

COUNTY OF DUKES COUNTY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2020

COUNTY OF DUKES COUNTY, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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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, 2020, 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, 2020, 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.

Supplementary 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 and the schedule of revenues and expenditures of the passenger facility charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, 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.

Such supplementary information is the responsibility of management and was derived from and relates 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 7, 2021, 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 7, 2021

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, 2020. 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 and deferred outflows of resources of the County of Dukes County exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$40.2 million (net position).
- At the close of the current year, the government-wide unrestricted net position had a deficit balance of \$5.5 million, which was primarily due to the net pension and net other postemployment benefit (OPEB) liabilities.
- At the close of the current year, the County's general fund reported fund balance totaling \$817,000, a decrease of \$44,000 in comparison with the prior year. Total fund balance represents 45% of total general fund expenditures.
- The County contributed an additional \$99,000 to the Dukes County Pooled Other Postemployment Benefits Trust Fund. The County's balance in the OPEB trust fund totaled \$1.2 million at year-end.
- The County and the Airport incurred \$6,000 and \$1.0 million, respectively of reimbursable costs related to the COVID-19 Pandemic, which were funded by grants from the State and Federal governments (See Note 14).

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/senior services buildings, treasurer, registry of deeds, civil defense/emergency management, health and human services, retiree postemployment benefits, veteran's agent, recreation, COVID-19, senior services, interest, 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 and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$40.2 million at the close of 2020.

Net position totaling \$45.3 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 \$444,000 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 \$5.5 million. 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$288,000 at the close of 2020.

	2020	2019
Assets:		
Current assets.....	\$ 2,258,005	\$ 2,329,212
Capital assets, non depreciable.....	1,034,954	1,034,954
Capital assets, net of accumulated depreciation....	1,558,496	1,554,301
Total assets.....	4,851,455	4,918,467
Deferred outflows of resources.....	1,842,721	1,404,287
Liabilities:		
Current liabilities (excluding debt).....	580,926	514,721
Noncurrent liabilities (excluding debt).....	4,433,448	5,028,941
Current debt.....	160,000	160,000
Noncurrent debt.....	800,000	960,000
Total liabilities.....	5,974,374	6,663,662
Deferred inflows of resources.....	431,337	131,592
Net position:		
Net investment in capital assets.....	1,633,450	1,469,255
Restricted.....	443,890	482,781
Unrestricted.....	(1,788,875)	(2,424,536)
Total net position.....	\$ 288,465	\$ (472,500)

	2020	2019
Program Revenues:		
Charges for services.....	\$ 1,022,685	\$ 991,148
Operating grants and contributions.....	1,784,103	1,898,183
Capital grants and contributions.....	80,711	127,367
General Revenues:		
Town assessments.....	793,631	686,141
County deeds excise tax.....	373,689	337,599
Nonrestricted grants and contributions.....	97,318	109,027
Unrestricted investment income.....	6,027	6,049
Other revenues.....	57,367	43,642
Total revenues.....	4,215,531	4,199,156
Expenses:		
County commissioners.....	246,780	298,911
Parking clerk.....	418,033	348,268
Courthouse/Administrative/Senior services building	187,147	364,054
Treasurer.....	254,653	254,878
Registry of deeds.....	440,786	478,375
Civil defense/emergency management.....	24,288	17,926
Health and human services.....	817,990	840,325
Retiree postemployment benefits.....	(288,403)	1,100,335
Veterans agent.....	66,135	78,242
Recreation.....	99,137	92,036
COVID-19.....	6,052	-
Senior services.....	983,612	708,272
Interest.....	28,200	33,000
Other expenditures.....	150,241	65,723
Total expenses.....	3,434,651	4,680,345
Excess (Deficiency) before transfers.....	780,880	(481,189)
Transfers.....	214,758	219,529
Change in net position.....	995,638	(261,660)
Refund to member communities.....	(234,673)	(125,000)
Net position, beginning of year.....	(472,500)	(85,840)
Net position, end of year.....	\$ 288,465	\$ (472,500)

The governmental expenses totaled \$3.4 million of which \$2.9 million (84%) was directly supported by program revenues consisting of charges for services, operating grants and contributions and capital grants and contributions. General revenues totaled \$1.3 million, primarily coming from town assessments, county deeds excise taxes and state grants.

The governmental net position increased by \$761,000 during the current year. This was primarily due to a \$570,000 increase from the change in the net OPEB liability and related deferred outflows of resources (which is reflected in the retiree postemployment benefits line), a \$156,000 increase from the change in the net pension liability and related deferred outflows/inflows of resources, the receipt of capital grants and contributions totaling \$81,000, and member communities being assessed for \$160,000 of debt principal payments and not being assessed for \$82,000 of depreciation expense. These increases were offset by a \$143,000 decrease from the net change in fund balances on the governmental funds financial statements, which is inclusive of a \$235,000 refund to member communities.

Business-type Activities

The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources for business-type activities by \$40.0 million at the close of 2020.

	2020	2019
Assets:		
Current assets.....	\$ 5,039,201	\$ 9,323,680
Capital assets, non depreciable.....	12,424,282	12,295,112
Capital assets, net of accumulated depreciation....	32,661,345	33,530,034
Total assets.....	50,124,828	55,148,826
Deferred outflows of resources.....	2,452,936	1,952,971
Liabilities:		
Current liabilities (excluding debt).....	1,211,848	3,640,020
Noncurrent liabilities (excluding debt).....	7,648,825	6,778,473
Current debt.....	3,065,791	6,260,000
Total liabilities.....	11,926,464	16,678,493
Deferred inflows of resources.....	693,057	187,652
Net position:		
Net investment in capital assets.....	43,681,584	44,844,614
Unrestricted.....	(3,723,341)	(4,608,962)
Total net position.....	\$ 39,958,243	\$ 40,235,652
Program Revenues:		
Charges for services.....	\$ 7,893,852	\$ 7,731,001
Operating grants and contributions.....	1,121,446	76,905
Capital grants and contributions.....	1,267,494	10,445,388
Total revenues.....	10,282,792	18,253,294
Expenses:		
Airport.....	10,345,443	9,839,390
Excess (Deficiency) before transfers.....	(62,651)	8,413,904
Transfers.....	(214,758)	(219,529)
Change in net position.....	(277,409)	8,194,375
Net position, beginning of year.....	40,235,652	32,041,277
Net position, end of year.....	\$ 39,958,243	\$ 40,235,652

The business-type expenses totaled \$10.3 million of which \$10.3 million (99%) was directly supported by program revenues consisting of charges for services, operating grants and contributions, and capital grants and contributions.

The business-type net position decreased by \$277,000 during the current year. This decrease was primarily due to a \$910,000 decrease from the change in the net OPEB liability and related deferred outflows of resources, and the recognition of \$2.3 million of depreciation expense. These decreases were offset by the recognition of \$1.3 million of capital grants, and a \$1.8 million increase in the operating fund. The increase in the operating fund is primarily due to \$949,000 of salaries that were funded by a COVID-19 grant and an \$841,000 reduction in operating expenses.

