

COUNTY OF DUKES COUNTY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2007

COUNTY OF DUKES COUNTY, MASSACHUSETTS
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

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Independent Auditors' Report

To the Honorable County Commissioners
County of Dukes County, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts, as of and for the fiscal year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Dukes County, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, 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 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.

The combining schedule section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

August 15, 2008

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 fiscal year ended June 30, 2007. 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 principals (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 of the County of Dukes County exceeded its liabilities at the close of the most recent fiscal year by \$27.2 million (net assets).
- Of this amount, \$1.2 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the County's general fund reported an ending fund balance of \$245,000, an increase of \$97,000 in comparison with the prior year. Total fund balance represents 16% of total general fund expenditures.
- The County's total long-term debt decreased by \$100,000, during the current fiscal year, due to scheduled loan repayments on outstanding airport general obligation bonds.

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. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other required 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 assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include county commissioners, parking clerk, courthouse/administrative building, treasurer, registry of deeds, civil defense, health council, health and human services, engineering, retiree benefits, veterans agent, testing laboratory, recreation, rodent control, charter study commission, interest, house of corrections/sheriff 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 fiscal 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. A budgetary comparison statement has been provided for the general fund 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 statement 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 assets may serve over time as a useful indicator of a government's financial position. Total assets exceeded total liabilities by \$27.2 million at the close of Fiscal 2007.

Total net assets of \$25.7 million (94%) 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 assets \$287,000 (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$1.2 million (5%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities, except for the governmental activities unrestricted net assets.

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

Governmental Activities

The County's assets exceeded liabilities for governmental activities by \$2.1 million at the close of Fiscal 2007.

	Fiscal 2007	Fiscal 2006
Assets:		
Current assets.....	\$ 439,625	\$ 469,259
Capital assets not being depreciated.....	480,172	480,172
Capital assets, net of accumulated depreciation.....	1,452,772	1,575,345
Total assets.....	2,372,569	2,524,776
Liabilities:		
Current liabilities (excluding debt).....	172,878	333,755
Noncurrent liabilities (excluding debt).....	91,000	80,000
Total liabilities.....	263,878	413,755
Net Assets:		
Capital assets net of related debt.....	1,932,944	2,055,517
Restricted.....	74,301	18,205
Unrestricted.....	101,446	37,299
Total net assets.....	\$ 2,108,691	\$ 2,111,021

	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>
Program revenues:		
Charges for services.....	\$ 896,383	\$ 901,285
Operating grants and contributions.....	2,302,347	1,869,016
General Revenues:		
Town assessments.....	769,530	734,483
County deeds excise tax.....	1,110,718	1,296,192
Nonrestricted grants.....	61,507	2,850
Unrestricted investment income.....	9,390	18,352
Other revenues.....	130,595	126,544
Legal settlement appeal.....	-	353,731
Total revenues.....	<u>5,280,470</u>	<u>5,302,453</u>
Expenses:		
County commissioners.....	205,676	174,855
Parking clerk.....	265,020	260,144
Courthouse/Administrative building.....	151,803	92,262
Treasurer.....	224,617	210,169
Registry of deeds.....	350,302	344,823
Civil defense.....	14,346	6,030
Housing authority.....	4,895	2,543
Health and human services.....	108,867	81,549
Engineering.....	74,033	74,679
Retiree benefits.....	235,988	215,604
Veterans agent.....	56,686	41,425
Testing laboratory.....	10,254	41,858
Recreation.....	7,575	45,826
Rodent control.....	64,947	63,319
Charter study commission.....	3,014	-
Interest.....	3,779	-
House of corrections/sheriff.....	3,780,904	3,417,357
Other expenditures.....	63,634	218,706
Total expenses.....	<u>5,626,340</u>	<u>5,291,149</u>
Increase (decrease) in net assets before transfers.....	<u>(345,870)</u>	<u>11,304</u>
Transfers.....	<u>343,540</u>	<u>170,135</u>
Change in net assets.....	<u>\$ (2,330)</u>	<u>\$ 181,439</u>

The governmental expenses totaled \$5.6 million of which \$3.2 million was directly supported by program revenues consisting of charges for services, and operating grants and contributions. General revenues totaled \$2.1 million, primarily coming from town assessments and county deeds excise taxes.

The governmental net assets decreased by \$2,330 during the current fiscal year. This was primarily due to the governmental funds surplus of approximately \$127,000 being offset by the net affect of recording fixed asset additions and depreciation expense.

Business-type activities.

The County's assets exceeded its liabilities for business-type activities by \$25.1 million at the close of Fiscal 2007.

	Fiscal 2007	Fiscal 2006
Assets:		
Current assets.....	\$ 1,947,621	\$ 3,535,862
Capital assets, non depreciable.....	1,429,117	6,619,980
Capital assets, net of accumulated depreciation.....	22,819,709	18,795,773
Total assets.....	26,196,447	28,951,615
Liabilities:		
Current liabilities (excluding debt).....	578,696	2,071,673
Noncurrent liabilities (excluding debt).....	13,000	15,000
Current debt.....	100,000	900,000
Noncurrent debt.....	400,000	500,000
Total liabilities.....	1,091,696	3,486,673
Net Assets:		
Capital assets, net of related debt.....	23,748,826	24,015,753
Restricted.....	212,269	1,230,799
Unrestricted.....	1,143,656	218,390
Total net assets.....	25,104,751	25,464,942
Program revenues:		
Charges for services.....	5,630,443	5,156,309
Operating grants and contributions.....	138,723	139,655
Capital grants and contributions.....	144,459	2,017,192
General Revenues:		
Unrestricted investment income.....	15,619	14,780
Total revenues.....	5,929,244	7,327,936
Expenses:		
Airport.....	5,945,895	5,914,928
Total expenses.....	5,945,895	5,914,928
Increase (decrease) in net assets before transfers.....	(16,651)	1,413,008
Transfers.....	(343,540)	(170,135)
Change in net assets.....	\$ (360,191)	\$ 1,242,873

The business-type expenses totaled \$5.9 million which was directly supported by program revenues consisting of charges for services, operating grants, capital grants, and contributions.

