

***COUNTY OF DUKES COUNTY, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2017***

# COUNTY OF DUKES COUNTY, MASSACHUSETTS

## REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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## **Independent Auditor's Report**

To the Honorable County Commissioners  
County of Dukes County, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining 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 combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 20, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



March 20, 2018

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the County of Dukes County, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

### **Financial Highlights**

- The assets and deferred outflows of resources of the County of Dukes County exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$32.7 million (net position).
- At the close of the current year, the government-wide unrestricted net position had a deficit balance of \$1.6 million.
- At the close of the current year, the County's general fund reported fund balance totaling \$1.1 million, an increase of \$11,000 in comparison with the prior year. Total fund balance represents 51% of total general fund expenditures.
- The County contributed an additional \$150,000 to the Dukes County Pooled Other Postemployment Benefits (OPEB) Trust Fund. The County's balance in the OPEB trust fund totaled \$661,238 at year-end.
- The Airport is in the process of constructing a \$10.5 million firefighting/snow equipment building. To date, the Airport has incurred expenditures of \$6.4 million and has recognized capital grant revenues of \$5.3 million to complete the project.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the County of Dukes County's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the County as a whole. The fund financial statements focus on the individual components of the County government, reporting the County's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the County's accountability. This report also contains other required supplementary information and 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include county commissioners, parking clerk, courthouse/administrative building, treasurer, registry of deeds, civil defense/emergency management, health and human services, retiree postemployment benefits, veterans agent, natural resources, law enforcement, senior services, refund to member communities and other expenditures. The business-type activities include the activities of the airport operations.

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

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

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

The County adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund county and registry of deeds operations to demonstrate compliance with this budget.

**Proprietary funds.** The County 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 County uses enterprise funds to account for its airport 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 County's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$32.7 million at the close of 2017.

Net position totaling \$34.1 million reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure); less any related debt used to acquire those assets that are still outstanding. The County 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 totaling \$196,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$1.6 million.

At the end of the current year, the County is able to report positive balances in two of the three categories of net position.

The governmental and business-type activities of the County are presented below:

### Governmental Activities

The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$1.5 million at the close of 2017.

	2017	2016
<b>Assets:</b>		
Current assets.....	\$ 2,137,298	\$ 2,036,585
Capital assets, non depreciable.....	1,034,954	1,034,954
Capital assets, net of accumulated depreciation.....	1,547,947	1,558,566
<b>Total assets.....</b>	<b>4,720,199</b>	<b>4,630,105</b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows of resources related to pensions.....	274,184	111,590
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	356,567	359,562
Noncurrent liabilities (excluding debt).....	1,566,261	1,585,249
Current debt.....	160,000	160,000
Noncurrent debt.....	1,280,000	1,440,000
<b>Total liabilities.....</b>	<b>3,362,828</b>	<b>3,544,811</b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows of resources related to pensions.....	93,846	29,949
<b>Net Position:</b>		
Net investment in capital assets.....	1,324,641	1,187,030
Restricted.....	195,503	175,814
Unrestricted.....	17,565	(195,909)
<b>Total net position.....</b>	<b>\$ 1,537,709</b>	<b>\$ 1,166,935</b>



	<u>2017</u>	<u>2016</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,039,429	\$ 1,133,186
Operating grants and contributions.....	1,391,667	1,220,144
Capital grants and contributions.....	-	35,099
<b>General Revenues:</b>		
Town assessments.....	695,740	491,740
County deeds excise tax.....	341,946	337,374
Nonrestricted grants and contributions.....	100,574	106,563
Unrestricted investment income.....	5,630	6,303
Other revenues.....	4,376	11,938
<b>Total revenues.....</b>	<b><u>3,579,362</u></b>	<b><u>3,342,347</u></b>
<b>Expenses:</b>		
County commissioners.....	251,339	224,096
Parking clerk.....	326,139	384,381
Courthouse/Administrative building.....	224,627	189,629
Treasurer.....	271,265	258,349
Registry of deeds.....	425,662	426,616
Civil defense/emergency management.....	14,328	19,276
Health and human services.....	807,909	778,183
Retiree postemployment benefits.....	172,021	193,164
Veterans agent.....	74,106	70,088
Recreation.....	47,966	92,321
Law enforcement.....	12,361	8,026
Interest.....	42,600	12,833
Senior services.....	502,535	402,494
Other expenditures.....	107,647	117,182
<b>Total expenses.....</b>	<b><u>3,280,505</u></b>	<b><u>3,176,638</u></b>
<b>Increase (decrease) in net position before transfers.....</b>	<b>298,857</b>	<b>165,709</b>
<b>Transfers.....</b>	<b><u>221,917</u></b>	<b><u>203,355</u></b>
<b>Change in net position.....</b>	<b>520,774</b>	<b>369,064</b>
<b>Refund to member communities.....</b>	<b>(150,000)</b>	<b>-</b>
<b>Beginning net position.....</b>	<b><u>1,166,935</u></b>	<b><u>797,871</u></b>
<b>Ending net position.....</b>	<b><u>\$ 1,537,709</u></b>	<b><u>\$ 1,166,935</u></b>

The governmental expenses totaled \$3.3 million of which \$2.4 million was directly supported by program revenues consisting of charges for services and operating grants and contributions. General revenues totaled \$1.1 million, primarily coming from town assessments, county deeds excise taxes and state grants.

The governmental net position increased by \$371,000 during the current year. This was primarily due to a general fund appropriation surplus of \$102,000, deeds excise taxes that were \$97,000 in excess of what was budgeted, a \$138,000 decrease in the OPEB liability, a \$98,000 increase in the other special revenue fund that is due to timing differences between the receipt and expenditure of grant funds, and assessments being made to fund \$160,000 of debt principal payments and not made to fund \$61,000 of depreciation expense. These increases were offset by \$150,000 of refunds to member communities.

## Business-type Activities

The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources for business-type activities by \$31.1 million at the close of 2017.

	2017	2016
<b>Assets:</b>		
Current assets.....	\$ 3,729,063	\$ 3,835,412
Capital assets, non depreciable.....	9,467,527	3,124,816
Capital assets, net of accumulated depreciation.....	23,332,384	25,174,198
<b>Total assets.....</b>	<b>36,528,974</b>	<b>32,134,426</b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows of resources related to pensions.....	371,478	151,189
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,623,047	539,055
Noncurrent liabilities (excluding debt).....	4,005,638	3,673,596
<b>Total liabilities.....</b>	<b>5,628,685</b>	<b>4,212,651</b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows of resources related to pensions.....	127,147	40,576
<b>Net Position:</b>		
Net investment in capital assets.....	32,799,911	28,299,014
Unrestricted.....	(1,655,291)	(266,626)
<b>Total net position.....</b>	<b>31,144,620</b>	<b>28,032,388</b>
<b>Program Revenues:</b>		
Charges for services.....	6,455,807	6,239,382
Operating grants and contributions.....	96,170	87,700
Capital grants and contributions.....	5,413,783	1,190,089
<b>Total revenues.....</b>	<b>11,965,760</b>	<b>7,517,171</b>
<b>Expenses:</b>		
Airport.....	8,631,611	8,324,697
<b>Increase (decrease) in net position before transfers.....</b>	<b>3,334,149</b>	<b>(807,526)</b>
<b>Transfers.....</b>	<b>(221,917)</b>	<b>(203,355)</b>
<b>Change in net position.....</b>	<b>3,112,232</b>	<b>(1,010,881)</b>
<b>Beginning net position.....</b>	<b>28,032,388</b>	<b>29,043,269</b>
<b>Ending net position.....</b>	<b>\$ 31,144,620</b>	<b>\$ 28,032,388</b>

The business-type expenses totaled \$8.6 million of which \$6.6 million was directly supported by program revenues consisting of charges for services, and operating grants and contributions. The County also received \$5.4 of capital grants and contributions to fund capital additions related to the construction of a \$10.4 million firefighting/snow equipment building.

The business-type net position increased by \$3.1 million during the current year. This increase was primarily due to the recognition of \$5.4 million of capital grants for airport construction projects and an increase in deferred

outflows/inflows of resources totaling \$134,000. These increases were offset by \$2.0 million of depreciation expense, a \$150,000 increase in the net OPEB obligation and a \$174,000 increase in the net pension liability.

### ***Financial Analysis of the Government's Funds***

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

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

As of the end of the current year, governmental funds reported combined ending fund balances totaling \$1.8 million, of which \$1.1 million is for the general fund, \$450,000 is for the other special revenue fund, and \$303,000 is for the County capital projects fund. Cumulatively there was an increase of \$100,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, total fund balance was \$1.1 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 51% of total general fund expenditures.

The County's general fund increased by \$11,000, which is primarily due to better than anticipated budgetary results that were offset by the use of unreserved fund balance to fund \$150,000 of refunds to member communities as well as supplemental appropriations.

The parking clerk fund is used to account for the receipt and disbursement of proceeds from parking violations to the member Town's. The fund balance increased by \$2,900 from the prior year.

