

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

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

***YEAR ENDED JUNE 30, 2014***

# COUNTY OF DUKES COUNTY, MASSACHUSETTS

## REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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## **Independent Auditor's Report**

To the Honorable County Commissioners  
County of Dukes County, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



June 29, 2015

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

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

As management of the County of Dukes County, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

### **Financial Highlights**

- The assets of the County of Dukes County exceeded its liabilities at the close of the most recent year by \$33.9 million (net position).
- Of this amount, \$2.3 million (unrestricted net position) may be used to meet the government's on-going obligations to citizens, Towns and creditors.
- At the close of the current year, the County's general fund reported fund balance totaling \$708,000, a decrease of \$76,000 in comparison with the prior year. Total fund balance represents 43% of total general fund expenditures.
- The County contributed \$150,000 to the Dukes County Pooled Other Postemployment Benefits (OPEB) Trust Fund, as authorized by Chapter 149 of the Acts of 2010, to begin funding the County's unfunded OPEB liability.
- The County's total long-term debt decreased by \$50,000, during the current year, due to scheduled loan repayments on outstanding airport general obligation bonds.

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

This discussion and analysis is intended to serve as an introduction to the County of Dukes County's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the County as a whole. The fund financial statements focus on the individual components of the County government, reporting the County's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the County's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

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

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

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

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

**Proprietary funds.** The County maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its airport activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Total assets exceeded total liabilities by \$33.9 million at the close of 2014.

Net position totaling \$31.3 million (92%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position totaling \$313,000 (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$2.3 million (7%) may be used to meet the government's ongoing obligations to citizens, Towns and creditors.

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

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

### Governmental Activities

The County's assets exceeded liabilities for governmental activities by \$1.7 million at the close of 2014.

	2014	2013
<b>Assets:</b>		
Current assets.....	\$ 1,518,291	\$ 1,278,955
Capital assets not being depreciated.....	584,954	584,954
Capital assets, net of accumulated depreciation.....	579,265	573,597
<b>Total assets.....</b>	<b>2,682,510</b>	<b>2,437,506</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	381,297	333,347
Noncurrent liabilities (excluding debt).....	567,352	500,904
<b>Total liabilities.....</b>	<b>948,649</b>	<b>834,251</b>
<b>Net Position:</b>		
Net investment in capital assets.....	1,164,219	1,158,551
Restricted.....	312,982	130,194
Unrestricted.....	256,660	314,510
<b>Total net position.....</b>	<b>\$ 1,733,861</b>	<b>\$ 1,603,255</b>



	<u>2014</u>	<u>2013</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,052,688	\$ 1,218,392
Operating grants and contributions.....	719,014	618,079
Capital grants and contributions.....	51,751	18,350
<b>General Revenues:</b>		
Town assessments.....	767,984	649,278
County deeds excise tax.....	247,643	211,985
Nonrestricted grants and contributions.....	105,871	106,029
Unrestricted investment income.....	4,997	4,518
Other revenues.....	27,913	34,771
<b>Total revenues.....</b>	<b><u>2,977,861</u></b>	<b><u>2,861,402</u></b>
<b>Expenses:</b>		
County commissioners.....	184,298	190,763
Parking clerk.....	469,113	432,452
Courthouse/Administrative building.....	187,401	150,075
Treasurer.....	262,279	235,773
Registry of deeds.....	399,222	381,142
Civil defense/emergency management.....	23,675	22,059
Health and human services.....	686,534	621,613
Retiree postemployment benefits.....	404,458	263,998
Veterans agent.....	61,873	59,938
Recreation.....	80,103	36,252
Integrated pest management.....	164	94,437
Pension expense sheriff.....	-	307,540
Law enforcement.....	69,475	28,330
Animal shelter.....	-	16,734
Fisherman association.....	6,000	14,919
Old South Road Aquinnah project.....	150,000	150,000
Other expenditures.....	81,250	93,559
<b>Total expenses.....</b>	<b><u>3,065,845</u></b>	<b><u>3,099,584</u></b>
<b>Increase (decrease) in net position before transfers.....</b>	<b><u>(87,984)</u></b>	<b><u>(238,182)</u></b>
<b>Transfers.....</b>	<b><u>218,590</u></b>	<b><u>216,131</u></b>
<b>Change in net position.....</b>	<b><u>130,606</u></b>	<b><u>(22,051)</u></b>
<b>Beginning net position.....</b>	<b><u>1,603,255</u></b>	<b><u>1,625,306</u></b>
<b>Ending net position.....</b>	<b><u>\$ 1,733,861</u></b>	<b><u>\$ 1,603,255</u></b>

The governmental expenses totaled \$3.1 million of which \$1.8 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$1.2 million, primarily coming from town assessments, county deeds excise taxes and state grants.

The governmental net position increased by \$131,000 during the current year. This was primarily due to a \$196,000 increase in operating results from governmental activities, which were offset by a \$62,000 increase in the OPEB liability.

The decrease in integrated pest management and animal shelter expenses is due to the County no longer providing these services. In accordance with Massachusetts Session Laws: Chapter 61, Section 10 of the acts of 2009, the County also made its final payment for the Sheriff's pension expense in fiscal 2013.

### Business-type activities

The County's assets exceeded its liabilities for business-type activities by \$32.1 million at the close of 2014.

	2014	2013
<b>Assets:</b>		
Current assets.....	\$ 3,802,480	\$ 3,621,243
Capital assets, non depreciable.....	1,902,682	1,826,439
Capital assets, net of accumulated depreciation.....	<u>28,294,775</u>	<u>30,292,563</u>
<b>Total assets.....</b>	<b><u>33,999,937</u></b>	<b><u>35,740,245</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	386,170	644,017
Noncurrent liabilities (excluding debt).....	1,364,673	1,120,231
Current debt.....	50,000	50,000
Noncurrent debt.....	<u>50,000</u>	<u>100,000</u>
<b>Total liabilities.....</b>	<b><u>1,850,843</u></b>	<b><u>1,914,248</u></b>
<b>Net Position:</b>		
Net investment in capital assets.....	30,097,457	31,969,002
Unrestricted.....	<u>2,051,637</u>	<u>1,856,995</u>
<b>Total net position.....</b>	<b><u>32,149,094</u></b>	<b><u>33,825,997</u></b>
<b>Program revenues:</b>		
Charges for services.....	7,093,920	6,695,180
Operating grants and contributions.....	85,910	90,237
Capital grants and contributions.....	<u>74,715</u>	<u>278,760</u>
<b>Total revenues.....</b>	<b><u>7,254,545</u></b>	<b><u>7,064,177</u></b>
<b>Expenses:</b>		
Airport.....	<u>8,712,858</u>	<u>8,148,157</u>
<b>Increase (decrease) in net position before transfers...</b>	<b><u>(1,458,313)</u></b>	<b><u>(1,083,980)</u></b>
<b>Transfers.....</b>	<b><u>(218,590)</u></b>	<b><u>(216,131)</u></b>
<b>Change in net position.....</b>	<b><u>(1,676,903)</u></b>	<b><u>(1,300,111)</u></b>
<b>Beginning net position.....</b>	<b><u>33,825,997</u></b>	<b><u>35,126,108</u></b>
<b>Ending net position.....</b>	<b><u>\$ 32,149,094</u></b>	<b><u>\$ 33,825,997</u></b>

The business-type expenses totaled \$8.7 million of which \$7.3 million was directly supported by program revenues consisting of charges for services, and operating and capital grants and contributions.

