

COUNTY OF DUKES COUNTY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2015

COUNTY OF DUKES COUNTY, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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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, 2015, 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, 2015, 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 May 10, 2016, 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.



May 10, 2016

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, 2015. 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 \$29.8 million (net position).
- At the close of the current year, the government-wide unrestricted net position had a deficit balance of \$380,000.
- At the close of the current year, the County's general fund reported fund balance totaling \$737,000, an increase of \$28,000 in comparison with the prior year. Total fund balance represents 43% of total general fund expenditures.
- The County contributed an additional \$150,000 to the Dukes County Pooled Other Postemployment Benefits (OPEB) Trust Fund. The County's balance in the OPEB trust fund totaled \$312,000 at year-end.
- The County's total long-term debt decreased by \$50,000 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. 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, law enforcement, 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 statements 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 \$29.8 million at the close of 2015.

Net position totaling \$30.0 million 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 \$202,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$380,000. Unrestricted net position for governmental activities ended the year with a deficit balance of \$628,000, while the business-type activities ended the year with a positive balance of \$248,000.

At the end of the current year, the County is able to report positive balances in two of the three categories of net position.

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

Governmental Activities

The County's assets exceeded liabilities and deferred inflows of resources for governmental activities by \$798,000 at the close of 2015. The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statements #68 and #71. To reflect this change, the County has recorded a net pension liability and deferred inflows of resources, which resulted in the revision of the June 30, 2014, balance of the governmental activities by \$1,237,431. Governmental net position was also restated to reflect a prior year contribution of \$150,000 to the OPEB trust fund. Previously reported net position of \$1,733,861 has been revised/restated to \$646,430.

	2015	(As Revised) 2014
Assets:		
Current assets.....	\$ 1,463,485	\$ 1,518,291
Capital assets, non depreciable.....	584,954	584,954
Capital assets, net of accumulated depreciation.....	639,112	579,265
Total assets.....	2,687,551	2,682,510
Liabilities:		
Current liabilities (excluding debt).....	332,485	381,297
Noncurrent liabilities (excluding debt).....	1,545,659	1,654,783
Total liabilities.....	1,878,144	2,036,080
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	11,536	-
Net Position:		
Net investment in capital assets.....	1,224,066	1,164,219
Restricted.....	202,100	312,982
Unrestricted.....	(628,295)	(830,771)
Total net position.....	\$ 797,871	\$ 646,430

	2015	(As Revised) 2014
Program Revenues:		
Charges for services.....	\$ 1,043,856	\$ 1,052,688
Operating grants and contributions.....	562,222	719,014
Capital grants and contributions.....	41,742	51,751
General Revenues:		
Town assessments.....	700,690	767,984
County deeds excise tax.....	266,005	247,643
Nonrestricted grants and contributions.....	101,230	105,871
Unrestricted investment income.....	4,828	4,997
Other revenues.....	7,393	27,913
Total revenues.....	2,727,966	2,977,861
Expenses:		
County commissioners.....	203,487	184,298
Parking clerk.....	459,142	469,113
Courthouse/Administrative building.....	158,981	187,401
Treasurer.....	243,145	262,279
Registry of deeds.....	386,839	399,222
Civil defense/emergency management.....	19,734	23,675
Health and human services.....	748,324	686,534
Retiree postemployment benefits.....	222,476	404,458
Veterans agent.....	63,680	61,873
Recreation.....	18,378	80,103
Integrated pest management.....	-	164
Law enforcement.....	20,104	69,475
Fisherman association.....	-	6,000
Refund to member communities.....	150,000	150,000
Other expenditures.....	101,165	81,250
Total expenses.....	2,795,455	3,065,845
Increase (decrease) in net position before transfers.....	(67,489)	(87,984)
Transfers.....	218,930	218,590
Change in net position.....	151,441	130,606
Beginning net position (as revised/restated).....	646,430	515,824
Ending net position.....	\$ 797,871	\$ 646,430

The governmental expenses totaled \$2.8 million of which \$1.6 million was directly supported by program revenues consisting of charges for services and operating grants and contributions. General revenues totaled \$1.1 million, primarily coming from town assessments, county deeds excise taxes and state grants.

The governmental net position increased by \$151,000 during the current year. This was primarily due to the capitalization of \$100,000 of fixed assets that were primarily acquired with appropriated funds and operating surpluses in the general fund and parking clerk fund totaling \$28,000 and \$1,300, respectively.

Business-type Activities

The County's assets exceeded its liabilities for business-type activities by \$29.0 million at the close of 2015. The beginning net position of business-type activities has been revised to reflect the implementation of GASB Statements #68 and #71. To reflect this change, the County has recorded a net pension liability and deferred inflows of resources, which resulted in the revision of the June 30, 2014, balance of the business-type activities by \$1,676,540. Previously reported net position of \$32,149,094 has been revised to \$30,472,554.

	2015	(As Revised) 2014
Assets:		
Current assets.....	\$ 4,135,219	\$ 3,802,480
Capital assets, non depreciable.....	2,313,882	1,902,682
Capital assets, net of accumulated depreciation.....	26,531,013	28,294,775
Total assets.....	32,980,114	33,999,937
Liabilities:		
Current liabilities (excluding debt).....	615,805	386,170
Noncurrent liabilities (excluding debt).....	3,255,413	3,041,213
Current debt.....	50,000	50,000
Noncurrent debt.....	-	50,000
Total liabilities.....	3,921,218	3,527,383
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	15,627	-
Net Position:		
Net investment in capital assets.....	28,794,895	30,097,457
Unrestricted.....	248,374	375,097
Total net position.....	29,043,269	30,472,554
Program Revenues:		
Charges for services.....	7,033,006	7,093,920
Operating grants and contributions.....	87,790	85,910
Capital grants and contributions.....	380,717	74,715
Total revenues.....	7,501,513	7,254,545
Expenses:		
Airport.....	8,711,868	8,712,858
Increase (decrease) in net position before transfers.....	(1,210,355)	(1,458,313)
Transfers.....	(218,930)	(218,590)
Change in net position.....	(1,429,285)	(1,676,903)
Beginning net position (as revised).....	30,472,554	32,149,457
Ending net position.....	\$ 29,043,269	\$ 30,472,554

The business-type expenses totaled \$8.7 million of which \$7.5 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 \$1.4 million during the current year. This decrease was primarily due to the recognition of \$2.0 million of depreciation expense and a \$253,000 increase in the net OPEB obligation. These decreases were offset by a \$158,000 surplus in the Airport operating fund, \$381,000 in capital grants for airport construction and the capitalization of \$253,000 of fixed assets that were funded by current year Airport appropriations.

