

COUNTY OF DUKES COUNTY, MASSACHUSETTS
Basic Financial Statements and
Management's Discussion and Analysis
With Independent Auditors' Report
For the Year Ending June 30, 2010

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Basic Financial Statements and
Management's Discussion and Analysis
For the Year Ending June 30, 2010

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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 year ended June 30, 2010, 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 our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the 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 June 17, 2011, 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress, and schedule of employer contributions on pages iii through iv and 28 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Dukes County, Massachusetts' financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Malloy, Lynch, Bienvenue LLP
June 17, 2011

Management's Discussion and Analysis

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

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, 2010. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments of 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 \$22.9 million (net assets). Of this amount, \$634,937 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total cost of all County services for fiscal year 2010 was \$16.3 million.
- At the close of the current fiscal year, the County's general fund reported an ending fund balance of \$378,077, an increase of \$174,905 from the prior year. Total fund balance represents 24.0% of total general fund expenditures.
- The County's total long-term debt decreased by \$50,000 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's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's 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 of the County is improving or deteriorating.

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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 of the County include county commissioners, parking clerk, courthouse/administrative building, treasurer, registry of deeds, civil defense, health council, health and human services, retiree benefits, veterans agent, 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. The County, like other state and local governments, uses fund accounting 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 financial statements focus on *near-term inflows and outflows 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 funds with similar 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 programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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Management's Discussion and Analysis

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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 \$22.9 million at the close of fiscal year 2010. These net assets are further classified in the accompanying pages between governmental activities and business type activities

Net assets of \$21.97 million (95.6%) reflect the County's 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 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 County's total net assets, \$326,659 (1.4%), represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net assets, \$634,937, or 2.8%, 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 for the government as a whole, as well as for its governmental and business-type activities.

Governmental Activities

As illustrated below, the County's assets exceeded liabilities for governmental activities by \$1.2 million at the close of fiscal year 2010.

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Percent Change</u>
Assets:			
Current assets	\$ 969,433	\$ 607,283	60%
Capital assets not being depreciated	480,172	480,172	0%
Capital assets, net of accumulated depreciation	306,698	1,163,475	-74%
Total assets	<u>\$ 1,756,303</u>	<u>\$ 2,250,930</u>	
Liabilities:			
Current liabilities	305,696	260,622	17%
Noncurrent liabilities	232,324	742,971	-69%
Total liabilities	<u>538,020</u>	<u>1,003,593</u>	
Net Assets:			
Invested in capital assets, net of related debt	762,870	1,643,647	-54%
Restricted	326,659	77,797	320%
Unrestricted	128,754	(474,107)	-127%
Total net assets	<u>\$ 1,218,283</u>	<u>\$ 1,247,337</u>	

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	<u>FY 2010</u>	<u>FY 2009</u>	Percent Change
Program revenues:			
Charges for services	\$ 781.198	\$ 801.992	-3%
Operating grants and contributions	2,429.712	3,294.800	-26%
Capital Grants and contributions		220,000	-100%
General revenues:			
Town assessments	828.990	808.488	3%
County deeds excise tax	476.826	616.083	-23%
Unrestricted investment income	6,608	7,297	-9%
Other revenues	574.692	533.988	8%
Total revenues	<u>5,098.026</u>	<u>6,282.648</u>	
Expenses:			
County commissioners	163.559	130.549	25%
Parking clerk	339.008	315.031	8%
Courthouse/administrative building	3.952	219.567	-98%
Treasurer	251.462	256.262	-2%
Registry of deeds	387.323	427.198	-9%
Civil defense	20.230	26.352	-23%
Health and human services	360.885	327.010	10%
Retiree benefits	205.413	281,584	-27%
Veterans agent	69.866	60,475	16%
Recreation	1,271	376	238%
Rodent control	67.087	68.640	-2%
Charter study commission		5.481	-100%
House of corrections/sheriff	2,644,397	4,228,963	-37%
Post-employment benefits	63,449	642,971	-90%
Other expenditures	224.639	190.416	18%
Total expenses	<u>4,802.541</u>	<u>7,180.875</u>	
Increase (decrease) in net assets before trans	295.485	(898,227)	-133%
Transfers and special items	(324,539)	194,412	-267%
Change in net assets	<u>\$ (29,054)</u>	<u>\$ (703,815)</u>	-96%

The governmental expenses totaled \$4.8 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 \$1.9 million, consisting primarily of town assessments and county deeds excise taxes.

The governmental net assets decreased by \$29,054 during the current fiscal year. This was primarily due to the net decrease in governmental fund balances and to current year depreciation expense.

Business-Type Activities

The County's assets exceeded its liabilities for business-type activities by \$21.7 million at the close of fiscal year 2010, illustrated as follows:

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Management's Discussion and Analysis

June 30, 2010

	FY 2010	FY 2009	Percent Change
Assets:			
Current assets	\$ 3,159,359	\$ 3,379,084	-7%
Capital assets not being depreciated	1,666,026	1,666,026	0%
Capital assets, net of accumulated depreciation	19,837,292	20,692,540	-4%
Total assets	<u>\$ 24,662,677</u>	<u>\$ 25,737,650</u>	-4%
Liabilities:			
Current liabilities (excluding debt)	2,275,942	777,838	193%
Noncurrent liabilities (excluding debt)	377,235	240,656	57%
Current debt	50,000	50,000	0%
Noncurrent debt	250,000	300,000	-17%
Total liabilities	<u>2,953,177</u>	<u>1,368,494</u>	116%
Net Assets:			
Invested in capital assets, net of related debt	21,203,318	22,008,566	-4%
Unrestricted	506,183	2,360,590	-79%
Total net assets	<u>\$ 21,709,501</u>	<u>\$ 24,369,156</u>	-11%
Program revenues:			
Charges for services	\$ 5,233,005	\$ 6,451,966	-19%
Operating grants and contributions	118,106	117,967	0%
Capital grants and contributions	3,712,870	653,769	468%
General revenues:			
Unrestricted investment income	14,289	19,980	-28%
Total revenues	<u>9,078,270</u>	<u>7,243,682</u>	25%
Expenses:			
Airport	11,524,944	8,146,375	41%
Total expenses	<u>11,524,944</u>	<u>8,146,375</u>	41%
Increase (decrease) in net assets before transfers	(2,446,674)	(902,693)	171%
Transfers and special items	(212,981)	(194,412)	10%
Change in net assets	<u>\$ (2,659,655)</u>	<u>\$ (1,097,105)</u>	142%

The business-type expenses totaled \$11.52 million, of which \$9.06 million was directly supported by program revenues consisting of charges for services, operating grants, capital grants, and contributions.