The business-type net position decreased by \$1.7 million during the current year. This decrease was primarily due to the recognition of \$2 million of depreciation expense and a \$242,000 increase in the net OPEB obligation. These decreases were offset by a \$619,000 surplus in the operating fund and \$75,000 in capital grants for airport construction.

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

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

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

As of the end of the current year, governmental funds reported combined ending fund balances totaling \$1.2 million, of which \$708,000 is for the general fund, a \$5,000 deficit is for the parking clerk fund, \$355,000 is for the other special revenue fund, and \$124,000 is for the County capital projects fund. Cumulatively there was an increase totaling \$196,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, total fund balance was \$708,000. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 43% of total general fund expenditures.

The County's general fund decreased by \$76,000, which is primarily due to the use of \$300,000 of unreserved fund balance to fund a \$150,000 return to member communities and \$150,000 transfer to the County capital projects fund. These uses of unreserved fund balance were offset by better than anticipated budgetary results with the most significant being deeds excise tax collections.

The parking clerk fund is used to account for the receipt and disbursement of proceeds from parking violations to the member Town's. The fund is in a deficit position totaling \$5,000.

The other special revenue fund is used to account for proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The fund is in a surplus position of \$355,000 which is primarily due to timing differences between the receipt and expenditure of grant funds. \$109,000 relates to a State beach management grant, \$95,000 relates to the youth task force, \$21,000 relates to the medical reserve corps, \$93,000 relates to the Vineyard health care access program and the remaining balance relates to various other programs.

The county capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities of the County. Current projects include courthouse and administrative building improvements. This fund is in a surplus position of \$124,000 as a result of a \$150,000 transfer from the general fund.

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

The \$152,000 increase between the original budget and the final amended budget was primarily due to a supplemental appropriation to fund County capital projects.

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

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$31.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total additions to the County's investment in capital assets for the

current year are \$117,000 and consist of County buildings and improvements, machinery and equipment and construction in progress.

**Debt Administration.** The airport enterprise fund has outstanding long-term debt totaling \$100,000 that is fully supported by the airport enterprise fund and does not rely on a general fund subsidy.

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

### ***Requests for Information***

This financial report is designed to provide a general overview of the County of Dukes County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer, 9 Airport Road, Suite 2, Vineyard Haven, Massachusetts, 02568.

## ***Basic Financial Statements***

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# STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 926,730	\$ 3,582,424	\$ 4,509,154
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	395,036	72,691	467,727
Departmental and other.....	196,525	54,473	250,998
Inventory.....	-	92,892	92,892
Total current assets.....	1,518,291	3,802,480	5,320,771
NONCURRENT:			
Capital assets, non depreciable.....	584,954	1,902,682	2,487,636
Capital assets, net of accumulated depreciation.....	579,265	28,294,775	28,874,040
Total noncurrent assets.....	1,164,219	30,197,457	31,361,676
TOTAL ASSETS.....	2,682,510	33,999,937	36,682,447
<b>LIABILITIES</b>			
CURRENT:			
Warrants payable.....	207,841	250,144	457,985
Accrued interest.....	-	8,308	8,308
Other liabilities.....	123,456	6,656	130,112
Customer deposits payable.....	5,000	64,062	69,062
Compensated absences.....	45,000	57,000	102,000
Bonds and notes payable.....	-	50,000	50,000
Total current liabilities.....	381,297	436,170	817,467
NONCURRENT:			
Compensated absences.....	32,000	44,000	76,000
Other postemployment benefits.....	535,352	1,320,673	1,856,025
Bonds and notes payable.....	-	50,000	50,000
Total noncurrent liabilities.....	567,352	1,414,673	1,982,025
TOTAL LIABILITIES.....	948,649	1,850,843	2,799,492
<b>NET POSITION</b>			
Net Investment in capital assets.....	1,164,219	30,097,457	31,261,676
Restricted for:			
Gifts and grants.....	312,982	-	312,982
Unrestricted.....	256,660	2,051,637	2,308,297
TOTAL NET POSITION.....	\$ 1,733,861	\$ 32,149,094	\$ 33,882,955

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

		Program Revenues			
			Operating	Capital	
		Charges for	Grants and	Grants and	Net (Expense)
Functions/Programs	Expenses	Services	Contributions	Contributions	Revenue
Primary Government:					
Governmental Activities:					
County commissioners.....	\$ 184,298	\$ -	\$ -	\$ -	\$ (184,298)
Parking clerk.....	469,113	472,672	-	-	3,559
Courthouse/Administrative building.....	187,401	101,781	-	51,751	(33,869)
Treasurer.....	262,279	160,444	-	-	(101,835)
Registry of deeds.....	399,222	204,765	18,283	-	(176,174)
Civil defense/emergency management.....	23,675	-	-	-	(23,675)
Health and human services.....	686,534	4,456	555,786	-	(126,292)
Retiree postemployment benefits.....	404,458	-	-	-	(404,458)
Veterans agent.....	61,873	-	-	-	(61,873)
Recreation.....	80,103	50,500	144,924	-	115,321
Integrated pest management.....	164	76	-	-	(88)
Law enforcement.....	69,475	57,994	-	-	(11,481)
Fisherman association.....	6,000	-	21	-	(5,979)
Refund to member communities.....	150,000	-	-	-	(150,000)
Other expenditures.....	81,250	-	-	-	(81,250)
Total Governmental Activities.....	3,065,845	1,052,688	719,014	51,751	(1,242,392)
Business-Type Activities:					
Airport.....	8,712,858	7,093,920	85,910	74,715	(1,458,313)
Total Primary Government.....	\$ 11,778,703	\$ 8,146,608	\$ 804,924	\$ 126,466	\$ (2,700,705)

See notes to basic financial statements.