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 \$737,000 is for the general fund, a \$4,000 deficit is for the parking clerk fund, \$342,000 is for the other special revenue fund, and \$86,000 is for the County capital projects fund. Cumulatively there was a decrease totaling \$21,000 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 \$737,000. 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 increased by \$28,000, which is primarily due to better than anticipated budgetary results that were offset by the use of unreserved fund balance to fund refunds to member communities as well as supplemental appropriations.

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 \$4,000.

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 \$342,000 which is primarily due to timing differences between the receipt and expenditure of grant funds. \$134,000 relates to a State beach management grant, \$38,000 relates to the Registry of Deeds technology fund, \$23,000 relates to the medical reserve corps, \$59,000 relates to the Dukes County Health Council fund 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 \$86,000, a decrease of \$38,000 from the prior year.

General Fund Budgetary Highlights

The \$30,000 increase between the original budget and the final amended budget was due to supplemental appropriations that funded various County departments.

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, 2015, amounts to \$30.1 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 \$764,000 and consist of County buildings and improvements, land improvements, machinery and equipment and construction in progress.

Debt Administration. The airport enterprise fund has outstanding long-term debt totaling \$50,000 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, 2015

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 1,005,689	\$ 3,792,330	\$ 4,798,019
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	123,202	148,264	271,466
Departmental and other.....	258,052	181,175	439,227
Internal balances.....	76,542	(76,542)	-
Inventory.....	-	89,992	89,992
Total current assets.....	1,463,485	4,135,219	5,598,704
NONCURRENT:			
Capital assets, non depreciable.....	584,954	2,313,882	2,898,836
Capital assets, net of accumulated depreciation.....	639,112	26,531,013	27,170,125
Total noncurrent assets.....	1,224,066	28,844,895	30,068,961
TOTAL ASSETS.....	2,687,551	32,980,114	35,667,665
LIABILITIES			
CURRENT:			
Warrants payable.....	151,372	452,073	603,445
Accrued payroll.....	68	5,819	5,887
Accrued interest.....	-	7,105	7,105
Other liabilities.....	146,045	2,041	148,086
Customer deposits payable.....	5,000	47,767	52,767
Compensated absences.....	30,000	101,000	131,000
Bonds and notes payable.....	-	50,000	50,000
Total current liabilities.....	332,485	665,805	998,290
NONCURRENT:			
Compensated absences.....	21,000	11,000	32,000
Other postemployment benefits.....	291,561	1,573,741	1,865,302
Net pension liability.....	1,233,098	1,670,672	2,903,770
Total noncurrent liabilities.....	1,545,659	3,255,413	4,801,072
TOTAL LIABILITIES.....	1,878,144	3,921,218	5,799,362
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions.....	11,536	15,627	27,163
NET POSITION			
Net Investment in capital assets.....	1,224,066	28,794,895	30,018,961
Restricted for:			
Gifts and grants.....	202,100	-	202,100
Unrestricted.....	(628,295)	248,374	(379,921)
TOTAL NET POSITION.....	\$ 797,871	\$ 29,043,269	\$ 29,841,140

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

		Program Revenues				
			Charges for	Operating	Capital	
Functions/Programs	Expenses		Services	Grants and	Grants and	Net (Expense)
				Contributions	Contributions	Revenue
Primary Government:						
Governmental Activities:						
County commissioners.....	\$ 203,487	\$ -	\$ -	\$ -	\$ -	(203,487)
Parking clerk.....	459,142	454,826	-	-	-	(4,316)
Courthouse/Administrative building.....	158,981	139,686	-	41,742		22,447
Treasurer.....	243,145	148,162	-	-	-	(94,983)
Registry of deeds.....	386,839	192,966	51,762	-	-	(142,111)
Civil defense/emergency management.....	19,734	-	-	-	-	(19,734)
Health and human services.....	748,324	9,412	480,459	-	-	(258,453)
Retiree postemployment benefits.....	222,476	-	-	-	-	(222,476)
Veterans agent.....	63,680	-	-	-	-	(63,680)
Recreation.....	18,378	69,600	30,001	-	-	81,223
Law enforcement.....	20,104	29,204	-	-	-	9,100
Refund to member communities.....	150,000	-	-	-	-	(150,000)
Other expenditures.....	101,165	-	-	-	-	(101,165)
Total Governmental Activities.....	2,795,455	1,043,856	562,222	41,742		(1,147,635)
Business-Type Activities:						
Airport.....	8,711,868	7,033,006	87,790	380,717		(1,210,355)
Total Primary Government.....	\$ 11,507,323	\$ 8,076,862	\$ 650,012	\$ 422,459		(2,357,990)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (1,147,635)	\$ (1,210,355)	\$ (2,357,990)
<i>General revenues:</i>			
Town assessments.....	700,690	-	700,690
County deeds excise tax.....	266,005	-	266,005
Grants and contributions not restricted to specific programs.....	101,230	-	101,230
Unrestricted investment income.....	4,828	-	4,828
Miscellaneous.....	7,393	-	7,393
<i>Transfers, net</i>	218,930	(218,930)	-
Total general revenues and transfers.....	1,299,076	(218,930)	1,080,146
Change in net position.....	151,441	(1,429,285)	(1,277,844)
<i>Net Position:</i>			
Beginning of year, as revised/restated.....	646,430	30,472,554	31,118,984
End of year.....	\$ 797,871	\$ 29,043,269	\$ 29,841,140

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2015

	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 573,124	\$ 32,423	\$ 313,908	\$ 86,234	\$ 1,005,689
Receivables, net of uncollectibles:					
Intergovernmental.....	45,286	-	77,916	-	123,202
Departmental and other.....	246,333	-	11,719	-	258,052
Due from other funds.....	76,542	-	-	-	76,542
TOTAL ASSETS.....	\$ 941,285	\$ 32,423	\$ 403,543	\$ 86,234	\$ 1,463,485
LIABILITIES					
Warrants payable.....	\$ 58,662	\$ 36,130	\$ 56,580	\$ -	\$ 151,372
Accrued payroll.....	-	-	68	-	68
Liabilities due depositors.....	-	-	5,000	-	5,000
Other liabilities.....	146,045	-	-	-	146,045
TOTAL LIABILITIES.....	204,707	36,130	61,648	-	302,485
FUND BALANCES					
Restricted.....	287,406	-	347,895	-	635,301
Committed.....	-	-	-	86,234	86,234
Assigned.....	15,642	-	-	-	15,642
Unassigned.....	433,530	(3,707)	(6,000)	-	423,823
TOTAL FUND BALANCES.....	736,578	(3,707)	341,895	86,234	1,161,000
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 941,285	\$ 32,423	\$ 403,543	\$ 86,234	\$ 1,463,485

See notes to basic financial statements.

