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

***REPORT ON EXAMINATION OF  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***FISCAL YEAR ENDED JUNE 30, 2003***



COUNTY OF DUKES COUNTY, MASSACHUSETTS

REPORT ON EXAMINATION OF  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED JUNE 30, 2003

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## ***Financial Section***

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## **Independent Auditors' Report**

To the Honorable County Commissioners  
County of Dukes County, Massachusetts

We have audited the accompanying general purpose financial statements of the County of Dukes County, Massachusetts, as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the County of Dukes County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Inasmuch as the Commonwealth of Massachusetts does not require the capitalization of fixed assets, the County has not maintained complete historical cost records of its General Fixed Assets. Accordingly, a statement of General Fixed Assets, required by accounting principles generally accepted in the United States of America, is not included in the general purpose financial statements.

In our opinion, except for the effect on the general purpose financial statements of the matter described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Dukes County, Massachusetts, as of June 30, 2003, and the results of its operations for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2003, on our consideration of the County of Dukes County, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

July 31, 2003

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# ***General Purpose Financial Statements***

**ALL FUND TYPES AND ACCOUNT GROUP  
COMBINED BALANCE SHEET**

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JUNE 30, 2003

ASSETS AND OTHER DEBITS	Governmental Fund Types					
	General	Airport	County Special Revenue	Airport Debt Service	Airport Capital Projects	County Capital Projects
CASH AND SHORT-TERM INVESTMENTS.....	\$ 253,170	\$ 80,342	\$ 1,007,727	\$ 209,188	\$ -	\$ 100
RECEIVABLES:						
Intergovernmental.....	51,125	26,295	-	-	849,576	-
Other.....	7,082	-	-	-	-	-
Due from Airport Capital Projects Fund.....	-	693,441	-	-	-	-
Due from R.M. Packer.....	-	174,254	-	-	-	-
AMOUNTS AVAILABLE FOR THE RETIREMENT OF LONG-TERM OBLIGATIONS.....	-	-	-	-	-	-
AMOUNTS TO BE PROVIDED FOR THE RETIREMENT OF LONG-TERM OBLIGATIONS.....	-	-	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS.....	<u>\$ 311,377</u>	<u>\$ 974,332</u>	<u>\$ 1,007,727</u>	<u>\$ 209,188</u>	<u>\$ 849,576</u>	<u>\$ 100</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Warrants payable.....	\$ 29,747	\$ 150,145	\$ 141,494	\$ -	\$ 156,136	\$ -
Due to Airport Fund.....	-	-	-	-	693,440	-
Other liabilities.....	7,381	45,806	191,771	-	-	-
Accrued compensated absences - County.....	-	-	-	-	-	-
Accrued compensated absences - Airport.....	-	-	-	-	-	-
Bonds payable - Airport.....	-	-	-	-	-	-
TOTAL LIABILITIES.....	<u>37,128</u>	<u>195,951</u>	<u>333,265</u>	<u>-</u>	<u>849,576</u>	<u>-</u>
FUND EQUITY:						
Reserved for:						
Encumbrances and continuing appropriations.....	1,770	122,229	-	-	-	-
Prior years' deficits.....	-	108,574	-	-	-	-
Debt service.....	-	-	-	209,188	-	-
Designated for:						
Airport operations.....	-	547,578	-	-	-	-
Subsequent year's expenditures.....	90,000	-	-	-	-	-
Unreserved.....	<u>182,479</u>	<u>-</u>	<u>674,462</u>	<u>-</u>	<u>-</u>	<u>100</u>
TOTAL FUND EQUITY.....	<u>274,249</u>	<u>778,381</u>	<u>674,462</u>	<u>209,188</u>	<u>-</u>	<u>100</u>
TOTAL LIABILITIES AND FUND EQUITY.....	<u>\$ 311,377</u>	<u>\$ 974,332</u>	<u>\$ 1,007,727</u>	<u>\$ 209,188</u>	<u>\$ 849,576</u>	<u>\$ 100</u>

See notes to general purpose financial statements.