(Continued)



# STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ (1,242,392)	\$ (1,458,313)	\$ (2,700,705)
<i>General revenues:</i>			
Town assessments.....	767,984	-	767,984
County deeds excise tax.....	247,643	-	247,643
Grants and contributions not restricted to specific programs.....	105,871	-	105,871
Unrestricted investment income.....	4,997	-	4,997
Miscellaneous.....	27,913	-	27,913
<i>Transfers, net</i> .....	218,590	(218,590)	-
Total general revenues and transfers.....	1,372,998	(218,590)	1,154,408
Change in net position.....	130,606	(1,676,903)	(1,546,297)
<i>Net Position:</i>			
Beginning of year.....	1,603,255	33,825,997	35,429,252
End of year.....	\$ 1,733,861	\$ 32,149,094	\$ 33,882,955

(Concluded)

**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

JUNE 30, 2014

	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 387,073	\$ 42,824	\$ 334,433	\$ 162,400	\$ 926,730
Receivables, net of uncollectibles:					
Intergovernmental.....	327,800	75	67,161	-	395,036
Departmental and other.....	173,593	1,992	20,940	-	196,525
<b>TOTAL ASSETS.....</b>	<b>\$ 888,466</b>	<b>\$ 44,891</b>	<b>\$ 422,534</b>	<b>\$ 162,400</b>	<b>\$ 1,518,291</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 56,670	\$ 49,975	\$ 62,929	\$ 38,267	\$ 207,841
Liabilities due depositors.....	-	-	5,000	-	5,000
Other liabilities.....	123,456	-	-	-	123,456
<b>TOTAL LIABILITIES.....</b>	<b>180,126</b>	<b>49,975</b>	<b>67,929</b>	<b>38,267</b>	<b>336,297</b>
<b>FUND BALANCES</b>					
Restricted.....	247,080	-	360,605	-	607,685
Committed.....	-	-	-	124,133	124,133
Assigned.....	20,275	-	-	-	20,275
Unassigned.....	440,985	(5,084)	(6,000)	-	429,901
<b>TOTAL FUND BALANCES.....</b>	<b>708,340</b>	<b>(5,084)</b>	<b>354,605</b>	<b>124,133</b>	<b>1,181,994</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 888,466</b>	<b>\$ 44,891</b>	<b>\$ 422,534</b>	<b>\$ 162,400</b>	<b>\$ 1,518,291</b>

See notes to basic financial statements.

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

JUNE 30, 2014

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Total governmental fund balances.....	\$ 1,181,994
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	1,164,219
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences.....	(77,000)
Other postemployment benefits.....	<u>(535,352)</u>
Net effect of reporting long-term liabilities.....	<u>(612,352)</u>
Net position of governmental activities.....	<u>\$ 1,733,861</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
<b>REVENUES:</b>					
Town assessments - County tax.....	\$ 491,733	\$ -	\$ -	\$ -	\$ 491,733
Town assessments - Health care access program.....	-	-	276,251	-	276,251
Federal grants and reimbursements.....	-	-	151,677	-	151,677
State grants.....	105,871	-	527,569	-	633,440
Property rental.....	101,781	-	-	-	101,781
Registry of deeds.....	204,765	-	265,926	-	470,691
Beach fees.....	50,500	-	-	-	50,500
Parking fees.....	89,265	383,407	-	-	472,672
County alarm fees.....	160,444	-	-	-	160,444
Community preservation - Town contributions.....	-	-	-	21,449	21,449
Community preservation - State contributions.....	-	-	-	30,302	30,302
Investment income.....	4,895	102	28	-	5,025
Miscellaneous.....	27,920	-	83,976	-	111,896
<b>TOTAL REVENUES.....</b>	<b>1,237,174</b>	<b>383,509</b>	<b>1,305,427</b>	<b>51,751</b>	<b>2,977,861</b>
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	186,298	-	-	-	186,298
Parking clerk.....	79,662	384,651	-	-	464,313
Courthouse/Administrative building.....	141,411	-	-	62,277	203,688
Treasurer.....	252,255	-	-	-	252,255
Registry of deeds.....	357,607	-	35,815	-	393,422
Civil defense/emergency management.....	9,378	-	14,297	-	23,675
Health and human services.....	285	-	685,254	-	685,539
Retiree postemployment benefits.....	342,010	-	-	-	342,010
Veterans agent.....	60,523	-	1,350	-	61,873
Recreation.....	5,260	-	74,843	-	80,103
Integrated pest management.....	164	-	-	-	164
Law enforcement.....	-	-	69,475	-	69,475
Fisherman association.....	-	-	6,000	-	6,000
Refund to member communities.....	150,000	-	-	-	150,000
Other expenditures.....	80,886	-	364	-	81,250
<b>TOTAL EXPENDITURES.....</b>	<b>1,665,739</b>	<b>384,651</b>	<b>887,398</b>	<b>62,277</b>	<b>3,000,065</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(428,565)</b>	<b>(1,142)</b>	<b>418,029</b>	<b>(10,526)</b>	<b>(22,204)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	116,919	-	-	-	116,919
Transfers in - cost allocations.....	117,671	-	-	-	117,671
Transfers out - cost allocations.....	-	-	(16,000)	-	(16,000)
Transfers in - deeds excise.....	268,052	-	-	-	268,052
Transfers out - deeds excise.....	-	-	(268,052)	-	(268,052)
Transfers in - other.....	-	-	-	150,000	150,000
Transfers out - other.....	(150,000)	-	-	-	(150,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)....</b>	<b>352,642</b>	<b>-</b>	<b>(284,052)</b>	<b>150,000</b>	<b>218,590</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(75,923)</b>	<b>(1,142)</b>	<b>133,977</b>	<b>139,474</b>	<b>196,386</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>784,263</b>	<b>(3,942)</b>	<b>220,628</b>	<b>(15,341)</b>	<b>985,608</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 708,340</b>	<b>\$ (5,084)</b>	<b>\$ 354,605</b>	<b>\$ 124,133</b>	<b>\$ 1,181,994</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....	\$	196,386
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	40,810	
Depreciation expense.....	<u>(35,142)</u>	
Net effect of reporting capital assets.....		5,668

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

Net change in compensated absences accrual.....	(9,000)	
Net change in other postemployment benefits.....	<u>(62,448)</u>	
Net effect of recording long-term liabilities.....		<u>(71,448)</u>