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

JUNE 30, 2015

Total governmental fund balances.....	\$ 1,161,000
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	1,224,066
Certain changes in the net pension liability are required to be included in pension expenses over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....	(11,536)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences.....	(51,000)
Net pension liability.....	(1,233,098)
Other postemployment benefits.....	<u>(291,561)</u>
Net effect of reporting long-term liabilities.....	<u>(1,575,659)</u>
Net position of governmental activities.....	\$ <u>797,871</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
REVENUES:					
Town assessments - County tax.....	\$ 491,739	\$ -	\$ -	\$ -	\$ 491,739
Town assessments - Health care access program.....	-	-	208,951	-	208,951
Federal grants and reimbursements.....	-	-	63,566	-	63,566
State grants.....	101,180	-	442,910	-	544,090
Property rental.....	139,686	-	-	-	139,686
Registry of deeds.....	192,966	-	317,767	-	510,733
Beach fees.....	69,600	-	-	-	69,600
Parking fees.....	82,933	371,893	-	-	454,826
County alarm fees.....	148,162	-	-	-	148,162
Community preservation - State contributions.....	-	-	-	41,542	41,542
Investment income.....	4,609	209	10	-	4,828
Miscellaneous.....	7,394	-	42,649	200	50,243
TOTAL REVENUES.....	1,238,269	372,102	1,075,853	41,742	2,727,966
EXPENDITURES:					
Current:					
County commissioners.....	191,602	-	-	-	191,602
Parking clerk.....	85,524	370,725	-	-	456,249
Courthouse/Administrative building.....	154,161	-	-	79,641	233,802
Treasurer.....	263,802	-	-	-	263,802
Registry of deeds.....	364,192	-	22,649	-	386,841
Civil defense/emergency management.....	9,737	-	9,997	-	19,734
Health and human services.....	214	-	746,505	-	746,719
Retiree postemployment benefits.....	316,267	-	-	-	316,267
Veterans agent.....	62,156	-	1,071	-	63,227
Recreation.....	5,669	-	12,709	-	18,378
Law enforcement.....	-	-	20,104	-	20,104
Refund to member communities.....	150,000	-	-	-	150,000
Other expenditures.....	100,642	-	523	-	101,165
TOTAL EXPENDITURES.....	1,703,966	370,725	813,558	79,641	2,967,890
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(465,697)	1,377	262,295	(37,899)	(239,924)
OTHER FINANCING SOURCES (USES):					
Transfers in - retirees' health insurance.....	115,737	-	-	-	115,737
Transfers in - cost allocations.....	113,193	-	-	-	113,193
Transfers out - cost allocations.....	-	-	(10,000)	-	(10,000)
Transfers in - deeds excise.....	265,005	-	-	-	265,005
Transfers out - deeds excise.....	-	-	(265,005)	-	(265,005)
TOTAL OTHER FINANCING SOURCES (USES).....	493,935	-	(275,005)	-	218,930
NET CHANGE IN FUND BALANCES.....	28,238	1,377	(12,710)	(37,899)	(20,994)
FUND BALANCES AT BEGINNING OF YEAR.....	708,340	(5,084)	354,605	124,133	1,181,994
FUND BALANCES AT END OF YEAR.....	\$ 736,578	\$ (3,707)	\$ 341,895	\$ 86,234	\$ 1,161,000

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, 2015

Net change in fund balances - total governmental funds.....	\$ (20,994)
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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.....	99,680
Depreciation expense.....	<u>(39,833)</u>

Net effect of reporting capital assets.....	59,847
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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 deferred outflow/(inflow) of resources related to pensions.....	(11,536)
Net change in compensated absences accrual.....	26,000
Net change in net pension liability.....	4,333
Net change in other postemployment benefits.....	<u>93,791</u>