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 \$1.7 million, of which \$817,000 is for the general fund, \$27,000 is for the parking clerk fund, \$167,000 is for the senior services fund, \$321,000 is for the County capital projects fund, and \$367,000 is for the other special revenue fund. Cumulatively there was a decrease of \$143,000 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 \$817,000. 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 45% of total general fund expenditures.

The County's general fund decreased by \$44,000, which is primarily due to unexpended appropriations, and better than expected deeds excise taxes that were offset by \$235,000 of refunds to member communities and the use of unreserved fund balance to fund 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 balance increased by \$12,000 from the prior year.

The senior services fund is used to account for financial resources to be used for the center for living and other services for senior citizens. The fund balance decreased by \$77,000 from the prior year.

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. The fund balance increased by \$2,000, which was mainly due to state reimbursements for courthouse capital improvements.

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 \$367,000 which is primarily due to timing differences between the receipt and expenditure of grant funds. \$102,000 relates to state beach management grants, \$95,000 relates to Vineyard healthcare assess grants, \$55,000 relates to the Registry of Deeds technology fund and the remaining \$115,000 balance relates to various other programs.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs incurred between March 1, 2020, and December 31, 2021, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. In 2020, the County incurred approximately \$6,000 of reimbursable COVID related expenditures. The County plans to submit reimbursement requests to the Federal Emergency Management Agency (FEMA), apply for funding from the CARES Act, and use other local grant receipts to cover these costs (See Note 14 for further information).

The CARES Act also provides federal funding to assist airports in paying costs incurred between January 20, 2020, and May 11, 2024, to help offset a decline in revenues arising from the diminished airport operations as a result of the COVID-19 pandemic. CARES Act Airport Grants are derived by legislative formula. The purpose of the grant is to maintain safe and efficient airport operations. Funds provided under this grant must only be used for purposes directly related to the airport. Such purposes can include reimbursement of an airport's operational and maintenance expenses or debt service payments. CARES Act Airport Grants may be used to reimburse airport operational and maintenance expenses directly related to Martha's Vineyard Airport incurred no earlier than January 20, 2020. In 2020, the Airport incurred \$1.0 million of expenses that were submitted for reimbursement to the Federal Aviation Administration (See Note 14 for further information).

General Fund Budgetary Highlights

The original 2020 approved budget for the general fund authorized \$2.0 million in appropriations. During 2020, the County approved supplemental appropriations totaling \$278,000 for refunds to member communities and for various other County purposes.

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, 2020, amounts to \$47.7 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 governmental and business-type investments in capital assets for the current year are \$86,000 and \$1.5 million, respectively and consist of \$144,000 in land improvements, \$487,000 in infrastructure, \$746,000 in machinery and equipment, and \$112,000 in buildings and improvements.

Debt Administration. The governmental activities have outstanding long-term debt totaling \$960,000. The Airport enterprise fund has outstanding short-term debt totaling \$3.1 million to temporarily finance runway construction costs, snow removal equipment, and a fire truck.

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, 2020

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 1,371,294	\$ 3,975,179	\$ 5,346,473
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	436,748	120,580	557,328
Intergovernmental.....	235,206	960,411	1,195,617
Internal balances.....	214,757	(214,757)	-
Inventory.....	-	197,788	197,788
Total current assets.....	2,258,005	5,039,201	7,297,206
NONCURRENT:			
Capital assets, nondepreciable.....	1,034,954	12,424,282	13,459,236
Capital assets, net of accumulated depreciation.....	1,558,496	32,661,345	34,219,841
Total noncurrent assets.....	2,593,450	45,085,627	47,679,077
TOTAL ASSETS.....	4,851,455	50,124,828	54,976,283
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	171,192	275,065	446,257
Deferred outflows related to other postemployment benefits.....	1,671,529	2,177,871	3,849,400
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	1,842,721	2,452,936	4,295,657
LIABILITIES			
CURRENT:			
Warrants payable.....	267,020	1,014,856	1,281,876
Accrued payroll.....	47,699	98,606	146,305
Accrued interest.....	7,233	-	7,233
Customer deposits payable.....	5,000	60,000	65,000
Other liabilities.....	237,974	1,386	239,360
Compensated absences.....	16,000	37,000	53,000
Notes payable.....	-	3,065,791	3,065,791
Bonds payable.....	160,000	-	160,000
Total current liabilities.....	740,926	4,277,639	5,018,565
NONCURRENT:			
Compensated absences.....	49,000	108,000	157,000
Net pension liability.....	766,558	1,231,679	1,998,237
Net other postemployment benefits liability.....	3,617,890	6,309,146	9,927,036
Bonds payable.....	800,000	-	800,000
Total noncurrent liabilities.....	5,233,448	7,648,825	12,882,273
TOTAL LIABILITIES.....	5,974,374	11,926,464	17,900,838
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	431,337	693,057	1,124,394
NET POSITION			
Net investment in capital assets.....	1,633,450	43,681,584	45,315,034
Restricted for:			
Economic development.....	87,743	-	87,743
Gifts and grants.....	356,147	-	356,147
Unrestricted.....	(1,788,875)	(3,723,341)	(5,512,216)
TOTAL NET POSITION.....	\$ 288,465	\$ 39,958,243	\$ 40,246,708

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
County commissioners.....	\$ 246,780	\$ -	\$ -	\$ -	\$ (246,780)	
Parking clerk.....	418,033	443,924	-	-	25,891	
Courthouse/Administrative/Senior services buildings...	187,147	188,166	-	80,711	81,730	
Treasurer.....	254,653	-	-	-	(254,653)	
Registry of deeds.....	440,786	212,009	60,819	-	(167,958)	
Civil defense/emergency management.....	24,288	7,352	6,097	-	(10,839)	
Health and human services.....	817,990	3,000	842,930	-	27,940	
Retiree postemployment benefits.....	(288,403)	-	-	-	288,403	
Veterans agent.....	66,135	-	-	-	(66,135)	
Recreation.....	99,137	65,196	88,333	-	54,392	
COVID-19.....	6,052	-	6,052	-	-	
Senior services.....	983,612	103,038	779,872	-	(100,702)	
Interest.....	28,200	-	-	-	(28,200)	
Other expenditures.....	150,241	-	-	-	(150,241)	
Total Governmental Activities.....	3,434,651	1,022,685	1,784,103	80,711	(547,152)	
<i>Business-Type Activities:</i>						
Airport.....	10,345,443	7,893,852	1,121,446	1,267,494	(62,651)	
Total Primary Government.....	\$ 13,780,094	\$ 8,916,537	\$ 2,905,549	\$ 1,348,205	\$ (609,803)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (547,152)	\$ (62,651)	\$ (609,803)
<i>General revenues:</i>			
Town assessments.....	793,631	-	793,631
County deeds excise tax.....	373,689	-	373,689
Grants and contributions not restricted to specific programs.....	97,318	-	97,318
Unrestricted investment income.....	6,027	-	6,027
Miscellaneous.....	57,367	-	57,367
<i>Transfers, net</i>	214,758	(214,758)	-
Total general revenues and transfers.....	1,542,790	(214,758)	1,328,032
Change in net position.....	995,638	(277,409)	718,229
Refund to member communities.....	(234,673)	-	(234,673)
<i>Net position:</i>			
Beginning of year.....	(472,500)	40,235,652	39,763,152
End of year.....	\$ 288,465	\$ 39,958,243	\$ 40,246,708