The other special revenue fund is used to account for proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The fund is in a surplus position of \$450,000 which is primarily due to timing differences between the receipt and expenditure of grant funds. \$121,000 relates to the State beach management grant, \$115,000 relates to the Registry of Deeds technology fund and the remaining balance relates to various other programs.

The County capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities of the County. The fund balance decreased by \$12,000 from the prior year.

### ***General Fund Budgetary Highlights***

The \$88,000 increase between the original budget and the final amended budget was due to supplemental appropriations of which \$58,000 funded Courthouse repairs and maintenance, and \$30,000 funded various other County appropriations.

## ***Capital Asset and Debt Administration***

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$35.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total additions to the County's investment in capital assets for the current year are \$6.5 million and consist of \$78,000 in land and building improvements, \$64,000 in machinery and equipment and \$6.3 million in airport construction in progress.

**Debt Administration.** The governmental activities have outstanding long-term debt totaling \$1.4 million.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the County of Dukes County'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 County Treasurer, 9 Airport Road, Suite 2, Vineyard Haven, Massachusetts, 02568.

## ***Basic Financial Statements***

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# STATEMENT OF NET POSITION

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 1,516,532	\$ 879,985	\$ 2,396,517
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	212,485	2,603,479	2,815,964
Departmental and other.....	257,776	273,059	530,835
Internal balances.....	150,505	(150,505)	-
Inventory.....	-	123,045	123,045
Total current assets.....	2,137,298	3,729,063	5,866,361
<b>NONCURRENT:</b>			
Capital assets, non depreciable.....	1,034,954	9,467,527	10,502,481
Capital assets, net of accumulated depreciation.....	1,547,947	23,332,384	24,880,331
Total noncurrent assets.....	2,582,901	32,799,911	35,382,812
<b>TOTAL ASSETS.....</b>	<b>4,720,199</b>	<b>36,528,974</b>	<b>41,249,173</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total deferred outflows of resources.....	274,184	371,478	645,662
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	157,285	1,545,105	1,702,390
Accrued payroll.....	796	10,901	11,697
Accrued interest.....	11,433	-	11,433
Other liabilities.....	170,053	2,041	172,094
Customer deposits payable.....	5,000	60,000	65,000
Compensated absences.....	12,000	5,000	17,000
Bonds and notes payable.....	160,000	-	160,000
Total current liabilities.....	516,567	1,623,047	2,139,614
<b>NONCURRENT:</b>			
Compensated absences.....	36,000	16,000	52,000
Other postemployment benefits.....	57,442	1,994,180	2,051,622
Net pension liability.....	1,472,819	1,995,458	3,468,277
Bonds and notes payable.....	1,280,000	-	1,280,000
Total noncurrent liabilities.....	2,846,261	4,005,638	6,851,899
<b>TOTAL LIABILITIES.....</b>	<b>3,362,828</b>	<b>5,628,685</b>	<b>8,991,513</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions.....	93,846	127,147	220,993
<b>NET POSITION</b>			
Net Investment in capital assets.....	1,324,641	32,799,911	34,124,552
Restricted for:			
Gifts and grants.....	195,503	-	195,503
Unrestricted.....	17,565	(1,655,291)	(1,637,726)
<b>TOTAL NET POSITION.....</b>	<b>\$ 1,537,709</b>	<b>\$ 31,144,620</b>	<b>\$ 32,682,329</b>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
County commissioners.....	\$ 251,339	\$ -	\$ -	\$ -	(251,339)
Parking clerk.....	326,139	321,170	-	-	(4,969)
Courthouse/Administrative building.....	224,627	153,171	-	-	(71,456)
Treasurer.....	271,265	170,507	-	-	(100,758)
Registry of deeds.....	425,662	216,680	127,081	-	(81,901)
Civil defense/emergency management.....	14,328	-	-	-	(14,328)
Health and human services.....	807,909	5,996	864,216	-	62,303
Retiree postemployment benefits.....	172,021	-	-	-	(172,021)
Veterans agent.....	74,106	-	-	-	(74,106)
Recreation.....	47,966	73,467	30,000	-	55,501
Interest.....	42,600	-	-	-	(42,600)
Law enforcement.....	12,361	17,182	-	-	4,821
Senior services.....	502,535	81,256	370,370	-	(50,909)
Other expenditures.....	107,647	-	-	-	(107,647)
Total Governmental Activities.....	3,280,505	1,039,429	1,391,667	-	(849,409)
<i>Business-Type Activities:</i>					
Airport.....	8,631,611	6,455,807	96,170	5,413,783	3,334,149
Total Primary Government.....	\$ 11,912,116	\$ 7,495,236	\$ 1,487,837	\$ 5,413,783	2,484,740

(Continued)

See notes to basic financial statements.



# STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.... \$	<b>(849,409)</b>	<b>\$ 3,334,149</b>	<b>\$ 2,484,740</b>
<i>General revenues:</i>			
Town assessments.....	695,740	-	695,740
County deeds excise tax.....	341,946	-	341,946
Grants and contributions not restricted to specific programs.....	100,574	-	100,574
Unrestricted investment income.....	5,630	-	5,630
Miscellaneous.....	4,376	-	4,376
<i>Transfers, net</i> .....	221,917	(221,917)	-
Total general revenues and transfers.....	1,370,183	(221,917)	1,148,266
Change in net position.....	520,774	3,112,232	3,633,006
Refund to member communities.....	(150,000)	-	(150,000)
<i>Net Position:</i>			
Beginning of year.....	1,166,935	28,032,388	29,199,323
End of year..... \$	<u>1,537,709</u>	<u>\$ 31,144,620</u>	<u>\$ 32,682,329</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2017

	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 900,796	\$ 22,464	\$ 290,199	\$ 303,073	\$ 1,516,532
Receivables, net of uncollectibles:					
Intergovernmental.....	102,199	-	110,286	-	212,485
Departmental and other.....	110,094	-	147,682	-	257,776
Due from other funds.....	150,505	-	-	-	150,505
<b>TOTAL ASSETS.....</b>	<b>\$ 1,263,594</b>	<b>\$ 22,464</b>	<b>\$ 548,167</b>	<b>\$ 303,073</b>	<b>\$ 2,137,298</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 41,434	\$ 22,779	\$ 93,072	\$ -	\$ 157,285
Accrued payroll.....	796	-	-	-	796
Liabilities due depositors.....	-	-	5,000	-	5,000
Other liabilities.....	170,053	-	-	-	170,053
<b>TOTAL LIABILITIES.....</b>	<b>212,283</b>	<b>22,779</b>	<b>98,072</b>	<b>-</b>	<b>333,134</b>
<b>FUND BALANCES</b>					
Restricted.....	397,611	-	456,095	-	853,706
Committed.....	-	-	-	334,949	334,949
Assigned.....	20,750	-	-	-	20,750
Unassigned.....	632,950	(315)	(6,000)	(31,876)	594,759
<b>TOTAL FUND BALANCES.....</b>	<b>1,051,311</b>	<b>(315)</b>	<b>450,095</b>	<b>303,073</b>	<b>1,804,164</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 1,263,594</b>	<b>\$ 22,464</b>	<b>\$ 548,167</b>	<b>\$ 303,073</b>	<b>\$ 2,137,298</b>