Net effect of recording long-term liabilities.....	<u>112,588</u>
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Change in net position of governmental activities.....	\$ <u><u>151,441</u></u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-type Activities - Airport Enterprise Fund
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 3,792,330
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	148,264
Departmental and other.....	181,175
Inventory.....	89,992
	<hr/>
Total current assets.....	4,211,761
	<hr/>
NONCURRENT:	
Capital assets, non depreciable.....	2,313,882
Capital assets, net of accumulated depreciation.....	26,531,013
	<hr/>
Total noncurrent assets.....	28,844,895
	<hr/>
TOTAL ASSETS.....	33,056,656
	<hr/>
LIABILITIES	
CURRENT:	
Warrants payable.....	452,073
Accrued payroll.....	5,819
Due to other funds.....	76,542
Accrued interest.....	7,105
Customer deposits payable.....	47,767
Other liabilities.....	2,041
Compensated absences.....	101,000
Bonds and notes payable.....	50,000
	<hr/>
Total current liabilities.....	742,347
	<hr/>
NONCURRENT:	
Compensated absences.....	11,000
Other postemployment benefits.....	1,573,741
Net pension liability.....	1,670,672
	<hr/>
Total noncurrent liabilities.....	3,255,413
	<hr/>
TOTAL LIABILITIES.....	3,997,760
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources related to pensions.....	15,627
	<hr/>
NET POSITION	
Net investment in capital assets.....	28,794,895
Unrestricted.....	100,110
	<hr/>
TOTAL NET POSITION.....	\$ 29,043,269
	<hr/>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Airport Enterprise Fund
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 1,489,348
Intergovernmental.....	87,790
Fuel.....	4,099,570
Business park.....	1,235,737
Water revenue.....	105,376
Wastewater revenue.....	89,931
	<u>7,107,752</u>
TOTAL OPERATING REVENUES.....	<u>7,107,752</u>
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	3,386,788
Fuel.....	2,655,611
Water facilities.....	136,648
Wastewater facilities.....	271,578
Transportation security.....	241,305
Depreciation.....	2,017,178
	<u>8,709,108</u>
TOTAL OPERATING EXPENSES.....	<u>8,709,108</u>
OPERATING INCOME (LOSS).....	<u>(1,601,356)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	13,044
Intergovernmental.....	380,717
Interest expense.....	(2,760)
	<u>391,001</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>391,001</u>
INCOME (LOSS) BEFORE TRANSFERS.....	<u>(1,210,355)</u>
<u>TRANSFERS:</u>	
Transfers out - retirees' health insurance.....	(115,737)
Transfers out - cost allocations.....	(103,193)
	<u>(218,930)</u>
TOTAL TRANSFERS.....	<u>(218,930)</u>
CHANGE IN NET POSITION.....	(1,429,285)
NET POSITION AT BEGINNING OF YEAR, AS REVISED.....	<u>30,472,554</u>
NET POSITION AT END OF YEAR.....	<u>\$ 29,043,269</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Airport Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 6,876,965
Receipts from other governments.....	87,600
Payments to vendors.....	(5,158,043)
Payments to employees.....	<u>(1,154,717)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>651,805</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers out.....	(218,930)
Advances from other funds.....	<u>76,542</u>
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>(142,388)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Capital grants.....	305,334
Acquisition and construction of capital assets.....	(563,926)
Principal payments on bonds and notes.....	(50,000)
Interest expense.....	<u>(3,963)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(312,555)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	<u>13,044</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	209,906
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>3,582,424</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 3,792,330</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ (1,601,356)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	2,017,178
Deferred (inflow)/outflow of resources related to pensions.....	15,627
Changes in assets and liabilities:	
Departmental and other.....	(126,702)
Intergovernmental.....	(190)
Inventory.....	2,900
Warrants payable.....	101,239
Accrued payroll.....	5,819
Liabilities due depositors.....	(16,295)
Other liabilities.....	(4,615)
Accrued compensated absences.....	11,000
Other postemployment benefits.....	253,068
Net pension liability.....	<u>(5,868)</u>
Total adjustments.....	<u>2,253,161</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 651,805</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Other Postemployment Benefit Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents.....\$	-	\$ 106,901
Investments.....	311,666	-
	<u>311,666</u>	<u>-</u>
TOTAL ASSETS.....	311,666	106,901
	<u>311,666</u>	<u>106,901</u>
LIABILITIES		
Other liabilities.....	-	106,901
	<u>-</u>	<u>106,901</u>
NET POSITION		
Held in trust for other postemployment benefits.....\$	311,666	-
	<u><u>311,666</u></u>	<u><u>-</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2015

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer.....	\$ 150,000
Net investment income (loss):	
Net change in fair value of investments.....	2,073
Investment income.....	2,611
Total investment income (loss).....	4,684
Less: investment expense.....	(328)
Net investment income (loss).....	4,356
CHANGE IN NET ASSETS.....	154,356
NET POSITION AT BEGINNING OF YEAR, AS REVISED.....	157,310
NET POSITION AT END OF YEAR.....	\$ 311,666

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 2015 health insurance premiums totaled \$492,000 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, 02539.

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 types are reported:

The *other postemployment benefit (OPEB) trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

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 elements 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 has recorded deferred inflows of resources related to pensions 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 parking clerk fund, airport fuel fund, airport transportation security fund and airport capital projects fund include individual fund deficits at June 30, 2015. These deficits will be funded through available fund balance and grant proceeds during 2016.

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.

The County invests in the Dukes County Pooled OPEB Trust Fund (OPEB Trust) which is an investment pool established by Massachusetts Session Law, Chapter 149 of the acts of 2010, an act authorizing the government employers in the County of Dukes County to establish a pooled OBEB trust. The fair value of the position in the OPEB Trust is the same as the value of the trust 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 \$4,637,488 and the bank balance totaled \$4,893,239. Of the bank balance, \$441,884 was covered by FDIC and \$4,451,355 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, 2015, 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, 2015, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Money Market Mutual Funds.....	\$ 311,666
MMDT.....	<u>267,432</u>
Total Investments.....	<u>\$ 579,098</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 and money market mutual funds 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 60% 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, 2015, receivables for the individual major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 123,202	\$ -	\$ 123,202
Departmental and other.....	258,052	-	258,052
	<u>\$ 381,254</u>	<u>\$ -</u>	<u>\$ 381,254</u>

At June 30, 2015, receivables for the airport enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 148,264	\$ -	\$ 148,264
Departmental and other.....	181,175	-	181,175
Total.....	<u>\$ 329,439</u>	<u>\$ -</u>	<u>\$ 329,439</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 584,954	\$ -	\$ -	\$ 584,954
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	825,899	90,706	-	916,605
Machinery and equipment.....	362,181	8,974	(99,722)	271,433
Vehicles.....	54,679	-	(29,983)	24,696
Infrastructure.....	21,850	-	-	21,850
Total capital assets being depreciated.....	1,264,609	99,680	(129,705)	1,234,584
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(297,920)	(25,474)	-	(323,394)
Machinery and equipment.....	(321,933)	(13,494)	99,722	(235,705)
Vehicles.....	(54,679)	-	29,983	(24,696)
Infrastructure.....	(10,812)	(865)	-	(11,677)
Total accumulated depreciation.....	(685,344)	(39,833)	129,705	(595,472)
Total capital assets being depreciated, net.....	579,265	59,847	-	639,112
Total governmental activities capital assets, net.....	<u>\$ 1,164,219</u>	<u>\$ 59,847</u>	<u>\$ -</u>	<u>\$ 1,224,066</u>

Business-Type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress.....	491,795	411,200	-	902,995
Total capital assets not being depreciated.....	<u>1,902,682</u>	<u>411,200</u>	<u>-</u>	<u>2,313,882</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,244,603	123,284	(100,000)	4,267,887
Buildings and improvements.....	16,038,040	40,556	-	16,078,596
Machinery and equipment.....	5,152,998	89,576	(302,865)	4,939,709
Infrastructure.....	25,502,631	-	-	25,502,631
Total capital assets being depreciated.....	<u>50,938,272</u>	<u>253,416</u>	<u>(402,865)</u>	<u>50,788,823</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,296,955)	(224,209)	100,000	(3,421,164)
Buildings.....	(7,359,627)	(419,649)	-	(7,779,276)
Machinery and equipment.....	(3,432,622)	(295,886)	302,865	(3,425,643)
Infrastructure.....	(8,554,293)	(1,077,434)	-	(9,631,727)
Total accumulated depreciation.....	<u>(22,643,497)</u>	<u>(2,017,178)</u>	<u>402,865</u>	<u>(24,257,810)</u>
Total capital assets being depreciated, net.....	<u>28,294,775</u>	<u>(1,763,762)</u>	<u>-</u>	<u>26,531,013</u>
Total business-type activities capital assets, net.....	<u>\$ 30,197,457</u>	<u>\$ (1,352,562)</u>	<u>\$ -</u>	<u>\$ 28,844,895</u>

