1,579,438	-	1,579,438
Public works	340,850	-	340,850
Education	7,080	-	7,080
Health and human services	852	-	852
Culture and recreation	160,122	-	160,122
Employee benefits and Insurance	23,660	-	23,660
Subsequent year's budget	3,807,473	-	3,807,473
	6,830,541	-	6,830,541
Unassigned:			
General Fund	7,280,355	-	7,280,355
Capital Projects	-	(68,113)	(68,113)
	7,280,355	(68,113)	7,212,242
Total Governmental fund balances	\$ 14,110,896	\$ 8,195,319	\$ 22,306,215

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

I. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2018 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$	1,988,732
Ambulance stabilization fund		175,843
Building stabilization fund		25,700
Department of Public Works stabilization		77,212
Dredge stabilization fund		120,692
Fire Department stabilization fund		2,377
	\$	<u>2,390,556</u>

4. OTHER INFORMATION

A. Risk Management

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. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

C. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

D. Pension Plan

Plan Description

The Town is a member of the Dukes County Contributory Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Dukes County Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 9 Airport Road, Suite 1, Vineyard Haven, Massachusetts 02568.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. 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 the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements 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 the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town's portion of the collective pension expense contributed by the Commonwealth of \$1,198,907 on-behalf payments for the fiscal year ending June 30, 2018 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

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 increases 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.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2017 was \$1,123,192, representing 16.64% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2018, the Town reported a liability of \$5,918,648 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update 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, 2017, the Town's proportional percentage was 17.842%, which was the same as the last measurement.

Pension Expense

For the year ended June 30, 2018, the Town recognized a pension expense of \$923,041 and reported deferred outflows of resources related to pensions of \$817,164 from the differences between expected and actual experience, changes in assumptions, and from changes in proportion and differences between employer contributions and proportionate share of contributions; and deferred inflows of resources related to pensions of \$1,453,606 from the net difference between projected and actual investment earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions.

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

For years ended June 30,		
2018	\$	(90,710)
2019		(75,673)
2020		(232,450)
2021		(245,522)
Thereafter:		7,913
	\$	(636,442)

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2017:

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	UAAL: Increasing dollar amount at 4.5% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2030. The annual increase in appropriation is further limited to 5.0% per year for FY2018 and FY2019 and 5.32% for FY2020 and beyond. 2002 & 2003: Increasing dollar amount to reduce the unfunded actuarial accrued liability attributable to the ERIs to zero on or before June 30, 2028.
Asset valuation method	The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: (a) 80% of gains and losses of the prior year, (b) 40% of gains and losses of the second prior year, (c) 60% of the 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.
Inflation	3.00% per year
Salary increases	6.00% to 4.25% for General Employees and 7.00% to 4.75% for Public Safety, depending on years of service.
Payroll Growth	4.00% per year
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Cost of living adjustments	3.00% of the first \$14,000 of the annual retirement allowance.
Mortality rates	Based on the RP-2000 Mortality Table (base year 2009) with fully generational mortality improvements using Scale BB. For disabled lives, Based on the RP-2000 Mortality Table (base year 2012) with fully generational mortality improvements using Scale BB.

Long-term Expected Rate of Return

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40.0%	6.0%
International equity	15.0%	4.9%
Alternatives - Private equity	5.0%	10.4%
Hedge Funds	2.5%	1.6%
Real estate	10.0%	6.6%
Timber	2.5%	3.7%
Fixed income	25.0%	2.0%
Total	100.0%	

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.29%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based at the current contribution rates and that contributions from participating employers will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. 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 Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Town's net pension liability	\$ 9,824,463	\$ 5,918,648	\$ 2,613,975

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

E. Other Post Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 237 active and retired employees and dependents that meet the eligibility requirements. The plan does not issue a separate financial report.

Investments

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by majority vote of its members. 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. As of June 30, 2018, investments, concentration and rate of return information consisted of pooled funds in the Town's Pension Reserve Investment Trust with Dukes County described earlier under Deposits and Investments (refer to note 3A).

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2018 fiscal year, total Town contributions are \$2,236,259 to the plan. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$1,277,656 as of June 30, 2018.