Change in net position of governmental activities.....	\$	<u><u>130,606</u></u>
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See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Airport Enterprise Fund
<b>ASSETS</b>	
<b>CURRENT:</b>	
Cash and cash equivalents.....	\$ 3,582,424
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	72,691
Departmental and other.....	54,473
Inventory.....	92,892
	<hr/>
Total current assets.....	3,802,480
	<hr/>
<b>NONCURRENT:</b>	
Capital assets, non depreciable.....	1,902,682
Capital assets, net of accumulated depreciation.....	28,294,775
	<hr/>
Total noncurrent assets.....	30,197,457
	<hr/>
TOTAL ASSETS.....	33,999,937
	<hr/>
<b>LIABILITIES</b>	
<b>CURRENT:</b>	
Warrants payable.....	250,144
Accrued interest.....	8,308
Customer deposits payable.....	64,062
Other liabilities.....	6,656
Compensated absences.....	57,000
Bonds and notes payable.....	50,000
	<hr/>
Total current liabilities.....	436,170
	<hr/>
<b>NONCURRENT:</b>	
Compensated absences.....	44,000
Bonds and notes payable.....	50,000
Other postemployment benefits.....	1,320,673
	<hr/>
Total noncurrent liabilities.....	1,414,673
	<hr/>
TOTAL LIABILITIES.....	1,850,843
	<hr/>
<b>NET POSITION</b>	
Net investment in capital assets.....	30,097,457
Unrestricted.....	2,051,637
	<hr/>
TOTAL NET POSITION.....	\$ 32,149,094
	<hr/>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Airport Enterprise Fund
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 1,359,810
Intergovernmental.....	85,910
Fuel.....	4,332,433
Business park.....	1,212,589
Water revenue.....	88,840
Wastewater revenue.....	88,551
	<hr/>
TOTAL OPERATING REVENUES .....	7,168,133
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	2,963,057
Fuel.....	3,146,760
Water facilities.....	174,539
Wastewater facilities.....	210,636
Transportation security.....	208,805
Depreciation.....	1,997,788
	<hr/>
TOTAL OPERATING EXPENSES .....	8,701,585
	<hr/>
OPERATING INCOME (LOSS).....	(1,533,452)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	11,697
Intergovernmental.....	74,715
Interest expense.....	(11,273)
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	75,139
	<hr/>
INCOME (LOSS) BEFORE TRANSFERS.....	(1,458,313)
<u>TRANSFERS:</u>	
Transfers out - retirees' health insurance.....	(116,919)
Transfers out - cost allocations.....	(101,671)
	<hr/>
TOTAL TRANSFERS.....	(218,590)
	<hr/>
CHANGE IN NET POSITION.....	(1,676,903)
	<hr/>
NET POSITION AT BEGINNING OF YEAR.....	33,825,997
	<hr/>
NET POSITION AT END OF YEAR.....	\$ 32,149,094
	<hr/> <hr/>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Airport Enterprise Fund
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
Receipts from customers and users.....	\$ 7,291,643
Receipts from other governments.....	51,750
Payments to vendors.....	(5,601,470)
Payments to employees.....	(1,084,071)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>657,852</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>	
Transfers out.....	(218,590)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>	
Capital grants.....	71,788
Acquisition and construction of capital assets.....	(76,243)
Principal payments on bonds and notes.....	(50,000)
Interest expense.....	(6,563)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(61,018)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>	
Investment income.....	11,697
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>389,941</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>3,192,483</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 3,582,424</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>	
Operating income (loss).....	\$ (1,533,452)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	1,997,788
Changes in assets and liabilities:	
Departmental and other.....	209,420
Intergovernmental.....	(34,160)
Inventory.....	36,371
Warrants payable.....	(260,225)
Accrued payroll.....	(5,332)
Accrued compensated absences.....	5,000
Other postemployment benefits.....	242,442
<b>Total adjustments.....</b>	<b>2,191,304</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 657,852</b>

See notes to basic financial statements.



**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**

JUNE 30, 2014

		Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$	80,413
<b>LIABILITIES</b>		
Other liabilities.....	\$	80,413

See notes to basic financial statements.

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

The accompanying basic financial statements of the County of Dukes County, Massachusetts (the County) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant County accounting policies are described herein.

**A. Reporting Entity**

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

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

For financial reporting purposes, the County has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The County has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the basic financial statements to be misleading or incomplete. It has been determined that there are no component units that meet the requirements for inclusion in the County's financial statements.

The County has entered into a joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing employee health insurance benefits to venture participants through the Cape Cod Municipal Health Group. The County's 2014 health insurance premiums totaled \$490,000 of which the County contributes 90% for retirees and 75% for active employees. The County does not have an equity interest in the joint venture. Financial statements for the joint venture may be obtained by contacting the Cape Cod Municipal Health Group at 27 Midstate Office Park, Suite 204, Auburn, MA 01501.

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

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

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

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

#### *Fund Financial Statements*

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

The following major proprietary fund is reported:

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

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

The following fiduciary fund type is reported:

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

#### D. Cash

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

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

#### E. Accounts Receivable

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

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

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

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

#### ***Intergovernmental***

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

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

#### F. Inventories

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

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

G. Capital Assets*Government-Wide and Proprietary Fund Financial Statements*

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

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

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

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

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

*Governmental Fund Financial Statements*

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

H. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

I. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

J. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

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

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

Net position has been “restricted for” the following:

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

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

#### *Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

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

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

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

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

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



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

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

*Governmental Fund Financial Statements*

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

M. Investment Income

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

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

N. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

O. Individual Fund Deficits

The special revenue fund, airport fuel fund, airport transportation security fund and airport capital project funds include individual fund deficits at June 30, 2014. These deficits will be funded through available fund balance and grant proceeds during 2015.

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

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

Q. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 - CASH AND INVESTMENTS**

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

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

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

Custodial Credit Risk - Deposits

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

At year-end, the carrying amount of deposits totaled \$4,322,669 and the bank balance totaled \$4,535,592. Of the bank balance, \$492,974 was covered by FDIC and \$4,042,618 was collateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the County will not be able to recover the value of its investments or collateral security that are in the possession of the outside party. At June 30, 2014, the County does not have any custodial credit risk exposure for its investments since MMDT deposits are not subject to custodial credit risk.

Investments

As of June 30, 2014, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
MMDT.....	\$ <u>266,898</u>

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

**NOTE - 3 RECEIVABLES**

At June 30, 2014, receivables for the individual major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Intergovernmental.....	\$ 395,036	\$ -	\$ 395,036
Departmental and other.....	<u>196,525</u>	<u>-</u>	<u>196,525</u>
	\$ <u>591,561</u>	\$ <u>-</u>	\$ <u>591,561</u>

At June 30, 2014, receivables for the airport enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 72,691	\$ -	\$ 72,691
Departmental and other.....	54,473	-	54,473
Total.....	<u>\$ 127,164</u>	<u>\$ -</u>	<u>\$ 127,164</u>

#### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 584,954	\$ -	\$ -	\$ 584,954
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	797,589	28,310	-	825,899
Machinery and equipment.....	357,838	12,500	(8,157)	362,181
Vehicles.....	54,679	-	-	54,679
Infrastructure.....	21,850	-	-	21,850
Total capital assets being depreciated.....	<u>1,231,956</u>	<u>40,810</u>	<u>(8,157)</u>	<u>1,264,609</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(275,580)	(22,340)	-	(297,920)
Machinery and equipment.....	(318,153)	(11,937)	8,157	(321,933)
Vehicles.....	(54,679)	-	-	(54,679)
Infrastructure.....	(9,947)	(865)	-	(10,812)
Total accumulated depreciation.....	<u>(658,359)</u>	<u>(35,142)</u>	<u>8,157</u>	<u>(685,344)</u>
Total capital assets being depreciated, net.....	<u>573,597</u>	<u>5,668</u>	<u>-</u>	<u>579,265</u>
Total governmental activities capital assets, net.....	<u>\$ 1,158,551</u>	<u>\$ 5,668</u>	<u>\$ -</u>	<u>\$ 1,164,219</u>