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

Governmental Activities:

County commissioners.....	\$ 10,811
Parking clerk.....	2,400
Treasurer.....	3,772
Registry of deeds.....	6,697
Health and human services.....	501
Courthouse.....	<u>15,652</u>
Total depreciation expense - governmental activities.....	<u>\$ 39,833</u>

Business-Type Activities:

Airport.....	<u>\$ 2,017,178</u>
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NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015, are summarized as follows:

<u>Transfers Out:</u>		<u>Transfers In:</u>	
		General Fund	
Deeds Excise.....	\$	265,005	(1)
Other Special Revenue.....		10,000	(2)
Airport Enterprise Fund.....		218,930	(3)
Totals.....	\$	<u>493,935</u>	

- (1) Represents the transfer of the County and Registry of Deeds share of deeds excise taxes.
 (2) Represents cost allocation transfers.
 (3) 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, 2015.

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, 2015, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Airport terminal.....	4.70% - 5.25%	\$ 100,000	\$ -	\$ 50,000	\$ 50,000

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

Year	Principal	Interest	Total
2016.....	\$ 50,000	\$ 1,325	\$ 51,325

Changes in Long-term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Compensated absences.....	\$ 77,000	\$ 19,000	\$ (45,000)	\$ 51,000	\$ 30,000
Other postemployment benefits.....	385,352	146,773	(240,564)	291,561	-
Net pension liability.....	1,237,430		(4,332)	1,233,098	-
Total governmental activities.....	\$ 1,699,782	\$ 165,773	\$ (289,896)	\$ 1,575,659	\$ 30,000
Business-type Activities:					
Long-term bonds and notes.....	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000	\$ 50,000
Compensated absences.....	101,000	68,000	(57,000)	112,000	101,000
Other postemployment benefits.....	1,320,673	397,361	(144,293)	1,573,741	-
Net pension liability.....	1,676,541	-	(5,869)	1,670,672	-
Total business-type activities.....	\$ 3,198,214	\$ 465,361	\$ (257,162)	\$ 3,406,413	\$ 151,000

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				
	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
Fund balances					
Restricted for:					
Registry of deeds.....	\$ 287,406	\$ -	\$ -	\$ -	\$ 287,406
Deeds excise tax.....	-	-	1,000	-	1,000
Civil defense/emergency management...	-	-	26,632	-	26,632
Health and human services.....	-	-	135,614	-	135,614
Veterans agent.....	-	-	7,008	-	7,008
Recreation.....	-	-	133,992	-	133,992
Other special revenues.....	-	-	43,649	-	43,649
Committed to:					
County capital projects.....	-	-	-	86,234	86,234
Assigned to:					
Courthouse/Administrative building.....	15,642	-	-	-	15,642
Unassigned.....	433,530	(3,707)	(6,000)	-	423,823
Total fund balances (deficit).....	\$ <u>736,578</u>	\$ <u>(3,707)</u>	\$ <u>341,895</u>	\$ <u>86,234</u>	\$ <u>1,161,000</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 pro rata 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 Descriptions*

The County is a member of the Dukes County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 15 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by contacting the System at 9 Airport Road, Suite 1, Vineyard Haven, Massachusetts, 02568.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There are no reported changes in pension benefits as of December 31, 2014.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The County's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2014 and totaled \$313,649 or 15.29% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2015, the County reported a liability of \$2,903,770 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2014, the County's proportion was 8.06%, which did not change from its proportion measured at December 31, 2013.

Pension Expense

For the year ended June 30, 2015, the County recognized pension expense of \$330,611. At June 30, 2015, the County reported deferred inflows of resources related to pensions of \$27,163, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2014.

The County's deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Share
2016.....\$	6,791
2017.....	6,791
2018.....	6,791
2019.....	6,790
Total.....\$	<u>27,163</u>

Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry age normal cost method.
Amortization method.....	UAAL: Increasing dollar amount at 4.5% to reduce the unfunded actuarial accrued liability to zero on or before June 30, 2030.
	2002 & 2003 ERI's: Increasing dollar amount at 4.5% to reduce the unfunded actuarial accrued liability attributable to the ERI's to zero on or before June 30, 2028.
Remaining amortization period.....	15 years for the UAAL as of December 31, 2014. 13 years for the 2002 and 2003 ERI's as of December 31, 2014.
Asset valuation method.....	The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: <ul style="list-style-type: none"> a) 80% of gains and losses of the prior year, b) 40% of gains and losses of the second prior year, c) 60% of gains and losses of the third prior year and d) 20% of gains and losses of the fourth prior year. <p>Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.</p>
Inflation rate.....	Not explicitly assumed.
Projected salary increases.....	6% - 4.25% for general employees and 7% - 4.75% for public safety, depending on years of service.
Cost-of-living allowances.....	Cost-of-living allowances are assumed to be 3% of the pension amount capped at \$420 per year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Mortality Table projected to 2020 with Scale AA.
Post-Retirement.....	The RP-2000 Mortality Table projected to 2015 with Scale AA. For disabled lives, set forward two years.
Investment rate of return/Discount rate.....	7.75%, net of pension plan investment expense, including inflation.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	40.00%	8.80%
International equity.....	15.00%	4.60%
Fixed income.....	25.00%	3.30%
Real estate.....	10.00%	6.70%
Timber.....	2.50%	5.30%
Alternatives - Private equity.....	5.00%	13.10%
Hedge funds.....	2.50%	3.20%
	<u>100.00%</u>	

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The County's proportionate share of the net pension liability..... \$	4,317,495 \$	2,903,770 \$	1,698,753

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The County of Dukes County administers a single-employer defined benefit plan (“the Retiree Health 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 County contributes to the Dukes County Pooled OPEB Trust Fund, a qualified OPEB trust fund established by special legislation (Chapter 149 of the Acts of 2010) passed on July 2, 2010 and a trust agreement that was signed on November 1, 2010. 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 2015, the County contributed \$384,857 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..... \$	141,913 \$	385,371 \$	527,284
Interest on net OPEB obligation.....	21,414	52,827	74,241
Adjustment to annual required contribution.....	(16,554)	(40,837)	(57,391)
Annual OPEB cost (expense).....	146,773	397,361	544,134
Contributions made.....	(240,564)	(144,293)	(384,857)
Increase in net OPEB obligation.....	(93,791)	253,068	159,277
Net OPEB obligation--beginning of year.....	385,352	1,320,673	1,706,025
Net OPEB obligation--end of year..... \$	291,561 \$	1,573,741 \$	1,865,302

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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>			
6/30/2015	\$ 146,773	164%	\$ 291,561
6/30/2014	159,718	155%	385,352
6/30/2013	153,844	54%	472,904
<i>Business-type activities:</i>			
6/30/2015	\$ 397,361	36%	\$ 1,573,741
6/30/2014	395,701	39%	1,320,673
6/30/2013	375,912	36%	1,078,231

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$7,632,224. The County funded \$157,310, which resulted in a funded ratio of 5.7%. The unfunded actuarial accrued liability for benefits totaled \$7,474,914 and the covered payroll totaled \$2,010,771. The unfunded actuarial accrued liability was 371.7% of covered payroll.