The business-type net assets decreased by \$360,000 during the current fiscal year. This was primarily due to an operating surplus that was offset by the net affect of recording fixed asset additions and depreciation expense.

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 fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances totaling approximately \$309,000, of which \$245,000 is for the general fund, negative (\$36,000) is for the sheriff fund, and \$100,000 is for the other special revenue fund. Cumulatively there was an increase of \$127,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year total fund balance was \$245,000. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 13% of total general fund expenditures.

The County's general fund increased by \$97,000 which is primarily due to the repayment of prior year airport support deficits (see note 10 for additional information).

The deeds excise fund is used to account for deeds excise taxes collected by the Registry of Deeds. Annual collections are allocated to the General fund and Sheriff fund in accordance with Chapter 64D, Section 11 of the Massachusetts General Laws. Accordingly, the deeds excise fund had zero fund balance at fiscal year-end.

The sheriff fund is used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for the sheriff's department. The fund is in a deficit position of (\$36,000).

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 fund is in a surplus position of \$100,000.

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. This fund is in a surplus position of \$100.

General Fund Budgetary Highlights

The \$97,000 increase between the original budget and the final amended budget was primarily due to increases in the administrative building, charter study commission, and debt service - interest appropriations.

Capital Asset and Debt Administration

Capital Assets. In conjunction with the annual operating budget, the County annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$26.2 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 increase in the County's investment in capital assets for the current year is \$1.3 million and primarily consists of Airport infrastructure improvements.

Debt Administration. The airport enterprise fund has outstanding long-term debt of \$500,000 that is fully supported by the rates and does not rely on a general fund subsidy.

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 RR1, Box 863, Vineyard Haven, Massachusetts, 02568.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 352,867	\$ 1,579,931	\$ 1,932,798
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	22,389	212,269	234,658
Other.....	64,369	13,324	77,693
Inventory.....	-	142,097	142,097
Total current assets.....	439,625	1,947,621	2,387,246
NONCURRENT:			
Capital assets, non depreciable.....	480,172	1,429,117	1,909,289
Capital assets, net of accumulated depreciation.....	1,452,772	22,819,709	24,272,481
Total noncurrent assets.....	1,932,944	24,248,826	26,181,770
TOTAL ASSETS.....	2,372,569	26,196,447	28,569,016
LIABILITIES			
CURRENT:			
Warrants payable.....	74,284	348,296	422,580
Accrued interest.....	-	11,333	11,333
Other liabilities.....	56,265	184,067	240,332
Customer deposits payable.....	329	5,000	5,329
Compensated absences.....	42,000	30,000	72,000
Bonds and notes payable.....	-	100,000	100,000
Total current liabilities.....	172,878	678,696	851,574
NONCURRENT:			
Compensated absences.....	91,000	13,000	104,000
Bonds and notes payable.....	-	400,000	400,000
Total noncurrent liabilities.....	91,000	413,000	504,000
TOTAL LIABILITIES.....	263,878	1,091,696	1,355,574
NET ASSETS			
Invested in capital assets, net of related debt.....	1,932,944	23,748,826	25,681,770
Restricted for:			
Capital outlay.....	-	212,269	212,269
Gifts and grants.....	74,301	-	74,301
Unrestricted.....	101,446	1,143,656	1,245,102
TOTAL NET ASSETS.....	\$ 2,108,691	\$ 25,104,751	\$ 27,213,442

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
County commissioners.....	\$ 205,676	\$ -	\$ -	\$ -	\$ (205,676)
Parking clerk.....	265,020	264,834	-	-	(186)
Courthouse/Administrative building....	151,803	52,588	-	-	(99,215)
Treasurer.....	224,617	-	-	-	(224,617)
Registry of deeds.....	350,302	265,519	35,890	-	(48,893)
Civil defense.....	14,346	-	-	-	(14,346)
Health council.....	4,895	-	-	-	(4,895)
Health and human services.....	108,867	-	49,723	-	(59,144)
Engineering.....	74,033	30,809	-	-	(43,224)
Retiree benefits.....	235,988	-	-	-	(235,988)
Veterans agent.....	56,686	-	-	-	(56,686)
Testing laboratory.....	10,254	-	-	-	(10,254)
Recreation.....	7,575	685	-	-	(6,890)
Rodent control.....	64,947	19,246	-	-	(45,701)
Charter study commission.....	3,014	-	-	-	(3,014)
Interest.....	3,779	-	-	-	(3,779)
House of corrections/sheriff.....	3,780,904	262,702	2,216,734	-	(1,301,468)
Other expenditures.....	63,634	-	-	-	(63,634)
Total Governmental Activities.....	5,626,340	896,383	2,302,347	-	(2,427,610)
<i>Business-Type Activities:</i>					
Airport.....	5,945,895	5,630,443	138,723	144,459	(32,270)
Total Primary Government.....	\$ 11,572,235	\$ 6,526,826	\$ 2,441,070	\$ 144,459	\$ (2,459,880)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (2,427,610)	\$ (32,270)	\$ (2,459,880)
<i>General revenues:</i>			
Town assessments.....	769,530	-	769,530
County deeds excise tax.....	1,110,718	-	1,110,718
Grants and contributions not restricted to specific programs.....	61,507	-	61,507
Unrestricted investment income.....	9,390	15,619	25,009
Miscellaneous.....	130,595	-	130,595
<i>Transfers, net</i>	343,540	(343,540)	-
Total general revenues and transfers.....	2,425,280	(327,921)	2,097,359
Change in net assets.....	(2,330)	(360,191)	(362,521)
<i>Net Assets:</i>			
Beginning of year.....	2,111,021	25,464,942	27,575,963
End of year.....	\$ <u>2,108,691</u>	\$ <u>25,104,751</u>	\$ <u>27,213,442</u>