The business-type net assets decreased by \$2,659,655 during the current fiscal year. This was due primarily to 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 the County's 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.

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Management's Discussion and Analysis

June 30, 2010

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$699,736, of which \$378,077 is in the general fund, \$24,880 is in the sheriff fund, \$1,074 is in the parking clerk fund, \$44,071 is in the capital projects funds, and \$251,634 is in the other special revenue funds. Of the total ending fund balance, \$699,736 (100%) constitutes unreserved fund balance, which is available for spending at the government's discretion or as provided for in the terms and conditions of several applicable grant or custodial agreements or for capital projects. Typically, any remaining fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$378,077. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. General fund unreserved fund balance represents 24.0% of total general fund expenditures, while total fund balance represents 24.0% of that same amount.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. During 2002 the Government Finance Officers Association (GFOA) issued a recommendation that at a minimum, general purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to fifteen percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures. The County's general fund unreserved fund balance of \$378,077 is 22.9% of general fund revenue.

The total general fund balance increased by \$174,905 or 86% during the current fiscal year.

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 to the sheriff fund in accordance with Chapter 64D, Section 11 of Massachusetts General Law. Accordingly, the deeds excise fund effectively 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. This fund balance totaled \$24,880 at fiscal year-end.

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 balance in the other special revenue fund is \$251,634 at fiscal year-end.

The capital projects fund is used to account for financial resources to be used in the acquisition or construction of major capital facilities of the County. The fund balance in the capital projects fund is \$44,071 at fiscal year-end.

General Fund Budgetary Highlights

The difference between the original expenditure budget of \$1.51 million and the final amended expenditure budget of \$1.56 million can be briefly summarized as follows:

- ◆ Reallocation of departmental budgets and an increase in overall appropriations to provide for employee longevity bonuses.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

Capital Asset and Debt Administration

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.

Capital assets - The County's investment in capital assets for governmental activities as of June 30, 2010 amounts to \$1.70 million, which is net of accumulated depreciation of \$0.92 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment.

The County's investment in capital assets for business-type activities as of June 30, 2010, amounts to \$21.50 million, which is net of accumulated depreciation of \$15.63 million. The investment in capital assets includes land; machinery and equipment and infrastructure.

Debt Administration. The airport enterprise fund has outstanding long-term debt of \$300,000 that is fully supported by airport fees and does not rely on a general fund subsidy.

Please refer to the notes to the financial statements for further discussion on 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 information should be addressed to the County Treasurer, 9 Airport Road, Suite 2, Vineyard Haven, Massachusetts, 02568.

Basic Financial Statements

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Statement of Net Assets

June 30, 2010

		Primary Government		
		Governmental	Business-type	
		Activities	Activities	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 635,292	\$ 2,998,670	\$ 3,633,962	
Intergovernmental receivables	6,665	28,906	35,571	
Departmental and other receivables	327,476		327,476	
Inventories		131,783	131,783	
Total current assets	969,433	3,159,359	4,128,792	
Non-current assets:				
Capital assets, non-depreciable	480,172	1,666,026	2,146,198	
Capital assets, net of accumulated depreciation	306,698	19,837,292	20,143,990	
Total non-current assets	786,870	21,503,318	22,290,188	
Total assets	<u>\$ 1,756,303</u>	<u>\$ 24,662,677</u>	<u>\$ 26,418,980</u>	
<u>LIABILITIES</u>				
Current liabilities:				
Warrants payable	\$ 236,779	1,605,709	\$ 1,842,488	
Accrued interest payable		6,978	6,978	
Customer deposits payable	2,500	96,050	98,550	
Retainage payable		393,212	393,212	
Other liabilities	30,417	104,993	135,410	
Compensated absences	29,000	69,000	98,000	
Bonds, notes and loans payable	7,000	50,000	57,000	
Total current liabilities	305,696	2,325,942	2,631,638	
Non-current liabilities:				
Compensated absences	49,000	30,000	79,000	
Bonds, notes and loans payable	17,000	250,000	267,000	
Other post-employment benefits	166,324	347,235	513,559	
Total non-current liabilities	232,324	627,235	859,559	
Total liabilities	538,020	2,953,177	3,491,197	
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	762,870	21,203,318	21,966,188	
Restricted				
Gifts and grants	326,659		326,659	
Unrestricted	128,754	506,183	634,937	
Total net assets	<u>1,218,283</u>	<u>21,709,501</u>	<u>22,927,784</u>	
Total liabilities and net assets	<u>\$ 1,756,303</u>	<u>\$ 24,662,678</u>	<u>\$ 26,418,981</u>	

The accompanying notes are an integral part of these financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
County Commissioners	\$ 163,559	\$ 359,870	\$	\$	\$ (163,559)	\$	\$ (163,559)
Parking Clerk	339,008	83,112			20,862		20,862
Courthouse/Administrative Building	3,952				79,160		79,160
Treasurer	251,462				(251,462)		(251,462)
Registry of Deeds	387,323	219,261	23,927		(144,135)		(144,135)
Civil Defense	20,230	6,432	8,826		(4,972)		(4,972)
Health and Human Services	360,885		307,116		(53,769)		(53,769)
Retiree Benefits	205,413				(205,413)		(205,413)
Veterans Agent	69,866	4,760			(65,106)		(65,106)
Recreation	1,271	45,900			44,629		44,629
Rodent Control	67,087	25,666			(41,421)		(41,421)
House of Corrections/Sheriff	2,644,397	36,197	2,032,811		(575,389)		(575,389)
Post-employment benefits	63,449				(63,449)		(63,449)
Other expenditures	224,639		57,032		(167,607)		(167,607)
Total governmental activities/primary government	4,802,541	781,198	2,429,712		(1,591,631)		(1,591,631)
Business-type activities:							
Airport							
Total business-type activities	11,524,944	5,233,005	118,106	3,712,870		(2,460,963)	(2,460,963)
Total primary government	11,524,944	5,233,005	118,106	3,712,870		(2,460,963)	(2,460,963)
	\$ 16,327,485	\$ 6,014,203	\$ 2,547,818	\$ 3,712,870	(1,591,631)	(2,460,963)	(4,052,594)
General revenues:							
Town assessments					828,990		828,990
County deeds excise tax					476,826		476,826
Unrestricted investment earnings					6,608	14,289	20,897
Miscellaneous					574,692		574,692
Special item - loss on disposal of assets						(39,726)	(39,726)
Special item - transfer of Sheriff's Department to Commonwealth of MA					(497,794)		(497,794)
Transfers, net					173,255	(173,255)	
Total general revenues, special items, and transfers					1,562,577	(198,692)	1,363,885
Change in net assets					(29,054)	(2,659,655)	(2,688,709)
Net assets - beginning of year					1,247,337	24,369,156	25,616,492
Net assets - end of year					\$ 1,218,283	\$ 21,709,501	\$ 22,927,784