In 2015, the general fund of the County contributed an additional \$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, 2015 was \$311,666.

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 multi-year 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, 2014, 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 8.0% initially, graded to 5.0% over five 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, 2015, 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, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

NOTE 13 – COMMITMENTS

The Airport is in the process of completing a master plan update; which has been approved for 90% federal funding, 7.5% state funding and 2.5% local funding. The estimated cost to cost to complete the update is anticipated to be \$734,000 and \$582,000 has been expended as of June 30, 2015.

The Airport is in the process of completing a building design plan; which has been approved for 95% federal funding, 2.5% state funding and 2.5% local funding. The estimated cost to cost to complete the update is anticipated to be \$908,000 and \$335,000 has been expended as of June 30, 2015.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2016, which is the date the financial statements were available to be issued. The County issued long-term general obligation bonds dated March 15, 2016, totaling \$1.6 million. The bonds are authorized pursuant to Massachusetts General Laws, Chapter 287 of the Acts of 2014 and a vote of the County Commissioners adopted on June 11, 2015 for the purpose of purchasing the land and building located at Breakdown Lane, Tisbury, Massachusetts to provide health and human services for Dukes County residents.

NOTE 15 - REVISION/RESTATEMENT OF NET POSITION

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statements #68, and #71. To reflect this change, the County has recorded a net pension liability and deferred inflows of resources, which has resulted in the revision of the June 30, 2014, balance of the governmental and business-type activities by \$1,237,431 and \$1,676,540, respectively. Governmental net position was also restated to reflect a prior year contribution of \$150,000 to the OPEB trust fund.

NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncements were implemented:

- *GASB Statement #67, Financial Reporting for Pension Plans; GASB Statement #68, Accounting and Financial Reporting for Pensions; and GASB Statement #71 Pension Transition for Contributions Made Subsequent to the Measurement Date.* Financial statement changes include the recognition of a net

pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.

- GASB Statement #69, *Governmental Combinations and Disposals of Government Operations*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.
- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
REVENUES:					
Town assessments - County tax.....	\$ 491,739	\$ 491,739	\$ 491,739	\$ -	\$ -
State grants.....	105,000	105,000	101,180	-	(3,820)
Property rental.....	83,150	83,150	139,686	-	56,536
Registry of deeds.....	210,000	210,000	192,966	-	(17,034)
Natural resources.....	50,200	50,200	69,600	-	19,400
Parking fees.....	72,000	72,000	82,933	-	10,933
County alarm fees.....	145,000	145,000	148,162	-	3,162
Investment income.....	4,000	4,000	4,609	-	609
Miscellaneous.....	7,500	7,500	7,394	-	(106)
TOTAL REVENUES.....	1,168,589	1,168,589	1,238,269	-	69,680
EXPENDITURES:					
Current:					
County commissioners.....	194,416	195,416	191,602	-	3,814
Parking clerk.....	88,594	84,094	85,524	-	(1,430)
Courthouse/Administrative building.....	185,173	187,173	154,161	15,642	17,370
Treasurer.....	264,861	269,361	263,802	-	5,559
Civil defense/emergency management.....	9,890	9,890	9,737	-	153
Health and human services.....	1,214	1,214	214	-	1,000
Retiree postemployment benefits.....	340,196	338,696	316,267	-	22,429
Veterans agent.....	62,652	62,652	62,156	-	496
Natural resources.....	9,000	11,500	5,669	-	5,831
Other expenditures.....	78,530	104,865	100,642	-	4,223
Refund to member communities.....	150,000	150,000	150,000	-	-
TOTAL EXPENDITURES.....	1,384,526	1,414,861	1,339,774	15,642	59,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..	(215,937)	(246,272)	(101,505)	(15,642)	129,125
OTHER FINANCING SOURCES (USES):					
Transfers in - retirees' health insurance.....	127,686	127,686	124,295	-	(3,391)
Transfers in - cost allocations.....	116,000	116,000	118,193	-	2,193
Transfers in - deeds excise.....	120,000	120,000	158,602	-	38,602
Transfers out - registry maintenance of effort.....	(311,673)	(311,673)	(311,673)	-	-
Unreserved fund balance.....	150,000	180,335	-	-	(180,335)
TOTAL OTHER FINANCING SOURCES (USES).....	202,013	232,348	89,417	-	(142,931)
NET CHANGE IN FUND BALANCE.....	(13,924)	(13,924)	(12,088)	(15,642)	(13,806)
BUDGETARY FUND BALANCE, Beginning of year.....	461,260	461,260	461,260	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 447,336	\$ 447,336	\$ 449,172	\$ (15,642)	\$ (13,806)

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, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget
<u>EXPENDITURES:</u>				
Current:				
Registry of deeds.....	\$ 374,632	\$ 374,632	\$ 364,192	\$ 10,440
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out - retirees' health insurance.....	(8,562)	(8,562)	(8,558)	4
Transfers out - cost allocations.....	-	-	(5,000)	(5,000)
Transfers in - deeds excise.....	71,521	71,521	106,403	34,882
Transfers in - registry maintenance of effort.....	311,673	311,673	311,673	-
TOTAL OTHER FINANCING SOURCES (USES).....	374,632	374,632	404,518	29,886
NET CHANGE IN FUND BALANCE.....	-	-	40,326	40,326
BUDGETARY FUND BALANCE, Beginning of year.....	247,080	247,080	247,080	-
BUDGETARY FUND BALANCE, End of year.....	\$ 247,080	\$ 247,080	\$ 287,406	\$ 40,326