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

	General	Parking Clerk	Senior Services	County Capital Projects	Other Special Revenue	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 716,044	\$ 40,842	\$ 116,292	\$ 321,121	\$ 176,995	\$ 1,371,294
Receivables, net of uncollectibles:						
Departmental and other.....	155,378	4,090	160,008	-	117,272	436,748
Intergovernmental.....	70,776	-	-	-	164,430	235,206
Due from other funds.....	214,757	-	-	-	-	214,757
TOTAL ASSETS.....	\$ 1,156,955	\$ 44,932	\$ 276,300	\$ 321,121	\$ 458,697	\$ 2,258,005
LIABILITIES						
Warrants payable.....	\$ 68,873	\$ 15,935	\$ 108,998	\$ -	\$ 73,214	\$ 267,020
Accrued payroll.....	32,785	1,842	-	-	13,072	47,699
Customer deposits payable.....	-	-	-	-	5,000	5,000
Other liabilities.....	237,974	-	-	-	-	237,974
TOTAL LIABILITIES.....	339,632	17,777	108,998	-	91,286	557,693
FUND BALANCES						
Restricted.....	650,169	27,155	167,302	321,121	390,711	1,556,458
Unassigned.....	167,154	-	-	-	(23,300)	143,854
TOTAL FUND BALANCES.....	817,323	27,155	167,302	321,121	367,411	1,700,312
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 1,156,955	\$ 44,932	\$ 276,300	\$ 321,121	\$ 458,697	\$ 2,258,005

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....	\$ 1,700,312
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	2,593,450
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	1,411,384
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(7,233)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(960,000)
Net pension liability.....	(766,558)
Net other postemployment benefits liability.....	(3,617,890)
Compensated absences.....	(65,000)
Net effect of reporting long-term liabilities.....	<u>(5,409,448)</u>
Net position of governmental activities.....	\$ <u>288,465</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	Parking Clerk	Senior Services	County Capital Projects	Other Special Revenue	Total Governmental Funds
REVENUES:						
Town assessments - County tax.....	\$ 504,031	\$ -	\$ -	\$ -	\$ -	\$ 504,031
Town assessments - debt service.....	289,600	-	-	-	-	289,600
Town assessments - senior services.....	-	-	675,830	-	-	675,830
Town assessments - health and human services.....	-	-	-	-	421,465	421,465
Town assessments - substance use disorder prevention.....	-	-	-	-	31,500	31,500
State grants.....	-	-	104,022	80,711	479,347	664,080
Cape and island license plates.....	97,318	-	-	-	-	97,318
Property rental.....	206,666	-	-	-	-	206,666
Registry of deeds.....	193,509	-	-	-	434,508	628,017
Dog license revenue.....	-	-	-	-	741	741
Natural resources.....	65,196	-	-	-	-	65,196
Parking fines.....	5,337	438,587	-	-	-	443,924
Senior services.....	-	-	103,058	-	-	103,058
Intergovernmental - COVID-19 relief.....	-	-	-	-	6,052	6,052
Investment income.....	5,821	206	-	-	-	6,027
Miscellaneous.....	48,758	-	-	-	23,268	72,026
TOTAL REVENUES.....	1,416,236	438,793	882,910	80,711	1,396,881	4,215,531
EXPENDITURES:						
Current:						
County commissioners.....	254,615	-	-	-	-	254,615
Parking clerk.....	-	427,084	-	-	-	427,084
Courthouse/Administrative/Senior services buildings.....	208,084	-	-	-	-	208,084
Treasurer.....	278,519	-	-	-	-	278,519
Registry of deeds.....	432,609	-	-	-	69,704	502,313
Civil defense/emergency management.....	11,805	-	-	-	12,483	24,288
Health and human services.....	696	-	-	-	844,018	844,714
Retiree postemployment benefits.....	281,545	-	-	-	-	281,545
Veterans agent.....	79,363	-	-	-	2,768	82,131
Natural resources.....	7,313	-	-	-	90,259	97,572
Senior services.....	-	-	959,414	-	-	959,414
COVID-19.....	-	-	-	-	6,052	6,052
Other.....	70,272	-	-	79,003	33,222	182,497
Debt service:						
Principal.....	160,000	-	-	-	-	160,000
Interest.....	29,600	-	-	-	-	29,600
TOTAL EXPENDITURES.....	1,814,421	427,084	959,414	79,003	1,058,506	4,338,428
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(398,185)	11,709	(76,504)	1,708	338,375	(122,897)
OTHER FINANCING SOURCES (USES):						
Transfers in - retirees' health insurance.....	89,758	-	-	-	-	89,758
Transfers in - cost allocations.....	125,000	-	-	-	-	125,000
Transfers in - deeds excise.....	373,688	-	-	-	-	373,688
Transfers out - deeds excise.....	-	-	-	-	(373,688)	(373,688)
TOTAL OTHER FINANCING SOURCES (USES).....	588,446	-	-	-	(373,688)	214,758
NET CHANGE IN FUND BALANCES.....	190,261	11,709	(76,504)	1,708	(35,313)	91,861
REFUND TO MEMBER COMMUNITIES.....	(234,673)	-	-	-	-	(234,673)
FUND BALANCES AT BEGINNING OF YEAR.....	861,735	15,446	243,806	319,413	402,724	1,843,124
FUND BALANCES AT END OF YEAR.....	\$ 817,323	\$ 27,155	\$ 167,302	\$ 321,121	\$ 367,411	\$ 1,700,312