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Plan Membership:

Current active members	146
Current retirees, beneficiaries and dependents	91
Total	<u>237</u>

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Net OPEB Liability

The components of the net OPEB liability are as follows:

	<u>6/30/2018</u>
Total OPEB liability	\$ 29,164,430
Less: Plan fiduciary net position	<u>(1,277,656)</u>
Town's Net OPEB liability	<u><u>\$ 27,886,774</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	4.38%

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement for the reporting date of June 30, 2018:

Valuation date	July 1, 2016
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Increasing at 4.0% over 30 years on an open amortization period for partial pre-funding.
Investment rate of return	7.5%, compounded annually, net of fees
Single Equivalent Discount rate	3.96%, compounded annually, for measurement as of June 30, 2018
Healthcare cost trend rates	8.0% annually in Year 1 decreasing to an ultimate 5.0% annually
Inflation	3.00% per year
Payroll Growth	4.00% per year
Mortality rates: General and Public Safety employees:	
Pre-retirement Mortality	Based on the RP-2000 Employees Mortality Table (base year 2009) projected with generational mortality improvement using Scale BB.
Post-retirement Mortality	Based on the RP-2000 Healthy Annuitant Mortality Table (base year 2009) projected with generational mortality improvement using Scale BB.
Mortality rates: Teachers:	
Pre-retirement Mortality	Based on the RP-2014 Employees Mortality Table (base year 2014) projected with generational mortality improvement using Scale BB.
Post-retirement Mortality	Based on the RP-2014 Healthy Annuitant Mortality Table (base year 2014) projected with generational mortality improvement using Scale BB.

The actuarial assumptions used the July 1, 2016 actuarial valuation and market value of assets as of the measurement date of June 30, 2018 were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index is 3.87%.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Long-term Expected Rate of Return

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 rates of return (expected returns, net of 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 weighing 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 class included in the target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	54.0%	9.00%
U.S. Government and Agencies	20.0%	1.03%
Fixed income	25.0%	3.61%
Cash	1.0%	0.00%
Total	100.0%	

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 4.03%.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at June 30, 2017 GASB 75	\$ 29,591,612	\$ -	\$ 29,591,612
Service cost	1,338,048	-	1,338,048
Interest on Total OPEB Liability	1,089,542	-	1,089,542
Changes in benefit terms	(36,608)	-	(36,608)
Changes in assumptions	(1,827,106)	-	(1,827,106)
Difference between actual and expected experience	-	-	-
Net investment income	-	32,455	(32,455)
Employer contributions to Trust	-	2,236,259	(2,236,259)
Total benefit payments including implicit cost	(991,058)	(991,058)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net change in total OPEB liability	(427,182)	1,277,656	(1,704,838)
Balances at June 30, 2018 GASB 75	\$ 29,164,430	\$ 1,277,656	\$ 27,886,774

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Discount Rate

The discount rate used to measure the total OPEB liability was 3.96%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.96%) or 1-percentage-point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Town's net OPEB liability	\$ 33,080,759	\$ 27,886,774	\$ 23,788,514

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0% decreasing to 4.0%) or 1-percentage-point higher (9.0% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (7.0% in Year 1 decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% in Year 1 decreasing to 5.0%)	1% Increase (9.0% in Year 1 decreasing to 6.0%)
Town's net OPEB liability	\$ 22,858,662	\$ 27,886,774	\$ 34,935,831

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or 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, which are reported at cost.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

For the year ended June 30, 2018, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$1,987,468 and reported deferred outflows of resources related to OPEB of \$11,392 and deferred inflows of resources related to OPEB of \$1,467,439.

The Town's net deferred outflows/(inflows) of resources related to OPEB will be recognized in the OPEB expense as follows:

For years ended June 30,		
	2019	\$ (356,819)
	2020	(356,819)
	2021	(356,819)
	2022	(356,819)
	2023	(28,771)
	Thereafter:	-
		<u>\$ (1,456,047)</u>

F. Implementation of New GASB Pronouncements

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 85, *Omnibus 2018*, for implementation in fiscal year 2018.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, for implementation in fiscal year 2018.