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, 2015

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
REVENUES:					
Town assessments - County tax.....	\$ 491,739	\$ 491,739	\$ 491,739	\$ -	-
State grants.....	105,000	105,000	101,180	-	(3,820)
Property rental.....	83,150	83,150	139,686	-	56,536
Registry of deeds.....	210,000	210,000	192,966	-	(17,034)
Natural resources.....	50,200	50,200	69,600	-	19,400
Parking fees.....	72,000	72,000	82,933	-	10,933
County alarm fees.....	145,000	145,000	148,162	-	3,162
Investment income.....	4,000	4,000	4,609	-	609
Miscellaneous.....	7,500	7,500	7,394	-	(106)
TOTAL REVENUES.....	1,168,589	1,168,589	1,238,269	-	69,680
EXPENDITURES:					
Current:					
County commissioners.....	194,416	195,416	191,602	-	3,814
Parking clerk.....	88,594	84,094	85,524	-	(1,430)
Courthouse/Administrative building.....	185,173	187,173	154,161	15,642	17,370
Treasurer.....	264,861	269,361	263,802	-	5,559
Registry of deeds.....	374,632	374,632	364,192	-	10,440
Civil defense/emergency management.....	9,890	9,890	9,737	-	153
Health and human services.....	1,214	1,214	214	-	1,000
Retiree postemployment benefits.....	340,196	338,696	316,267	-	22,429
Veterans agent.....	62,652	62,652	62,156	-	496
Natural resources.....	9,000	11,500	5,669	-	5,831
Other expenditures.....	78,530	104,865	100,642	-	4,223
Refund to member communities.....	150,000	150,000	150,000	-	-
TOTAL EXPENDITURES.....	1,759,158	1,789,493	1,703,966	15,642	69,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..	(590,569)	(620,904)	(465,697)	(15,642)	139,565
OTHER FINANCING SOURCES (USES):					
Transfers in - retirees' health insurance.....	119,124	119,124	115,737	-	(3,387)
Transfers in - cost allocations.....	116,000	116,000	113,193	-	(2,807)
Transfers in - deeds excise.....	191,521	191,521	265,005	-	73,484
Unreserved fund balance.....	150,000	180,335	-	-	(180,335)
TOTAL OTHER FINANCING SOURCES (USES).....	576,645	606,980	493,935	-	(113,045)
NET CHANGE IN FUND BALANCE.....	(13,924)	(13,924)	28,238	(15,642)	26,520
BUDGETARY FUND BALANCE, Beginning of year.....	708,340	708,340	708,340	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 694,416	\$ 694,416	\$ 736,578	\$ (15,642)	\$ 26,520

See notes to required supplementary information.

Pension Plan Schedules - County

The Schedule of the County's Proportionate Share of the Net Pension Liability presents multi-year trend information on the County's net pension liability and related ratios.

The Schedule of County's Contributions presents multi-year trend information on the County's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DUKES COUNTY RETIREMENT SYSTEM**

	December 31, 2014
County's proportion of the net pension liability (asset).....	8.056%
County's proportionate share of the net pension liability (asset)..... \$	2,903,770
County's covered employee payroll..... \$	2,051,764
Net pension liability as a percentage of covered-employee payroll.....	141.53%
Plan fiduciary net position as a percentage of the total pension liability.....	76.17%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

SCHEDULE OF COUNTY'S CONTRIBUTIONS
DUKES COUNTY RETIREMENT SYSTEM

	December 31, 2014
Actuarially determined contribution.....	\$ 313,649
Contributions in relation to the actuarially determined contribution.....	<u>313,649</u>
Contribution deficiency (excess).....	<u>\$ -</u>
Covered-employee payroll.....	\$ 2,051,764
Contributions as a percentage of covered- employee payroll.....	15.29%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

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

Schedule of Funding Progress

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>						
7/1/2014	\$ 157,310	\$ 2,758,431	\$ 2,601,121	5.7%	\$ 894,061	290.9%
7/1/2012	-	2,800,668	2,800,668	0.0%	925,613	302.6%
7/1/2010	-	3,018,906	3,018,906	0.0%	898,981	335.8%
<i>Business-type activities:</i>						
7/1/2014	\$ -	\$ 4,873,793	\$ 4,873,793	0.0%	\$ 1,116,710	436.4%
7/1/2012	-	4,310,590	4,310,590	0.0%	1,029,961	418.5%
7/1/2010	-	3,907,747	3,907,747	0.0%	906,038	431.3%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
<i>Governmental activities:</i>			
2015	\$ 141,913	\$ 240,564	170%
2014	155,425	247,270	159%
2013	150,200	82,326	55%
2012	237,663	126,050	53%
2011	228,161	116,689	51%
2010	131,974	68,525	52%
<i>Business-type activities:</i>			
2015	\$ 385,371	\$ 144,293	37%
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%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date..... July 1, 2014
 Actuarial cost method..... Projected Unit Credit
 Amortization method..... Amortization payments increasing at 4.5%
 Remaining amortization period..... 30 years as of July 1, 2014, an open basis

Actuarial Assumptions:

Dental cost trend rate..... 5%
 Medical/drug cost trend rate..... 8% grading down to 5% over 5 years

Plan Membership:

	<u>County</u>	<u>MVY</u>
Current retirees, beneficiaries, and dependents.....	12	11
Current active members.....	<u>14</u>	<u>16</u>
Total.....	<u>26</u>	<u>27</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 2015 approved budget for the general fund authorized approximately \$1.8 million, in appropriations. During 2015, the County approved supplemental appropriations totaling approximately \$30,000.

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, 2015, actual expenditures exceeded appropriations for parking clerk and retiree postemployment benefits.

NOTE B - PENSION PLAN***Pension Plan Schedules - County*****A. Schedule of the County's Proportionate Share of the Net Pension Liability**

The Schedule of the County's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of County's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The County may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the County based on covered payroll.

Changes in Assumptions – None.

Changes in Plan Provisions – None.