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Fiduciary Fund Type	Account Group	Total (Memorandum Only)
Agency	General Long-Term Obligations	
\$ 21,959,484	\$ -	\$ 23,510,011
-	-	926,996
-	-	7,082
-	-	693,441
-	-	174,254
-	209,188	209,188
-	817,812	817,812
<u>\$ 21,959,484</u>	<u>\$ 1,027,000</u>	<u>\$ 26,338,784</u>

\$ -	\$ -	\$ 477,522
-	-	693,440
21,959,484	-	22,204,442
-	104,000	104,000
-	23,000	23,000
-	900,000	900,000
<u>21,959,484</u>	<u>1,027,000</u>	<u>24,402,404</u>
-	-	123,999
-	-	108,574
-	-	209,188
-	-	547,578
-	-	90,000
-	-	857,041
-	-	1,936,380
<u>\$ 21,959,484</u>	<u>\$ 1,027,000</u>	<u>\$ 26,338,784</u>

**ALL GOVERNMENTAL FUND TYPES**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

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FISCAL YEAR ENDED JUNE 30, 2003

	General	Airport	County Special Revenue	Airport Debt Service
<b>REVENUES:</b>				
Town Assessments.....	\$ 697,157	\$ -	\$ -	\$ -
Airport Revenues.....	-	742,582	-	-
Federal Grants and Reimbursements.....	-	404,187	-	-
Airport Fuel.....	-	2,372,288	-	-
State Grants.....	-	-	2,086,530	-
Courthouse Rental.....	67,368	-	-	-
Registry of Deeds.....	352,503	-	796,637	-
Dog License Revenue.....	-	-	15,983	-
Beach Fees.....	53,260	-	-	-
Parking Fees.....	52,215	-	265,341	-
Communication Center.....	43,998	-	-	-
Business Park.....	-	710,970	-	-
Wastewater Revenue.....	-	40,960	-	-
Laboratory Fees.....	27,790	-	-	-
Investment Income.....	12,575	1,211	989	2,982
Miscellaneous.....	140,157	-	66,468	-
<b>TOTAL REVENUES.....</b>	<b>1,447,023</b>	<b>4,272,198</b>	<b>3,231,948</b>	<b>2,982</b>
<b>EXPENDITURES:</b>				
Current:				
County Commissioners.....	164,023	-	-	-
Parking Clerk.....	30,616	-	262,018	-
Courthouse.....	85,550	-	-	-
Treasurer.....	179,252	-	-	-
Registry of Deeds.....	322,410	-	-	-
Civil Defense.....	11,954	-	-	-
Housing Authority.....	5,000	-	-	-
Health and Human Services.....	48,943	-	44,609	-
Engineering.....	73,823	-	-	-
Employee Benefits.....	175,238	-	-	-
Veterans Agent.....	33,912	-	-	-
Testing Laboratory.....	101,677	-	-	-
Recreation.....	102,707	-	-	-
Rodent Control.....	53,911	-	-	-
Airport.....	-	1,707,876	-	-
Airport Fuel.....	-	1,302,658	-	-
Airport Control Tower.....	-	304,575	-	-
Airport Water Facilities.....	-	131,788	-	-
Airport Wastewater Facilities.....	-	119,232	-	-
Airport Transportation Security.....	-	116,772	-	-
House of Corrections/Sheriff.....	-	-	3,293,268	-
Other expenditures.....	93,488	-	63,175	-
Debt service:				
Principal.....	-	100,000	-	-
Interest.....	-	46,025	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,482,504</b>	<b>3,828,926</b>	<b>3,663,070</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(35,481)</b>	<b>443,272</b>	<b>(431,122)</b>	<b>2,982</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out) - corrections maintenance of effort.....	(432,245)	-	432,245	-
Operating transfers in (out) - retirees' health insurance.....	94,090	(64,299)	(29,791)	-
Operating transfers in (out) - cost allocations.....	105,343	(57,168)	(36,960)	-
Operating transfers in - deeds excise.....	220,145	-	660,435	-
Operating transfers out - deeds excise.....	-	-	(880,580)	-
Operating transfers in - other.....	-	-	41,325	-
Operating transfers out - other.....	-	-	(41,325)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(12,667)</b>	<b>(121,467)</b>	<b>145,349</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(48,148)</b>	<b>321,805</b>	<b>(285,773)</b>	<b>2,982</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>322,397</b>	<b>456,576</b>	<b>960,235</b>	<b>206,206</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 274,249</b>	<b>\$ 778,381</b>	<b>\$ 674,462</b>	<b>\$ 209,188</b>

See notes to general purpose financial statements.