G. Future GASB Pronouncements

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

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for implementation in fiscal year 2019.

The GASB issued Statement No. 84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2020.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

TOWN OF TISBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

5. RESTATEMENT

The net position as of June 30, 2018 has been restated. As required by GASB Statement No. 75, the beginning net position decreased \$18,600,801 (\$17,027,262 for governmental activities and \$1,573,539 for business-type activities) to reflect the changes in the other post employment (OPEB) liability. Accordingly, the previously reported net position of \$35,357,627 has been revised to \$16,756,826; \$2,849,895 for governmental activities and \$13,906,931 for business-type activities.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TISBURY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Dukes County Contributory Retirement System
For the Year Ended June 30, 2018

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension:

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	17.842%	17.842%	18.063%	18.063%
Town's proportionate share of the net pension liability (asset)	\$ 5,918,648	\$ 8,193,932	\$ 7,098,653	\$ 6,510,775
Town's covered employee payroll	\$ 6,748,420	\$ 6,204,138	\$ 6,239,273	\$ 6,296,756
Net pension liability percentage of covered-employee payroll	87.70%	132.07%	113.77%	103.40%
Plan fiduciary net position as a percentage of the total pension liability	82.43%	74.21%	75.61%	76.17%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF TISBURY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Dukes County Contributory Retirement System
For the Year Ended June 30, 2018

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 1,123,192	\$ 1,072,866	\$ 1,007,673	\$ 1,015,376
Less: Contributions in relation to the actuarially determined contribution	<u>(1,123,192)</u>	<u>(1,072,866)</u>	<u>(1,007,673)</u>	<u>(1,015,376)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 6,748,420	\$ 6,204,138	\$ 6,239,273	\$ 6,296,756
Contributions percentage of covered-employee payroll	16.64%	17.29%	16.15%	16.13%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF TISBURY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2018

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability		
Service cost	\$ 1,338,048	\$ 1,576,707
Interest on net OPEB liability	1,089,542	939,599
Changes in Benefit terms	(36,608)	-
Changes in Assumptions	(1,827,106)	(3,823,253)
Difference between actual and expected experience	-	-
Benefit payments, including refunds of member contributions	(991,058)	(986,258)
Net change in total OPEB liability	(427,182)	(2,293,205)
Total OPEB liability-beginning	29,591,612	31,884,817
Total OPEB liability-ending (a)	<u>\$ 29,164,430</u>	<u>\$ 29,591,612</u>
 Plan fiduciary net position		
Net investment income	32,455	\$ -
Employer contributions to Trust	2,236,259	986,258
Benefit payments, including refunds of member contributions	(991,058)	(986,258)
Administrative expense	-	-
Other charges	-	-
Net change in plan fiduciary net position	1,277,656	-
Total fiduciary net position-beginning	-	-
Total fiduciary net position-ending (b)	<u>\$ 1,277,656</u>	<u>\$ -</u>
 Town's net OPEB liability (a-b)	<u><u>\$ 27,886,774</u></u>	<u><u>\$ 29,591,612</u></u>

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF TISBURY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2018

Schedule of Net OPEB Liability:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 29,164,430	\$ 29,591,612
Less: Plan fiduciary net position	(1,277,656)	-
Town's Net OPEB liability	<u><u>\$ 27,886,774</u></u>	<u><u>\$ 29,591,612</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	4.38%	0.00%
Town's share of covered employee payroll	\$ 9,673,251	\$ 7,337,024
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	288.29%	403.32%

Schedule of Contributions:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 2,348,910	\$ 2,048,278
Less: Contributions in relation to the actuarially determined contribution	(2,236,259)	(986,258)
Contribution deficiency (excess)	<u><u>\$ 112,651</u></u>	<u><u>\$ 1,062,020</u></u>
Town's share of covered employee payroll	\$ 9,673,251	\$ 7,337,024
Contributions percentage of covered-employee payroll	23.12%	13.44%
Annual money-weighted rate of return net of investment expense	4.03%	N/A

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF TISBURY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2018

Schedule of Funding Progress:

Other Post Employment Benefits						
Actuarial Measurement Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)
6/30/2018	\$ 1,277,656	\$ 29,164,430	\$ 27,886,774	4.4%	\$ 9,673,251	288.3%
6/30/2017	\$ -	\$ 29,591,612	\$ 29,591,612	0.0%	\$ 7,337,024	403.3%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULES

TOWN OF TISBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Special Revenue:					
Federal and State Grants:					
Clean Vessel Act	\$ -	\$ 19,656	\$ 19,656	\$ -	\$ -
Council on Aging Grants	11,339	9,118	4,301	-	16,156
Emergency Management Grants	-	13,016	-	-	13,016
Energy Grants	42,733	105,693	140,926	-	7,500
Highways	-	95,937	95,937	-	-
Library Grants	15,307	5,397	15,273	-	5,431
Other Grants and Programs	2,803	5,844	1,800	(844)	6,003
Public Safety Grants	(120)	2,298	-	-	2,178
Septic Grants	9,840	26,700	51,225	-	(14,685)
Vehicle Grant	22,500	-	-	-	22,500
Seaport Council Grant	-	780,500	780,500	-	-
Schools:					
School Lunch Program	27,575	89,284	101,033	-	15,826
School Choice Tuition	292,195	101,013	102,801	-	290,407
School Revolving	13,154	14,410	7,075	-	20,489
Special Education Reimbursement Fund	261	-	-	-	261
Other:					
Ambulance Transport Fund	43,809	-	-	-	43,809
Cable Television Franchise Fee	22,187	137,950	137,950	-	22,187
Community Preservation Fund	2,627,358	762,682	364,810	-	3,025,230
Economic Development Fund	-	20,280	690	-	19,590
Gifts and Donations	72,307	32,807	21,297	-	83,817
Insurance reimbursements	(2,697)	27,369	11,774	-	12,898
Landfill Trash Fees	142,431	90,687	-	(96,264)	136,854
Library Book Replacement	185	3,978	3,966	-	197
Parks and Recreation Revolving	8,898	6,860	13,070	-	2,688
Police Auctions	245	-	-	-	245
Police Off-Duty Details	6,706	48,096	51,279	-	3,523
Premium and Interest on Bonds	55,926	-	12,960	-	42,966
Total Special Revenue Page 71	\$ 3,414,942	\$ 2,399,575	\$ 1,938,323	\$ (97,108)	\$ 3,779,086

**TOWN OF TISBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Continued from Page 71	\$ 3,414,942	\$ 2,399,575	\$ 1,938,323	\$ (97,108)	\$ 3,779,086
Special Revenue (Continued):					
Other (Continued):					
Sale of Cemetery Lots	124,940	1,775	-	-	126,715
Septic System Repair Programs	182,938	49,683	-	-	232,621
Steamship Authority Ferry Embarkation Fees	304,195	226,572	-	(288,075)	242,692
Tashmoo Spring Building Revolving	12,053	4,825	1,165	-	15,713
Transfer Station Fund	788,798	74,918	23,341	-	840,375
Transportation Fund	-	1,900	-	-	1,900
Waterways Fund	262,067	145,756	-	(133,250)	274,573
Luce Fund	509,224	123,873	55,906	-	577,191
Municipal Housing Fund	339,285	1,023	670	35,000	374,638
Municipal Insurance Fund	28,803	87	33,359	10,000	5,531
Nancy Hamilton Fund	31,173	93	-	-	31,266
Shellfish Fund	121,099	18,344	1,677	(5,000)	132,766
Sick Leave Buy Back Fund	297,042	924	64,636	50,000	283,330
Unemployment Fund	37,192	145	14,048	50,000	73,289
Water Street Parking Lot Fund	186,343	10,546	3,225	-	193,664
Total Special Revenue Funds	6,640,094	3,060,039	2,136,350	(378,433)	7,185,350
Capital Projects:					
Annex Relocation	3,242	-	3,242	-	-
Connector Road	22,138	-	-	-	22,138
Dredging	91,036	-	1,815	-	89,221
Department of Public Works Equipment	1,115	-	972	-	143
Fire Station Construction	92,178	-	-	-	92,178
Lake Street Bulkhead	70,305	-	70,305	-	-
Land Acquisition-Aquifer	4,689	-	-	-	4,689
Landfill	60,449	-	24,500	-	35,949
Lighting Improvements	10,488	-	-	-	10,488
Total Capital Projects Page 72	\$ 355,640	\$ -	\$ 100,834	\$ -	\$ 254,806