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

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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 by 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, 2015

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
ASSETS									
CURRENT:									
Cash and cash equivalents.....	\$ 3,603,276	\$ (70,779)	\$ (34,963)	\$ 249,982	\$ (337,645)	\$ 382,459	\$ -	\$ -	\$ 3,792,330
Receivables, net of allowance for uncollectibles:									
Intergovernmental.....	-	-	66,350	-	81,914	-	-	-	148,264
Departmental and other.....	106,637	74,538	-	-	-	-	-	-	181,175
Inventory.....	-	89,992	-	-	-	-	-	-	89,992
Total current assets.....	<u>3,709,913</u>	<u>93,751</u>	<u>31,387</u>	<u>249,982</u>	<u>(255,731)</u>	<u>382,459</u>	<u>-</u>	<u>-</u>	<u>4,211,761</u>
NONCURRENT:									
Capital assets, non depreciable.....	-	-	-	-	-	-	-	2,313,882	2,313,882
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	26,531,013	26,531,013
Total noncurrent assets.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,844,895</u>	<u>28,844,895</u>
TOTAL ASSETS.....	<u>3,709,913</u>	<u>93,751</u>	<u>31,387</u>	<u>249,982</u>	<u>(255,731)</u>	<u>382,459</u>	<u>-</u>	<u>28,844,895</u>	<u>33,056,656</u>
LIABILITIES									
CURRENT:									
Warrants payable.....	240,402	73,224	37,757	-	100,690	-	-	-	452,073
Accrued payroll.....	5,819	-	-	-	-	-	-	-	5,819
Due to other funds.....	76,542	-	-	-	-	-	-	-	76,542
Accrued interest.....	-	-	-	-	-	-	7,105	-	7,105
Customer deposits payable.....	-	47,767	-	-	-	-	-	-	47,767
Other liabilities.....	2,041	-	-	-	-	-	-	-	2,041
Compensated absences.....	-	-	-	-	-	-	101,000	-	101,000
Bonds and notes payable.....	-	-	-	-	-	-	50,000	-	50,000
Total current liabilities.....	<u>324,804</u>	<u>120,991</u>	<u>37,757</u>	<u>-</u>	<u>100,690</u>	<u>-</u>	<u>158,105</u>	<u>-</u>	<u>742,347</u>
NONCURRENT:									
Compensated absences.....	-	-	-	-	-	-	11,000	-	11,000
Other postemployment benefits.....	-	-	-	-	-	-	1,573,741	-	1,573,741
Net pension liability.....	-	-	-	-	-	-	1,670,672	-	1,670,672
Total noncurrent liabilities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,255,413</u>	<u>-</u>	<u>3,255,413</u>
TOTAL LIABILITIES.....	<u>324,804</u>	<u>120,991</u>	<u>37,757</u>	<u>-</u>	<u>100,690</u>	<u>-</u>	<u>3,413,518</u>	<u>-</u>	<u>3,997,760</u>
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows of resources related to pensions.....	-	-	-	-	-	-	15,627	-	15,627
NET POSITION									
Net investment in capital assets.....	-	-	-	-	-	-	(50,000)	28,844,895	28,794,895
Unrestricted.....	<u>3,385,109</u>	<u>(27,240)</u>	<u>(6,370)</u>	<u>249,982</u>	<u>(356,421)</u>	<u>382,459</u>	<u>(3,379,145)</u>	<u>-</u>	<u>248,374</u>
TOTAL NET POSITION.....	<u>\$ 3,385,109</u>	<u>\$ (27,240)</u>	<u>\$ (6,370)</u>	<u>\$ 249,982</u>	<u>\$ (356,421)</u>	<u>\$ 382,459</u>	<u>\$ (3,429,145)</u>	<u>\$ 28,844,895</u>	<u>\$ 29,043,269</u>

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

YEAR ENDED JUNE 30, 2015

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
OPERATING REVENUES:									
Charges for services.....	\$ 1,489,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,489,348
Intergovernmental.....	-	-	87,790	-	-	-	-	-	87,790
Fuel.....	-	4,099,570	-	-	-	-	-	-	4,099,570
Business park.....	1,235,737	-	-	-	-	-	-	-	1,235,737
Water revenue.....	105,376	-	-	-	-	-	-	-	105,376
Wastewater revenue.....	89,931	-	-	-	-	-	-	-	89,931
TOTAL OPERATING REVENUES.....	2,920,392	4,099,570	87,790	-	-	-	-	-	7,107,752
OPERATING EXPENSES:									
Cost of services and administration.....	3,366,378	-	-	-	411,199	-	273,827	(664,616)	3,386,788
Fuel.....	-	2,655,611	-	-	-	-	-	-	2,655,611
Water facilities.....	136,648	-	-	-	-	-	-	-	136,648
Wastewater facilities.....	271,578	-	-	-	-	-	-	-	271,578
Transportation security.....	-	-	241,305	-	-	-	-	-	241,305
Depreciation.....	-	-	-	-	-	-	-	2,017,178	2,017,178
TOTAL OPERATING EXPENSES.....	3,774,604	2,655,611	241,305	-	411,199	-	273,827	1,352,562	8,709,108
OPERATING INCOME (LOSS).....	(854,212)	1,443,959	(153,515)	-	(411,199)	-	(273,827)	(1,352,562)	(1,601,356)
NONOPERATING REVENUES (EXPENSES):									
Investment income.....	13,044	-	-	-	-	-	-	-	13,044
Intergovernmental.....	-	-	-	-	380,717	-	-	-	380,717
Interest expense.....	(53,963)	-	-	-	-	-	51,203	-	(2,760)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(40,919)	-	-	-	380,717	-	51,203	-	391,001
INCOME (LOSS) BEFORE TRANSFERS.....	(895,131)	1,443,959	(153,515)	-	(30,482)	-	(222,624)	(1,352,562)	(1,210,355)
TRANSFERS:									
Transfers out - retirees' health insurance.....	(115,737)	-	-	-	-	-	-	-	(115,737)
Transfers out - cost allocations.....	(103,193)	-	-	-	-	-	-	-	(103,193)
Transfers in - other.....	1,446,859	-	153,515	-	-	-	-	-	1,600,374
Transfers out - other.....	(153,515)	(1,446,859)	-	-	-	-	-	-	(1,600,374)
TOTAL TRANSFERS.....	1,074,414	(1,446,859)	153,515	-	-	-	-	-	(218,930)
CHANGE IN NET POSITION.....	179,283	(2,900)	-	-	(30,482)	-	(222,624)	(1,352,562)	(1,429,285)
NET POSITION AT BEGINNING OF YEAR, AS REVISED.....	3,205,826	(24,340)	(6,370)	249,982	(325,939)	382,459	(3,206,521)	30,197,457	30,472,554
NET POSITION AT END OF YEAR.....	\$ 3,385,109	\$ (27,240)	\$ (6,370)	\$ 249,982	\$ (356,421)	\$ 382,459	\$ (3,429,145)	\$ 28,844,895	\$ 29,043,269