Airport Capital Projects	County Capital Projects	Total (Memorandum Only)
\$ -	\$ -	\$ 697,157
-	-	742,582
2,044,682	-	2,448,869
-	-	2,372,288
743,167	-	2,829,697
-	-	67,368
-	-	1,149,140
-	-	15,983
-	-	53,260
-	-	317,556
-	-	43,998
-	-	710,970
-	-	40,960
-	-	27,790
4,067	-	21,824
-	-	206,625
2,791,916	-	11,746,067
-	-	164,023
-	-	292,634
-	-	85,550
-	-	179,252
-	-	322,410
-	-	11,954
-	-	5,000
-	-	93,552
-	-	73,823
-	-	175,238
-	-	33,912
-	-	101,677
-	-	102,707
-	-	53,911
2,371,557	-	4,079,433
-	-	1,302,658
-	-	304,575
-	-	131,788
-	-	119,232
-	-	116,772
-	-	3,293,268
-	-	156,663
-	-	100,000
-	-	46,025
2,371,557	-	11,346,057
420,359	-	400,010
-	-	-
-	-	-
(11,215)	-	-
-	-	880,580
-	-	(880,580)
-	-	41,325
-	-	(41,325)
(11,215)	-	-
409,144	-	400,010
(409,144)	100	1,536,370
\$ -	\$ 100	\$ 1,936,380

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**GENERAL FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGETARY BASIS - BUDGET AND ACTUAL**

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FISCAL YEAR ENDED JUNE 30, 2003

	GENERAL FUND			
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget
<b>REVENUES:</b>				
Town Assessments.....	\$ 697,157	\$ 697,157	\$ 697,157	\$ -
Airport Revenues.....	-	-	-	-
Courthouse Rental.....	60,000	60,000	67,368	7,368
Registry of Deeds.....	230,000	230,000	352,503	122,503
Dog License Revenue.....	-	-	-	-
Beach Fees.....	25,600	25,600	53,260	27,660
Parking Fees.....	40,000	40,000	52,215	12,215
Communication Center.....	82,000	82,000	43,998	(38,002)
Laboratory Fees.....	35,000	35,000	27,790	(7,210)
Investment Income.....	-	-	12,575	12,575
Miscellaneous.....	98,000	98,000	140,157	42,157
<b>TOTAL REVENUES.....</b>	<b>1,267,757</b>	<b>1,267,757</b>	<b>1,447,023</b>	<b>179,266</b>
<b>EXPENDITURES:</b>				
Current:				
County Commissioners.....	169,146	165,795	164,023	1,772
Parking Clerk.....	38,336	33,157	30,616	2,541
Courthouse.....	90,084	89,135	85,550	3,585
Treasurer.....	169,382	179,381	179,252	129
Registry of Deeds.....	205,181	320,171	322,410	(2,239)
Civil Defense.....	19,339	14,444	11,954	2,490
Housing Authority.....	-	5,000	5,000	-
Health and Human Services.....	46,990	48,974	48,943	31
Engineering.....	74,630	74,630	73,823	807
Employee Benefits.....	159,962	159,962	175,238	(15,276)
Veterans Agent.....	31,554	34,017	33,912	105
Testing Laboratory.....	95,492	104,829	101,677	3,152
Recreation.....	110,483	106,184	102,707	3,477
Rodent Control.....	53,668	54,701	53,911	790
Airport.....	-	-	-	-
Airport Water Facilities.....	-	-	-	-
Airport Wastewater Facilities.....	-	-	-	-
Other.....	50,455	89,188	93,490	(4,302)
Debt service:				
Principal.....	-	-	-	-
Interest.....	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,314,702</b>	<b>1,479,568</b>	<b>1,482,506</b>	<b>(2,938)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(46,945)</b>	<b>(211,811)</b>	<b>(35,483)</b>	<b>176,328</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out) - airport capital projects.....	-	-	-	-
Operating transfers in (out) - corrections maintenance of effort.....	(432,245)	(432,245)	(432,245)	-
Operating transfers in (out) - retirees' health insurance.....	110,722	110,722	94,090	(16,632)
Operating transfers in (out) - cost allocations.....	135,000	135,000	105,344	(29,656)
Operating transfers in - deeds excise.....	80,000	194,990	220,146	25,156
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(106,523)</b>	<b>8,467</b>	<b>(12,665)</b>	<b>(21,132)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(153,468)</b>	<b>(203,344)</b>	<b>(48,148)</b>	<b>155,196</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>322,397</b>	<b>322,397</b>	<b>322,397</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 168,929</b>	<b>\$ 119,053</b>	<b>\$ 274,249</b>	<b>\$ 155,196</b>

See notes to general purpose financial statements.