The accompanying notes are an integral part of these financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2010

	<u>General Fund</u>	<u>Parking Clerk</u>	<u>Sheriff</u>	<u>Other Special Revenue</u>	<u>County Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 458,325	\$ 72,425	\$ 5,396	\$ 99,146	\$	\$ 635,292
Receivables, net	326,717					326,717
Due from other funds			33,420	171,243	50,102	254,765
Intergovernmental	5,728			937		6,665
Prepaid expenses	759					759
Total assets	<u>\$ 791,529</u>	<u>\$ 72,425</u>	<u>\$ 38,816</u>	<u>\$ 271,326</u>	<u>\$ 50,102</u>	<u>\$ 1,224,198</u>
<u>LIABILITIES</u>						
Warrants payable	\$ 154,094	\$ 37,366	\$ 11,638	19,692	\$ 6,031	\$ 228,821
Due to other funds	220,780	33,985				254,765
Payable to other governments	40					40
Liabilities due depositors	202		2,298			2,500
Other liabilities	38,335					38,335
Total liabilities	413,451	71,351	13,936	19,692	6,031	524,461
<u>FUND BALANCES</u>						
Unreserved						
General fund	378,078					378,078
Special revenue funds		1,074	24,880	251,634		277,588
Capital projects funds					44,071	44,071
Total fund balances	<u>378,078</u>	<u>1,074</u>	<u>24,880</u>	<u>251,634</u>	<u>44,071</u>	<u>699,737</u>
Total liabilities and fund balances	<u>\$ 791,529</u>	<u>\$ 72,425</u>	<u>\$ 38,816</u>	<u>\$ 271,326</u>	<u>\$ 50,102</u>	<u>\$ 1,224,198</u>
Amounts reported for governmental activities in the statement of net assets are different because:						
Total fund balances of governmental funds						\$ 699,737
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$1,702,562 and the accumulated depreciation is \$915,692						786,870
Long-term liabilities are not due and payable in the current period and are not included in funds included in funds.						(268,324)
Net assets of governmental activities						<u>\$ 1,218,283</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Parking Clerk</u>	<u>Sheriff</u>	<u>Other Special Revenue</u>	<u>County Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:						
Town assessments	\$ 828,990	\$	\$	\$	\$	\$ 828,990
State grants	10,000		2,046,352	433,998		2,490,350
Courthouse rental	83,076					83,076
Registry fees	219,261					219,261
Deeds excise				476,827		476,827
Dog license revenue				15,899		15,899
Beach fees	45,900					45,900
Parking fees	52,112	307,758				359,870
Communications center fees	142,894					142,894
Investment income	5,981	239		388		6,608
Departmental and other	263,909		22,269	141,787		427,965
Total revenues	1,652,123	307,997	2,068,621	1,068,899	-	5,097,640
Expenditures:						
Current						
County commissioners	157,494					157,494
Parking Clerk	44,342	292,266				336,608
Courthouse/Administrative building	114,483				69,885	184,368
Treasurer	249,107					249,107
Registry of deeds	336,798			19,361		356,159
Civil defense/emergency management	8,097			22,372		30,469
Health and human services	128,197			229,693		357,890
Retiree benefits	205,413					205,413
Veterans agent	60,444			2,422		62,866
Recreation	277					277
Rodent control	68,087					68,087
Charter study commission						
House of corrections/sheriff	157,754		2,596,256			2,754,010
Other expenditures	47,130			167,941		215,071
Total expenditures	1,577,623	292,266	2,596,256	441,789	69,885	4,977,819
Revenues over (under) expenditures	74,500	15,731	(527,635)	627,110	(69,885)	119,821
OTHER FINANCING SOURCES (USES)						
Transfers in	365,528		549,786			915,314
Transfers out	(265,123)		(15,000)	(461,937)		(742,060)
Total other financing sources and uses	100,405		534,786	(461,937)		173,254
Revenues and other financing sources over (under) expenditures and other financing uses	174,905	15,731	7,151	165,173	(69,885)	293,075
Fund balance (deficit), beginning of year	203,172	(14,657)	17,729	86,461	113,956	406,661
Fund balance (deficit), end of year	\$ 378,077	\$ 1,074	\$ 24,880	\$ 251,634	\$ 44,071	\$ 699,736

The accompanying notes are an integral part of these financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds: \$ 293,075

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays during the fiscal year	227,631
Decreases in capital assets due to disposal	(1,037,890)
Depreciation expense recorded for the fiscal year	(46,518)

Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:

Other post-employment benefits	476,647
Capital leases	(24,000)
Compensated absences	82,000
	82,000

Change in net assets of governmental activities	\$ (29,055)
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The accompanying notes are an integral part of these financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Statement of Net Assets - Proprietary Funds

June 30, 2010

	Business-Type Activities - Airport Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 2,998,670
Intergovernmental receivables	28,906
Departmental and other receivables	7,546
Inventories	<u>131,783</u>
Total current assets	3,166,905
Non-current assets:	
Capital assets, non-depreciable	1,666,026
Capital assets, net of accumulated depreciation	<u>19,837,292</u>
Total non-current assets	<u>21,503,318</u>
Total assets	<u><u>\$ 24,670,223</u></u>
<u>LIABILITIES</u>	
Current Liabilities:	
Warrants payable	\$ 1,605,709
Accrued interest payable	6,978
Customer deposits payable	96,050
Retainage payable	393,212
Other liabilities	112,538
Compensated absences	69,000
Bonds, notes and loans payable	<u>50,000</u>
Total current liabilities	2,333,487
Non-current liabilities:	
Compensated absences	30,000
Bonds, notes and loans payable	250,000
Other post-employment benefits	<u>347,235</u>
Total non-current liabilities	<u>627,235</u>
Total liabilities	<u>2,960,722</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	21,145,319
Unrestricted	<u>564,182</u>
Total net assets	<u>21,709,501</u>
Total liabilities and net assets	<u><u>\$ 24,670,223</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2010