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....	\$ 1,804,164
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	2,582,901
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(11,433)
Certain changes in the net pension liability are required to be included in pension expenses over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....	180,338
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and notes payable.....	(1,440,000)
Compensated absences.....	(48,000)
Net pension liability.....	(1,472,819)
Other postemployment benefits.....	<u>(57,442)</u>
Net effect of reporting long-term liabilities.....	<u>(3,018,261)</u>
Net position of governmental activities.....	<u>\$ 1,537,709</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
<b>REVENUES:</b>					
Town assessments - County tax.....	\$ 491,740	\$ -	\$ -	\$ -	\$ 491,740
Town assessments - Debt service.....	204,000	-	-	-	204,000
Town assessments - Senior services.....	-	-	368,763	-	368,763
Town assessments - Health care access program.....	-	-	304,098	-	304,098
Federal grants and reimbursements.....	-	-	175,244	-	175,244
State grants.....	100,574	-	414,428	-	515,002
Property rental.....	153,171	-	-	-	153,171
Registry of deeds.....	216,680	-	469,027	-	685,707
Dog license revenue.....	-	-	339	-	339
Beach fees.....	73,467	-	-	-	73,467
Parking fees.....	60,184	260,986	-	-	321,170
County alarm fees.....	170,507	-	-	-	170,507
Senior services.....	-	-	81,256	-	81,256
Investment income.....	5,418	206	104	-	5,728
Miscellaneous.....	4,037	-	25,133	-	29,170
<b>TOTAL REVENUES.....</b>	<b>1,479,778</b>	<b>261,192</b>	<b>1,838,392</b>	<b>-</b>	<b>3,579,362</b>
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	236,968	-	-	-	236,968
Parking clerk.....	65,798	258,300	-	-	324,098
Courthouse/Administrative building.....	216,845	-	-	-	216,845
Treasurer.....	285,390	-	-	-	285,390
Registry of deeds.....	381,759	-	41,346	-	423,105
Civil defense/emergency management.....	12,743	-	1,585	-	14,328
Health council.....	-	-	-	-	-
Health and human services.....	2,148	-	805,953	-	808,101
Engineering.....	-	-	-	-	-
Retiree postemployment benefits.....	310,389	-	-	-	310,389
Veterans agent.....	69,656	-	2,587	-	72,243
Health and environment.....	-	-	-	-	-
Natural resources.....	4,088	-	43,878	-	47,966
Emergency management.....	-	-	-	-	-
Integrated pest management.....	-	-	-	-	-
Pension expenditures sheriff.....	-	-	-	-	-
Law enforcement.....	-	-	12,361	-	12,361
Senior services.....	-	-	478,560	-	478,560
Other expenditures.....	102,558	-	2,289	11,770	116,617
Debt service:					
Principal.....	160,000	-	-	-	160,000
Interest.....	44,000	-	-	-	44,000
<b>TOTAL EXPENDITURES.....</b>	<b>1,892,342</b>	<b>258,300</b>	<b>1,388,559</b>	<b>11,770</b>	<b>3,550,971</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(412,564)</b>	<b>2,892</b>	<b>449,833</b>	<b>(11,770)</b>	<b>28,391</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	95,872	-	-	-	95,872
Transfers in - cost allocations.....	136,045	-	-	-	136,045
Transfers out - cost allocations.....	-	-	(10,000)	-	(10,000)
Transfers in - deeds excise.....	341,942	-	-	-	341,942
Transfers out - deeds excise.....	-	-	(341,942)	-	(341,942)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>573,859</b>	<b>-</b>	<b>(351,942)</b>	<b>-</b>	<b>221,917</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>161,295</b>	<b>2,892</b>	<b>97,891</b>	<b>(11,770)</b>	<b>250,308</b>
<b>REFUND TO MEMBER COMMUNITIES.....</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,040,016</b>	<b>(3,207)</b>	<b>352,204</b>	<b>314,843</b>	<b>1,703,856</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,051,311</b>	<b>\$ (315)</b>	<b>\$ 450,095</b>	<b>\$ 303,073</b>	<b>\$ 1,804,164</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....	\$	100,308
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	50,705	
Depreciation expense.....	<u>(61,324)</u>	
Net effect of reporting capital assets.....		(10,619)

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Debt service principal payments.....		160,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in deferred outflow/(inflow) of resources related to pensions.....	98,697	
Net change in compensated absences accrual.....	11,000	
Net change in net pension liability.....	(128,380)	
Net change in other postemployment benefits.....	138,368	
Net change in accrued interest on long-term debt.....	<u>1,400</u>	
Net effect of recording long-term liabilities.....		<u>121,085</u>

Change in net position of governmental activities.....	\$	<u><u>370,774</u></u>
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See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2017

	Business-type Activities - Airport Enterprise Fund
<b>ASSETS</b>	
<b>CURRENT:</b>	
Cash and cash equivalents.....	\$ 879,985
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	2,603,479
Departmental and other.....	273,059
Inventory.....	123,045
	<u>3,879,568</u>
Total current assets.....	<u>3,879,568</u>
<b>NONCURRENT:</b>	
Capital assets, non depreciable.....	9,467,527
Capital assets, net of accumulated depreciation.....	23,332,384
	<u>32,799,911</u>
Total noncurrent assets.....	<u>32,799,911</u>
<b>TOTAL ASSETS.....</b>	<b><u>36,679,479</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions.....	371,478
	<u>371,478</u>
<b>LIABILITIES</b>	
<b>CURRENT:</b>	
Warrants payable.....	1,545,105
Accrued payroll.....	10,901
Due to other funds.....	150,505
Customer deposits payable.....	60,000
Other liabilities.....	2,041
Compensated absences.....	5,000
	<u>1,773,552</u>
Total current liabilities.....	<u>1,773,552</u>
<b>NONCURRENT:</b>	
Compensated absences.....	16,000
Other postemployment benefits.....	1,994,180
Net pension liability.....	1,995,458
	<u>4,005,638</u>
Total noncurrent liabilities.....	<u>4,005,638</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>5,779,190</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Total deferred inflows of resources related to pensions.....	127,147
	<u>127,147</u>
<b>NET POSITION</b>	
Net investment in capital assets.....	32,799,911
Unrestricted.....	(1,655,291)
	<u>31,144,620</u>
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 31,144,620</u></b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2017**

	Business-type Activities - Airport Enterprise Fund
<b>OPERATING REVENUES:</b>	
Charges for services.....	\$ 1,467,833
Intergovernmental.....	85,350
Fuel.....	3,220,836
Business park.....	1,514,202
Water revenue.....	129,014
Wastewater revenue.....	123,922
<b>TOTAL OPERATING REVENUES.....</b>	<b>6,541,157</b>
<b>OPERATING EXPENSES:</b>	
Cost of services and administration.....	4,018,899
Fuel.....	1,778,007
Water facilities.....	169,151
Wastewater facilities.....	391,974
Transportation security.....	275,962
Depreciation.....	1,997,618
<b>TOTAL OPERATING EXPENSES.....</b>	<b>8,631,611</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(2,090,454)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Investment income.....	10,820
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS.....</b>	<b>(2,079,634)</b>
<b>TRANSFERS:</b>	
Transfers out - retirees' health insurance.....	(95,872)
Transfers out - cost allocations.....	(126,045)
<b>TOTAL TRANSFERS.....</b>	<b>(221,917)</b>
<b>CAPITAL CONTRIBUTIONS.....</b>	<b>5,413,783</b>
<b>CHANGE IN NET POSITION.....</b>	<b>3,112,232</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>28,032,388</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 31,144,620</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2017**

	Business-type Activities - Airport Enterprise Fund
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
Receipts from customers and users.....	\$ 6,416,118
Receipts from other governments.....	71,460
Payments to vendors.....	(5,168,749)
Payments to employees.....	(1,212,943)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>105,886</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>	
Transfers out.....	(221,917)
Advances from other funds.....	26,606
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(195,311)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>	
Capital grants.....	3,351,394
Acquisition and construction of capital assets.....	(5,533,720)
Interest expense.....	(5,890)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES....</b>	<b>(2,188,216)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>	
Investment income.....	10,820
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(2,266,821)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>3,146,806</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 879,985</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>	
Operating income (loss).....	\$ (2,090,454)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	1,997,618
Deferred inflow/(outflow) of resources related to pensions.....	(133,718)
Changes in assets and liabilities:	
Departmental and other.....	(94,689)
Intergovernmental.....	(13,890)
Inventory.....	(16,110)
Warrants payable.....	68,767
Accrued payroll.....	6,320
Liabilities due depositors.....	55,000
Accrued compensated absences.....	3,000
Other postemployment benefits.....	150,106
Net pension liability.....	173,936
<b>Total adjustments.....</b>	<b>2,196,340</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 105,886</b>

See notes to basic financial statements.



**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefit Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ -	\$ 169,726
Investments.....	661,238	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	2,000
<b>TOTAL ASSETS</b> .....	<b>661,238</b>	<b>171,726</b>
<b>LIABILITIES</b>		
Other liabilities.....	-	171,726
<b>NET POSITION</b>		
Held in trust for other postemployment benefits.....	\$ 661,238	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefit Trust Fund
<b>ADDITIONS:</b>	
Contributions:	
Employer contributions to the trust.....	\$ 150,000
Employer contributions to pay benefit payments.....	236,184
Total contributions.....	386,184
Net investment income (loss):	
Net change in fair value of investments.....	20,067
Investment income.....	6,625
Total investment income (loss).....	26,692
Less: investment expense.....	(785)
Net investment income (loss).....	25,907
TOTAL ADDITIONS.....	412,091
<b>DEDUCTIONS:</b>	
Benefit payments.....	236,184
CHANGE IN NET ASSETS.....	175,907
NET POSITION AT BEGINNING OF YEAR.....	485,331
NET POSITION AT END OF YEAR.....	\$ 661,238

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the County of Dukes County, Massachusetts (the County) 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 County accounting policies are described herein.

**A. Reporting Entity**

The County of Dukes County adheres to the County Manager form of government, MGL Chapter 34A Section 18, as voted by the citizens of the County in 1992. The County is governed by seven elected Commissioners and an Advisory Board on County Expenditures. The advisory board is comprised of a selectman from each of the seven towns within the County. As required by GAAP, these basic financial statements present the government and its component units, entities for which the County is considered to be financially accountable.

The County-owned Martha's Vineyard Airport operates according to MGL Chapter 90, Section 51E. The County Commissioners appoint the seven member Airport Commission who exercise custody, care and management of the airport. The current commission is comprised of six residents of the County and one County Commissioner.

For financial reporting purposes, the County has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The County 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 County are such that exclusion would cause the basic financial statements to be misleading or incomplete. It has been determined that there are no component units that meet the requirements for inclusion in the County's financial statements.

The County has entered into a joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing employee health insurance benefits to venture participants through the Cape Cod Municipal Health Group. The County's 2017 health insurance premiums totaled \$581,297 of which the County contributes 90% for retirees and 75% for active employees. The County does not have an equity interest in the joint venture. Financial statements for the joint venture may be obtained by contacting the Cape Cod Municipal Health Group at 27 Midstate Office Park, Suite 204, Auburn, MA 01501.

