

**Dukes County Commissioners**  
**Meeting Minutes**  
**Wednesday, May 27, 2020**  
**4:30 – 5:40 PM**  
*REMOTE PARTICIPATION ONLY*

**Dukes County Commissioners Present:** Tristan Israel – Chairman, Christine Todd – Vice Chair, John Cahill, Leon Brathwaite, and Keith Chatinover.

**Other County Officials Present:** Martina Thornton – County Manager

**Others Present:** Frank Serreti & Jessica Greene – Powers & Sullivan (Auditors), John O'Hara – OPEB representative, Robert Rosenbaum – Martha's Vineyard Airport, and Arthur Smadbeck-County Advisory Board.

**Tristan Israel called the meeting to order at 4:30 PM. The Airport and the County Advisory Board did not have quorum to call meeting to order.**

**FY2019 Audit Review with Powers & Sullivan**

Frank Serreti of Powers & Sullivan reported that similar to other years, they were able to issue an unmodified opinion on the financial statements. This means that the financial statements are in accordance with generally accepted accounting standards/principals. From an internal control standpoint there are three comments that they are considering to be significant deficiencies – two relate to the financial statement audit and one relates to the audit of federal grants. The two findings that relate to the financial statement audit, comments had been in the last two management letters, but due to the number of journal entries that got proposed through the audit process to properly state the account balances and accounting records were warranted considering they used to be significant deficiencies they needed an extra emphasis. The first comment was improving interim and year-end closing procedures. The auditors feel it is very important to create closing checklists for monthly and year-end closings that identify all of the journal entries, reconciliations, accounting procedures, etc. that need to occur. Checklists would improve the reliability and quality of the financial information and allow for the County to close their books in a timelier manner. The County Treasurer is in the process of creating such a checklist. The second comment was to develop and improve written financial procedures between Dukes County and the Martha's Vineyard Airport in order to identify the roles and responsibilities for procedures, documents, and timelines, etc. The third comment was reconciling the expenditures that were submitted to the FAA for reimbursement to the expenditures that are reported on the General Ledger. There should be a corresponding account on the General Ledger to support the balances that are reported to the FAA and used to complete the federal reporting on the single audit report. This did not happen in FY2019 but will be going forward now that they were highlighted through the audit. Powers & Sullivan do not expect these three things to be issues next year.

Financial highlights include the General Fund balance totaled \$861,735 at the end of the year. There was a decrease of \$90,000 from the prior year. \$506,168 of that is restricted for the Registry of Deeds operations. There is money restricted for economic development that relates to the license plate funds the County receives. \$16,500 is assigned for incumbrances related to funds at the end of the year. There is a remainder of \$285,067 of unassigned General Fund balances at the end of the year.

The combined budgetary results from the County Operations and Registry of Deeds resulted in a decrease of \$90,000 in the actual fund balance. In the County Operations there was a decrease of \$125,000 that was refunded to member communities. In the variance to final budget, total revenues were \$3,258 overbudget and total expenditures were \$64,703 underbudget. Of the \$174,282 of reserves, \$45,000 were used for capital improvements. The Registry of Deeds Operations Fund had a \$34,953 increase to actual budget amounts. The revenues were overbudget by \$18,689 and expenditures were underbudget by \$16,264. In the combined report, the net change was a decrease in \$86,650 in the General Fund. "Overall good budgetary results. Good controls in place. Solid budget process.", remarked Frank. There was a small prior year deficit in the Parking Clerk Fund. At the end of FY2019 the Parking Clerk Fund had a remaining balance of \$15,446. The County Capital Projects Fund ended the year with \$319,413. Within that there are residual funds of \$339,616 from the Courthouse/Administrative/Senior Services Building Capital Project Fund. The Other Special Revenue Funds has a total balance of \$647,530.

The net OPEB Liability balance as of June 29, 2019 was \$ 8,147,232, which was an increase from the prior year. Of that, \$3.5 million of OPEB Liability relates to the County and \$4.6 million relates to the Martha's Vineyard Airport. Combined the Airport and the County contributed \$215,000. In 2019 \$65,000 was contributed to the trust fund from the County and \$150,000 from the Airport. Ratio for plan was 12%, which was down 1% from the prior year due to the fact that liability went up. Biggest increase in liability was caused by changes in the actuary assumptions. Net rate was reduced from 5.6% to 3.81% reliability. Inflation rate decreased from 3% to 2.6%. Healthcare cost trend rates changed as well. The net change of OPEB Liability is \$2,761,512. The net change of total OPEB Liability is \$3,021,434. The County is a part of the Dukes County Contributory Retirement system – a multiemployer plan. The Dukes County net pension liability was \$3.5 million, an increase of \$1 million from the prior year. \$1.4 million of the \$3.5 million relates to the County and the other \$2.1 million is related to the Airport. The funded ratio of the retirement system is 76%, a 6% decrease from the prior year. Noncurrent liability excluding debt with an increase of \$2.2 million due to increase in OPEB and net pension liability.