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2007

	General	Sheriff	Other Special Revenue	County Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 223,859	\$ -	\$ 128,908	\$ 100	\$ 352,867
Receivables, net of uncollectibles:					
Intergovernmental.....	21,452	-	937	-	22,389
Other.....	64,369	-	-	-	64,369
Due from other funds.....	2,742	-	-	-	2,742
TOTAL ASSETS.....	\$ 312,422	\$ -	\$ 129,845	\$ 100	\$ 442,367
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 14,548	\$ 30,548	\$ 29,188	\$ -	\$ 74,284
Liabilities due depositors.....	-	329	-	-	329
Other liabilities.....	53,183	1,969	1,113	-	56,265
Due to other funds.....	-	2,742	-	-	2,742
TOTAL LIABILITIES.....	67,731	35,588	30,301	-	133,620
FUND BALANCES:					
Unreserved:					
Designated for subsequent year's expenditures..	48,500	-	-	-	48,500
Undesignated, reported in:					
General fund.....	196,191	-	-	-	196,191
Special revenue funds.....	-	(35,588)	99,544	-	63,956
Capital projects funds.....	-	-	-	100	100
TOTAL FUND BALANCES.....	244,691	(35,588)	99,544	100	308,747
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 312,422	\$ -	\$ 129,845	\$ 100	\$ 442,367

See notes to basic financial statements.

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

JUNE 30, 2007

Total governmental fund balances.....	\$	308,747
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		1,932,944
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated absences.....		<u>(133,000)</u>
Net assets of governmental activities.....	\$	<u><u>2,108,691</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	General	Deeds Excise	Sheriff	Other Special Revenue	County Capital Projects	Total Governmental Funds
REVENUES:						
Town assessments.....	\$ 769,530	\$ -	\$ -	\$ -	\$ -	\$ 769,530
State grants.....	35,890	-	2,221,953	82,413	-	2,340,256
Courthouse rental.....	52,588	-	-	-	-	52,588
Registry of deeds.....	265,519	1,110,718	-	-	-	1,376,237
Dog license revenue.....	-	-	-	15,303	-	15,303
Beach fees.....	685	-	-	-	-	685
Parking fees.....	38,873	-	-	225,961	-	264,834
Communication center.....	129,267	-	-	-	-	129,267
Engineering fees.....	30,809	-	-	-	-	30,809
Investment income.....	9,215	-	128	47	-	9,390
Miscellaneous.....	134,821	-	127,935	28,815	-	291,571
TOTAL REVENUES.....	1,467,197	1,110,718	2,350,016	352,539	-	5,280,470
EXPENDITURES:						
Current:						
County commissioners.....	200,962	-	-	-	-	200,962
Parking clerk.....	38,178	-	-	226,842	-	265,020
Courthouse/Administrative building.....	151,803	-	-	-	-	151,803
Treasurer.....	229,142	-	-	-	-	229,142
Registry of deeds.....	339,876	-	-	-	-	339,876
Civil defense/emergency management.....	6,900	-	-	7,446	-	14,346
Health council.....	4,895	-	-	-	-	4,895
Health and human services.....	80,209	-	-	27,663	-	107,872
Engineering.....	74,033	-	-	-	-	74,033
Retiree benefits.....	235,988	-	-	-	-	235,988
Veterans agent.....	53,445	-	-	3,241	-	56,686
Health and environment.....	6,337	-	-	-	-	6,337
Recreation.....	6,731	-	-	-	-	6,731
Rodent control.....	62,476	-	-	-	-	62,476
Charter study commission.....	3,014	-	-	-	-	3,014
House of corrections/sheriff.....	-	-	3,670,173	-	-	3,670,173
Other expenditures.....	35,592	-	2,847	25,195	-	63,634
Debt service:						
Interest.....	3,279	-	500	-	-	3,779
TOTAL EXPENDITURES.....	1,532,860	-	3,673,520	290,387	-	5,496,767
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(65,663)	1,110,718	(1,323,504)	62,152	-	(216,297)
OTHER FINANCING SOURCES (USES):						
Transfers in - corrections maintenance of effort.....	-	-	477,528	-	-	477,528
Transfers out - corrections maintenance of effort.....	(477,528)	-	-	-	-	(477,528)
Transfers in - retirees' health insurance.....	122,372	-	-	-	-	122,372
Transfers in - cost allocations.....	115,651	-	-	-	-	115,651
Transfers out - cost allocations.....	-	(2,009)	(30,000)	(3,621)	-	(35,630)
Transfers in - deeds excise.....	277,177	-	831,532	-	-	1,108,709
Transfers out - deeds excise.....	-	(1,108,709)	-	-	-	(1,108,709)
Transfers in - other.....	141,147	-	16,000	-	-	157,147
Transfers out - other.....	(16,000)	-	-	-	-	(16,000)
TOTAL OTHER FINANCING SOURCES (USES).....	162,819	(1,110,718)	1,295,060	(3,621)	-	343,540
NET CHANGE IN FUND BALANCES.....	97,156	-	(28,444)	58,531	-	127,243
FUND BALANCES AT BEGINNING OF YEAR.....	147,535	-	(7,144)	41,013	100	181,504
FUND BALANCES AT END OF YEAR.....	\$ 244,691	\$ -	\$ (35,588)	\$ 99,544	\$ 100	\$ 308,747