	Business-Type Activities - Airport Enterprise Fund
Operating revenues	
Charges for services	\$ 1,261,510
Intergovernmental	118,106
Fuel	2,810,628
Business park	1,075,510
Wastewater revenue	<u>85,357</u>
Total operating revenues	5,351,111
Operating expenses	
Cost of services and administration	8,031,790
Fuel	1,689,994
Wastewater facilities	189,466
Transportation security	171,654
Post-employment benefits	138,579
Depreciation	<u>1,290,404</u>
Total operating expenses	<u>11,511,887</u>
Operating income (loss)	(6,160,776)
Non operating revenues (expenses)	
Investment income	15,287
Interest expense	(15,392)
Intergovernmental	<u>3,711,872</u>
Total non-operating revenue (expenses)	<u>3,711,767</u>
Income (loss) before contributions and transfers	(2,449,009)
Transfers out	(170,920)
Special item - gain (loss) on sale of asset	<u>(39,726)</u>
Net transfers and special items	<u>(210,646)</u>
Change in net assets	(2,659,655)
Net assets at beginning of year	<u>24,369,156</u>
Net assets at end of year	<u><u>\$ 21,709,501</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2010

	Business-Type Activities - Airport Enterprise Fund
Cash flows from operating activities	
Receipts from customers and users	\$ 5,296,890
Receipts from other governments	115,279
Payments to vendors	(7,587,938)
Payments to employees	(968,645)
Net cash provided by operating activities	(3,144,414)
Cash flows from noncapital financing activities	
Transfers out	(170,920)
Net cash used for noncapital financing activities	(170,920)
Cash flows from capital and related financing activities	
Capital grants	3,711,872
Acquisition and construction of capital assets	(474,882)
Principal payments on bonds and notes	(50,000)
Interest expense	(16,413)
Net cash provided by capital and related financing activities	3,170,577
Cash flows from investing activities	
Investment income	15,287
Net cash provided by investing activities	20,130
Net change in cash and cash equivalents	(129,470)
Cash and cash equivalents at beginning of year	3,128,140
Cash and cash equivalents at end of year	\$ 2,998,670
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (6,160,776)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,290,404
Changes in assets and liabilities:	
Intergovernmental receivables	(2,827)
Departmental and other receivables	83,464
Inventories	2,072
Accounts payable and other current liabilities	1,512,670
Other post-employment benefits	138,579
Accrued compensated absences	(8,000)
Total adjustments	3,016,362
Net cash provided by operating activities	\$ (3,144,414)

The accompanying notes are an integral part of these financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Statement of Net Assets - Fiduciary Funds

June 30, 2010

	<u>ASSETS</u>	<u>Agency Accounts</u>
Cash and cash equivalents		\$ 48,593
Total assets		<u>\$ 48,593</u>
	<u>LIABILITIES</u>	
Agency payables		\$ 48,593
Total liabilities		<u>48,593</u>
Total liabilities and net assets		<u>\$ 48,593</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

Note 1. Organization and Reporting Entity

A. Organization

The County of Dukes County, Massachusetts (the County) is a body politic and corporate organized under Chapter 34 of the Massachusetts General Laws (MGL) and operates in accordance with the County Manager form of government, provided for under MGL Chapter 34A, Section 18. The County is governed by seven elected commissioners and an Advisory Board on County Expenditures. The Advisory Board is comprised of one selectman from each of the seven towns within the County.

The County's major operations include providing for the registry of deeds, sheriffs departments and house of corrections, veterans services, integrated pest management, emergency management, parking clerk and a health care access program.

In addition, the County owns the Martha's Vineyard Airport and is operated under the provisions of MGL Chapter 90, Section 51E. The County Commissioners appoint a seven member Airport Commission, which exercises custody and control of the airport. The current Airport Commission is comprised of six residents of the County and one County Commissioner.

B. Reporting Entity

General

The accompanying financial statements present the County of Dukes County, Massachusetts (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the County are significant. Pursuant to these criteria, the County did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures

The County has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the County's joint ventures, their purpose, and the annual assessment paid by the County. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The County does not have an equity interest in the joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2010 Assessment</u>
Cape Cod Municipal Health Group c/o Group Benefit Strategies 27 Midstate Office Park, Suite 204 Auburn, MA 01501	To provide employee health insurance benefits	\$ 1,058,567

The assessment consists of the total amounts billed to the County for all plans and is paid by a 90% and 10% primary care premium formula by the County and employees respectively. The County budgets annually in the general fund for its estimated share of contributions.

The financial position and results of operations of the Dukes County Retirement System (the System) and the Martha's Vineyard Land Bank Commission (MVLB) are not included in these basic

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

financial statements, as they are not considered to be a part of the reporting entity. The financial statements for the System can be obtained by contacting the System at 9 Airport Road, Suite 1, Vineyard Haven, Massachusetts, 02568. The financial statements of the MVLB can be obtained by contacting them at 167 Main Street, Edgartown, Massachusetts, 02568.

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County is discussed below.

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The County's sheriff, registry, veteran's services, pest management, emergency management, and general administrative services are classified as governmental activities. The County's airport operations are classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by function are normally covered by general revenue.

Certain costs, such as property and liability insurance, employee fringe benefit costs, among others are not allocated among the County's functions and are included in employee and other insurance expenses in the Statement of Activities.

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the County:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

- General fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- Deeds Excise Fund is used to account for excise 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 excise collections, which are allocated between the Sheriff's department, the County general fund and the Registry of Deeds in accordance with the provisions of MGL, Chapter 64D, Section 11.
- 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.
- Other Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and capital outlays financed from bond proceeds (other than those financed by business-type/proprietary funds).

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. The County utilizes the airport enterprise fund to account for the general operations, construction, and capital acquisitions of the Airport.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the County:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the County. Since these funds can not be used for providing County services, they are excluded from the County's government-wide financial statements.
- Agency accounts are used to hold funds on behalf of parties other than the County, including federal and state agencies. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The County may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The County's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis 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.

Investment income is susceptible to accrual. Other receipts and assessments become measurable and available when the cash is received and are recognized as revenue at that time.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

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.

C. Cash and Investments

For the purpose of the Statement of Net Assets, and proprietary funds Statement of Cash Flows, "cash and cash equivalents" include all demand, savings accounts and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are reported at fair value, which is determined using selected bases. Short-term investments with maturity dates of not more than ninety days from date of purchase are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash and certificates of deposit are reported at carrying value, which reasonably estimates fair value. Additional cash and investment information, and fair values are presented in these notes.

D. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

E. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

F. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings and improvements	20-40 years
➤ Land improvements	2-20 years
➤ Machinery and Equipment	5-10 years
➤ Vehicles	5 years
➤ Infrastructure	20-50 years

Governmental Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

G. Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, and other post-employment benefits.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

H. Compensated Absences

The County's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

I. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds,

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Permanent fund balances are classified as reserved and are further classified between expendable and non-expendable portions. Proprietary fund equity is classified the same as in the governmental-wide statements.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

K. Total Columns

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

The total column presented 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 3. Stewardship, Compliance and Accountability

A. County Tax and Limitations

The county tax is levied annually by the County Commissioners on the basis of an approved budget, after deducting probable receipts from sources other than the county tax. The County Commissioners are also required to levy annually as a county tax, an amount sufficient to meet debt service costs in the event no provision has been made. All county taxes are apportioned and assessed upon the towns comprising the county in accordance with MGL Chapter 35, Section 28(B)(a).

Pursuant to MGL, Chapter 35, Section 30, the County is limited to retaining an undesignated fund balance not in excess of 10% of the previous year's county tax. Any excess must be applied to reduce the following year's county tax.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

B. Fund Equities

Operations of the various County funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The County classifies fund equity in the fund financial statements as either reserved or unreserved fund balance. Unreserved fund balance is further broken down between designated and undesignated.

Fund balance reserved for encumbrances and continued appropriations consists of the budgeted amounts carried over to the next fiscal year for operating costs committed at June 30 and the balance of appropriations for capital expenditures and longer term projects which are continued until completion of the authorized project. Encumbrances outstanding at year-end are reported as a reservation of fund balance and do not constitute expenditures or liabilities.

Fund balance designated for expenditure consists of available funds (free cash) and other available funds from unreserved fund equity appropriated by the County Commissioners to be used in funding next year's operations.

Deficit fund equity consists of the excess of expenditures over appropriations, in the General Fund. Bond Anticipation Note proceeds are not permanent funding and therefore do not represent a funding source for capital projects. Capital Project Fund deficits will occur and will be funded in future years through the issuance of long-term debt.

At June 30, 2010, the County had the following general fund equities in the fund financial statements:

Reserved for encumbrances and continued appropriations	\$ -
Unreserved:	
Undesignated	378,077
Designated for expenditure	-
Total unreserved	<u>378,077</u>
Total General Fund Equities	<u>\$ 378,077</u>

All other governmental fund balances are reported on the fund basis Balance Sheet as Unreserved Fund Balance, reported in their respective fund types.

D. Restricted Net Assets

Certain net assets reported as special revenue funds in the County's fund basis Balance Sheet are classified as unrestricted net assets because they are available for appropriation to fund the general operations of the County.

Restricted net assets on the government-wide statement of net assets consist of the following:

Capital Project Fund Balance:	\$ 44,071
Special Revenue Fund Balances:	
Animal Shelter Fund	74,594
Sheriff Fund	24,880
Parking Clerk Fund	1,074
Other special revenue funds	<u>182,040</u>
Total restricted net assets	<u>\$ 326,659</u>

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

Note 4. Cash and Investments

Massachusetts General Laws, Chapter 35, Section 22, place certain limitations on cash deposits and investments available to the County. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The County may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof having a maturity from date of purchase of one year or less. The County may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The County may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The County maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a formal deposit policy for custodial credit risk. . At June 30, 2010, deposits totaled \$3,989,024 and had a carrying amount of \$3,682,555. Of the deposit amounts, \$322,415 was insured and \$3,666,609 was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The County does not have an investment policy covering custodial credit risk.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The County does not have an investment policy regarding interest rate risk.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the following table. Equity securities, money market funds, repurchase agreements and equity mutual funds are not rated as to credit risk. The County does not have an investment policy limiting its investment choices.

Concentration of credit risk – The County does not have an investment policy limiting the amount that can be invested in any one issuer or security. Excluding external investment pools, the County has no investments in any one issuer that represents five percent or more of total investments.

Note 5. Receivables

The County reports the aggregate amount of receivables in the accompanying Statement of Net Assets and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net Assets.

The County includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Intergovernmental	\$ 6,665	\$ -	\$ 6,665	\$ -
Other	<u>327,476</u>	<u>-</u>	<u>327,476</u>	<u>-</u>
Totals – Governmental Fund Basis/Entity-wide Basis	<u>\$ 266,430</u>	<u>\$ -</u>	<u>\$ 266,430</u>	<u>\$ -</u>

Receivables for the County's business-type activities consist of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Inter governmental	\$ 28,906	\$ -	\$ 28,906

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 480,172	\$ -	\$ -	\$ 480,172
Construction in progress				
Sub-total	480,172			480,172
Capital assets being depreciated:				
Buildings and related improvements	1,401,602	194,475	763,304	832,773
Land improvements	32,273		32,273	-
Machinery and equipment	1,082,844	33,156	802,912	313,088
Vehicles	254,102		199,423	54,679
Infrastructure	<u>21,850</u>	<u>-</u>	<u>-</u>	<u>21,850</u>
Sub-total	2,792,671	227,631	1,797,912	1,222,390
Less accumulated depreciation:				
Buildings and related improvements	771,380	7,578	166,675	612,283
Land improvements	11,295		11,295	-
Machinery and equipment	617,948	38,075	414,645	241,378
Vehicles	222,086		167,407	54,679
Infrastructure	<u>6,487</u>	<u>865</u>	<u>-</u>	<u>7,352</u>
Sub-total	<u>1,629,196</u>	<u>46,518</u>	<u>760,022</u>	<u>915,692</u>
Governmental capital assets, net	<u>\$ 1,643,647</u>	<u>\$ 181,113</u>	<u>\$ 1,037,890</u>	<u>\$ 786,870</u>

COUNTY OF DUKES COUNTY, MASSACHUSETTS
Notes to Financial Statements
June 30, 2010

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress	<u>255,139</u>	<u>-</u>	<u>-</u>	<u>255,139</u>
Sub-total	1,666,026			1,666,026
Capital assets being depreciated:				
Land improvements	4,244,603			4,244,603
Buildings and related improvements	15,996,777			15,996,777
Equipment, machinery & vehicles	3,933,772	474,882	664,935	3,743,719
Infrastructure	<u>11,479,412</u>	<u>-</u>	<u>-</u>	<u>11,479,412</u>
Sub-total	35,654,554	474,882	664,935	35,464,511
Less accumulated depreciation:				
Land improvements	2,037,991	211,631		2,519,622
Buildings and related improvements	5,253,206	420,565		5,673,771
Equipment, machinery & vehicles	3,043,083	194,583	625,209	2,612,457
Infrastructure	<u>4,357,744</u>	<u>463,625</u>	<u>-</u>	<u>4,821,369</u>
Sub-total	<u>14,962,024</u>	<u>1,290,404</u>	<u>--</u>	<u>15,627,219</u>
Business-type capital assets, net	<u>\$ 22,358,566</u>	<u>\$ (815,522)</u>	<u>\$ 39,726</u>	<u>\$ 21,503,318</u>