AIRPORT			
Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget
\$ -	\$ -	\$ -	\$ -
2,206,927	2,206,927	2,404,305	197,378
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	1,211	1,211
-	-	-	-
2,206,927	2,206,927	2,405,516	198,589
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,684,612	1,875,432	1,643,847	231,585
135,000	99,617	99,617	-
137,388	137,388	119,232	18,156
-	-	-	-
-	-	-	-
100,000	100,000	100,000	-
46,025	46,025	46,025	-
2,103,025	2,258,462	2,008,721	249,741
103,902	(51,535)	396,795	448,330
(140,502)	-	-	-
-	-	-	-
(51,787)	(64,299)	(64,299)	-
(57,168)	(57,168)	(57,168)	-
-	-	-	-
(249,457)	(121,467)	(121,467)	-
(145,555)	(173,002)	275,328	448,330
560,724	560,724	583,093	(22,369)
\$ 415,169	\$ 387,722	\$ 858,421	\$ 425,961

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

The accompanying general purpose 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 adheres to the County form of government prescribed by Massachusetts General Laws (MGL). It is governed by seven elected Commissioners and an Advisory Board. The Advisory Board is comprised of a representative from each town within the County. As required by GAAP, these general purpose financial statements present the government and its component units, entities for which the County is considered to be financially accountable.

The Martha's Vineyard Airport adheres to the form of government prescribed by MGL. The Airport is governed by seven appointed Commissioners. The Commissioners are currently comprised of six residents of Martha's Vineyard and one County Commissioner.

The financial position and results of operations of the Dukes County Retirement System and the Martha's Vineyard Land Bank (MVLB) are not included in these general purpose financial statements, as they are not considered to be a part of the reporting entity. However, the County is the custodian for certain assets of the MVLB. Accordingly, these assets have been reported in the Agency Fund at June 30, 2003.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the County are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of governmental funds not recorded directly in those funds.

The County has the following fund types and account group:

**Governmental Funds** are used to account for the County's general governmental activity. Governmental fund types use 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.

Governmental funds include the following fund types:

The *General Fund* is the general operating fund of the County (except for the Airport operations). It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Airport Fund* is used to account for the general operations of the Airport. It is used to account for all financial resources of the Airport, except those required to be accounted for in another fund.

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than Expendable Trusts or Capital Projects) that are restricted by law or administrative action to expenditures for specified purposes.

The *Airport Debt Service Fund* is used to account for the accumulation of resources and payment of Airport general obligation bond principal and interest.

The *Airport Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities of the Airport.

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.

**Fiduciary Funds** account for assets held by the County in a trustee capacity or as an agent on behalf of others.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the County holds for others in an agency capacity.

The **General Long-Term Obligations Account Group** is used to account for general long-term bonds and notes issued by the County and compensated absence liabilities that will be financed in the future from governmental funds.

#### C. Cash and Investments

The County's cash and short-term investments are considered to be cash on hand, demand deposits and investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value.

#### D. Inventories

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the general purpose financial statements and therefore are not reported.

#### E. Fixed Assets

The Commonwealth of Massachusetts does not require the County to capitalize expenditures for General Fixed Assets. Accordingly, such disbursements in the Governmental Funds are considered expenditures in the fiscal year payments are made. As a result of this practice, the accompanying general purpose financial statements do not include a statement of the General Fixed Assets Account Group, which is a departure from GAAP.

**F. Fund Balances**

The County reports fund balances as reserved and designated where legally restricted for a specific future use. Otherwise, these balances are considered unreserved.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Prior years’ deficits” represents amounts reserved to reimburse the General Fund for prior years’ operating deficits.

“Debt Service” represents amounts accumulated for the future payment of Airport general obligation bond principal and interest.

Fund balances have been “designated for” the following:

“Airport operations” represents amounts to be used strictly for the operation and maintenance of the Airport.

“Subsequent year’s expenditures” represents the amount of unreserved fund balance that has been voted to balance the fiscal year 2004 operating budget.

**G. Long-term debt**

Long-term financing is recorded in the General Long-Term Obligations Account Group. Principal and interest expenditures on long-term debt are recorded in the Airport Fund.