<b>Business-Type Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress.....	415,552	76,243	-	491,795
Total capital assets not being depreciated.....	<u>1,826,439</u>	<u>76,243</u>	<u>-</u>	<u>1,902,682</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,244,603	-	-	4,244,603
Buildings and improvements.....	16,038,040	-	-	16,038,040
Machinery and equipment.....	5,152,998	-	-	5,152,998
Infrastructure.....	25,502,631	-	-	25,502,631
Total capital assets being depreciated.....	<u>50,938,272</u>	<u>-</u>	<u>-</u>	<u>50,938,272</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,112,665)	(184,290)	-	(3,296,955)
Buildings.....	(6,942,843)	(416,784)	-	(7,359,627)
Machinery and equipment.....	(3,113,692)	(318,930)	-	(3,432,622)
Infrastructure.....	(7,476,509)	(1,077,784)	-	(8,554,293)
Total accumulated depreciation.....	<u>(20,645,709)</u>	<u>(1,997,788)</u>	<u>-</u>	<u>(22,643,497)</u>
Total capital assets being depreciated, net.....	<u>30,292,563</u>	<u>(1,997,788)</u>	<u>-</u>	<u>28,294,775</u>
Total business-type activities capital assets, net.....	<u>\$ 32,119,002</u>	<u>\$ (1,921,545)</u>	<u>\$ -</u>	<u>\$ 30,197,457</u>

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

**Governmental Activities:**

County commissioners.....	\$ 10,500
Parking clerk.....	4,800
Treasurer.....	1,024
Registry of deeds.....	5,800
Health and human services.....	995
Courthouse.....	<u>12,023</u>
Total depreciation expense - governmental activities.....	<u>\$ 35,142</u>

**Business-Type Activities:**

Airport.....	<u>\$ 1,997,788</u>
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**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	County Capital Projects	Total	
General Fund.....	\$ -	\$ 150,000	\$ 150,000	(1)
Deeds Excise.....	268,052	-	268,052	(2)
Other Special Revenue.....	16,000	-	16,000	(3)
Airport Enterprise Fund.....	218,590	-	218,590	(4)
Totals.....	\$ <u>502,642</u>	\$ <u>150,000</u>	\$ <u>652,642</u>	

(1) Represents a budgeted transfer of general fund unreserved fund balance to County capital projects.

(2) Represents the transfer of the County and Registry of Deeds share of deeds excise taxes.

(3) Represents cost allocation transfers.

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

**NOTE 6 - SHORT-TERM FINANCING**

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

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

Short-term loans are general obligations of the County and carry maturity dates that are limited by statute.

Interest expenditures for short-term borrowings are accounted for in the general fund and airport enterprise fund.

The County did not have any outstanding short-term debt as of June 30, 2014.

**NOTE 7 - LONG-TERM DEBT**

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

Details related to the County's outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Enterprise Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Airport terminal.....	4.70% - 5.25%	\$ 150,000	\$ -	\$ 50,000	\$ 100,000

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

Year	Principal	Interest	Total
2015.....	\$ 50,000	\$ 3,963	\$ 53,963
2016.....	50,000	1,325	51,325
Totals.....	\$ 100,000	\$ 5,288	\$ 105,288

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Compensated absences.....	\$ 68,000	\$ 49,000	\$ (40,000)	\$ 77,000	\$ 45,000
Other postemployment benefits..	472,904	159,718	(97,270)	535,352	-
Total governmental activities.....	\$ 540,904	\$ 208,718	\$ (137,270)	\$ 612,352	\$ 45,000
<b>Business-type Activities:</b>					
Long-term bonds and notes.....	\$ 150,000	\$ -	\$ (50,000)	\$ 100,000	\$ 50,000
Compensated absences.....	96,000	59,000	(54,000)	101,000	57,000
Other postemployment benefits..	1,078,231	395,701	(153,259)	1,320,673	-
Total business-type activities.....	\$ 1,324,231	\$ 454,701	\$ (257,259)	\$ 1,521,673	\$ 107,000

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

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

	Governmental Funds				
	<u>General</u>	<u>Parking Clerk</u>	<u>Other Special Revenue</u>	<u>County Capital Projects</u>	<u>Total Governmental Funds</u>
Fund balances					
Restricted for:					
Registry of deeds.....	\$ 247,080	\$ -	\$ -	\$ -	247,080
Civil defense/emergency management...	-	-	32,449	-	32,449
Health and human services.....	-	-	211,305	-	211,305
Veterans agent.....	-	-	7,133	-	7,133
Recreation.....	-	-	108,593	-	108,593
Other special revenues.....	-	-	1,125	-	1,125
Committed to:					
County capital projects.....	-	-	-	124,133	124,133
Assigned to:					
Courthouse/Administrative building.....	17,775	-	-	-	17,775
Other expenditures.....	2,500	-	-	-	2,500
Unassigned.....	<u>440,985</u>	<u>(5,084)</u>	<u>(6,000)</u>	<u>-</u>	<u>429,901</u>
Total fund balances (deficit).....	<u>\$ 708,340</u>	<u>\$ (5,084)</u>	<u>\$ 354,605</u>	<u>\$ 124,133</u>	<u>\$ 1,181,994</u>



**NOTE 9 - RISK FINANCING***Insurance*

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

*Health benefits*

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

*Workers' Compensation*

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

**NOTE 10 - PENSION PLAN**

*Plan Description* - The County contributes to the County of Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the County of Dukes County Retirement Board. Substantially all employees of the County are members of the System.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are funded by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the County of Dukes County Contributory Retirement Board and are funded by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 9 Airport Road, Suite 1, Vineyard Haven, Massachusetts 02568.

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The County is required to pay into the System its share of the system-wide actuarially determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the County. The County contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$300,000, \$286,000, and \$300,000, respectively, which equaled its required contribution for each year.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic 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 liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-

sharing plan as a whole, of which the County is one participating employer, as well as the County's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the County.

#### NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

*Plan Description* – The County of Dukes County administers a single-employer defined benefit plan (“the Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their dependents through the County's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the County and the unions representing County employees. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – The required contribution is based on a pay-as-you-go financing requirement. The County contributes 90% and 75% of the cost of current-year health and life insurance premiums, respectively for eligible retired plan members and their dependents. Plan members receiving benefits contribute the remaining 10% to 25% percent of their premium costs. For 2014, the County contributed \$250,529 to the plan.

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

	Governmental Activities	Business-type Activities	Total
Annual required contribution.....	\$ 155,425	\$ 385,911	\$ 541,336
Interest on net OPEB obligation.....	18,916	43,129	62,045
Adjustment to annual required contribution.....	<u>(14,623)</u>	<u>(33,339)</u>	<u>(47,962)</u>
Annual OPEB cost (expense).....	159,718	395,701	555,419
Contributions made.....	<u>(97,270)</u>	<u>(153,259)</u>	<u>(250,529)</u>
Increase in net OPEB obligation.....	62,448	242,442	304,890
Net OPEB obligation--beginning of year.....	<u>472,904</u>	<u>1,078,231</u>	<u>1,551,135</u>
Net OPEB obligation--end of year.....	<u>\$ 535,352</u>	<u>\$ 1,320,673</u>	<u>\$ 1,856,025</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<i>Governmental activities:</i>			
6/30/2014	\$ 159,718	61%	\$ 535,352
6/30/2013	153,844	54%	472,904
6/30/2012	245,132	51%	401,386
<i>Business-type activities:</i>			
6/30/2014	\$ 395,701	39%	\$ 1,320,673
6/30/2013	375,912	36%	1,078,231
6/30/2012	369,524	32%	839,264

*Funded Status and Funding Progress* – As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$7,111,258, all of which was unfunded.