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**

FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds.....	\$	127,243
---	----	---------

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.....	56,061	
Depreciation expense.....	<u>(178,634)</u>	

Net effect of reporting capital assets.....		(122,573)
---	--	-----------

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 compensated absences accrual.....		<u>(7,000)</u>
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Change in net assets of governmental activities.....	\$	<u><u>(2,330)</u></u>
--	----	-----------------------

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-type Activities - Airport Enterprise Funds
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 1,579,931
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	212,269
Departmental and other.....	13,324
Inventory.....	142,097
	<hr/>
Total current assets.....	1,947,621
	<hr/>
NONCURRENT:	
Capital assets, non depreciable.....	1,429,117
Capital assets, net of accumulated depreciation.....	22,819,709
	<hr/>
Total noncurrent assets.....	24,248,826
	<hr/>
TOTAL ASSETS.....	26,196,447
	<hr/>
LIABILITIES	
CURRENT:	
Warrants payable.....	348,296
Accrued interest.....	11,333
Customer deposits payable.....	5,000
Other liabilities.....	184,067
Compensated absences.....	30,000
Bonds and notes payable.....	100,000
	<hr/>
Total current liabilities.....	678,696
	<hr/>
NONCURRENT:	
Compensated absences.....	13,000
Bonds and notes payable.....	400,000
	<hr/>
Total noncurrent liabilities.....	413,000
	<hr/>
TOTAL LIABILITIES.....	1,091,696
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt.....	23,748,826
Restricted for:	
Capital outlay.....	212,269
Unrestricted.....	1,143,656
	<hr/>
TOTAL NET ASSETS.....	\$ 25,104,751
	<hr/> <hr/>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Airport Enterprise Funds
<hr/>	
OPERATING REVENUES:	
Charges for services.....	\$ 1,078,766
Intergovernmental.....	138,723
Fuel.....	3,487,875
Business park.....	949,687
Wastewater revenue.....	114,115
	<hr/>
TOTAL OPERATING REVENUES	5,769,166
	<hr/>
OPERATING EXPENSES:	
Cost of services and administration.....	1,981,390
Fuel.....	2,239,746
Water facilities.....	80,379
Wastewater facilities.....	174,312
Transportation security.....	138,657
Depreciation.....	1,306,488
	<hr/>
TOTAL OPERATING EXPENSES	5,920,972
	<hr/>
OPERATING INCOME (LOSS).....	(151,806)
	<hr/>
NONOPERATING REVENUES (EXPENSES):	
Investment income.....	15,619
Interest expense.....	(24,923)
Intergovernmental.....	144,459
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	135,155
	<hr/>
INCOME (LOSS) BEFORE TRANSFERS.....	(16,651)
	<hr/>
TRANSFERS:	
Transfers out - retirees' health insurance.....	(122,372)
Transfers out - cost allocations.....	(80,021)
Transfers in - other.....	1,399,937
Transfers out - other.....	(1,541,084)
	<hr/>
TOTAL TRANSFERS.....	(343,540)
	<hr/>
CHANGE IN NET ASSETS.....	(360,191)
	<hr/>
NET ASSETS AT BEGINNING OF YEAR.....	25,464,942
	<hr/>
NET ASSETS AT END OF YEAR.....	\$ 25,104,751
	<hr/>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Airport Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 5,685,664
Receipts from other governments.....	176,503
Payments to vendors.....	(3,829,173)
Payments to employees.....	(943,596)
NET CASH FROM OPERATING ACTIVITIES.....	1,089,398
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers out.....	(1,743,477)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Capital grants.....	1,125,209
Acquisition and construction of capital assets.....	(1,430,335)
Principal payments on bonds and notes.....	(900,000)
Interest expense.....	(27,101)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,232,227)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	15,619
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(470,750)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,050,681
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,579,931
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ (151,806)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	1,306,488
Changes in assets and liabilities:	
Departmental and other.....	55,221
Intergovernmental.....	37,780
Inventory.....	43,740
Warrants payable.....	(108,242)
Other liabilities.....	(99,783)
Accrued compensated absences.....	6,000
Total adjustments.....	1,241,204
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,089,398

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Agency Funds
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 63,910
LIABILITIES	
Other liabilities.....	\$ 63,910

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 and control 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 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, RR1 Box 863, Vineyard Haven, Massachusetts, 02568. The financial statements for the MVLB can be obtained by contacting the MVLB at 167 Main Street, Edgartown, Massachusetts, 02568.

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

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) 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 the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, 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 *deeds excise* fund is used to account for taxes collected on deeds that are filed when property is sold. The current excise rate is \$4.56 per thousand. The County retains 42.5% of deeds excise tax collections, which are allocated between the Sheriff's department (75%), the County (15%), and the Registry of Deeds (10%).

The *sheriff fund* is used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for the sheriff's department.

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 type is reported:

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

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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. 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.

Other

Other receivables consist of airport rental receivables which are recorded in the fiscal year that the rental payments are due. The allowance of uncollectibles is estimated based on 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.