**TOWN OF TISBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Continued from Page 72	\$ 355,640	\$ -	\$ 100,834	\$ -	\$ 254,806
Capital Projects (Continued):					
Park and Ride System	125,000	-	20,118	-	104,882
Paving and Resurfacing Roads	2,073	-	-	-	2,073
Police/Ambulance Facility	4,038	-	-	-	4,038
School Feasibility Study	(135,715)	194,765	478,788	351,625	(68,113)
Sidewalk Construction	7,578	-	-	-	7,578
Tashmoo Beach Restrooms	16,635	-	-	-	16,635
Underground Utilities	38,791	-	-	-	38,791
Veterans Park	250	-	-	-	250
Total Capital Projects	414,290	194,765	599,740	351,625	360,940
Perpetual Permanent Funds:					
A&P Supermarket Parking Lot Escrow	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Cemetery	343,856	5,175	-	-	349,031
Library	167,957	532	-	325	168,814
Total Perpetual Permanent Funds	611,813	5,707	-	325	617,845
Permanent Funds:					
A&P Supermarket Parking Lot Escrow	19,196	355	-	-	19,551
Cemetery	6,571	(234)	3,244	-	3,093
Library	10,033	(1,168)	-	(325)	8,540
Total Permanent Funds	35,800	(1,047)	3,244	(325)	31,184
Total - Non-Major Governmental Funds	\$ 7,701,997	\$ 3,259,464	\$ 2,739,334	\$ (26,808)	\$ 8,195,319

**TOWN OF TISBURY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY,
DEFERRED PROPERTY AND ROLLBACK TAXES
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Taxes Per Detail June 30, 2018
Real Estate Taxes:						
Levy of 2018	\$ -	\$ 23,937,443	\$ 343,998	\$ 23,101,963	\$ 491,482	\$ 491,482
Levy of 2017	496,835	-	61,678	330,700	104,457	104,457
Levy of 2016	97,731	-	46,794	38,657	12,280	12,280
Levy of 2015	48,153	-	50,924	(2,771)	-	-
Levy of 2014	20,932	-	19,844	1,088	-	-
	<u>663,651</u>	<u>23,937,443</u>	<u>523,238</u>	<u>23,469,637</u>	<u>608,219</u>	<u>608,219</u>
Personal Property Taxes:						
Levy of 2018	-	482,646	9,839	442,368	30,439	30,439
Levy of 2017	19,650	-	72	11,499	8,079	8,079
Levy of 2016	7,499	-	-	1,640	5,859	5,859
Levy of 2015	5,598	-	1	1,039	4,558	4,558
Levy of 2014	5,521	-	-	924	4,597	4,597
Prior Years	17,485	-	-	1,739	15,746	15,746
	<u>55,753</u>	<u>482,646</u>	<u>9,912</u>	<u>459,209</u>	<u>69,278</u>	<u>69,278</u>
Deferred Property Taxes	<u>14,268</u>	<u>1,871</u>	<u>-</u>	<u>-</u>	<u>16,139</u>	<u>16,139</u>
Rollback Taxes	<u>41</u>	<u>3,829</u>	<u>-</u>	<u>3,829</u>	<u>41</u>	<u>-</u>
Total Real Estate, Personal Property Deferred Property and Rollback Taxes	<u>\$ 733,713</u>	<u>\$ 24,425,789</u>	<u>\$ 533,150</u>	<u>\$ 23,932,675</u>	<u>\$ 693,677</u>	<u>\$ 693,636</u>