The financial position and results of operations of the Dukes County Retirement System (the System) and the Martha's Vineyard Land Bank (MVLB) are not included in these basic financial statements, as they are not considered to be a part of the reporting entity. The financial statements for the System can be obtained by contacting the System at 9 Airport Road, Suite 1, Vineyard Haven, Massachusetts, 02568. The financial statements for the MVLB can be obtained by contacting the MVLB at 167 Main Street, Edgartown, Massachusetts, 02539.

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

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

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

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

The following major governmental funds are reported:

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

The *parking clerk fund* is used to account for the receipt and disbursement of proceeds from parking violations to the member Towns.

The *other special revenue fund* is used to account for all other proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes.

The *county capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities of the County.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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

The following major proprietary fund is reported:

The *airport enterprise fund* is used to account for the general operations, construction, and capital acquisitions of the Airport.

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

The following fiduciary fund types are reported:

The *other postemployment benefit (OPEB) trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

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

#### D. Cash

##### *Government-Wide and Fund Financial Statements*

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

#### E. Fair Value Measurements

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

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

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

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

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

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the County's financial instruments, see Note 2 – Cash and Investments.

## F. Accounts Receivable

### *Government-Wide and Fund Financial Statements*

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

### ***Departmental and Other***

Departmental and other receivables consist of various departmental revenues earned at year-end and received subsequent to year-end, net of an allowance for uncollectible accounts. Allowances for uncollectible accounts are estimated based upon historical trends and specific account analysis.

### ***Intergovernmental***

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

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

## G. Inventories

### *Government-Wide and Fund Financial Statements*

Inventories of the governmental funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported. Inventories of the airport enterprise fund are carried at weighted average cost.

## H. Capital Assets

### *Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, construction in progress, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	2-20
Buildings and improvements.....	20-40
Machinery and equipment.....	5-10
Vehicles.....	5
Infrastructure.....	20-50

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

#### *Governmental Fund Financial Statements*

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

#### I. Deferred Outflows/Inflows of Resources

##### *Government-Wide Financial Statements (Net Position)*

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

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

##### *Governmental Fund Financial Statements*

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



J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

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

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

Net position has been "restricted for" the following:

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

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

*Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The Advisory Board on County expenditures is the highest level of decision-making authority for the government that can, by adoption of a supplemental appropriation prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the supplemental appropriation remains in place until a similar action is taken to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. The Advisory Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

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

M. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

N. Investment Income

Investment income from special revenue funds and capital project funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

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

O. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

P. Individual Fund Deficits

The parking clerk fund, gifts and grants fund, county capital projects fund, airport transportation security fund and airport capital projects fund include individual fund deficits at June 30, 2017. These deficits will be funded through available fund balance and grant proceeds during 2018.

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

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

R. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 - CASH AND INVESTMENTS**

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

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

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

The County invests in the Dukes County Pooled OPEB Trust Fund (OPEB Trust) which is an investment pool established by Massachusetts Session Law, Chapter 149 of the acts of 2010, an act authorizing the government employers in the County of Dukes County to establish a pooled OPEB trust. The fair value of the County's assets in the OPEB Trust totaled \$661,238 as of June 30, 2017. Details related to the OPEB Trust investments can be obtained by contacting the OPEB Trust at 9 Airport Road, Suite 1, Vineyard Haven, MA 02568.

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's policy requires bank accounts and certificates of deposits with any public depository exceeding the amounts currently insured by the Federal Deposit Insurance Corporation (FDIC) or Depository Insurance Fund (DIF) to be fully secured by obligations of the United States Government or its agencies. Such securities shall be delivered to the County or held by an independent third party. Substitution of collateral by the independent third party shall only be allowed with the written approval of the County Treasurer. The market value of the collateral shall at all times equal or exceed the principal amount of the accounts and certificates of deposit. Value of the collateral shall be monitored. The market value shall be near the bid or closing price of the security as quoted in the Wall Street Journal or other recognized pricing source. The County Treasurer shall be authorized to sign for agreements with the custodial bank for the receipt of any pledged securities.

At year-end, the carrying amount of deposits totaled \$2,295,233 and the bank balance totaled \$3,079,721. Of the bank balance, \$500,000 was covered by FDIC, \$521,431 was covered by DIF and \$2,058,290 was collateralized.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of a failure by the counterparty, the County will not be able to recover the value of its investments or collateral security that are in the possession of the outside party. At June 30, 2017, the County does not have any custodial credit risk exposure for its investments since MMDT deposits are not subject to custodial credit risk.

Investments

As of June 30, 2017, the County had \$271,010 of MMDT investments.

Interest Rate Risk

The County's policy to limit interest rate risk is to not allow investments with maturities longer than 36 months unless specifically recommended by the County Treasurer and approved by the Finance Committee. The County participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk

The County has not adopted a formal policy related to credit risk and the shares in MMDT and the OPEB Trust were unrated.

Concentration of Credit Risk

The County's policy to limit concentration of credit risk is to not, at any one time, have on deposit in a bank or trust company or banking company an amount exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to the County by such bank or trust company or banking company for such excess.

Fair Value of Investments

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

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

**NOTE 3 - RECEIVABLES**

At June 30, 2017, receivables for the individual major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 212,485	\$ -	\$ 212,485
Departmental and other.....	257,776	-	257,776
Total.....	<u>\$ 470,261</u>	<u>\$ -</u>	<u>\$ 470,261</u>

At June 30, 2017, receivables for the airport enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 2,603,479	\$ -	\$ 2,603,479
Departmental and other.....	273,059	-	273,059
Total.....	<u>\$ 2,876,538</u>	<u>\$ -</u>	<u>\$ 2,876,538</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,034,954	\$ -	\$ -	\$ 1,034,954
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	1,866,605	21,337	-	1,887,942
Machinery and equipment.....	289,400	29,368	-	318,768
Vehicles.....	24,696	-	-	24,696
Infrastructure.....	21,850	-	-	21,850
Total capital assets being depreciated.....	2,202,551	50,705	-	2,253,256
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(363,161)	(52,486)	-	(415,647)
Machinery and equipment.....	(243,586)	(8,838)	-	(252,424)
Vehicles.....	(24,696)	-	-	(24,696)
Infrastructure.....	(12,542)	-	-	(12,542)
Total accumulated depreciation.....	(643,985)	(61,324)	-	(705,309)
Total capital assets being depreciated, net.....	1,558,566	(10,619)	-	1,547,947
Total governmental activities capital assets, net.....	<u>\$ 2,593,520</u>	<u>\$ (10,619)</u>	<u>\$ -</u>	<u>\$ 2,582,901</u>

<b>Business-Type Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress.....	1,713,929	6,342,711	-	8,056,640
Total capital assets not being depreciated.....	3,124,816	6,342,711	-	9,467,527
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,267,887	37,000	-	4,304,887
Buildings and improvements.....	16,078,596	19,514	(46,000)	16,052,110
Machinery and equipment.....	5,564,532	99,290	-	5,663,822
Infrastructure.....	25,502,631	-	-	25,502,631
Total capital assets being depreciated.....	51,413,646	155,804	(46,000)	51,523,450
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,622,137)	(204,677)	-	(3,826,814)
Buildings.....	(8,189,029)	(411,106)	46,000	(8,554,135)
Machinery and equipment.....	(3,719,483)	(304,751)	-	(4,024,234)
Infrastructure.....	(10,708,799)	(1,077,084)	-	(11,785,883)
Total accumulated depreciation.....	(26,239,448)	(1,997,618)	46,000	(28,191,066)
Total capital assets being depreciated, net.....	25,174,198	(1,841,814)	-	23,332,384
Total business-type activities capital assets, net.....	\$ 28,299,014	\$ 4,500,897	\$ -	\$ 32,799,911

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

**Governmental Activities:**

County commissioners.....	\$ 9,946
Treasurer.....	2,204
Registry of deeds.....	5,482
Health and human services.....	527
Courthouse.....	19,190
Senior services.....	23,975
Total depreciation expense - governmental activities.....	\$ 61,324

**Business-Type Activities:**

Airport.....	\$ 1,997,618
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**NOTE 5 - INTERNAL BALANCES, INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS**

The County has recorded internal balances on the entity-wide financial statements and interfund receivable/payable amounts on the fund based financial statements to reflect pending bank transfers for year-end cost allocations and retiree health insurance between the County's general fund and the Airport enterprise fund.

Interfund transfers for the year ended June 30, 2017, are summarized as follows:

	<u>Transfers In:</u>	
<u>Transfers Out:</u>	General	
	Fund	
Other Special Revenue.....	\$ 351,942	(1)
Airport Enterprise Fund.....	<u>221,917</u>	(2)
Totals.....	<u>\$ 573,859</u>	

(1) Represents the transfer of the County and Registry of Deeds share of deeds excise taxes and cost allocation transfers.

(2) Represents cost allocation transfers and reimbursement of retiree health insurance costs.