**H. 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).

**I. Compensated Absences**

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. For Governmental Funds, vested or accumulated vacation and sick leave that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities. Amounts that are not expected to be so liquidated are reported in the General Long-Term Obligations Account Group.

**J. Post Retirement Benefits**

In addition to providing pension benefits, the County provides health insurance coverage for retired employees and their survivors. The County recognizes the cost of providing health insurance by recording its share of insurance premiums in the General Fund in the fiscal year paid. For the fiscal year ended June 30, 2003, this expenditure totaled approximately \$175,000. There were approximately 32 participants eligible to receive benefits at June 30, 2003.



**K. Interfund/Intrafund Transactions**

During the course of its operations, the County records transactions between funds and/or between departments. Transactions of a buyer/seller nature between departments within a fund are not eliminated from the individual fund statements. Receivables and payables resulting from transactions between funds are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

**L. Use of Estimates**

The preparation of general purpose 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 general purpose financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**M. Total Column (Memorandum Only)**

The total column used on the Combined General Purpose Financial Statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

MGL requires the County to adopt a balanced budget that is approved by the Commissioners and 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 Advisory Board order.

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

The County adopts an annual budget for the General Fund and Airport Fund in conformity with the guidelines described above. The original fiscal year 2003 approved budget for the General Fund and Airport Fund authorized approximately \$1,682,889 and \$2,206,927, respectively, in appropriations. During fiscal year 2003, supplemental appropriations and transfers were authorized for the General Fund and Airport Fund, respectively.

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.

B. Budgetary - GAAP Reconciliation

Accounting principles followed for purposes of preparing the general purpose financial statements on a budgetary basis differ from those used to present the general purpose financial statements in conformity with GAAP. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund and Airport Fund for the fiscal year ended June 30, 2003, is presented below.

	<u>General Fund</u>	<u>Airport Fund</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ (48,148)	\$ 275,328
<u>Perspective difference:</u>		
Non-budgeted airport fund in for GAAP and not Budgetary.....	-	46,477
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$ <u>(48,148)</u>	\$ <u>321,805</u>

C. Individual Fund Deficits

Several individual fund deficits exist within the Special Revenue and Capital Projects Funds at June 30, 2003. These deficits will be funded through available fund balance and grant proceeds during fiscal year 2004.

**NOTE 3 - CASH AND INVESTMENTS**

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Short-term Investments".

Statutes authorize the County to invest 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). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The County participates in the Pool, which 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.

Investments are classified as to collateral risk into the following three categories:

Category 1: Insured or registered, or securities held by the County or its agent in the County's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the County's name.

At year-end, the carrying amount of the County's deposits totaled \$5,403,146 and the bank balance totaled \$6,598,903. Of the bank balance, \$1,195,757 was covered by Federal Depository Insurance and the Depositors Insurance Fund, and \$200,000 was collateralized with securities held by the pledging financial institutions trust department or agent in the County's name.

The following details the carrying amount of the County's cash and short-term investments as reported on the combined balance sheet at June 30, 2003. The County has no investments subject to categorization at June 30, 2003.

	Cash and Short-term Investments	Investments	Total
<b><i>Cash and short-term investment balances at June 30, 2003:</i></b>			
Checking, savings and NOW accounts.....	\$ 5,343,872	\$ -	\$ 5,343,872
Money market deposits.....	59,274	-	59,274
Total carrying amount of cash.....	5,403,146	-	5,403,146
<u>Investments not subject to categorization:</u>			
MMDT.....	209,168	-	209,168
<u>Investments subject to categorization (Category 3):</u>			
U.S. government securities.....	-	17,105,585	17,105,585
Equity securities.....	-	792,112	792,112
Total investments.....	209,168	17,897,697	18,106,865
<b><i>Total cash and short-term investments and investments as reported on the combined balance sheet.....</i></b>	<b><i>\$ 5,612,314</i></b>	<b><i>\$ 17,897,697</i></b>	<b><i>\$ 23,510,011</i></b>

#### NOTE 4 - PENSION PLAN

*Plan Description* - The County contributes to the County of Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the County of Dukes County Retirement Board. Substantially all employees of the County are members of the System. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. 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 funded by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the County of Dukes County Contributory Retirement Board.

and are funded by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at RR1 Box 862, Vineyard Haven, Massachusetts 02568-9740.