**TOWN OF TISBURY, MASSACHUSETTS
SCHEDULE OF COMMUNITY PRESERVATION SURCHARGES
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Taxes Per Detail June 30, 2018
Non-Major Governmental Funds:						
Community Preservation Surcharges:						
Levy of 2018	\$ -	\$ 635,538	\$ 9,935	\$ 610,322	\$ 15,281	\$ 15,281
Levy of 2017	12,846	-	1,677	8,383	2,786	2,786
Levy of 2016	2,834	-	1,587	829	418	418
Levy of 2015	1,629	-	1,759	(130)	-	-
Levy of 2014	699	-	532	167	-	-
Total Community Preservation Surcharges	\$ 18,008	\$ 635,538	\$ 15,490	\$ 619,571	\$ 18,485	\$ 18,485

**TOWN OF TISBURY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND VESSEL EXCISE TAXES
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
Motor Vehicle Excise Taxes:						
Levy of 2018	\$ -	\$ 915,875	15,600	\$ 769,286	\$ 130,989	\$ 130,989
Levy of 2017	117,348	-	21,111	62,392	33,845	33,845
Levy of 2016	36,713	-	1,572	19,484	15,657	15,637
Levy of 2015	17,635	-	1,171	5,305	11,159	11,159
Levy of 2014	8,191	-	-	1,482	6,709	6,709
Prior Years	24,329	-	58	1,961	22,310	22,025
	<u>204,216</u>	<u>915,875</u>	<u>39,512</u>	<u>859,910</u>	<u>220,669</u>	<u>220,364</u>
Vessel Excise Taxes:						
Levy of 2018	-	42,781	972	32,859	8,950	8,950
Levy of 2017	7,747	-	216	1,132	6,399	6,399
Levy of 2016	8,043	-	75	359	7,609	7,609
Levy of 2015	6,221	-	-	236	5,985	5,985
Levy of 2014	5,306	-	-	21	5,285	5,285
Prior Years	11,913	-	-	98	11,815	11,815
	<u>39,230</u>	<u>42,781</u>	<u>1,263</u>	<u>34,705</u>	<u>46,043</u>	<u>46,043</u>
Total Motor Vehicle and Vessel Excise Taxes	<u>\$ 243,446</u>	<u>\$ 958,656</u>	<u>\$ 40,775</u>	<u>\$ 894,615</u>	<u>\$ 266,712</u>	<u>\$ 266,407</u>

**TOWN OF TISBURY, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Accounts July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2018	Uncollected Accounts Per Detail June 30, 2018
General Fund:						
Tax Liens	\$ 858,072	\$ 392,495	\$ -	\$ 54,993	\$ 1,195,574	\$ 1,195,574
Non-Major Governmental Funds:						
Community Preservation:						
Tax Liens	\$ 17,838	\$ 10,620	\$ -	\$ 994	\$ 27,464	\$ 27,464

**TOWN OF TISBURY, MASSACHUSETTS
SCHEDULE OF DEPARTMENTAL RECEIVABLES
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Accounts July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2018	Uncollected Accounts Per Detail June 30, 2018
General Fund:						
Ambulance	\$ 376,090	\$ 257,574	\$ -	\$ 228,726	\$ 404,938	\$ 405,295
Non-Major Governmental Funds:						
Moorings Receivable:						
Levy of 2018	-	128,508	-	122,021	6,487	6,487
Levy of 2017	9,189	-	-	6,486	2,703	4,102
Levy of 2016	1,712	-	867	347	498	-
Levy of 2015	420	-	-	-	420	-
Levy of 2014	1,567	-	-	-	1,567	-
Prior Years	29,046	-	-	-	29,046	29,046
	41,934	128,508	867	128,854	40,721	39,635
Septic System Repair Program Loans:						
Program one	54,899	-	-	18,783	36,116	36,116
Program two	156,942	-	-	30,900	126,042	126,042
	211,841	-	-	49,683	162,158	162,158
Total Departmental Receivables	\$ 629,865	\$ 386,082	\$ 867	\$ 407,263	\$ 607,817	\$ 607,088

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen
Town of Tisbury, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tisbury, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Tisbury, Massachusetts' basic financial statements, and have issued our report thereon dated March 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Tisbury, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Tisbury, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Tisbury, Massachusetts' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Tisbury, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 27, 2019