**NOTE 6 - SHORT-TERM FINANCING**

The County is authorized to borrow on a temporary basis to fund the following:

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

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

The County did not have any outstanding short-term debt as of June 30, 2017.



**NOTE 7 - LONG-TERM DEBT**

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

Details related to the County's outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

**Bonds Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
Land/Building Purchase.....	2026	\$ 1,600,000	2.50% - 3.00%	\$ 1,600,000	\$ -	\$ 160,000	\$ 1,440,000

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

Year	Principal	Interest	Total
2018.....	\$ 160,000	\$ 39,200	\$ 199,200
2019.....	160,000	34,400	194,400
2020.....	160,000	29,600	189,600
2021.....	160,000	24,800	184,800
2022.....	160,000	20,000	180,000
2023.....	160,000	16,000	176,000
2024.....	160,000	12,000	172,000
2025.....	160,000	8,000	168,000
2026.....	160,000	4,000	164,000
Totals.....	\$ 1,440,000	\$ 188,000	\$ 1,628,000

Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Long-term bonds and notes.....	\$ 1,600,000	\$ -	\$ (160,000)	\$ 1,440,000	\$ 160,000
Compensated absences.....	59,000	3,000	(14,000)	48,000	12,000
Other postemployment benefits.....	195,810	127,457	(265,825)	57,442	-
Net pension liability.....	<u>1,344,439</u>	<u>313,947</u>	<u>(185,567)</u>	<u>1,472,819</u>	<u>-</u>
Total governmental activities.....	<u>\$ 3,199,249</u>	<u>\$ 444,404</u>	<u>\$ (625,392)</u>	<u>\$ 3,018,261</u>	<u>\$ 172,000</u>
<b>Business-type Activities:</b>					
Compensated absences.....	\$ 18,000	\$ 13,000	\$ (10,000)	\$ 21,000	\$ 5,000
Other postemployment benefits.....	1,844,074	270,465	(120,359)	1,994,180	-
Net pension liability.....	<u>1,821,522</u>	<u>425,353</u>	<u>(251,417)</u>	<u>1,995,458</u>	<u>-</u>
Total business-type activities.....	<u>\$ 3,683,596</u>	<u>\$ 708,818</u>	<u>\$ (381,776)</u>	<u>\$ 4,010,638</u>	<u>\$ 5,000</u>

**NOTE 8 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

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

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

	Governmental Funds				
	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
Fund balances					
Restricted for:					
Registry of deeds.....	\$ 397,611	\$ -	\$ -	\$ -	\$ 397,611
Civil defense/emergency management...	-	-	25,107	-	25,107
Health and human services.....	-	-	118,138	-	118,138
Veterans agent.....	-	-	9,344	-	9,344
Recreation.....	-	-	120,729	-	120,729
Senior services.....	-	-	48,535	-	48,535
Other special revenues.....	-	-	134,242	-	134,242
Committed to:					
County capital projects.....	-	-	-	334,949	334,949
Assigned to:					
Courthouse/Administrative building.....	20,750	-	-	-	20,750
Unassigned.....	632,950	(315)	(6,000)	(31,876)	594,759
Total fund balances (deficit).....	\$ <u>1,051,311</u>	\$ <u>(315)</u>	\$ <u>450,095</u>	\$ <u>303,073</u>	\$ <u>1,804,164</u>

## NOTE 9 - RISK FINANCING

### *Insurance*

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance.

### *Health Benefits*

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

### *Workers' Compensation*

The County participates in a premium-based workers' compensation policy for all employees.

**NOTE 10 - PENSION PLAN***Plan Descriptions*

The County is a member of the Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 15 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by contacting the System at 9 Airport Road, Suite 1, Vineyard Haven, Massachusetts, 02568.

*Benefits Provided*

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There are no reported changes in pension benefits as of December 31, 2016.

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

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

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The County's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016 and totaled \$463,984 or 21.37% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2017, the County reported a liability of \$3,468,277 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the

County's proportion was 7.55%, which decreased from its proportion measured at December 31, 2015, which totaled 8.06%.

### *Pension Expense*

For the year ended June 30, 2017, the County recognized pension expense of \$506,885. At June 30, 2017, the County reported deferred outflows of resources related to pensions of \$645,662, and deferred inflows of resources related to pensions of \$220,993.

The balances of deferred outflows and (inflows) at June 30, 2017 consist of the following:

<u>Deferred category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Difference between expected and actual experience.....\$	46,842	\$ -	\$ 46,842
Change of assumptions.....	382,042	-	382,042
Difference between projected and actual earnings.....	216,778	-	216,778
Changes in proportionate share of contributions.....	<u>-</u>	<u>(220,993)</u>	<u>(220,993)</u>
Total Deferred Outflows / (Inflows) of Resources.....	\$ <u>645,662</u>	\$ <u>(220,993)</u>	\$ <u>424,669</u>

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

#### Year ended June 30:

2017.....	\$ 106,462
2018.....	106,464
2019.....	112,829
2020.....	46,469
2021.....	50,343
Thereafter.....	<u>2,102</u>
Total.....	\$ <u>424,669</u>

*Changes of Assumptions* – The mortality rates and mortality improvement scale were updated to reflect fully generational mortality improvement.

*Changes in Plan Provisions* – None.

*Actuarial Assumptions*

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

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry age normal cost method.
Amortization method.....	<p>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% per year for FY2018 and FY2019 and 5.32% for FY2020 and beyond.</p> <p>2002 &amp; 2003 ERI's: Increasing dollar amount to reduce the unfunded actuarial accrued liability attributable to the ERI's to zero on or before June 30, 2028.</p>
Remaining amortization period.....	<p>14 years for the UAAL as of December 31, 2016.</p> <p>12 years for the 2002 and 2003 ERI's as of December 31, 2016.</p>
Asset valuation method.....	<p>The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of:</p> <p>a) 80% of gains and losses of the prior year,  b) 60% of gains and losses of the second prior year,  c) 40% of gains and losses of the third prior year and  d) 20% of gains and losses of the fourth prior year.</p> <p>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.</p>
Inflation rate.....	3% per year
Projected salary increases.....	6% - 4.25% for general employees and 7% - 4.75% for public safety, depending on years of service.
Payroll growth.....	4% per year
Cost-of-living allowances.....	Cost of living adjustments of 3% of the first \$14,000 of the annual retirement allowance are provided at the discretion of the System's Retirement Board.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Varies based upon age for general employees, police and fire employees.

Mortality Rates.....	Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvements using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.
Investment rate of return/Discount rate.....	7.75%, net of pension plan investment expense, including inflation.

#### *Investment policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation and a risk factor) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	40.00%	6.60%
International equity.....	15.00%	3.70%
Fixed income.....	25.00%	2.40%
Real estate.....	10.00%	7.00%
Timber.....	2.50%	4.40%
Alternatives - Private equity.....	5.00%	11.10%
Hedge funds.....	2.50%	2.00%
	<u>100.00%</u>	

#### *Rate of return*

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### *Discount rate*

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 %) or 1-percentage-point higher (8.75 %) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The County's proportionate share of the net pension liability..... \$	5,055,286 \$	3,468,277 \$	2,126,091

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The County of Dukes County administers a single-employer defined benefit plan (“the Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their dependents through the County’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the County and the unions representing County employees. The County contributes to the Dukes County Pooled OPEB Trust Fund (Trust Fund), a qualified OPEB trust fund established by special legislation (Chapter 149 of the Acts of 2010) passed on July 2, 2010 and a trust agreement that was signed on November 1, 2010. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – The required contribution is based on a pay-as-you-go financing requirement. The County contributes 90% and 75% of the cost of current-year health and life insurance premiums, respectively for eligible retired plan members and their dependents. Plan members receiving benefits contribute the remaining 10% to 25% percent of their premium costs. For 2017, the County contributed \$386,184 to the plan.

*Plan membership* – The following table represents the Plan’s membership as of June 30, 2017:

Current retirees, beneficiaries, and dependents.....	22
Current active members.....	38
Total.....	60

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2017:

Total OPEB Liability..... \$	5,658,934
Less: Plan fiduciary net position.....	(661,238)
Net OPEB liability..... \$	4,997,696
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	11.68%



**Significant Actuarial Methods and Assumptions** – The total OPEB liability in the July 1, 2016 actuarial valuation was determined by using the following assumptions, applied to all periods including the measurement date of June 30, 2017 to be in accordance with GASB 74:

Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry Age Normal
Asset valuation method.....	Market Value of Assets as of the Reporting Date, June 30, 2017.
Investment rate of return.....	5.38% compounded annually for the measurement date as of June 30, 2017. 4.70% compounded annually for the measurement date as of June 30, 2016.
Healthcare cost trend rate.....	8% for 2016, decreasing 1% per year to an ultimate rate of 5% for 2019 and thereafter.
General inflation rate.....	3%
Pre-Retirement Mortality - General and Public Safety Employees.....	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Post-Retirement Mortality - General and Public Safety Employees.....	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.