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, 2020

Net change in fund balances - total governmental funds.....	\$	(142,812)
<p>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.</p>		
Capital outlay.....	86,476	
Depreciation expense.....	<u>(82,281)</u>	
Net effect of reporting capital assets.....		4,195
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		160,000
<p>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.</p>		
Net change in compensated absences accrual.....	12,000	
Net change in accrued interest on long-term debt.....	1,400	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(519,151)	
Net change in net pension liability.....	675,385	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits....	657,840	
Net change in net other postemployment benefits liability.....	<u>(87,892)</u>	
Net effect of recording long-term liabilities.....		<u>739,582</u>
Change in net position of governmental activities.....	\$	<u><u>760,965</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-type Activities - Airport Enterprise Fund
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 3,975,179
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	120,580
Intergovernmental.....	960,411
Inventory.....	197,788
Total current assets.....	5,253,958
NONCURRENT:	
Capital assets, non depreciable.....	12,424,282
Capital assets, net of accumulated depreciation.....	32,661,345
Total noncurrent assets.....	45,085,627
TOTAL ASSETS.....	50,339,585
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions.....	275,065
Deferred outflows related to other postemployment benefits.....	2,177,871
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	2,452,936
LIABILITIES	
CURRENT:	
Warrants payable.....	1,014,856
Accrued payroll.....	98,606
Due to other funds.....	214,757
Customer deposits payable.....	60,000
Other liabilities.....	1,386
Compensated absences.....	37,000
Notes payable.....	3,065,791
Total current liabilities.....	4,492,396
NONCURRENT:	
Compensated absences.....	108,000
Net pension liability.....	1,231,679
Net other postemployment benefits liability.....	6,309,146
Total noncurrent liabilities.....	7,648,825
TOTAL LIABILITIES.....	12,141,221
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions.....	693,057
NET POSITION	
Net investment in capital assets.....	43,681,584
Unrestricted.....	(3,723,341)
TOTAL NET POSITION.....	\$ 39,958,243

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

	Business-type Activities - Airport Enterprise Fund
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 1,712,203
Intergovernmental.....	67,780
Fuel.....	3,811,480
Business park.....	1,958,847
Water revenue.....	319,477
Wastewater revenue.....	91,689
Intergovernmental - COVID-19 relief.....	1,037,580
Other operating revenues.....	1,425
TOTAL OPERATING REVENUES	9,000,481
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	3,249,595
Cost of services and administration - COVID-19.....	89,041
Salaries and wages.....	773,994
Salaries and wages - COVID-19.....	948,539
Fuel.....	2,307,060
Water facilities.....	119,873
Wastewater facilities.....	234,097
Transportation security.....	203,991
Depreciation.....	2,270,758
TOTAL OPERATING EXPENSES.....	10,196,948
OPERATING INCOME (LOSS).....	(1,196,467)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	14,817
Interest expense.....	(148,495)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(133,678)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(1,330,145)
CAPITAL CONTRIBUTIONS.....	1,267,494
<u>TRANSFERS:</u>	
Transfers out - retirees' health insurance.....	(89,758)
Transfers out - cost allocations.....	(125,000)
TOTAL TRANSFERS.....	(214,758)
CHANGE IN NET POSITION.....	(277,409)
NET POSITION AT BEGINNING OF YEAR.....	40,235,652
NET POSITION AT END OF YEAR..... \$	39,958,243

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Airport Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 7,896,603
Receipts from other governments.....	707,357
Payments to vendors.....	(5,014,437)
Payments to employees.....	(1,630,679)
NET CASH FROM OPERATING ACTIVITIES.....	1,958,844
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers out.....	(214,758)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Proceeds from the issuance of bonds and notes.....	3,065,791
Capital contributions.....	4,240,714
Acquisition and construction of capital assets.....	(4,292,899)
Principal payments on bonds and notes.....	(6,260,000)
Interest expense.....	(148,495)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(3,394,889)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	14,817
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(1,635,986)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	5,611,165
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 3,975,179
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>	
<u>FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ (1,196,467)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	2,270,758
Deferred (outflows)/inflows related to pensions.....	787,339
Deferred (outflows)/inflows related to other postemployment benefits.....	(781,899)
Changes in assets and liabilities:	
Departmental and other.....	6,421
Intergovernmental.....	(398,003)
Inventory.....	61,084
Other assets.....	10,710
Warrants payable.....	244,934
Accrued payroll.....	86,854
Due to other funds.....	(4,939)
Other liabilities.....	(300)
Compensated absences.....	5,000
Net pension liability.....	(824,560)
Other postemployment benefits.....	1,691,912
Total adjustments.....	3,155,311
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,958,844

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ -	\$ 37,568
Dukes County pooled OPEB trust.....	1,222,654	-
TOTAL ASSETS	1,222,654	37,568
LIABILITIES		
Other liabilities.....	-	37,568
NET POSITION		
Restricted for other postemployment benefits.....	\$ 1,222,654	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions.....	\$ 98,840
Employer contributions for other postemployment benefit payments.....	251,348
Total contributions.....	350,188
Net investment income:	
Investment income (loss).....	55,045
Less: investment expense.....	(6,048)
Net investment income (loss).....	48,997
TOTAL ADDITIONS.....	399,185
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	251,348
NET INCREASE (DECREASE) IN NET POSITION.....	147,837
NET POSITION AT BEGINNING OF YEAR.....	1,074,817
NET POSITION AT END OF YEAR.....	\$ 1,222,654

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 selectperson 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 2020 health insurance premiums totaled \$681,047 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 *senior services fund* is used to account for financial resources to be used for the center for living and other services for senior citizens.

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.

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.

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 and Investments

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. Fair Value Measurements

The County reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially

affect amounts reported in these financial statements. For more information on the fair value of the County's financial instruments, see Note 2 – Cash and Investments.

F. 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.

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

I. 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 has reported deferred outflows of resources related to pensions and other postemployment benefits 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.

J. 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.

K. 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.

L. 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:

“Economic development” represents outside restrictions placed on the revenue received from the sale of Cape & Islands license plates.

“Gifts and grants” represent 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:

“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.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net 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.

N. Investment Income

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

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

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Individual Fund Deficits

The airport capital projects fund and gifts and grants fund include individual fund deficits at June 30, 2020. These deficits will be funded through available fund balance and grant proceeds during 2020.

Q. 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.

R. 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 OPEB trust. The fair value of the County's assets in the OPEB Trust totaled \$1,222,654 as of June 30, 2020. Details related to the OPEB Trust investments can be obtained by contacting the OPEB Trust at 9 Airport Road, Suite 1, Vineyard Haven, MA 02568.

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 \$5,272,806 and the bank balance totaled \$5,585,156. Of the bank balance, \$310,448 was covered by FDIC, \$4,599,968 was collateralized, and \$674,740 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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, 2020, 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, 2020, the County had \$111,235 of MMDT investments.

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 the OPEB Trust 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.

Fair Value of Investments

The County does not hold any investments that are measured at fair value on a recurring basis.