*Funding Policy* – Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The County is required to pay into the System its share of the systemwide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the County are governed by Chapter 32 of the MGL. The County's contributions to the System for the fiscal years ended June 30, 2003, 2002 and 2001 were \$378,054, \$272,630, and \$228,812, respectively, which equaled its required contribution for each fiscal year.

#### **NOTE 5 - 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 Fund.

The County did not issue any short-term debt during fiscal year nor was there any outstanding short-term debt at June 30, 2003.

#### **NOTE 6 - LONG-TERM DEBT**

Details related to the County's outstanding indebtedness at June 30, 2003, and the debt service requirements follow:

##### **GOVERNMENTAL FUNDS**

Project	Interest Rate (%)	Outstanding at June 30, 2002	Issued	Redeemed	Outstanding at June 30, 2003
Airport Terminal.....	4.91%	\$ <u>1,000,000</u>	\$ <u>-</u>	\$ <u>100,000</u>	\$ <u>900,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 100,000	\$ 41,325	\$ 141,325
2005.....	100,000	36,601	136,601
2006.....	100,000	31,850	131,850
2007.....	100,000	27,100	127,100
2008.....	100,000	22,350	122,350
2009.....	50,000	18,788	68,788
2010.....	50,000	16,413	66,413
2011.....	50,000	14,038	64,038
2012.....	50,000	11,625	61,625
2013.....	50,000	9,125	59,125
2014.....	50,000	6,563	56,563
2015.....	50,000	3,963	53,963
2016.....	50,000	1,325	51,325
Totals.....	\$ <u>900,000</u>	\$ <u>241,066</u>	\$ <u>1,141,066</u>

The County is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. As of June 30, 2003, the County had no authorized and unissued debt.

#### General Long-term Obligations Account Group

The County records its liability for long-term bonds and notes in the General Long-Term Obligations Account Group. Other general long-term obligations recognized by the County are its obligations for compensated absences (sick and vacation pay). These liabilities will be liquidated in the future from governmental funds.

During the fiscal year ended June 30, 2003, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group:

	<u>Balance June 30, 2002</u>	<u>Bonds and Notes Issued</u>	<u>Bonds and Notes Redeemed</u>	<u>Other Net Increase (Decrease)</u>	<u>Balance June 30, 2003</u>
Long-Term Bonds and Notes.....	\$ 1,000,000	\$ -	\$ (100,000)	\$ -	\$ 900,000
Compensated Absences.....	132,000	-	-	(5,000)	127,000
Total.....	\$ <u>1,132,000</u>	\$ <u>-</u>	\$ <u>(100,000)</u>	\$ <u>(5,000)</u>	\$ <u>1,027,000</u>

## **NOTE 7 - 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 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 prorata share of a deficit, should one exist.

*Workers' Compensation*

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

**NOTE 8 – COST ALLOCATION PLAN AND AIRPORT SUPPORT**

At an Advisory Board Meeting on June 6, 2001, the airport agreed to establish a reserve fund in the amount of \$226,277 to reimburse the County for the cost allocations for fiscal years 1998 through 2000 and the airport support deficits from fiscal years 1995 through 1997. On June 21, 2001, the Airport Commission voted to pay the cost allocations in the amount of \$117,703. The remaining balance in the reserve fund for cost allocations totals \$108,574, which equals the balance of the airport support deficits. The transfer of these funds may be voted by the Airport Commissioners.

**NOTE 9 – COMMITMENTS**

The Airport has entered into, or is planning to enter into, several contracts for the purpose of making improvements/upgrades to the Airport Terminal and Business Park. These projects are being funded by federal and state grants and the Airport Fund.

**NOTE 10 - CONTINGENCIES**

Various legal actions and claims are pending against the County. 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, 2003, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the County at June 30, 2003.

The County participates in a number of Federal financial assistance programs. Although the County grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2003, 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 the County expects such amounts, if any, to be immaterial.