#### **Investment Policy**

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

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 OPEB plan investment expense and inflation and a risk factor) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the table on the following page:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities.....	54.00%	9.00%
US Governments & Agencies.....	20.00%	1.03%
Fixed Income.....	25.00%	3.61%
Cash & Equivalents.....	1.00%	0.00%
Total Asset Allocation.....	<u>100.00%</u>	

#### **Rate of return**

For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB investment expense, was 4.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 5.38%. The projection of cash flows used to determine the discount rate assumed that contributions from the County will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to the first 37 periods of projected future benefit payments and, the 3.58% municipal bond rate was applied to all periods thereafter to determine the total OPEB liability. The 3.58% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 29, 2017.

*Sensitivity of the net OPEB liability to changes in the discount rate*

The following represents the net OPEB liability calculated using the current discount rate of 5.38%, as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (4.38%) or 1-percentage point higher (6.38%) than the current rate:

		<u>1% Decrease (4.38%)</u>	<u>Current Discount Rate (5.38%)</u>	<u>1% Increase (6.38%)</u>
Net OPEB liability.....	\$	5,876,935	\$ 4,997,696	\$ 4,291,193

*Sensitivity of the net OPEB liability to changes in healthcare cost trend rates*

The following represents the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

		<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability.....	\$	4,140,513	\$ 4,997,696	\$ 6,162,069

*Changes of Assumptions* – The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal to comply with the requirements of GASB 74 and GASB 75. The discount rate has changed from 4.7% as of June 30, 2016 to 5.38% as of June 30, 2017.

*Changes in Plan Provisions* – None.

*Annual OPEB Cost and Net OPEB Obligation* – The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation are summarized in the following table:

	Governmental Activities	Business-type Activities	Total
Annual required contribution.....	\$ 125,680	\$ 253,723	\$ 379,403
Interest on net OPEB obligation.....	7,832	73,763	81,595
Adjustment to annual required contribution.....	(6,055)	(57,021)	(63,076)
Annual OPEB cost (expense).....	<u>127,457</u>	<u>270,465</u>	<u>397,922</u>
Contributions made.....	<u>(265,825)</u>	<u>(120,359)</u>	<u>(386,184)</u>
Increase in net OPEB obligation.....	(138,368)	150,106	11,738
Net OPEB obligation--beginning of year.....	<u>195,810</u>	<u>1,844,074</u>	<u>2,039,884</u>
Net OPEB obligation--end of year.....	<u>\$ 57,442</u>	<u>\$ 1,994,180</u>	<u>\$ 2,051,622</u>

During 2017, the County's total OPEB contributions totaled \$386,184; which included \$236,184 of pay-as-you-go payments as well as a \$150,000 contribution to the OPEB trust fund. The OPEB trust fund is reported within the fiduciary fund financial statements and totaled \$661,238 as of June 30, 2017.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<i>Governmental activities:</i>			
6/30/2017	\$ 127,457	209%	\$ 57,442
6/30/2016	144,397	166%	195,810
6/30/2015	146,773	164%	291,561
<i>Business-type activities:</i>			
6/30/2017	\$ 270,465	45%	\$ 1,994,180
6/30/2016	417,777	35%	1,844,074
6/30/2015	397,361	36%	1,573,741

*Funded Status and Funding Progress* – As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,064,845. The governmental activities funded \$485,331, which resulted in a funded ratio of 27.7%. The unfunded actuarial accrued liability for benefits totaled \$3,579,514 and the covered payroll totaled \$2,162,273. The unfunded actuarial accrued liability was 125.2% and 201.0% of covered payroll for the governmental and business-type activities, respectively.

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

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

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

In the July 1, 2016, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 7.5% investment return assumption, which is based on the expected yield on the assets of the County, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8.0% initially, decreasing 1% to an ultimate rate of 5%. The UAAL is being amortized over 30 years on an open amortization period.

#### **NOTE 12 - CONTINGENCIES**

The County participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2017, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although such amounts, if any, is expected to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

#### **NOTE 13 – COMMITMENTS**

The Airport is in the process of constructing a new aircraft rescue and firefighting building/snow equipment building; which has been approved for 80% federal funding, 4% state funding and 16% local funding. The estimated cost to cost to complete the project is anticipated to be \$10.5 million and \$6.4 million has been expended as of June 30, 2017.

#### **NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 20, 2018, which is the date the financial statements were available to be issued.

**NOTE 15 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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

## ***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<b>REVENUES:</b>					
Town assessments - County tax.....	\$ 491,740	\$ 491,740	\$ 491,740	\$ -	\$ -
Town assessments - Debt service.....	204,000	204,000	204,000	-	-
State grants.....	95,000	95,000	100,574	-	5,574
Property rental.....	174,914	174,914	153,171	-	(21,743)
Registry of deeds.....	200,000	200,000	216,680	-	16,680
Natural resources.....	75,200	75,200	73,467	-	(1,733)
Parking fees.....	87,000	87,000	60,184	-	(26,816)
County alarm fees.....	150,000	150,000	170,507	-	20,507
Investment income.....	4,000	4,000	5,418	-	1,418
Miscellaneous.....	2,500	2,500	4,037	-	1,537
TOTAL REVENUES.....	1,484,354	1,484,354	1,479,778	-	(4,576)
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	231,337	247,203	236,968	-	10,235
Parking clerk.....	75,540	75,540	65,798	-	9,742
Courthouse/Administrative building.....	231,271	288,435	216,845	20,750	50,840
Treasurer.....	282,236	287,932	285,390	-	2,542
Civil defense/emergency management.....	12,952	12,952	12,743	-	209
Health and human services.....	5,000	5,000	2,148	-	2,852
Retiree postemployment benefits.....	297,623	297,623	310,389	-	(12,766)
Veterans agent.....	69,933	69,933	69,656	-	277
Natural resources.....	11,500	11,500	4,088	-	7,412
Other expenditures.....	108,255	117,415	102,558	-	14,857
Debt service:					
Principal.....	160,000	160,000	160,000	-	-
Interest.....	44,000	44,000	44,000	-	-
TOTAL EXPENDITURES.....	1,529,646	1,617,533	1,510,583	20,750	86,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....	(45,292)	(133,179)	(30,805)	(20,750)	81,624
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	100,520	100,520	106,207	-	5,687
Transfers in - cost allocations.....	107,000	107,000	141,045	-	34,045
Transfers in - deeds excise.....	145,000	165,000	205,165	-	40,165
Transfers out - registry maintenance of effort.....	(327,452)	(327,452)	(327,452)	-	-
Unreserved fund balance.....	175,367	247,825	-	-	(247,825)
TOTAL OTHER FINANCING SOURCES (USES).....	200,435	292,893	124,965	-	(167,928)
NET CHANGE IN FUND BALANCE.....	155,143	159,714	94,160	(20,750)	(86,304)
REFUND TO MEMBER COMMUNITIES.....	(150,000)	(150,000)	(150,000)	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	709,540	709,540	709,540	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 714,683	\$ 719,254	\$ 653,700	\$ (20,750)	\$ (86,304)

See notes to required supplementary information.



**GENERAL FUND - REGISTRY OF DEEDS OPERATIONS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Final Budget		
<b>EXPENDITURES:</b>				
Current:				
Registry of deeds.....	\$ 397,402	\$ 397,067	\$ 381,759	\$ 15,308
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out - retirees' health insurance.....	(10,000)	(10,335)	(10,335)	-
Transfers out - cost allocations.....	-	-	(5,000)	(5,000)
Transfers in - deeds excise.....	79,950	79,950	136,777	56,827
Transfers in - registry maintenance of effort.....	327,452	327,452	327,452	-
TOTAL OTHER FINANCING SOURCES (USES).....	397,402	397,067	448,894	51,827
NET CHANGE IN FUND BALANCE.....	-	-	67,135	67,135
BUDGETARY FUND BALANCE, Beginning of year.....	330,476	330,476	330,476	-
BUDGETARY FUND BALANCE, End of year.....	\$ 330,476	\$ 330,476	\$ 397,611	\$ 67,135

See notes to required supplementary information.