The OPEB trust and MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

NOTE 3 - RECEIVABLES

At June 30, 2020, 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.....	\$ 235,206	\$ -	\$ 235,206
Departmental and other.....	436,748	-	436,748
Total.....	<u>\$ 671,954</u>	<u>\$ -</u>	<u>\$ 671,954</u>

At June 30, 2020, receivables for the airport enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Intergovernmental.....	\$ 960,411	\$ -	\$ 960,411
Departmental and other.....	120,580	-	120,580
Total.....	<u>\$ 1,080,991</u>	<u>\$ -</u>	<u>\$ 1,080,991</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,034,954	\$ -	\$ -	\$ 1,034,954
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	2,038,942	7,000	-	2,045,942
Machinery and equipment.....	318,768	18,000	-	336,768
Vehicles.....	24,696	-	-	24,696
Infrastructure.....	21,850	61,476	-	83,326
Total capital assets being depreciated.....	<u>2,404,256</u>	<u>86,476</u>	<u>-</u>	<u>2,490,732</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(541,321)	(71,796)	-	(613,117)
Machinery and equipment.....	(271,396)	(10,140)	-	(281,536)
Vehicles.....	(24,696)	-	-	(24,696)
Infrastructure.....	(12,542)	(345)	-	(12,887)
Total accumulated depreciation.....	<u>(849,955)</u>	<u>(82,281)</u>	<u>-</u>	<u>(932,236)</u>
Total capital assets being depreciated, net.....	<u>1,554,301</u>	<u>4,195</u>	<u>-</u>	<u>1,558,496</u>
Total governmental activities capital assets, net.....	<u>\$ 2,589,255</u>	<u>\$ 4,195</u>	<u>\$ -</u>	<u>\$ 2,593,450</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress.....	10,884,225	129,170	-	11,013,395
Total capital assets not being depreciated....	12,295,112	129,170	-	12,424,282
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,983,056	144,011	-	5,127,067
Buildings and improvements.....	28,975,817	105,076	-	29,080,893
Machinery and equipment.....	5,721,328	727,588	-	6,448,916
Infrastructure.....	26,226,248	425,394	-	26,651,642
Total capital assets being depreciated.....	65,906,449	1,402,069	-	67,308,518
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,236,299)	(178,128)	-	(4,414,427)
Buildings.....	(9,780,570)	(653,514)	-	(10,434,084)
Machinery and equipment.....	(4,394,444)	(281,027)	-	(4,675,471)
Infrastructure.....	(13,965,102)	(1,158,089)	-	(15,123,191)
Total accumulated depreciation.....	(32,376,415)	(2,270,758)	-	(34,647,173)
Total capital assets being depreciated, net.....	33,530,034	(868,689)	-	32,661,345
Total business-type activities capital assets, net....	\$ 45,825,146	\$ (739,519)	\$ -	\$ 45,085,627

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

Governmental Activities:

County commissioners.....	\$ 10,291
Treasurer.....	2,360
Registry of deeds.....	6,102
Health and human services.....	1,404
Courthouse/Administrative/Senior services buildings.....	37,926
Senior services.....	24,198
Total depreciation expense - governmental activities.....	\$ 82,281

Business-Type Activities:

Airport.....	\$ 2,270,758
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NOTE 5 - INTERNAL BALANCES, INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS

The County has recorded internal balances on the entity-wide financial statements and interfund receivable/payable amounts on the fund based financial statements to reflect pending bank transfers for year-end cost allocations and retiree health insurance between the County's general fund and the Airport enterprise fund.

Interfund transfers for the year ended June 30, 2020, are summarized as follows:

		<u>Transfers In:</u>	
<u>Transfers Out:</u>		General fund	
Other special revenue.....	\$	373,688	(1)
Airport enterprise fund.....		214,758	(2)
Total.....	\$	<u>588,446</u>	

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

(2) 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), federal aid notes (FANS) or grant anticipation notes (GANS).

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

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

Details related to the County's short-term debt as of June 30, 2020 are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
Airport Enterprise Fund:							
FAN	Airport runway.....	3.00	10/15/19	\$ 6,000,000	\$ -	\$ 6,000,000	\$ -
FAN	Environmental assessment.....	2.40	06/26/20	260,000	-	260,000	-
FAN	Airport improvements and equipment..	1.75	10/15/20	-	1,800,000	-	1,800,000
BAN	Airport improvements and equipment..	1.98	09/11/20	-	1,265,791	-	1,265,791
Total Enterprise Fund.....				\$ <u>6,260,000</u>	\$ <u>3,065,791</u>	\$ <u>6,260,000</u>	\$ <u>3,065,791</u>

The \$1.8 million FAN was rolled over to a new note on October 15, 2020, with an interest rate of 1.25% and a due date of October 15, 2021. The \$1.3 million BAN was rolled over to a new note on September 11, 2020, with an interest rate of 1.00% and a due date of September 10, 2021.

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, 2020, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Land/Building purchase.....	2026	\$ 1,600,000	2.50 - 3.00	\$ 960,000

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

Year	Principal	Interest	Total
2021.....	\$ 160,000	\$ 24,800	\$ 184,800
2022.....	160,000	20,000	180,000
2023.....	160,000	16,000	176,000
2024.....	160,000	12,000	172,000
2025.....	160,000	8,000	168,000
2026.....	160,000	4,000	164,000
Total.....	\$ 960,000	\$ 84,800	\$ 1,044,800

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:						
Long-term bonds payable.....	\$ 1,120,000	\$ (160,000)	\$ -	\$ -	\$ 960,000	\$ 160,000
Compensated absences.....	77,000	-	8,000	(20,000)	65,000	16,000
Net pension liability.....	1,441,943	-	(573,339)	(102,046)	766,558	-
Net other postemployment benefits liability.....	3,529,998	-	312,509	(224,617)	3,617,890	-
Total governmental activity long-term liabilities.....	\$ 6,168,941	\$ (160,000)	\$ (252,830)	\$ (346,663)	\$ 5,409,448	\$ 176,000
Business-Type Activities:						
Compensated absences.....	\$ 140,000	\$ -	\$ 40,000	\$ (35,000)	\$ 145,000	\$ 37,000
Net pension liability.....	2,056,239	-	(412,778)	(411,782)	1,231,679	-
Net other postemployment benefits liability.....	4,617,234	-	1,817,484	(125,572)	6,309,146	-
Total business-type activity long-term liabilities.....	\$ 6,813,473	\$ -	\$ 1,444,706	\$ (572,354)	\$ 7,685,825	\$ 37,000

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:

	General	Parking Clerk	Senior Services	County Capital Projects	Other Special Revenue	Total Governmental Funds
Fund Balances:						
Restricted for:						
Parking Clerk.....	\$ -	\$ 27,155	\$ -	\$ -	\$ -	\$ 27,155
Senior services.....	-	-	167,302	-	-	167,302
County capital projects.....	-	-	-	321,121	-	321,121
Economic development.....	87,743	-	-	-	-	87,743
Registry of deeds.....	562,426	-	-	-	104,971	667,397
Civil defense/emergency management....	-	-	-	-	23,603	23,603
Health and human services.....	-	-	-	-	145,903	145,903
Veterans agent.....	-	-	-	-	14,121	14,121
Recreation.....	-	-	-	-	102,113	102,113
Unassigned.....	167,154	-	-	-	(23,300)	143,854
Total Fund Balances.....	\$ 817,323	\$ 27,155	\$ 167,302	\$ 321,121	\$ 367,411	\$ 1,700,312

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 plan 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, 2019.