## ***Supplementary Information***

**GENERAL FUND AND AIRPORT FUND**  
**COMBINING BALANCE SHEET**

JUNE 30, 2003

<b>ASSETS</b>	<u>General</u>	<u>Airport</u>	<u>Total</u>
CASH AND SHORT-TERM INVESTMENTS.....	\$ 253,170	\$ 80,342	\$ 333,512
RECEIVABLES:			
Intergovernmental.....	51,125	26,295	77,420
Other.....	7,082	-	7,082
Due from Airport fund.....	-	-	-
Due from Airport fund - cost allocations.....	-	-	-
Due from Airport Capital Projects Fund.....	-	693,441	693,441
Due from R.M. Packer.....	-	174,254	174,254
TOTAL ASSETS.....	<u>\$ 311,377</u>	<u>\$ 974,332</u>	<u>\$ 1,285,709</u>
<b>LIABILITIES AND FUND EQUITY</b>			
LIABILITIES:			
Warrants payable.....	\$ 29,747	\$ 150,145	\$ 179,892
Other liabilities.....	7,381	45,806	53,187
TOTAL LIABILITIES.....	<u>37,128</u>	<u>195,951</u>	<u>233,079</u>
FUND EQUITY:			
Reserved for:			
Encumbrances and continuing appropriations.....	1,770	122,229	123,999
Prior years' deficits.....	-	108,574	108,574
Designated for:			
Airport operations.....	-	547,578	547,578
Subsequent year's expenditures.....	90,000	-	90,000
Unreserved.....	182,479	-	182,479
TOTAL FUND EQUITY.....	<u>274,249</u>	<u>778,381</u>	<u>1,052,630</u>
TOTAL LIABILITIES AND FUND EQUITY.....	<u>\$ 311,377</u>	<u>\$ 974,332</u>	<u>\$ 1,285,709</u>



**GENERAL FUND AND AIRPORT FUND**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

**DRAFT**

FISCAL YEAR ENDED JUNE 30, 2003

	General	Airport	Total
<b>REVENUES:</b>			
Town Assessments.....	\$ 697,157	\$ -	\$ 697,157
Airport Revenues.....	-	742,582	742,582
Federal Grants and Reimbursements.....	-	404,187	404,187
Airport Fuel.....	-	2,372,288	2,372,288
Courthouse Rental.....	67,368	-	67,368
Registry of Deeds.....	352,503	-	352,503
Beach Fees.....	53,260	-	53,260
Parking Fees.....	52,215	-	52,215
Communication Center.....	43,998	-	43,998
Business Park.....	-	710,970	710,970
Wastewater Revenue.....	-	40,960	40,960
Laboratory Fees.....	27,790	-	27,790
Investment Income.....	12,575	1,211	13,786
Miscellaneous.....	140,157	-	140,157
<b>TOTAL REVENUES.....</b>	<b>1,447,023</b>	<b>4,272,198</b>	<b>5,719,221</b>
<b>EXPENDITURES:</b>			
Current:			
County Commissioners.....	164,023	-	164,023
Parking Clerk.....	30,616	-	30,616
Courthouse.....	85,550	-	85,550
Treasurer.....	179,252	-	179,252
Registry of Deeds.....	322,410	-	322,410
Civil Defense.....	11,954	-	11,954
Housing Authority.....	5,000	-	5,000
Health and Human Services.....	48,943	-	48,943
Engineering.....	73,823	-	73,823
Employee Benefits.....	175,238	-	175,238
Veterans Agent.....	33,912	-	33,912
Testing Laboratory.....	101,677	-	101,677
Recreation.....	102,707	-	102,707
Rodent Control.....	53,911	-	53,911
Airport.....	-	1,707,876	1,707,876
Airport Fuel.....	-	1,302,658	1,302,658
Airport Control Tower.....	-	304,575	304,575
Airport Water Facilities.....	-	131,788	131,788
Airport Wastewater Facilities.....	-	119,232	119,232
Airport transportation security.....	-	116,772	116,772
Other expenditures.....	93,490	-	93,490
Debt service:			
Principal.....	-	100,000	100,000
Interest.....	-	46,025	46,025
<b>TOTAL EXPENDITURES.....</b>	<b>1,482,506</b>	<b>3,828,926</b>	<b>5,311,432</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(35,483)</b>	<b>443,272</b>	<b>407,789</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in (out) - corrections maintenance of effort.....	(432,245)	-	(432,245)
Operating transfers in (out) - retirees' health insurance.....	94,090	(64,299)	29,791
Operating transfers in (out) - cost allocations.....	105,344	(57,168)	48,176
Operating transfers in - deeds excise.....	220,146	-	220,146
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(12,665)</b>	<b>(121,467)</b>	<b>(134,132)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(48,148)</b>	<b>321,805</b>	<b>273,657</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>322,397</b>	<b>456,576</b>	<b>778,973</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 274,249</b>	<b>\$ 778,381</b>	<b>\$ 1,052,630</b>