For bonds payable there is an outstanding \$1.1 million for the VNA Building. Annual debt principle payments are \$160,000. There are combining statements from the Airport Commission report that give detail on all of the funds that make up the Airport Enterprise Funds that is reported on the front of the financial statements as one column. There it shows the Airport Operating Fund ended the year with \$2,000 of net positions. This a \$443,000 decrease over the prior year. \$212,000 of that decrease related to funds transferred to other

funds, \$145,000 was the local share which funds the Police Officer at Terminal, and \$66,000 was the local share of AIP Grants. There was a \$177,000 decrease in fuel fund transfers based on what was available the end of year. The Airport got approved for a new Passenger Facilities Charges (PFC) Fund program in 2018. Under this program the airlines charge a passenger facility charge that gets forwarded to the Airport. The Independent Auditor's Report is required by the FAA. In that compliance report there was a finding that recommended written procedures be developed related to the accounting of the program. That finding was resolved in 2019. No current year findings, so it was a clean report. The PFC Fund's net position at the end of the year was \$31,249. \$233,000 came in from the Airline and \$202,132 was transferred out to the Operating Fund. The Fuel Revolving Fund had a net total of \$299,314 at the end of year. \$9,000 of that relates to inventory-fuel on hand, revenue was \$3,909,426 and fuel costs were \$2,612,366. The \$1.3 million remaining was transferred over to the Operating Fund. The transfer represents the available cash balance. The Parking Fund, a new 2019 fund to account for Airport parking operations, brought in \$107,750 in revenue and \$78,000 was expended out of the fund for contractual services, and residual balance of \$30,000 of was transferred to the Operating Fund, so there was an ending balance of \$0. Transportation Security Fund brought in grant proceeds of \$62,000. Local share of \$145,000 was funded by the Airport's Operating Fund. \$207,000 of expense, where the grant has an ending balance of \$0. Airport Debt Service Fund had \$107,000 at the end of the year with no activity, so it is available for future debt service. The Airport Capital Projects Fund ended the year with a deficit balance of \$981,000, which is expected to be funded by future grant proceeds and other available funds. Received \$10.4 million in capital grants during 2019 and expended \$11.3 million on AIP Projects – namely, \$10.6 million for the runway project, \$296,000 for Business Park expansion, and other smaller projects. Fixed Asset Fund of \$45.8 million of the Airport's fixed assets had \$11.3 million added related to work being done on runway projects.

A single audit is required of any entity that expends more than \$750,000 in a given fiscal year of federal funds. The single audit report showed \$9.7 million of the approximate \$10.8 million, was related to AIP program. There was also a law enforcement grant for drug free communities program. This report is required to include any finding from the financial statement audit with significant deficiencies, of which there were two significant deficiencies.

The Management Letter began with the two significant deficiency comments and two other matters. This includes reconciling the Due to/Due From accounts which net out to \$0. Powers and Sullivan recommend that the County implement monthly reconciliation procedures to verify that the due to/due from accounts are in balance. This will be added to the monthly closing checklists. If a discrepancy is found it will be researched and resolved. Powers & Sullivan also recommend that the County Treasurer's office implement monthly closing procedures to ensure a proper cutoff and improve internal controls over cash. There were seven prior year comments, two of which were completely resolved, while the five other comments are in the process of being resolved. The completely resolved comments are timeliness of submitting documentation for Airport deposits and documentation of internal controls for federal grants.

#### OPEB Update

John O'Hara explained that at the May 14th OPEB meeting they reviewed the investment performance of the trust for the period ending March 31, 2020. David Lee – OPEB Investment Consultant and John Snider – Chair reported having a challenging quarter as the investment performance for the trust was down 16.5%. The total plan was down 15.5% when taking into account the \$900,000 in contributions. At the end of the quarter there was \$15.8 million in the trust, which compares to December 31, 2019, when it was \$17.8 million. As of April 30, 2020 the portfolio is back up to \$17.1 million. For the month of May the market is up another 4-4.5%. The discount rate OPEB uses is 7.5%, which is down from the usual 8% that was written into the investment policy statement years ago. The asset allocation is 70% to global equities, 10% to real estate (TA Realty, LLC), and 20% to fixed income/bonds. For the period ending December 31, the fund ranked in top 10% of plans like it. For the period ending March 31, 2020 it ranked in 87<sup>th</sup> percentile. It was stressed that the plans get rebalanced on a regular basis. The OPEB plan is in the process of being rebalanced with \$900,000 of contributions from the last 6 months.

#### New Business

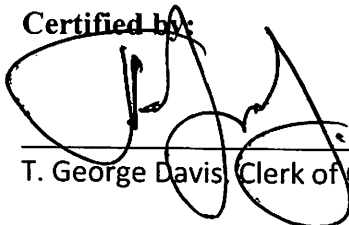
No new business.

#### Adjournment

**Christine Todd made a motion to adjourn the meeting. Leon Brathwaite seconded the motion. So voted. Leon Braithwaite aye, Christine Todd aye, John Cahill aye, Keith Chatinover aye, and Tristan Israel aye. Motion carries. The Dukes County Commissioners meeting was adjourned at approximately 5:40 PM.**

**The next Dukes County Commissioners meeting is on June 3, 2020 at 4:30 PM.**

**Certified by:**

  
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T. George Davis, Clerk of Courts

#### Documents Discussed

- Dukes County audit documents which included:
  1. Dukes County Basic Financial Statements
  2. Reports on Federal Awards Program
  3. Management Letter