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

Governmental activities:	
County Commissioners	\$ 3,065
Courthouse	4,059
Treasurer	7,511
Registry of Deeds	28,164
Health and human services	995
Parking	2,400
Recreation	<u>324</u>
Total depreciation expense – governmental activities	<u>\$ 46,518</u>
Business-type activities:	
Airport/Total	<u>\$ 1,290,404</u>

COUNTY OF DUKES COUNTY, MASSACHUSETTS
Notes to Financial Statements
June 30, 2010

Note 7. Interfund Balances and Activity

There were no amounts due to/from governmental funds at June 30, 2010.

Interfund transfers for the fiscal year ended June 30, 2010, consisted of the following:

	<u>General Fund</u>	<u>Sheriffs Fund</u>	<u>Other Governmental Funds</u>	<u>Business-type Airport Funds</u>
Amounts transferred to General Fund to fund retiree health insurance	\$ 91,480	\$ -	\$ -	\$ (91,480)
Amounts transferred to General Fund to fund indirect costs appropriated in General Fund	102,759	(15,000)	(5,984)	(81,775)
Amounts transferred from General Fund to Sheriffs Fund	(265,123)	265,123		
Amounts transferred from Deeds Excise Fund	<u>171,290</u>	<u>284,663</u>	<u>(455,953)</u>	<u>-</u>
Totals on governmental fund basis	<u>\$ 100,405</u>	<u>\$ 534,786</u>	<u>\$ (461,937)</u>	<u>\$ (173,255)</u>

Note 8. Temporary Borrowings

Under state law and by authorization of the County Commissioners, the County is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the County and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund and Airport Enterprise Fund. Temporary borrowings are recorded as liabilities in the Capital Project Funds.

The County had no temporary loans outstanding at any time during the year ended June 30, 2010.

Since proceeds from bond anticipation notes are not considered permanent funding sources, the County may have deficit fund balances in the Capital Projects Fund. These deficits, if any, will be funded through long-term borrowing.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

Note 9. Long-term Obligations

The following is a summary of changes in long-term obligations for the year:

Purpose	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Governmental activities:					
Compensated absences	\$ 160,000	\$ -	\$ 82,000	\$ 78,000	\$ 29,000
Net OPEB obligation	<u>642,971</u>	<u>63,449</u>	<u>-</u>	<u>706,420</u>	<u>-</u>
Total governmental activities	<u>\$ 802,971</u>	<u>\$ 63,449</u>	<u>\$ 82,000</u>	<u>\$ 784,420</u>	<u>\$ 29,000</u>

Purpose	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Business-type activities:					
Airport terminal, 4.70-5.25%, dtd 7/15/2000, due 7/15/2015	\$ 350,000	\$ -	\$ 50,000	\$ 300,000	\$ 50,000
Total bonds payable	350,000		50,000	300,000	50,000
Compensated absences	107,000		8,000	99,000	69,000
Net OPEB obligation	<u>208,656</u>	<u>138,579</u>	<u>-</u>	<u>347,235</u>	<u>-</u>
Total business-type activities noncurrent liabilities	<u>\$ 665,656</u>	<u>\$ 138,579</u>	<u>\$ 58,000</u>	<u>\$ 746,235</u>	<u>\$ 119,000</u>

Long-term debt

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2009, including interest, are as follows:

Business-type Activities

Year Ending

June 30,	Principal	Interest	Total
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	3,962	53,963
2016	<u>50,000</u>	<u>1,325</u>	<u>51,325</u>
Totals	<u>\$ 300,000</u>	<u>\$46,638</u>	<u>\$ 346,638</u>

All long-term bond issues must be approved by the General Court of Massachusetts, as well as the County Commissioners and the County Advisory Board.

Lease obligations

A. Operating leases

The County has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases are immaterial as of June 30, 2010.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

B. Capital leases

In accordance with Massachusetts General Laws, the County may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The annual requirement to pay down the principal of capital lease obligations outstanding as of June 30, 2010 is shown in the following table. Interest payments are 6.657% of the outstanding balance.

<u>Year Ended June 30,</u>	<u>Lease Principal</u>
Governmental activities:	
2011	7,000
2012	7,988
2013	<u>9,012</u>
Totals	<u>\$ 24,000</u>

Note 10. Employee Benefits

A. Retirement Benefits

Plan Description

The County contributes for eligible employees, 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 (the Board). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law and other applicable statutes. Oversight is provided by a five member board. 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 of Massachusetts and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are funded by the System. The Association issues a publically available, unaudited annual report prepared in accordance with regulations established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System at 9 Airport Road, RR1 Box 862, Vineyard Haven, Massachusetts 02568.

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the County is required to contribute at an actuarially determined rate based upon its share of system-wide contribution that is apportioned among the employers based upon active current payroll.

The County's current year contribution is \$554,742, which was equal to the required contribution. The contribution requirements of plan members and the County are established and may be amended by MGL. The County's contributions to the System for the years ending June 30, 2009 and 2008 were \$529,891 and \$515,218 respectively, which were equal to the required contributions for each year.

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Assets.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

C. Other Post Employment Benefits

Plan Description

The County administers a single employer defined benefit plan which provides health and dental insurance to substantially all retired employees and their spouses (plan members). Health and dental benefits were paid to approximately 32 retired participants and spouses during the fiscal year ended June 30, 2010 and are paid substantially on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, and the terms of collective bargaining agreements.