In 2014, the general fund of the County has made its first contribution of \$150,000 to the Dukes County Pooled Other Postemployment Benefits Trust Fund (Trust Fund). This entity was established by Chapter 149 of the Acts of 2010. The County's balance in the Trust Fund at June 30, 2014 was \$157,000.

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

In the July 1, 2012, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the County, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 9.0% initially, graded to 5% over seven years. The UAAL is being amortized over 30 years on an open amortization period.

**NOTE 12 - CONTINGENCIES**

The County participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although such amounts, if any, is expected to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

**NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows and inflows in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.
- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.

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

## ***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<b>REVENUES:</b>					
Town assessments - County tax.....	\$ 491,733	\$ 491,733	\$ 491,733	\$ -	\$ -
State grants.....	110,000	110,000	105,871	-	(4,129)
Property rental.....	83,000	83,000	101,781	-	18,781
Registry of deeds.....	220,000	220,000	204,765	-	(15,235)
Natural resources.....	50,200	50,200	50,500	-	300
Parking fees.....	70,000	70,000	89,265	-	19,265
County alarm fees.....	145,000	145,000	160,444	-	15,444
Investment income.....	3,000	3,000	4,895	-	1,895
Miscellaneous.....	5,100	5,100	27,920	-	22,820
TOTAL REVENUES.....	1,178,033	1,178,033	1,237,174	-	59,141
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	189,634	189,634	186,298	-	3,336
Parking clerk.....	78,057	79,245	79,662	-	(417)
Courthouse/Administrative building.....	192,982	192,982	141,411	17,775	33,796
Treasurer.....	258,270	257,082	252,255	-	4,827
Civil defense/emergency management.....	9,710	9,710	9,378	-	332
Health and human services.....	500	500	285	-	215
Retiree postemployment benefits.....	350,888	332,124	342,010	-	(9,886)
Veterans agent.....	61,131	61,131	60,523	-	608
Natural resources.....	8,500	8,500	5,260	-	3,240
Integrated pest management.....	-	164	164	-	-
Other expenditures.....	67,373	85,973	80,886	2,500	2,587
Refund to member communities.....	150,000	150,000	150,000	-	-
TOTAL EXPENDITURES.....	1,367,045	1,367,045	1,308,132	20,275	38,638
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..	(189,012)	(189,012)	(70,958)	(20,275)	97,779
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	135,000	135,000	125,163	-	(9,837)
Transfers in - cost allocations.....	106,000	106,000	117,671	-	11,671
Transfers in - deeds excise.....	115,000	115,000	160,831	-	45,831
Transfers out - registry maintenance of effort.....	(304,071)	(304,071)	(304,071)	-	-
Transfers out - capital projects.....	-	(150,000)	(150,000)	-	-
Unreserved fund balance.....	156,878	306,878	-	-	(306,878)
TOTAL OTHER FINANCING SOURCES (USES).....	208,807	208,807	(50,406)	-	(259,213)
NET CHANGE IN FUND BALANCE.....	19,795	19,795	(121,364)	(20,275)	(161,434)
BUDGETARY FUND BALANCE, Beginning of year.....	582,624	582,624	582,624	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 602,419	\$ 602,419	\$ 461,260	\$ (20,275)	\$ (161,434)

See notes to required supplementary information.

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget
<u>EXPENDITURES:</u>				
Current:				
Registry of deeds.....	\$ 359,020	\$ 361,235	\$ 357,607	\$ 3,628
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out - retirees' health insurance.....	(8,244)	(8,244)	(8,244)	-
Transfers in - deeds excise.....	63,193	65,408	107,221	41,813
Transfers in - registry maintenance of effort.....	304,071	304,071	304,071	-
TOTAL OTHER FINANCING SOURCES (USES).....	359,020	361,235	403,048	41,813
NET CHANGE IN FUND BALANCE.....	-	-	45,441	45,441
BUDGETARY FUND BALANCE, Beginning of year.....	201,639	201,639	201,639	-
BUDGETARY FUND BALANCE, End of year.....	\$ 201,639	\$ 201,639	\$ 247,080	\$ 45,441

See notes to required supplementary information.

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<b>REVENUES:</b>					
Town assessments - County tax.....	\$ 491,733	\$ 491,733	\$ 491,733	\$ -	\$ -
State grants.....	110,000	110,000	105,871	-	(4,129)
Property rental.....	83,000	83,000	101,781	-	18,781
Registry of deeds.....	220,000	220,000	204,765	-	(15,235)
Natural resources.....	50,200	50,200	50,500	-	300
Parking fees.....	70,000	70,000	89,265	-	19,265
County alarm fees.....	145,000	145,000	160,444	-	15,444
Investment income.....	3,000	3,000	4,895	-	1,895
Miscellaneous.....	5,100	5,100	27,920	-	22,820
TOTAL REVENUES.....	1,178,033	1,178,033	1,237,174	-	59,141
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	189,634	189,634	186,298	-	3,336
Parking clerk.....	78,057	79,245	79,662	-	(417)
Courthouse/Administrative building.....	192,982	192,982	141,411	17,775	33,796
Treasurer.....	258,270	257,082	252,255	-	4,827
Registry of deeds.....	359,020	361,235	357,607	-	3,628
Civil defense/emergency management.....	9,710	9,710	9,378	-	332
Health and human services.....	500	500	285	-	215
Retiree postemployment benefits.....	350,888	332,124	342,010	-	(9,886)
Veterans agent.....	61,131	61,131	60,523	-	608
Natural resources.....	8,500	8,500	5,260	-	3,240
Integrated pest management.....	-	164	164	-	-
Other expenditures.....	67,373	85,973	80,886	2,500	2,587
Refund to member communities.....	150,000	150,000	150,000	-	-
TOTAL EXPENDITURES.....	1,726,065	1,728,280	1,665,739	20,275	42,266
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..	(548,032)	(550,247)	(428,565)	(20,275)	101,407
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	126,756	126,756	116,919	-	(9,837)
Transfers in - cost allocations.....	106,000	106,000	117,671	-	11,671
Transfers in - deeds excise.....	178,193	180,408	268,052	-	87,644
Transfers out - capital projects.....	-	(150,000)	(150,000)	-	-
Unreserved fund balance.....	156,878	306,878	-	-	(306,878)
TOTAL OTHER FINANCING SOURCES (USES).....	567,827	570,042	352,642	-	(217,400)
NET CHANGE IN FUND BALANCE.....	19,795	19,795	(75,923)	(20,275)	(115,993)
BUDGETARY FUND BALANCE, Beginning of year.....	784,263	784,263	784,263	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 804,058	\$ 804,058	\$ 708,340	\$ (20,275)	\$ (115,993)

See notes to required supplementary information.