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 using an actuarial based methodology that allocates contributions to member units based on the member units actuarially determined total liability at the beginning of the measurement period. The County's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2019, and totaled \$513,828 or 19.62% 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, 2020, the County reported a liability of \$1,998,237 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2019, the County's proportion was 7.00%, which did not change from its proportion measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the County recognized pension expense of \$320,373. At June 30, 2020, the County reported deferred outflows of resources related to pensions of \$446,257, and deferred inflows of resources related to pensions of \$1,124,394.

The balances of deferred outflows and (inflows) at June 30, 2020, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 17,579	\$ (20,653)	\$ (3,074)
Net difference between projected and actual earnings.....	-	(892,755)	(892,755)
Changes in assumptions.....	385,008	-	385,008
Changes in proportion and proportionate share of contributions...	43,670	(210,986)	(167,316)
Total deferred outflows/(inflows) of resources.....	\$ <u>446,257</u>	\$ <u>(1,124,394)</u>	\$ <u>(678,137)</u>

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

Year ended June 30:

2021.....	\$ (183,608)
2022.....	(179,183)
2023.....	(51,313)
2024.....	(266,508)
2025.....	<u>2,475</u>
Total.....	\$ <u>(678,137)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2019:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Individual 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.....	10 years for the UAL as of December 31, 2019 8 years for the 2002 and 2003 ERI's as of December 31, 2019
Asset valuation method.....	The actuarial value of assets is the fair value of assets as of the valuation date reduced by the sum of: a) 80% of gains and losses of the prior year, b) 60% of gains and losses of the second prior year, c) 40% of gains and losses of the third prior year and d) 20% of gains and losses of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the fair value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of fair value.
Inflation rate.....	2.2% per year
Projected salary increases.....	6% - 4.25% for general employees and 7% - 4.75% for public safety, depending on years of service
Payroll growth.....	4% per year
Cost-of-living allowances.....	Cost of living adjustments of 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.....	Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvements using Scale BB. For disabled members, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.
Investment rate of return/Discount rate.....	7.50% per year as of 12/31/2019 and 12/31/2018, 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 and a risk factor) 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	30.00%	5.90%
International equity.....	5.00%	3.80%
Real estate.....	5.00%	6.60%
PRIT core.....	50.00%	5.00%
Fixed income.....	10.00%	2.90%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.99%. 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 7.50%. 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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
The County's proportionate share of the net pension liability.....	\$ 3,735,287	\$ 1,998,237	\$ 528,156

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The County of Dukes County administers a single-employer defined benefit plan (“the Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their dependents through the County’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the County and the unions representing County employees. The County contributes to the Dukes County Pooled OPEB Trust Fund (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.

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

During 2020, the County pre-funded future OPEB liabilities totaling \$98,840 by contributing funds to the OPEB trust fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of June 30, 2020, the net position of the OPEB trust fund totaled \$1,222,654.

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 2020, the County contributed \$350,188 to the plan.

Investment Policy

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the County Commissioners. 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 plan.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership as of June 30, 2020:

Active members.....	34
Inactive members currently receiving benefits.....	<u>20</u>
Total.....	<u><u>54</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$ 11,149,690
Less: OPEB plan’s fiduciary net position.....	<u>(1,222,654)</u>
Net OPEB liability.....	<u><u>\$ 9,927,036</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....	10.97%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2018, actuarial valuation was determined by using the following assumptions, applied to all periods included in the measurement date, unless otherwise specified, that was updated to June 30, 2020:

Valuation date.....	July 1, 2018
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Increasing at 3.5% over 30 years on an open amortization period for partial pre-funding.
Asset valuation method.....	Market Value
Discount rate	2.26%, net of investment expenses, including inflation
Long-term expected rate of return.....	7%, compounded annually, net of fees.
Healthcare cost trend rate.....	8% for 2018, decreasing 0.5% per year to 5.5%, then grading down to an ultimate trend rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
Inflation rate.....	2.4% per year.
Payroll growth.....	3.5% per year.
Pre-Retirement Mortality - General and Public Safety Employees.....	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Post-Retirement Mortality - General and Public Safety Employees.....	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.

Rate of return - For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB investment expense, was 4.56%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation and a risk factor) 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 allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table on the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity.....	35.00%	5.00%
Mid Cap Equity.....	10.00%	6.40%
Small Cap Equity.....	10.00%	6.50%
International Equity.....	15.00%	3.30%
Real Estate.....	10.00%	6.30%
Fixed Income.....	20.00%	3.00%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.26%, previously 3.81%. The projection of cash flows used to determine the discount rate assumed that contributions from the County will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to the first 6 periods of projected future benefit payments and, the 2.21% municipal bond rate was applied to all periods thereafter to determine the total OPEB liability. The 2.21% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 30, 2020.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 9,222,049	\$ 1,074,817	\$ 8,147,232
Changes for the year:			
Service cost.....	507,923	-	507,923
Interest.....	364,938	-	364,938
Changes of benefit terms.....	(337,801)	-	(337,801)
Changes in assumptions and other inputs.....	1,643,929	-	1,643,929
Net investment income.....	-	48,997	(48,997)
Employer contributions.....	-	350,188	(350,188)
Benefit payments.....	(251,348)	(251,348)	-
Net change.....	1,927,641	147,837	1,779,804
Balances at June 30, 2020.....	\$ 11,149,690	\$ 1,222,654	\$ 9,927,036

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following represents the net OPEB liability calculated using the current discount rate of 2.26%, as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (1.26%)	Current Discount Rate (2.26%)	1% Increase (3.26%)
Net OPEB liability.....	\$ 12,078,531	\$ 9,927,036	\$ 8,251,813

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates – The following represents the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 7,952,362	\$ 9,927,036	\$ 12,546,307

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$1,381,089. At June 30, 2020, the County reported deferred outflows of resources related to OPEB from the following sources:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience.....	\$ 213,145
Net difference between projected and actual earnings.....	49,173
Changes in assumptions.....	<u>3,587,082</u>
Total deferred outflows of resources.....	<u>\$ 3,849,400</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Measurement date year ended June 30:</u>	
2021.....	\$ 839,604
2022.....	839,604
2023.....	835,900
2024.....	819,006
2025.....	458,809
Thereafter.....	<u>56,477</u>
Total.....	<u>\$ 3,849,400</u>

Changes of Assumptions – The discount rate has changed from 3.81% as of June 30, 2019, to 2.26% as of June 30, 2020. The inflation rate was also updated from 2.60% as of June 30, 2019, to 2.40% as of June 30, 2020.

Changes in Plan Provisions – The Patient Protection and Affordable Care Act (PPACA) previously applied a 40% excise tax, commonly referred to as the "Cadillac Tax," to the cost of plan benefits in excess of statutory thresholds beginning in 2022. This tax was repealed in December 2019.