F. 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 fiscal year of the purchase.

I. 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets 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.

J. 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 assets. 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 Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

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

Net assets have been "restricted for" the following:

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

"Capital outlay" represents amounts restricted for capital purposes.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal 2008 operating budget.

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 assets. 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. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, the County provides health insurance coverage for retired employees and their survivors in accordance with MGL, Chapter 32B, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer’s 90% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2007, this expense/expenditure totaled approximately \$265,000. There were approximately 30 participants eligible to receive benefits at June 30, 2007.

Q. Individual Fund Deficits

Several individual fund deficits exist within the Special Revenue and Airport Capital Project funds at June 30, 2007. These deficits will be funded through available fund balance and grant proceeds during fiscal year 2008.

R. 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 fiscal year. Actual results could vary from estimates that were used.

S. 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.

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 for custodial risk is to have all deposits fully insured through Federal Depository Insurance (FDIC) and Depositors Insurance Fund (DIF). At fiscal year-end, the carrying amount of deposits totaled \$1,759,477 and the bank balance totaled \$2,126,593. Of the bank balance, \$200,000 was covered by FDIC, \$105,799 was covered by the DIF, and \$1,820,794 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, 2007, 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, 2007, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
MMDT.....	\$ <u>237,231</u>

Interest Rate Risk

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

Credit Risk

The County has not adopted a formal policy related to credit risk.

Concentration of Credit Risk

The County has not adopted a formal policy related to concentration of credit risk.

NOTE - 3 RECEIVABLES

At June 30, 2007, receivables for the individual major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Intergovernmental.....	\$ 22,389	\$ -	\$ 22,389
Other.....	<u>64,369</u>	<u>-</u>	<u>64,369</u>
	<u>\$ 86,758</u>	<u>\$ -</u>	<u>\$ 86,758</u>

At June 30, 2007, receivables for the airport enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Intergovernmental.....	\$ 212,269	\$ -	\$ 212,269
Departmental and other.....	69,885	(56,561)	13,324
Total.....	<u>\$ 282,154</u>	<u>\$ (56,561)</u>	<u>\$ 225,593</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land.....	\$ 480,172	\$ -	\$ -	\$ 480,172
Capital assets being depreciated:				
Buildings and improvements.....	1,386,655	14,947	-	1,401,602
Land improvements.....	32,273	-	-	32,273
Machinery and equipment.....	1,001,979	41,114	(13,019)	1,030,074
Vehicles.....	284,202	-	(6,850)	277,352
Infrastructure.....	21,850	-	-	21,850
Total capital assets being depreciated.....	<u>2,726,959</u>	<u>56,061</u>	<u>(19,869)</u>	<u>2,763,151</u>
Less accumulated depreciation for:				
Buildings and improvements.....	(659,197)	(37,145)	-	(696,342)
Land improvements.....	(1,614)	(3,227)	-	(4,841)
Machinery and equipment.....	(312,611)	(109,441)	13,019	(409,033)
Vehicles.....	(174,300)	(27,956)	6,850	(195,406)
Infrastructure.....	(3,892)	(865)	-	(4,757)
Total accumulated depreciation.....	<u>(1,151,614)</u>	<u>(178,634)</u>	<u>19,869</u>	<u>(1,310,379)</u>
Total capital assets being depreciated, net.....	<u>1,575,345</u>	<u>(122,573)</u>	<u>-</u>	<u>1,452,772</u>
Total governmental activities capital assets, net.....	<u>\$ 2,055,517</u>	<u>\$ (122,573)</u>	<u>\$ -</u>	<u>\$ 1,932,944</u>

Business-Type Activities:	<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.....	5,209,093	18,230	(5,209,093)	18,230
Total capital assets not being depreciated.....	6,619,980	18,230	(5,209,093)	1,429,117
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,244,603	-	-	4,244,603
Buildings and improvements.....	15,996,777	-	-	15,996,777
Machinery and equipment.....	3,518,889	-	-	3,518,889
Infrastructure.....	6,054,901	5,330,424	-	11,385,325
Total capital assets being depreciated.....	29,815,170	5,330,424	-	35,145,594
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,673,098)	(211,631)	-	(1,884,729)
Buildings.....	(3,972,880)	(432,986)	-	(4,405,866)
Machinery and equipment.....	(2,287,709)	(321,896)	-	(2,609,605)
Infrastructure.....	(3,085,710)	(339,975)	-	(3,425,685)
Total accumulated depreciation.....	(11,019,397)	(1,306,488)	-	(12,325,885)
Total capital assets being depreciated, net.....	18,795,773	4,023,936	-	22,819,709
Total business-type activities capital assets, net.....	\$ <u>25,415,753</u>	\$ <u>4,042,166</u>	\$ <u>(5,209,093)</u>	\$ <u>24,248,826</u>

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

Governmental Activities:

County commissioners.....	\$ 4,714
Treasurer.....	3,844
Registry of deeds.....	27,089
Health and human services.....	995
Testing laboratory.....	3,917
Recreation.....	844
Rodent control.....	2,471
House of corrections/sheriff.....	134,760

Total depreciation expense - governmental activities..... \$ 178,634

Business-Type Activities:

Airport.....	\$ <u>1,306,488</u>
--------------	---------------------

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Sheriff	Total	
General Fund.....	\$ -	\$ 493,528	\$ 493,528	(1)
Deeds Excise.....	279,186	831,532	1,110,718	(2)
Sheriff.....	30,000	-	30,000	(3)
Other Special Revenue.....	3,621	-	3,621	(3)
Airport Enterprise Fund.....	343,540	-	343,540	(3)
Totals.....	<u>\$ 656,347</u>	<u>\$ 1,325,060</u>	<u>\$ 1,981,407</u>	

(1) Represents the maintenance of effort transfer.