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, and Massachusetts General Law. The required contribution is based on pay as you go financing requirements. For fiscal year 2010 the County contributed approximately \$218,189 to health and life insurance programs on behalf of retirees. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The County contributes 90% of insurance premiums with the remainder funded through pension benefit deductions.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

	Governmental	(Airport)	
	Activities	Business-type	Total
Annual required contribution	\$ 131,974	\$ 288,243	\$ 420,217
Interest on net OPEB obligation			
Adjustment to annual required contribution	-	-	-
Annual OPEB cost (expense)	131,974	288,243	420,217
Contributions made	68,525	149,664	218,189
Increase in net OPEB obligation	63,449	138,579	202,028
Net OPEB obligation – beginning of year	642,971	208,656	851,627
Net OPEB obligation – end of year	\$ 166,324	\$ 347,235	\$ 1,053,655

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental activities:			
6/30/2010	\$ 131,974	51.9%	\$ 63,449
6/30/2009	856,793	25.0%	642,971
6/30/2008	N/A	N/A	N/A
Business-type activities:			
6/30/2010	\$ 288,243	51.9%	\$ 138,579
6/30/2009	278,042	-221.5%	893,846
6/30/2008	N/A	N/A	N/A

Funding Status and Schedule of Funding Progress

The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
Governmental activities:						
6/30/2009	\$ -	\$ 2,189,079	\$ 2,189,079	0%	5,857,975	267.6%
Business-type activities:						
6/30/2009	\$ -	\$ 3,429,918	\$ 3,429,918	0%	9,178,461	267.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 30, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5% after seven years. Both rates included a 4.5% inflation assumption. The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized over a 30 year period on a closed basis.

Note 11. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The County is exposed to various risks of loss related to general liability, property and casualty, unemployment, employee health claims, and workers' compensation.

The County purchases general liability insurance and insures buildings and property through insurance policies. Losses are insured to the extent the losses exceed the deductibles.

As discussed in Note 1, the County participates in the Cape Cod Municipal Health Group (Group) a municipal joint-purchase group consisting of 51 governmental units, formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the County both contribute to the Group based upon a 90% (County) and 10% (Employee) primary care premium formula. The County budgets, annually, in the general fund for its estimated share of contributions. At June 30, 2010, the group had net assets of \$14,825,258 (unaudited).

Note 12. Commitments and 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, 2010, 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, would 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the County's financial position at June 30, 2010.

During fiscal year 2006, the Airport was billed for water usage by the Oak Bluffs Water District in the amount of \$333,999 for fiscal year 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 year 2006 usage cost to be \$87,571 and has paid \$64,346 of the estimated liability. The remaining balance of \$23,225 has been accrued in the Airport enterprise fund. It is not known whether the Airport will prevail in this dispute.

Note 13. Future GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Town believes are applicable to its financial statements.

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Financial Statements

June 30, 2010

Current pronouncements

The GASB issued Statement #51, *Accounting and Reporting for Intangible Assets*, which is required to be implemented in fiscal year 2010. The standards in this statement currently do not apply to the Town and therefore did not impact the Town's financial statements.

The GASB issued Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which was required to be implemented in fiscal year 2010. The standards in this statement currently do not apply to the District and therefore did not impact the basic financial statements

Future pronouncements

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. This pronouncement will change fund balance classifications and definitions and will impact the presentation of the District's financial statements.

The GASB issued Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented in fiscal year 2012. The District expects that this pronouncement will require additional disclosure and impact the basic financial statements.

The GASB issued Statement #59, *Financial Instruments Omnibus*, which is required to be implemented in fiscal year 2011. Management expects that this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

COUNTY OF DUKES COUNTY, MASSACHUSETTS
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budgetary Basis - General Fund - Budget and Actual
For the year ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Town assessments	\$ 828,701	\$ 828,701	\$ 828,990	\$ 289
State grants			10,000	10,000
Courthouse rental	65,000	65,000	83,076	18,076
Registry fees	195,000	195,000	219,261	24,261
Beach fees	45,000	45,000	45,900	900
Parking fees	40,000	43,700	52,112	8,412
Communication center fees	135,000	135,000	142,894	7,894
Investment income	14,000	14,000	5,981	(8,019)
Departmental and other	<u>210,504</u>	<u>253,279</u>	<u>263,909</u>	<u>10,630</u>
Total revenues	1,533,205	1,579,680	1,652,123	72,443
Expenditures:				
Current:				
County commissioners	154,614	161,161	157,494	3,667
Parking clerk	42,212	45,912	44,342	1,570
Courthouse/administrative building	114,771	118,229	114,483	3,746
Treasurer	256,652	260,210	249,107	11,103
Registry of deeds	276,202	276,202	336,798	(60,596)
Civil defense/emergency management	9,155	9,155	8,097	1,058
Health council	500	500		500
Health and human services	87,209	122,742	128,197	(5,455)
Retiree benefits	221,386	218,189	205,413	12,776
Veterans agent	62,379	62,726	60,444	2,282
Recreation	1,000	277	277	
Rodent control	71,281	73,018	68,087	4,931
Intergovernmental	167,500	157,754	157,754	
Other expenditures	<u>49,663</u>	<u>49,876</u>	<u>47,130</u>	<u>2,746</u>
Total Expenditures	<u>1,514,524</u>	<u>1,555,951</u>	<u>1,577,623</u>	<u>(21,672)</u>
Revenues over (under) expenditures	18,681	23,729	74,500	50,771
Other financing sources (uses):				
Transfers in	340,730	294,923	369,471	74,548
Transfers out	<u>(265,122)</u>	<u>(265,122)</u>	<u>(269,066)</u>	<u>(3,944)</u>
Total other financing sources and uses	<u>75,608</u>	<u>29,801</u>	<u>100,405</u>	<u>70,604</u>
Revenues and other financing sources over (under) expenditures and other financing uses	94,289	53,530	174,905	<u>\$ 121,375</u>
Fund balances, beginning of year			<u>187,478</u>	
Fund balance, end of year			<u>\$ 362,383</u>	
Net budget	<u>\$ 94,289</u>	<u>\$ 53,530</u>		

See accompanying note to schedule of revenues, expenditures, and changes in fund balance - budgetary basis.

COUNTY OF DUKES COUNTY, MASSACHUSETTS
 Required Supplementary Information
 June 30, 2010

Schedule of Funding Progress – Dukes County Retirement System

(Amounts in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/09	60,628	97,882	37,254	61.9%	30,407	122.5%
1/1/07	53,493	82,757	29,264	64.6%	26,286	111.3%
1/1/05	43,588	68,303	24,715	63.8%	22,710	108.8%
1/1/03	36,979	63,042	26,063	58.7%	20,191	129.1%
1/1/01	31,491	45,305	13,814	69.5%	18,409	75.0%
1/1/98	21,622	36,448	14,826	59.3%	14,311	103.6%

The County's share of the UAAL, as of January 1, 2009, is approximately 14%.

Schedule of Employer Contributions

Plan Year Ended December 31	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) County's Percentage of System Wide Actual Contributions
2004	\$ 2,766,595	\$ 2,766,595	100%	\$ 480,833	17.38%
2005	3,372,865	3,372,865	100%	513,704	15.23%
2006	3,782,369	3,782,369	100%	515,242	13.62%
2007	3,612,812	3,612,812	100%	515,218	14.26%
2008	4,200,863	4,200,863	100%	529,891	12.61%

The County's Actual Contributions equaled 100% of its Required Contributions for each year presented.