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, 2020, 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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

NOTE 13 - COMMITMENTS

The Airport has remaining commitments of \$758,000 as of June 30, 2020, to complete the \$11.4 million reconstruction of runway 6/24 and other airfield improvements. This project has been approved for 90% federal funding, 5% state funding and 5% local funding.

NOTE 14 - COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The County is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the County's portion of certain revenue. The County has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The (CARES) Act also provides federal funding to assist airports in paying costs incurred between January 20, 2020, and May 11, 2024, to help offset a decline in revenues arising from the diminished airport operations as a result of the COVID-19 pandemic. CARES Act Airport Grants are derived by legislative formula. The purpose of the grant is to maintain safe and efficient airport operations. Funds provided under this grant must only be used for purposes directly related to the airport. Such purposes can include reimbursement of an airport's operational and maintenance expenses or debt service payments. CARES Act Airport Grants may be used to reimburse airport operational and maintenance expenses directly related to Martha's Vineyard Airport incurred no earlier than January 20, 2020. In 2020, the Airport incurred \$1.0 million of expenses that were submitted for reimbursement to the Federal Aviation Administration.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 7, 2021, which is the date the financial statements were available to be issued.

NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary	to Final
	Budget	Budget	Amounts	Budget
REVENUES:				
Town assessments - County tax.....	\$ 504,031	\$ 504,031	\$ 504,031	\$ -
Town assessments - debt service.....	289,600	289,600	289,600	-
Cape and island license plates.....	100,000	100,000	97,318	(2,682)
Property rental.....	203,578	203,578	206,666	3,088
Registry of deeds.....	205,000	205,000	193,509	(11,491)
Natural resources.....	53,000	53,000	65,196	12,196
Parking fines.....	2,000	2,000	5,337	3,337
Investment income.....	4,100	4,100	5,821	1,721
Miscellaneous.....	64,910	62,410	48,758	(13,652)
TOTAL REVENUES.....	1,426,219	1,423,719	1,416,236	(7,483)
EXPENDITURES:				
Current:				
County commissioners.....	284,842	284,337	254,615	29,722
Courthouse/Administrative/Senior services buildings.....	243,961	252,318	208,084	44,234
Treasurer.....	294,450	306,734	278,519	28,215
Civil defense/emergency management.....	16,697	14,282	11,805	2,477
Health and human services.....	3,000	3,000	696	2,304
Veterans agent.....	89,341	89,381	79,363	10,018
Natural resources.....	6,821	6,821	7,313	(492)
Employee benefits.....	306,308	315,515	281,545	33,970
Other.....	80,702	87,316	70,272	17,044
Debt service:				
Principal.....	160,000	160,000	160,000	-
Interest.....	29,600	29,600	29,600	-
TOTAL EXPENDITURES.....	1,515,722	1,549,304	1,381,812	167,492
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(89,503)	(125,585)	34,424	160,009
OTHER FINANCING SOURCES (USES):				
Transfers in - retirees' health insurance.....	134,565	140,888	98,067	(42,821)
Transfers in - cost allocations.....	130,000	130,000	130,000	-
Transfers in - deeds excise.....	190,000	190,000	224,213	34,213
Transfers out.....	(352,630)	(352,630)	(352,630)	-
Unreserved fund balance.....	16,500	257,890	-	(257,890)
TOTAL OTHER FINANCING SOURCES (USES).....	118,435	366,148	99,650	(266,498)
NET CHANGE IN FUND BALANCE.....	28,932	240,563	134,074	(106,489)
REFUND TO MEMBER COMMUNITIES.....	-	(234,673)	(234,673)	-
BUDGETARY FUND BALANCE, Beginning of year.....	355,496	355,496	355,496	-
BUDGETARY FUND BALANCE, End of year.....	\$ 384,428	\$ 361,386	\$ 254,897	\$ (106,489)

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, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary	to Final
	Budget	Budget	Amounts	Budget
<u>EXPENDITURES:</u>				
Current:				
Registry of deeds.....	\$ 437,902	\$ 447,902	\$ 432,609	\$ 15,293
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in - registry maintenance of effort.....	352,630	352,630	352,630	-
Transfers in - deeds excise.....	98,472	98,472	149,475	51,003
Transfers out - retirees' health insurance.....	(8,200)	(8,200)	(8,309)	(109)
Transfers out - cost allocations.....	(5,000)	(5,000)	(5,000)	-
Unreserved fund balance.....	-	10,000	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES).....	437,902	447,902	488,796	40,894
NET CHANGE IN FUND BALANCE.....	-	-	56,187	56,187
BUDGETARY FUND BALANCE, Beginning of year.....	506,239	506,239	506,239	-
BUDGETARY FUND BALANCE, End of year.....	\$ 506,239	\$ 506,239	\$ 562,426	\$ 56,187

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, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary	to Final
	Budget	Budget	Amounts	Budget
REVENUES:				
Town assessments - County tax.....	\$ 504,031	\$ 504,031	\$ 504,031	\$ -
Town assessments - debt service.....	289,600	289,600	289,600	-
Cape and island license plates.....	100,000	100,000	97,318	(2,682)
Property rental.....	203,578	203,578	206,666	3,088
Registry of deeds.....	205,000	205,000	193,509	(11,491)
Natural resources.....	53,000	53,000	65,196	12,196
Parking fines.....	2,000	2,000	5,337	3,337
Investment income.....	4,100	4,100	5,821	1,721
Miscellaneous.....	64,910	62,410	48,758	(13,652)
TOTAL REVENUES.....	1,426,219	1,423,719	1,416,236	(7,483)
EXPENDITURES:				
Current:				
County commissioners.....	284,842	284,337	254,615	29,722
Courthouse/Administrative/Senior services buildings...	243,961	252,318	208,084	44,234
Treasurer.....	294,450	306,734	278,519	28,215
Registry of deeds.....	437,902	447,902	432,609	15,293
Civil defense/emergency management.....	16,697	14,282	11,805	2,477
Health and human services.....	3,000	3,000	696	2,304
Veterans agent.....	89,341	89,381	79,363	10,018
Natural resources.....	6,821	6,821	7,313	(492)
Employee benefits.....	306,308	315,515	281,545	33,970
Other.....	80,702	87,316	70,272	17,044
Debt service:				
Principal.....	160,000	160,000	160,000	-
Interest.....	29,600	29,600	29,600	-
TOTAL EXPENDITURES.....	1,953,624	1,997,206	1,814,421	182,785
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES.....	(527,405)	(573,487)	(398,185)	175,302
OTHER FINANCING SOURCES (USES):				
Transfers in - retirees' health insurance.....	126,365	132,688	89,758	(42,930)
Transfers in - cost allocations.....	125,000	125,000	125,000	-
Transfers in - deeds excise.....	288,472	288,472	373,688	85,216
Unreserved fund balance.....	16,500	267,890	-	(267,890)
TOTAL OTHER FINANCING				
SOURCES (USES).....	556,337	814,050	588,446	(225,604)
NET CHANGE IN FUND BALANCE.....	28,932	240,563	190,261	(50,302)
REFUND TO MEMBER COMMUNITIES.....	-	(234,673)	(234,673)	-
BUDGETARY FUND BALANCE, Beginning of year.....	861,735	861,735	861,735	-
BUDGETARY FUND BALANCE, End of year.....	\$ 890,667	\$ 867,625	\$ 817,323	\$ (50,302)