(2) Represents deeds excise tax transfers and cost allocation transfers.

(3) Represents cost allocation transfers, reimbursement of health insurance costs and reimbursement of prior year's support.

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.

Details related to the short-term debt activity for the fiscal year ended June 30, 2007, is as follows:

Type	Purpose	Rate (%)	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:							
RAN	Revenue anticipation note.....	3.99	12/07/06	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>
Business-type Activities:							
GAN	Airport grant loan.....	3.64	03/30/07	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ 800,000</u>	<u>\$ -</u>
Total short-term financing.....				<u>\$ 800,000</u>	<u>\$ 250,000</u>	<u>\$ 1,050,000</u>	<u>\$ -</u>

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, 2007, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Airport terminal.....	4.70% - 5.25%	\$ 600,000	\$ -	\$ 100,000	\$ 500,000

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

Fiscal Year	Principal	Interest	Total
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.....	\$ 500,000	\$ 104,190	\$ 604,190

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<i>Governmental Activities:</i>					
Compensated absences.....	\$ 126,000	\$ 53,000	\$ (46,000)	\$ 133,000	\$ 42,000
<i>Business-type Activities:</i>					
Long-term bonds and notes.....	\$ 600,000	\$ -	\$ (100,000)	\$ 500,000	\$ 100,000
Compensated absences.....	37,000	28,000	(22,000)	43,000	30,000
Total business-type activities.....	\$ 637,000	\$ 28,000	\$ (122,000)	\$ 543,000	\$ 130,000

NOTE 8 - 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 9 - 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 9 Airport Road, RR1 Box 863, Vineyard Haven, Massachusetts 02568.

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 actuarially 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, 2007, 2006 and 2005 were \$515,242, \$513,704, and \$480,833, respectively, which equaled its required contribution for each fiscal year.

NOTE 10 - AIRPORT SUPPORT/RENTAL AGREEMENT

As of July 1, 2006, the Airport had fund balance reserved for cost allocations totaling \$108,574, which equaled the balance of the Airport support deficits. In April, 2007, the Airport and the County entered into agreements in which the Airport agreed to reimburse the County for prior year Airport support deficits. As part of the agreement, the County agreed to make rental payments for land that is occupied by the administrative building, communications center building and the community corrections building on a go-forward basis and retroactively.

Accordingly, in April, 2007, the Airport paid \$108,574 for Airport support deficits, plus interest of \$32,573 totaling \$141,147. This payment is reflected as an interfund transfer between the general fund and the Airport enterprise fund and eliminates the balance in the reserve fund.

In addition, the County has paid \$72,488 plus interest of \$12,514 totaling \$85,002 for prior years' rent. This transaction is reflected in the basic financial statements as general fund expenditures and Airport rental income. \$56,813 of the rent was attributable to the administrative building land and has been charged to the courthouse/administrative building functional line-item. The remaining balance of \$28,189 was attributable to the communications center land/community corrections land and has been charged to the general fund other expenditures line-item.

On April 1, 2007, the County and the Airport entered into a 20 year rental agreement that calls for annual rental payments. The fiscal 2007 annual payments for the administrative building land, communications center land and community corrections land totaled \$9,910, \$1,572 and \$1,763, respectively. The future rental payments for the communications center land and the community corrections land will be paid by the Sheriff's fund.

NOTE 11 - 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, 2007, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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, 2007, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2007.

During fiscal 2006, the Airport was billed for water usage by the Oak Bluffs Water District in the amount of \$333,999 for fiscal 2006 usage. The airport is disputing \$246,428 of the cost because it believes that it was over-billed due to leaks in the water lines. The Airport has estimated the actual fiscal 2006 usage cost to be \$87,571 and has paid \$41,750 of the estimated liability. The remaining balance of \$45,821 has been accrued in the Airport Enterprise fund. It is unknown whether or not the Airport will prevail in this dispute.

NOTE 12 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2007, the following GASB pronouncements were implemented:

- The GASB issued Statement #48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.
- The GASB issued Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.
- The GASB issued Statement #51, Accounting and Financial Reporting for Intangible Assets, which is required to be implemented in fiscal year 2010. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in fiscal year 2009. The standards in this statement currently do not apply and therefore will not impact the basic financial statements.
- The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in fiscal year 2010. Management expects that this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, which is required to be implemented in fiscal year 2008. This GASB will change the disclosures related to pensions.
- The GASB issued Statement #52, Land and Other Real Estate Held as Investments by Endowments, which is required to be implemented in fiscal year 2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. Management does not expect this pronouncement to impact the basic financial statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget
REVENUES:				
Town assessments.....	\$ 769,530	\$ 769,530	\$ 769,530	\$ -
State grants.....	-	-	35,890	35,890
Courthouse rental.....	50,000	50,000	41,173	(8,827)
Engineering.....	52,500	52,500	30,809	(21,691)
Registry of deeds.....	296,000	296,000	265,519	(30,481)
Beach fees.....	-	-	685	685
Parking fees.....	45,000	45,000	38,873	(6,127)
Communication center.....	120,000	120,000	129,267	9,267
Health and environment.....	19,000	19,000	-	(19,000)
Investment income.....	12,000	12,000	9,215	(2,785)
Miscellaneous.....	137,500	137,500	134,821	(2,679)
TOTAL REVENUES.....	1,501,530	1,501,530	1,455,782	(45,748)
EXPENDITURES:				
Current:				
County commissioners.....	234,779	193,473	182,144	11,329
Parking clerk.....	38,526	38,341	38,178	163
Courthouse/Administrative building.....	78,973	150,818	151,803	(985)
Treasurer.....	221,606	231,226	229,142	2,084
Registry of deeds.....	328,125	339,307	339,876	(569)
Civil defense/emergency management.....	6,592	6,592	6,900	(308)
Health council.....	5,919	5,856	4,895	961
Health and human services.....	78,776	81,575	80,209	1,366
Engineering.....	74,750	73,739	74,033	(294)
Retiree benefits.....	241,569	250,550	235,988	14,562
Veterans agent.....	37,435	53,559	53,445	114
Health and environment.....	34,812	6,075	6,337	(262)
Recreation.....	10,933	5,638	6,731	(1,093)
Rodent control.....	60,359	65,980	62,476	3,504
Charter study commission.....	-	23,234	3,014	20,220
Other expenditures.....	63,383	84,171	135,838	(51,667)
Debt service:				
Interest.....	-	3,279	3,279	-
TOTAL EXPENDITURES.....	1,516,537	1,613,413	1,614,288	(875)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(15,007)	(111,883)	(158,506)	(46,623)
OTHER FINANCING SOURCES (USES):				
Transfers out - corrections maintenance of effort.....	(477,528)	(477,528)	(477,528)	-
Transfers in - retirees' health insurance.....	102,130	102,130	122,372	20,242
Transfers in - cost allocations.....	150,000	150,000	115,651	(34,349)
Transfers in - deeds excise.....	220,875	220,875	277,177	56,302
Transfers in - other.....	40,000	73,644	141,147	67,503
Transfers out - other.....	(16,000)	(16,000)	(16,000)	-
TOTAL OTHER FINANCING SOURCES (USES).....	19,477	53,121	162,819	109,698
NET CHANGE IN FUND BALANCE.....	4,470	(58,762)	4,313	63,075
BUDGETARY FUND BALANCE, Beginning of year.....	259,196	259,196	259,196	-
BUDGETARY FUND BALANCE, End of year.....	\$ 263,666	\$ 200,434	\$ 263,509	\$ 63,075

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 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 judgments may exceed the level of spending authorized by majority vote of the Commissioners.

The County adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2007 approved budget for the General Fund authorized approximately \$2 million, in appropriations. During fiscal year 2007, the Advisory Board also approved supplemental appropriations totaling approximately \$97,000.

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. Budgetary - GAAP Reconciliation

Accounting principles followed for purposes of preparing the basic financial statements on a budgetary basis differ from those used to present the basic financial statements in conformity with GAAP. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2007, is presented below.

Net change in fund balance - budgetary basis.....	\$	4,313
<u>Basis of accounting differences:</u>		
Net change in recording receivables.....		11,415
Net change in recording accrued liabilities.....		<u>81,428</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>97,156</u></u>

3. Appropriation Deficits

For the fiscal year ended June 30, 2007, actual expenditures exceeded appropriations for the courthouse/administrative building, registry of deeds, civil defense/emergency management, engineering, health and the environment, recreation, and other expenditures. These over-expenditures will be funded with available fund balance.

Combining Schedules

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.

Passenger Facility Charge Fund – This fund is used to account for the Passenger Facility Charge (PFC) Program which allows the collection of PFC fees for every enplaned passenger at commercial airports controlled by public agencies. These fees can be used to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition.

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.

Environmental Assessment Fund – This fund is used to account for financial resources to be used for environmental assessments related to the airport capital plan.

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 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 ASSETS

JUNE 30, 2007

	Operations	Passenger Facility Charge	Fuel Revolving	Transportation Security Administration	Debt Service	Environ- mental Assessment	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
ASSETS											
CURRENT:											
Cash and cash equivalents.....	\$ 1,163,956	\$ 13,025	\$ 333,987	\$ (4,742)	\$ 237,250	\$ 1,711	\$ (251,389)	\$ 86,133	\$ -	\$ -	\$ 1,579,931
Receivables, net of allowance for uncollectibles:											
Intergovernmental.....	-	-	-	26,063	-	-	186,206	-	-	-	212,269
Departmental and other.....	5,116	-	-	8,208	-	-	-	-	-	-	13,324
Inventory.....	-	-	142,097	-	-	-	-	-	-	-	142,097
Total current assets.....	<u>1,169,072</u>	<u>13,025</u>	<u>476,084</u>	<u>29,529</u>	<u>237,250</u>	<u>1,711</u>	<u>(65,183)</u>	<u>86,133</u>	<u>-</u>	<u>-</u>	<u>1,947,621</u>
NONCURRENT:											
Capital assets, non depreciable.....	-	-	-	-	-	-	-	-	-	1,429,117	1,429,117
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	-	-	22,819,709	22,819,709
Total noncurrent assets.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,248,826</u>	<u>24,248,826</u>
TOTAL ASSETS.....	<u>1,169,072</u>	<u>13,025</u>	<u>476,084</u>	<u>29,529</u>	<u>237,250</u>	<u>1,711</u>	<u>(65,183)</u>	<u>86,133</u>	<u>-</u>	<u>24,248,826</u>	<u>26,196,447</u>
LIABILITIES											
CURRENT:											
Warrants payable.....	170,272	-	151,961	26,063	-	-	-	-	-	-	348,296
Accrued interest.....	-	-	-	-	-	-	-	-	11,333	-	11,333
Customer deposits payable.....	5,000	-	-	-	-	-	-	-	-	-	5,000
Other liabilities.....	2,041	-	182,026	-	-	-	-	-	-	-	184,067
Compensated absences.....	-	-	-	-	-	-	-	-	30,000	-	30,000
Bonds and notes payable.....	-	-	-	-	-	-	-	-	100,000	-	100,000
Total current liabilities.....	<u>177,313</u>	<u>-</u>	<u>333,987</u>	<u>26,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,333</u>	<u>-</u>	<u>678,696</u>
NONCURRENT:											
Compensated absences.....	-	-	-	-	-	-	-	-	13,000	-	13,000
Bonds and notes payable.....	-	-	-	-	-	-	-	-	400,000	-	400,000
Total noncurrent liabilities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>413,000</u>	<u>-</u>	<u>413,000</u>
TOTAL LIABILITIES.....	<u>177,313</u>	<u>-</u>	<u>333,987</u>	<u>26,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>554,333</u>	<u>-</u>	<u>1,091,696</u>
NET ASSETS											
Invested in capital assets, net of related debt.....	-	-	-	-	-	-	-	-	(500,000)	24,248,826	23,748,826
Reserved for:											
Capital outlay.....	-	-	-	26,063	-	-	186,206	-	-	-	212,269
Unrestricted:											
Designated:											
Inventory.....	-	-	142,097	-	-	-	-	-	-	-	142,097
Undesignated.....	991,759	13,025	-	(22,597)	237,250	1,711	(251,389)	86,133	(54,333)	-	1,001,559
TOTAL NET ASSETS.....	<u>\$ 991,759</u>	<u>\$ 13,025</u>	<u>\$ 142,097</u>	<u>\$ 3,466</u>	<u>\$ 237,250</u>	<u>\$ 1,711</u>	<u>\$ (65,183)</u>	<u>\$ 86,133</u>	<u>\$ (554,333)</u>	<u>\$ 24,248,826</u>	<u>\$ 25,104,751</u>