# **Retirement System Schedules of Funding Progress and Employer Contributions**

The Retirement System Schedule of Funding Progress presents multiyear trend information relating to the cost-sharing plan as a whole, of which the County is one participating employer, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the County is one participating employer, as well as the County's proportionate share of the plan's annual contributions.

**THE COUNTY OF DUKES COUNTY CONTRIBUTORY RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

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)
1/1/14	\$ 97,171,632	\$ 141,568,416	\$ 44,396,784	68.6%	\$ 34,859,969	127.4%
1/1/11	73,989,000	110,359,000	36,369,000	67.0%	29,118,000	125.0%
1/1/09	60,629,000	97,882,000	37,253,000	61.9%	30,407,000	123.0%
1/1/07	53,493,000	82,757,000	29,264,000	64.6%	26,286,000	111.3%
1/1/05	43,588,000	68,303,000	24,715,000	63.8%	22,710,000	108.8%
1/1/03	36,979,000	63,042,000	26,063,000	58.7%	20,191,000	129.1%
1/1/01	31,491,000	45,305,000	13,814,000	69.5%	18,409,000	75.0%
1/1/98	21,622,000	36,448,000	14,826,000	59.3%	14,311,000	103.6%

The County's share of the UAAL, as of January 1, 2014, is approximately 6%.

See notes to required supplementary information.

**THE COUNTY OF DUKES COUNTY CONTRIBUTORY RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	System Wide			County of Dukes County	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) County's Percentage of System Wide Actual Contributions
2014	\$ 5,351,220	\$ 5,351,220	100%	\$ 299,656	5.60%
2013	5,112,099	5,112,099	100%	286,286	5.60%
2012	4,575,700	4,575,700	100%	300,000	6.56%
2011	4,663,656	4,663,656	100%	286,000	6.13%
2010	4,398,687	4,398,687	100%	554,742	12.61%
2009	4,200,863	4,200,863	100%	529,891	12.61%
2008	3,612,812	3,612,812	100%	515,218	14.26%
2007	3,782,369	3,782,369	100%	515,242	13.62%
2006	3,372,865	3,372,865	100%	513,704	15.23%
2005	2,766,595	2,766,595	100%	480,833	17.38%

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

See notes to required supplementary information.

# Other Postemployment Benefit Plan Schedules

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

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
<i>Governmental activities:</i>						
7/1/2012	\$ -	\$ 2,800,668	\$ 2,800,668	0%	\$ 925,613	302.6%
7/1/2010	-	3,018,906	3,018,906	0%	898,981	335.8%
6/30/2009	-	2,189,079	2,189,079	0%	818,041	267.6%
<i>Business-type activities:</i>						
7/1/2012	\$ -	\$ 4,310,590	\$ 4,310,590	0%	\$ 1,029,961	418.5%
7/1/2010	-	3,907,747	3,907,747	0%	906,038	431.3%
6/30/2009	-	3,429,918	3,429,918	0%	1,281,733	267.6%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
<i>Governmental activities:</i>			
2014	\$ 155,425	\$ 97,270 *	63%
2013	150,200	82,326	55%
2012	237,663	126,050	53%
2011	228,161	116,689	51%
2010	131,974	68,525	52%
2009	591,891	213,822	36%
<i>Business-type activities:</i>			
2014	\$ 385,911	\$ 153,259	40%
2013	368,292	136,945	37%
2012	364,190	117,614	32%
2011	346,782	108,879	31%
2010	288,243	149,664	52%
2009	192,080	69,386	36%

\* - The County's general fund made an additional contribution of \$150,000 to the Dukes County Pooled Other Postemployment Benefits Trust Fund.

The County implemented GASB Statement No. 45 for the year ended June 30, 2009.  
Information for prior years is not available.

See notes to required supplementary information.

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

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Actuarial Methods:

Valuation date..... July 1, 2012  
 Actuarial cost method..... Projected Unit Credit  
 Amortization method..... Amortization payments increasing at 4.5%  
 Remaining amortization period..... 30 years as of July 1, 2012, open

Actuarial Assumptions:

Inflation rate..... 4.00%  
 Medical/drug cost trend rate..... 9% grading down to 5% over 7 years

Plan Membership:

	<u>County</u>	<u>MVY</u>
Current retirees, beneficiaries, and dependents.....	9	11
Current active members.....	<u>15</u>	<u>15</u>
Total.....	<u>24</u>	<u>26</u>

See notes to required supplementary information.

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

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

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

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

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

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

The County adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2014 approved budget for the general fund authorized approximately \$1.7 million, in appropriations. During 2014, the County approved supplemental appropriations totaling approximately \$152,000.

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

**2. Appropriation Deficits**

For the year ended June 30, 2014, actual expenditures exceeded appropriations for parking clerk and retiree postemployment benefits.

**NOTE B - PENSION PLAN**

The County contributes to the Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan (Plan) administered by the Dukes County Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute into the System at rates ranging from 5% to 11% of annual covered compensation. The County is required to pay into the System its share of the system-wide actuarially determined contribution that is apportioned among the employers based on active current payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic 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 liability for benefits. Additionally, the

schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the County is one participating employer, as well as the County's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the County.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

**Actuarial Methods and Assumptions:**

Valuation Date.....	January 1, 2014
Actuarial Cost Method.....	Individual Entry-Age Normal Cost Method
Amortization Method.....	Increasing dollar amount at 4.5%
Remaining Amortization Period.....	16 years
Asset Valuation Method.....	Market value of assets

**Actuarial Assumptions:**

Investment rate of return.....	7.75%
Projected salary increases.....	Based on Service, 6% graded down to 4.25% for Group 1 Based on Service, 7% graded down to 4.75% for Group 4
Cost of living adjustments.....	Retirement benefits were assumed to increase annually by 3%, up to a maximum of \$420.

**Plan Membership:**

Retired participants and beneficiaries receiving benefits paid by the county.....	238
Disabled participants.....	23
Inactive participants.....	126
Active participants.....	<u>629</u>
Total.....	<u><u>1,016</u></u>

**NOTE C - OTHER POSTEMPLOYMENT BENEFITS**

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

The County currently finances its other postemployment benefits on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the County has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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