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<b>REVENUES:</b>					
Town assessments - County tax.....	\$ 491,740	\$ 491,740	\$ 491,740	\$ -	\$ -
Town assessments - Debt service.....	204,000	204,000	204,000	-	-
State grants.....	95,000	95,000	100,574	-	5,574
Property rental.....	174,914	174,914	153,171	-	(21,743)
Registry of deeds.....	200,000	200,000	216,680	-	16,680
Natural resources.....	75,200	75,200	73,467	-	(1,733)
Parking fees.....	87,000	87,000	60,184	-	(26,816)
County alarm fees.....	150,000	150,000	170,507	-	20,507
Investment income.....	4,000	4,000	5,418	-	1,418
Miscellaneous.....	2,500	2,500	4,037	-	1,537
<b>TOTAL REVENUES.....</b>	<b>1,484,354</b>	<b>1,484,354</b>	<b>1,479,778</b>	<b>-</b>	<b>(4,576)</b>
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	231,337	247,203	236,968	-	10,235
Parking clerk.....	75,540	75,540	65,798	-	9,742
Courthouse/Administrative building.....	231,271	288,435	216,845	20,750	50,840
Treasurer.....	282,236	287,932	285,390	-	2,542
Registry of deeds.....	397,402	397,067	381,759	-	15,308
Civil defense/emergency management.....	12,952	12,952	12,743	-	209
Health and human services.....	5,000	5,000	2,148	-	2,852
Retiree postemployment benefits.....	297,623	297,623	310,389	-	(12,766)
Veterans agent.....	69,933	69,933	69,656	-	277
Natural resources.....	11,500	11,500	4,088	-	7,412
Other expenditures.....	108,255	117,415	102,558	-	14,857
Debt service:					
Principal.....	160,000	160,000	160,000	-	-
Interest.....	44,000	44,000	44,000	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,927,048</b>	<b>2,014,600</b>	<b>1,892,342</b>	<b>20,750</b>	<b>101,508</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...</b>	<b>(442,694)</b>	<b>(530,246)</b>	<b>(412,564)</b>	<b>(20,750)</b>	<b>96,932</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	90,520	90,185	95,872	-	5,687
Transfers in - cost allocations.....	107,000	107,000	136,045	-	29,045
Transfers in - deeds excise.....	224,950	244,950	341,942	-	96,992
Unreserved fund balance.....	175,367	247,825	-	-	(247,825)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>597,837</b>	<b>689,960</b>	<b>573,859</b>	<b>-</b>	<b>(116,101)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>155,143</b>	<b>159,714</b>	<b>161,295</b>	<b>(20,750)</b>	<b>(19,169)</b>
<b>REFUND TO MEMBER COMMUNITIES.....</b>	<b>(150,000)</b>	<b>(150,000)</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>1,040,016</b>	<b>1,040,016</b>	<b>1,040,016</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 1,045,159</b>	<b>\$ 1,049,730</b>	<b>\$ 1,051,311</b>	<b>\$ (20,750)</b>	<b>\$ (19,169)</b>

See notes to required supplementary information.

# ***Pension Plan Schedules - County***

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

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

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

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

	December 31, 2014		December 31, 2015		December 31, 2016
County's proportion of the net pension liability (asset).....	8.056%		8.056%		7.552%
County's proportionate share of the net pension liability (asset)..... \$	2,903,770	\$	3,165,961	\$	3,468,277
County's covered employee payroll..... \$	2,051,764	\$	2,133,835	\$	2,044,480
Net pension liability as a percentage of covered-employee payroll.....	141.53%		148.37%		169.64%
Plan fiduciary net position as a percentage of the total pension liability.....	76.17%		75.61%		74.21%

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

See notes to required supplementary information.

**SCHEDULE OF COUNTY'S CONTRIBUTIONS**  
**DUKES COUNTY RETIREMENT SYSTEM**

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution.....	\$ 313,649	\$ 381,256	\$ 436,984
Contributions in relation to the actuarially determined contribution.....	<u>313,649</u>	<u>381,256</u>	<u>436,984</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 2,051,764	\$ 2,133,835	\$ 2,044,480
Contributions as a percentage of covered- employee payroll.....	15.29%	17.87%	21.37%

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

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

## **GASB 74 Schedules**

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

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

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

## **GASB 45 Schedules**

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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

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

	<u>June 30, 2017</u>
<b>Total OPEB Liability</b>	
Service Cost.....	\$ 342,568
Interest.....	285,191
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	(576,049)
Benefit payments.....	<u>(236,184)</u>
Net change in total OPEB liability.....	(184,474)
Total OPEB liability - beginning.....	<u>5,843,408</u>
Total OPEB liability - ending (a).....	<u><u>\$ 5,658,934</u></u>
<b>Plan fiduciary net position</b>	
Employer contributions to the trust.....	\$ 150,000
Employer contributions to pay benefit payments.....	236,184
Net investment income.....	25,782
Benefit payments.....	<u>(236,184)</u>
Net change in plan fiduciary net position.....	175,782
Plan fiduciary net position - beginning.....	<u>485,456</u>
Plan fiduciary net position - ending (b).....	<u><u>\$ 661,238</u></u>
<b>Town's net OPEB liability- ending (a)-(b).....</b>	<u><u>\$ 4,997,696</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	11.68%
Covered-employee payroll.....	\$ 2,162,273
Town's net OPEB liability as a percentage of covered-employee payroll.....	231.13%

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

See notes to required supplementary information.

**SCHEDULE OF COUNTY'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	<u>June 30, 2017</u>
Actuarially determined contribution.....	\$ 379,403
Contributions in relation to the actuarially determined contribution.....	<u>(386,184)</u>
Contribution deficiency (excess).....	<u>\$ (6,781)</u>
Covered-employee payroll.....	\$ 2,162,273
Contributions as a percentage of covered- employee payroll.....	17.86%

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

See notes to required supplementary information.



**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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Year Ended June 30,	Annual money-weighted rate of return
2017.....	4.14%

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

See notes to required supplementary information.

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
<i>Governmental activities:</i>						
7/1/2016	\$ 485,331	\$ 1,751,734	\$ 1,266,403	27.7%	\$ 1,011,265	125.2%
7/1/2014	157,310	2,758,431	2,601,121	5.7%	894,061	290.9%
7/1/2012	-	2,800,668	2,800,668	0.0%	925,613	302.6%
<i>Business-type activities:</i>						
7/1/2016	\$ -	\$ 2,313,111	\$ 2,313,111	0.0%	\$ 1,151,008	201.0%
7/1/2014	-	4,873,793	4,873,793	0.0%	1,116,710	436.4%
7/1/2012	-	4,310,590	4,310,590	0.0%	1,029,961	418.5%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
<i>Governmental activities:</i>			
2017	\$ 125,680	\$ 265,825	212%
2016	141,750	240,148	169%
2015	141,913	240,564	170%
2014	155,425	247,270	159%
2013	150,200	82,326	55%
2012	237,663	126,050	53%
<i>Business-type activities:</i>			
2017	\$ 253,723	\$ 120,359	47%
2016	403,488	147,444	37%
2015	385,371	144,293	37%
2014	385,911	153,259	40%
2013	368,292	136,945	37%
2012	364,190	117,614	32%

See notes to required supplementary information.

**ACTUARIAL METHODS AND ASSUMPTIONS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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Actuarial Methods:

Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Amortization payments increasing at 4.5%
Remaining amortization period.....	30 years as of July 1, 2016, open basis

Actuarial Assumptions:

Medical/drug cost trend rate.....	8% for 2016, decreasing 1% per year to an ultimate rate of 5% for 2019 and thereafter.
Inflation.....	3%
Investment rate of return.....	7.5 %, compounded annually, for development of the Annual Required Contribution.

Plan Membership:

	<u>County</u>
Current retirees, beneficiaries, and dependents.....	22
Current active members.....	<u>38</u>
Total.....	<u>60</u>

See notes to required supplementary information.

**NOTE A - BUDGETARY BASIS OF ACCOUNTING****1. Budgetary Information**

MGL requires the County to adopt a balanced budget that is approved by the Commissioners and the Advisory Board. The Commissioners present an annual budget to the Advisory Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Advisory Board, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between departments subsequent to the approval of the annual budget require majority Advisory Board approval via a supplemental appropriation or an Advisory Board order.

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

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the County is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Commissioners.

The general fund includes the activity of the County operating fund and the registry of deeds operating fund. Individual budget to actual schedules and combined totals have been presented.

The County adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2017 approved budget for the general fund authorized approximately \$2.1 million, in appropriations. During 2017, the County approved supplemental appropriations totaling approximately \$88,000.

The County Manager has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the County's accounting system.

**2. Appropriation Deficits**

For the year ended June 30, 2017, actual expenditures exceeded appropriations for retiree postemployment benefits.

**NOTE B - PENSION PLAN*****Pension Plan Schedules - County*****A. Schedule of the County's Proportionate Share of the Net Pension Liability**

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

**B. Schedule of County's Contributions**

Governmental employers are required to pay an annual appropriation as established by statute and approved by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The fiscal 2015 and prior pension fund appropriations have been allocated among employers based on covered payroll. Beginning with the fiscal 2016 appropriations, the System is transitioning to an actuarial based methodology that will allocate contributions to member units based on the member units actuarial liability. The transition is being phased-in through the use of a blended rate that will be used for the fiscal 2016 and 2017 appropriations. For fiscal 2016, the blended rate was 1/3 actuarial basis and 2/3 covered payroll. For fiscal 2017, the blended rate was 2/3 actuarial basis and 1/3 covered payroll. For the fiscal 2018 pension fund appropriations and subsequent fiscal years, 100% of appropriations will be calculated using the member unit's applicable percentage of the total pension liability.

**Changes of Assumptions**

The mortality rates and mortality improvement scale were updated to reflect fully generational mortality improvement.

**Changes in Plan Provisions**

None.

**NOTE C - OTHER POSTEMPLOYMENT BENEFITS**

The County administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the County's group health insurance plan, which covers both active and retired members.