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

FISCAL YEAR ENDED JUNE 30, 2007

	Operations	Passenger Facility Charge	Fuel Revolving	Transportation Security Administration	Debt Service	Environ- mental Assessment	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
OPERATING REVENUES:											
Charges for services.....	\$ 1,078,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,078,766
Intergovernmental.....	-	-	-	138,723	-	-	-	-	-	-	138,723
Fuel.....	-	-	3,487,875	-	-	-	-	-	-	-	3,487,875
Business park.....	949,687	-	-	-	-	-	-	-	-	-	949,687
Wastewater revenue.....	114,115	-	-	-	-	-	-	-	-	-	114,115
TOTAL OPERATING REVENUES	2,142,568	-	3,487,875	138,723	-	-	-	-	-	-	5,769,166
OPERATING EXPENSES:											
Cost of services and administration.....	1,975,390	-	-	-	-	-	139,561	-	6,000	(139,561)	1,981,390
Fuel.....	-	-	2,239,746	-	-	-	-	-	-	-	2,239,746
Water facilities.....	80,379	-	-	-	-	-	-	-	-	-	80,379
Wastewater facilities.....	174,312	-	-	-	-	-	-	-	-	-	174,312
Transportation security.....	-	-	-	138,657	-	-	-	-	-	-	138,657
Depreciation.....	-	-	-	-	-	-	-	-	-	1,306,488	1,306,488
TOTAL OPERATING EXPENSES	2,230,081	-	2,239,746	138,657	-	-	139,561	-	6,000	1,166,927	5,920,972
OPERATING INCOME (LOSS).....	(87,513)	-	1,248,129	66	-	-	(139,561)	-	(6,000)	(1,166,927)	(151,806)
NONOPERATING REVENUES (EXPENSES):											
Investment income.....	2,546	75	-	-	12,208	-	790	-	-	-	15,619
Interest expense.....	(27,100)	-	-	-	-	-	-	-	2,177	-	(24,923)
Intergovernmental.....	-	-	-	-	-	-	144,459	-	-	-	144,459
Debt service - principal.....	(100,000)	-	-	-	-	-	-	-	100,000	-	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(124,554)	75	-	-	12,208	-	145,249	-	102,177	-	135,155
INCOME (LOSS) BEFORE TRANSFERS.....	(212,067)	75	1,248,129	66	12,208	-	5,688	-	96,177	(1,166,927)	(16,651)
TRANSFERS:											
Transfers out - retirees' health insurance.....	(122,372)	-	-	-	-	-	-	-	-	-	(122,372)
Transfers out - cost allocations.....	(55,593)	-	(8,065)	(1,183)	-	-	(15,181)	-	-	-	(80,022)
Transfers in - other.....	1,283,804	-	-	-	-	-	30,000	86,133	-	-	1,399,937
Transfers out - other.....	(257,279)	-	(1,283,804)	-	-	-	-	-	-	-	(1,541,083)
TOTAL TRANSFERS.....	848,560	-	(1,291,869)	(1,183)	-	-	14,819	86,133	-	-	(343,540)
CHANGE IN NET ASSETS.....	636,493	75	(43,740)	(1,117)	12,208	-	20,507	86,133	96,177	(1,166,927)	(360,191)
NET ASSETS AT BEGINNING OF YEAR.....	355,266	12,950	185,837	4,583	225,042	1,711	(85,690)	-	(650,510)	25,415,753	25,464,942
NET ASSETS AT END OF YEAR.....	\$ 991,759	\$ 13,025	\$ 142,097	\$ 3,466	\$ 237,250	\$ 1,711	\$ (65,183)	\$ 86,133	\$ (554,333)	\$ 24,248,826	\$ 25,104,751