COUNTY OF DUKES COUNTY, MASSACHUSETTS
 Required Supplementary Information
 June 30, 2010

Schedule of Funding Progress – Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
Governmental activities:						
6/30/2009	\$ -	\$ 2,189,079	\$ 2,189,079	0%	5,857,975	267.6%
Business-type activities:						
6/30/2009	\$ -	\$ 3,429,918	\$ 3,429,918	0%	9,178,461	267.6%

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2010

NOTE A. BUDGETARY BASIS OF ACCOUNTING

1. Budgetary Information

MGL required 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 2010 approved budget for the General Fund authorized approximately \$2.1 million, in appropriations. During fiscal year 2010, the Advisory Board also approved supplemental appropriations totaling approximately \$41,000.

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.

COUNTY OF DUKES COUNTY
Airport Commission Combining Schedules
For the year ending June 30, 2010

COUNTY OF DUKES COUNTY, MASSACHUSETTS

Airport Commission Combining Schedules for the year ending June 30, 2010

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 PGC 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 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 the 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 voted of the Airport Commission.

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

Capital Assets Fund - This is used to account for fixed asset additions, retirements and depreciation expense.

County of Dukes County, Massachusetts
Airport Commission Activities
Combining Schedule of Net Assets
June 30, 2010

	Operations	Passenger Facility Charge	Fuel Revolving	Transportation Security Administration	Debt Service	Environmental Assessment	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
ASSETS											
Current assets:											
Cash and cash equivalents	\$ 1,946,795	\$	\$ 198,983	\$ (9,290)	\$ 249,982	\$ 1,711	\$ 228,030	\$ 382,459	\$	\$	\$ 2,998,670
Intergovernmental receivables				28,906							28,906
Departmental and other receivables											
Inventories			131,783								131,783
Total current assets	1,946,795		330,766	19,616	249,982	1,711	228,030	382,459			3,159,359
Non-current assets:											
Capital assets, non-depreciable											
Capital assets, net of accumulated depreciation										1,666,026	1,666,026
Total non-current assets										19,837,292	19,837,292
Total assets	\$ 1,946,795	\$	\$ 330,766	\$ 19,616	\$ 249,982	\$ 1,711	\$ 228,030	\$ 382,459	\$	\$ 21,503,318	21,503,318
										\$ 21,503,318	\$24,662,677
LIABILITIES											
Current Liabilities:											
Warrants payable	267,465		117,679	16,150			1,273,298		6,978		1,674,592
Accrued interest payable											6,978
Customer deposits payable	48,283		47,767								96,050
Retainage payable							393,212				393,212
Other liabilities	10,118		25,991								36,109
Compensated absences									69,000		69,000
Bonds, notes and loans payable									50,000		50,000
Total current liabilities	325,866		191,437	16,150			1,666,510		125,978		2,325,941
Non-current liabilities:											
Compensated absences									30,000		30,000
Bonds, notes and loans payable									250,000		250,000
Other post-employment benefits									347,235		347,235
Total non-current liabilities									627,235		627,235
Total liabilities	325,866		191,437	16,150			1,666,510		753,213		2,953,176
NET ASSETS											
Invested in capital assets, net of related debt										21,503,318	21,503,318
Unrestricted	1,620,929		139,329	3,466	249,982	1,711	(1,438,480)	382,459	(357,999)		564,182
Total net assets	1,620,929		139,329	3,466	249,982	1,711	(1,438,480)	382,459	(357,999)		21,709,501
Total liabilities and net assets	\$ 1,946,795	\$	\$ 330,766	\$ 19,616	\$ 249,982	\$ 1,711	\$ 228,030	\$ 382,459	\$	\$ 21,503,318	\$24,662,677

County of Dukes County, Massachusetts
Airport Commission Activities
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

	<u>Operations</u>	<u>Passenger Facility Charge</u>	<u>Fuel Revolving</u>	<u>Transportation Security Administration</u>	<u>Debt Service</u>	<u>Environmental Assessment</u>	<u>Multi-Year Capital Projects</u>	<u>MVY Stabilization</u>	<u>Long-Term Obligations</u>	<u>Fixed Assets</u>	<u>Total</u>
OPERATING REVENUES											
Charges for services	\$ 1,261,510	\$	\$	\$ 118,106	\$	\$	\$	\$	\$	\$	\$ 1,261,510
Intergovernmental			2,810,628								118,106
Fuel	1,075,510										2,810,628
Business park	85,357										1,075,510
Wastewater revenue											85,357
Total operating revenues	2,422,377		2,810,628	118,106							5,351,111
OPERATING EXPENSES											
Cost of services and administration	2,412,158						6,102,514		(8,000)	(474,882)	8,031,790
Fuel			1,689,994								1,689,994
Wastewater facilities	189,466			171,654					138,579		189,466
Transportation security											171,654
Post-employment benefits											138,579
Depreciation										1,290,404	1,290,404
Total operating expenses	2,601,624		1,689,994	171,654			6,102,514		130,579	815,522	11,511,887
Operating income (loss)	(179,247)		1,120,634	(53,548)			(4,673,431)		(130,579)	(815,522)	(6,160,776)
NON-OPERATING REVENUES (EXPENSES)											
Investment income	14,289						998		1,021		15,287
Interest expense	(16,413)										(15,392)
Intergovernmental									50,000		3,711,872
Debt service - principal	(50,000)										
Total non-operating revenue (expenses)	(52,124)						3,394,533		51,021		3,711,767
Income (loss) before contributions and transfers	(231,371)		1,120,634	(53,548)			(1,278,898)		(79,558)	(815,522)	(2,449,009)
TRANSFERS:											
Transfers out	(170,920)						828,269				(170,920)
Intrafund transfers	246,463	(13,120)	(1,115,160)	53,548						(39,726)	(39,726)
Special item - gain (loss) on sale of asset											
Change in net assets	(155,828)	(13,120)	5,474				(1,296,190)		(79,558)	(855,248)	(2,659,655)
Total net assets - beginning	1,776,757	13,120	133,855	3,466	249,982	1,711	122,895	382,459	(673,655)	22,358,566	24,369,156
Total net assets - ending	1,620,929	\$	\$ 139,329	\$ 3,466	\$ 249,982	\$ 1,711	\$ (1,173,295)	\$ 382,459	\$ (753,213)	\$ 21,503,318	\$ 21,709,501