The County has established an OPEB trust fund to set aside monies for the purpose of funding its governmental funds OPEB liability. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) as of July 1, 2016 for governmental activities is 27.7% and the funded ratio for its business-type activities is 0%. In accordance with Governmental Accounting Standards, the County has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

**The Other Postemployment Benefit Plan****The Schedule of Changes in the County's Net Other Postemployment Benefit Liability and Related Ratios**

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

Schedule of the County's Contributions

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

Schedule of Investment Return

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

**The County**

The County currently finances its other postemployment benefits (OPEB) on a combined pre-funded and pay-as-you-go basis. As of July 1, 2016, the most recent valuation date, the funded ratio for the County (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 27.7%. In accordance with Governmental Accounting Standards, the County has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

Schedule of Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Schedule of Employer Contributions

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

Schedule of Actuarial Methods and Assumptions

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

Changes of Assumptions

The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal to comply with the requirements of GASB 74 and GASB 75. The discount rate has changed from 4.7% as of June 30, 2016 to 5.38% as of June 30, 2017.

Changes in Plan Provisions

None.

# ***Combining Schedules***

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# ***Airport Commission Combining Schedules***

The airport commission accounts for the general operations, construction, and capital acquisitions of the Airport as separate activities and the internal ledgers reports them as indicated below.

*Operations Fund* – This fund is the primary operating fund. It is used to account for all financial resources except those that are required to be accounted for in another fund.

*Fuel Revolving Fund* – This fund is used to account for purchases and sales of fuel.

*Transportation Security Administration Fund* – This fund is used to account for grant funds received from the federal government which are designated for transportation security.

*Debt Service Fund* – This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

*Multi-Year Capital Projects Fund* – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

*MVY Stabilization Fund* – This fund is used to account for the accumulation of resources to stabilize airport operations. The use of these funds must be approved by majority vote of the Airport Commission.

*Long-Term Obligations Fund* – This fund is used to account for liabilities that have maturities of greater than one year.

*Fixed Assets Fund* – This fund is used to account for fixed asset additions, retirements and depreciation expense.

**AIRPORT COMMISSION ACTIVITIES**  
COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2017

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
<b>ASSETS</b>									
<b>CURRENT:</b>									
Cash and cash equivalents.....	\$ 1,923,380	\$ 86,077	\$ 7,282	\$ 250,061	\$ (1,758,551)	\$ 382,459	\$ -	\$ -	\$ 879,985
Receivables, net of allowance for uncollectibles:									
Intergovernmental.....	-	-	42,600	-	2,560,879	-	-	-	2,603,479
Departmental and other.....	193,961	79,098	-	-	-	-	-	-	273,059
Inventory.....	-	123,045	-	-	-	-	-	-	123,045
Total current assets.....	2,117,341	288,220	49,882	250,061	802,328	382,459	-	-	3,879,568
<b>NONCURRENT:</b>									
Capital assets, non depreciable.....	-	-	-	-	-	-	-	9,467,527	9,467,527
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	23,332,384	23,332,384
Total noncurrent assets.....	-	-	-	-	-	-	-	32,799,911	32,799,911
<b>TOTAL ASSETS.....</b>	<b>2,117,341</b>	<b>288,220</b>	<b>49,882</b>	<b>250,061</b>	<b>802,328</b>	<b>382,459</b>	<b>-</b>	<b>32,799,911</b>	<b>36,679,479</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Total deferred outflows of resources.....	-	-	-	-	-	-	371,478	-	371,478
<b>LIABILITIES</b>									
<b>CURRENT:</b>									
Warrants payable.....	163,772	110,175	49,918	-	1,221,240	-	-	-	1,545,105
Accrued payroll.....	10,901	-	-	-	-	-	-	-	10,901
Due to other funds.....	150,505	-	-	-	-	-	-	-	150,505
Customer deposits payable.....	5,000	55,000	-	-	-	-	-	-	60,000
Other liabilities.....	2,041	-	-	-	-	-	-	-	2,041
Compensated absences.....	-	-	-	-	-	-	5,000	-	5,000
Total current liabilities.....	332,219	165,175	49,918	-	1,221,240	-	5,000	-	1,773,552
<b>NONCURRENT:</b>									
Compensated absences.....	-	-	-	-	-	-	16,000	-	16,000
Other postemployment benefits.....	-	-	-	-	-	-	1,994,180	-	1,994,180
Net pension liability.....	-	-	-	-	-	-	1,995,458	-	1,995,458
Total noncurrent liabilities.....	-	-	-	-	-	-	4,005,638	-	4,005,638
<b>TOTAL LIABILITIES.....</b>	<b>332,219</b>	<b>165,175</b>	<b>49,918</b>	<b>-</b>	<b>1,221,240</b>	<b>-</b>	<b>4,010,638</b>	<b>-</b>	<b>5,779,190</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred inflows of resources related to pensions.....	-	-	-	-	-	-	127,147	-	127,147
<b>NET POSITION</b>									
Net investment in capital assets.....	-	-	-	-	-	-	-	32,799,911	32,799,911
Unrestricted.....	1,785,122	123,045	(36)	250,061	(418,912)	382,459	(3,766,307)	-	(1,655,291)
<b>TOTAL NET POSITION.....</b>	<b>\$ 1,785,122</b>	<b>\$ 123,045</b>	<b>\$ (36)</b>	<b>\$ 250,061</b>	<b>\$ (418,912)</b>	<b>\$ 382,459</b>	<b>\$ (3,766,307)</b>	<b>\$ 32,799,911</b>	<b>\$ 31,144,620</b>

**AIRPORT COMMISSION ACTIVITIES**  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2017

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
<b>OPERATING REVENUES:</b>									
Charges for services.....	\$ 1,467,833	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,467,833
Intergovernmental.....	-	-	85,350	-	-	-	-	-	85,350
Fuel.....	-	3,220,836	-	-	-	-	-	-	3,220,836
Business park.....	1,514,202	-	-	-	-	-	-	-	1,514,202
Water revenue.....	129,014	-	-	-	-	-	-	-	129,014
Wastewater revenue.....	123,922	-	-	-	-	-	-	-	123,922
<b>TOTAL OPERATING REVENUES.....</b>	<b>3,234,971</b>	<b>3,220,836</b>	<b>85,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,541,157</b>
<b>OPERATING EXPENSES:</b>									
Cost of services and administration.....	3,723,487	-	-	-	6,595,770	-	187,434	(6,498,515)	4,018,899
Fuel.....	-	1,778,007	-	-	-	-	-	-	1,778,007
Water facilities.....	169,151	-	-	-	-	-	-	-	169,151
Wastewater facilities.....	391,974	-	-	-	-	-	-	-	391,974
Transportation security.....	-	-	275,962	-	-	-	-	-	275,962
Depreciation.....	-	-	-	-	-	-	-	1,997,618	1,997,618
<b>TOTAL OPERATING EXPENSES.....</b>	<b>4,284,612</b>	<b>1,778,007</b>	<b>275,962</b>	<b>-</b>	<b>6,595,770</b>	<b>-</b>	<b>187,434</b>	<b>(4,500,897)</b>	<b>8,631,611</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(1,049,641)</b>	<b>1,442,829</b>	<b>(190,612)</b>	<b>-</b>	<b>(6,595,770)</b>	<b>-</b>	<b>(187,434)</b>	<b>4,500,897</b>	<b>(2,090,454)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment income.....	10,741	-	-	79	-	-	-	-	10,820
Intergovernmental.....	-	-	-	-	5,413,783	-	-	-	5,413,783
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>10,741</b>	<b>-</b>	<b>-</b>	<b>79</b>	<b>5,413,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,424,603</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(1,038,900)</b>	<b>1,442,829</b>	<b>(190,612)</b>	<b>79</b>	<b>(1,181,987)</b>	<b>-</b>	<b>(187,434)</b>	<b>4,500,897</b>	<b>3,334,149</b>
<b>TRANSFERS:</b>									
Transfers out - retirees' health insurance.....	(95,872)	-	-	-	-	-	-	-	(95,872)
Transfers out - cost allocations.....	(126,045)	-	-	-	-	-	-	-	(126,045)
Transfers in - other.....	1,426,719	-	222,373	-	850,000	-	-	-	2,499,092
Transfers out - other.....	(1,072,373)	(1,426,719)	-	-	-	-	-	-	(2,499,092)
<b>TOTAL TRANSFERS.....</b>	<b>132,429</b>	<b>(1,426,719)</b>	<b>222,373</b>	<b>-</b>	<b>850,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(221,917)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(906,471)</b>	<b>16,110</b>	<b>31,761</b>	<b>79</b>	<b>(331,987)</b>	<b>-</b>	<b>(187,434)</b>	<b>4,500,897</b>	<b>3,112,232</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>2,691,593</b>	<b>106,935</b>	<b>(31,797)</b>	<b>249,982</b>	<b>(86,925)</b>	<b>382,459</b>	<b>(3,578,873)</b>	<b>28,299,014</b>	<b>28,032,388</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 1,785,122</b>	<b>\$ 123,045</b>	<b>\$ (36)</b>	<b>\$ 250,061</b>	<b>\$ (418,912)</b>	<b>\$ 382,459</b>	<b>\$ (3,766,307)</b>	<b>\$ 32,799,911</b>	<b>\$ 31,144,620</b>