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

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

# ***Combining Schedules***

# ***Airport Commission Combining Schedules***

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

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

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

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

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

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

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

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

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

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

JUNE 30, 2014

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
<b>ASSETS</b>									
<b>CURRENT:</b>									
Cash and cash equivalents.....	\$ 3,322,281	\$ 7,289	\$ (54,376)	\$ 249,982	\$ (325,211)	\$ 382,459	\$ -	\$ -	\$ 3,582,424
Receivables, net of allowance for uncollectibles:									
Intergovernmental.....	-	-	66,160	-	6,531	-	-	-	72,691
Departmental and other.....	24,817	29,656	-	-	-	-	-	-	54,473
Inventory.....	-	92,892	-	-	-	-	-	-	92,892
Total current assets.....	<u>3,347,098</u>	<u>129,837</u>	<u>11,784</u>	<u>249,982</u>	<u>(318,680)</u>	<u>382,459</u>	<u>-</u>	<u>-</u>	<u>3,802,480</u>
<b>NONCURRENT:</b>									
Capital assets, non depreciable.....	-	-	-	-	-	-	-	1,902,682	1,902,682
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	28,294,775	28,294,775
Total noncurrent assets.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,197,457</u>	<u>30,197,457</u>
<b>TOTAL ASSETS.....</b>	<u>3,347,098</u>	<u>129,837</u>	<u>11,784</u>	<u>249,982</u>	<u>(318,680)</u>	<u>382,459</u>	<u>-</u>	<u>30,197,457</u>	<u>33,999,937</u>
<b>LIABILITIES</b>									
<b>CURRENT:</b>									
Warrants payable.....	118,321	106,410	18,154	-	7,259	-	-	-	250,144
Accrued interest.....	-	-	-	-	-	-	8,308	-	8,308
Customer deposits payable.....	16,295	47,767	-	-	-	-	-	-	64,062
Other liabilities.....	6,656	-	-	-	-	-	-	-	6,656
Compensated absences.....	-	-	-	-	-	-	57,000	-	57,000
Bonds and notes payable.....	-	-	-	-	-	-	50,000	-	50,000
Total current liabilities.....	<u>141,272</u>	<u>154,177</u>	<u>18,154</u>	<u>-</u>	<u>7,259</u>	<u>-</u>	<u>115,308</u>	<u>-</u>	<u>436,170</u>
<b>NONCURRENT:</b>									
Compensated absences.....	-	-	-	-	-	-	44,000	-	44,000
Bonds and notes payable.....	-	-	-	-	-	-	50,000	-	50,000
Other postemployment benefits.....	-	-	-	-	-	-	1,320,673	-	1,320,673
Total noncurrent liabilities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,414,673</u>	<u>-</u>	<u>1,414,673</u>
<b>TOTAL LIABILITIES.....</b>	<u>141,272</u>	<u>154,177</u>	<u>18,154</u>	<u>-</u>	<u>7,259</u>	<u>-</u>	<u>1,529,981</u>	<u>-</u>	<u>1,850,843</u>
<b>NET POSITION</b>									
Net investment in capital assets.....	-	-	-	-	-	-	(100,000)	30,197,457	30,097,457
Unrestricted.....	<u>3,205,826</u>	<u>(24,340)</u>	<u>(6,370)</u>	<u>249,982</u>	<u>(325,939)</u>	<u>382,459</u>	<u>(1,429,981)</u>	<u>-</u>	<u>2,051,637</u>
<b>TOTAL NET POSITION.....</b>	<u>\$ 3,205,826</u>	<u>\$ (24,340)</u>	<u>\$ (6,370)</u>	<u>\$ 249,982</u>	<u>\$ (325,939)</u>	<u>\$ 382,459</u>	<u>\$ (1,529,981)</u>	<u>\$ 30,197,457</u>	<u>\$ 32,149,094</u>

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

YEAR ENDED JUNE 30, 2014

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
<b>OPERATING REVENUES:</b>									
Charges for services.....	\$ 1,359,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,359,810
Intergovernmental.....	-	-	85,910	-	-	-	-	-	85,910
Fuel.....	-	4,332,433	-	-	-	-	-	-	4,332,433
Business park.....	1,212,589	-	-	-	-	-	-	-	1,212,589
Water revenue.....	88,840	-	-	-	-	-	-	-	88,840
Wastewater revenue.....	88,551	-	-	-	-	-	-	-	88,551
<b>TOTAL OPERATING REVENUES .....</b>	<b>2,749,790</b>	<b>4,332,433</b>	<b>85,910</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,168,133</b>
<b>OPERATING EXPENSES:</b>									
Cost of services and administration.....	2,706,514	-	-	-	85,344	-	247,442	(76,243)	2,963,057
Fuel.....	-	3,146,760	-	-	-	-	-	-	3,146,760
Water facilities.....	174,539	-	-	-	-	-	-	-	174,539
Wastewater facilities.....	210,636	-	-	-	-	-	-	-	210,636
Transportation security.....	-	-	208,805	-	-	-	-	-	208,805
Depreciation.....	-	-	-	-	-	-	-	1,997,788	1,997,788
<b>TOTAL OPERATING EXPENSES .....</b>	<b>3,091,689</b>	<b>3,146,760</b>	<b>208,805</b>	<b>-</b>	<b>85,344</b>	<b>-</b>	<b>247,442</b>	<b>1,921,545</b>	<b>8,701,585</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(341,899)</b>	<b>1,185,673</b>	<b>(122,895)</b>	<b>-</b>	<b>(85,344)</b>	<b>-</b>	<b>(247,442)</b>	<b>(1,921,545)</b>	<b>(1,533,452)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment income.....	11,697	-	-	-	-	-	-	-	11,697
Intergovernmental.....	-	-	-	-	74,715	-	-	-	74,715
Interest expense.....	(6,563)	-	-	-	-	-	(4,710)	-	(11,273)
Debt service - principal.....	(50,000)	-	-	-	-	-	50,000	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(44,866)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,715</b>	<b>-</b>	<b>45,290</b>	<b>-</b>	<b>75,139</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(386,765)</b>	<b>1,185,673</b>	<b>(122,895)</b>	<b>-</b>	<b>(10,629)</b>	<b>-</b>	<b>(202,152)</b>	<b>(1,921,545)</b>	<b>(1,458,313)</b>
<b>TRANSFERS:</b>									
Transfers out - retirees' health insurance.....	(116,919)	-	-	-	-	-	-	-	(116,919)
Transfers out - cost allocations.....	(101,671)	-	-	-	-	-	-	-	(101,671)
Transfers in - other.....	1,347,041	-	122,895	-	-	-	-	-	1,469,936
Transfers out - other.....	(122,895)	(1,347,041)	-	-	-	-	-	-	(1,469,936)
<b>TOTAL TRANSFERS.....</b>	<b>1,005,556</b>	<b>(1,347,041)</b>	<b>122,895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(218,590)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>618,791</b>	<b>(161,368)</b>	<b>-</b>	<b>-</b>	<b>(10,629)</b>	<b>-</b>	<b>(202,152)</b>	<b>(1,921,545)</b>	<b>(1,676,903)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>2,587,035</b>	<b>137,028</b>	<b>(6,370)</b>	<b>249,982</b>	<b>(315,310)</b>	<b>382,459</b>	<b>(1,327,829)</b>	<b>32,119,002</b>	<b>33,825,997</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 3,205,826</b>	<b>\$ (24,340)</b>	<b>\$ (6,370)</b>	<b>\$ 249,982</b>	<b>\$ (325,939)</b>	<b>\$ 382,459</b>	<b>\$ (1,529,981)</b>	<b>\$ 30,197,457</b>	<b>\$ 32,149,094</b>