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 CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	7.00%	\$ 1,998,237	\$ 2,567,730	77.82%	86.73%
December 31, 2018.....	7.00%	3,498,182	2,245,135	155.81%	75.54%
December 31, 2017.....	7.55%	2,505,209	2,856,428	87.70%	82.43%
December 31, 2016.....	7.55%	3,468,277	2,044,480	169.64%	74.21%
December 31, 2015.....	8.06%	3,165,961	2,133,835	148.37%	75.61%
December 31, 2014.....	8.06%	2,903,770	2,051,764	141.53%	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 THE COUNTY'S CONTRIBUTIONS
DUKES COUNTY CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 513,828	\$ (513,828)	\$ -	\$ 2,619,085	19.62%
June 30, 2019.....	499,684	(499,684)	-	2,290,038	21.82%
June 30, 2018.....	475,890	(475,890)	-	2,913,557	16.33%
June 30, 2017.....	436,984	(436,984)	-	2,085,370	20.95%
June 30, 2016.....	381,256	(381,256)	-	2,176,512	17.52%
June 30, 2015.....	313,649	(313,649)	-	2,092,799	14.99%

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 Changes in the County's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

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

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

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 CHANGES IN THE
COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 342,568	\$ 301,243	\$ 330,289	\$ 507,923
Interest.....	285,191	313,794	328,781	364,938
Changes of benefit terms.....	-	(8,833)	-	(337,801)
Differences between expected and actual experience....	-	-	349,306	-
Changes of assumptions.....	(576,049)	190,641	2,331,407	1,643,929
Benefit payments.....	(236,184)	(255,164)	(318,349)	(251,348)
Net change in total OPEB liability.....	(184,474)	541,681	3,021,434	1,927,641
Total OPEB liability - beginning.....	5,843,408	5,658,934	6,200,615	9,222,049
Total OPEB liability - ending (a).....	\$ 5,658,934	\$ 6,200,615	\$ 9,222,049	\$ 11,149,690
Plan fiduciary net position				
Employer contributions.....	\$ 150,000	\$ 120,000	\$ 214,951	\$ 98,840
Employer contributions for OPEB payments.....	236,184	255,164	318,349	251,348
Net investment income.....	25,782	33,657	44,971	48,997
Benefit payments.....	(236,184)	(255,164)	(318,349)	(251,348)
Net change in plan fiduciary net position.....	175,782	153,657	259,922	147,837
Plan fiduciary net position - beginning of year.....	485,456	661,238	814,895	1,074,817
Plan fiduciary net position - end of year (b).....	\$ 661,238	\$ 814,895	\$ 1,074,817	\$ 1,222,654
Net OPEB liability - ending (a)-(b).....	\$ 4,997,696	\$ 5,385,720	\$ 8,147,232	\$ 9,927,036
Plan fiduciary net position as a percentage of the total OPEB liability.....	11.68%	13.14%	11.65%	10.97%
Covered-employee payroll.....	\$ 2,162,273	\$ 2,395,994	\$ 2,658,800	\$ 2,641,426
Net OPEB liability as a percentage of covered-employee payroll.....	231.13%	224.78%	306.43%	375.82%

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 THE COUNTY'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
<u>Governmental Activities</u>					
June 30, 2020.....	\$ 220,268	\$ (224,616)	\$ (4,348)	\$ 985,173	22.80%
June 30, 2019.....	162,893	(256,119)	(93,226)	1,031,753	24.82%
June 30, 2018.....	171,302	(235,548)	(64,246)	1,187,436	19.84%
June 30, 2017.....	125,680	(265,825)	(140,145)	1,011,265	26.29%
<u>Business-type Activities</u>					
June 30, 2020.....	\$ 554,266	\$ (125,572)	\$ 428,694	\$ 1,656,253	7.58%
June 30, 2019.....	419,932	(277,181)	142,751	1,627,047	17.04%
June 30, 2018.....	357,318	(139,616)	217,702	1,208,558	11.55%
June 30, 2017.....	253,723	(120,359)	133,364	1,151,008	10.46%

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 INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	4.56%
June 30, 2019.....	4.74%
June 30, 2018.....	4.42%
June 30, 2017.....	4.14%

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.

NOTE A - BUDGETARY BASIS OF ACCOUNTINGBudgetary 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 2020 approved budget for the general fund authorized approximately \$2.0 million, in appropriations. During 2020, the County approved supplemental appropriations totaling approximately \$278,000 for refunds to member communities and various other County purposes.

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.

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 statute and approved by PERAC. The total 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 total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". Pension fund appropriations have been allocated among employers using an actuarial based methodology that allocates contributions to member units based on the member units actuarially determined total liability at the beginning of the measurement period.

Changes of 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 Other Postemployment Benefit Plan

The Schedule of Changes in the County's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the County's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

Schedule of the County's Contributions

The Schedule of the County's Contributions includes the County's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The County is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2018
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Increasing at 3.5% over 30 years on an open amortization period for partial pre-funding.
Asset valuation method.....	Market Value
Discount rate	2.26%, net of investment expenses, including inflation

Long-term expected rate of return.....	7%, compounded annually, net of fees.
Healthcare cost trend rate.....	8% for 2018, decreasing 0.5% per year to 5.5%, then grading down to an ultimate trend rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
Inflation rate.....	2.4% per year.
Payroll growth.....	3.5% per year.
Pre-Retirement Mortality - General and Public Safety Employees.....	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Post-Retirement Mortality - General and Public Safety Employees.....	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes of Assumptions

The discount rate has changed from 3.81% as of June 30, 2019, to 2.26% as of June 30, 2020. The inflation rate was also updated from 2.60% as of June 30, 2019, to 2.40% as of June 30, 2020.

Changes in Plan Provisions

The Patient Protection and Affordable Care Act (PPACA) previously applied a 40% excise tax, commonly referred to as the "Cadillac Tax," to the cost of plan benefits in excess of statutory thresholds beginning in 2022. This tax was repealed in December 2019.

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.

Passenger Facility Charges Fund – This fund is used to account for passenger facility charges collected, expended and interest earned on deposits.

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.

CARES Act Airport Grants Fund – This fund is used to account for federal funding to help offset a decline in revenues arising from the diminished airport operations as a result of the COVID-19 pandemic.

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, 2020

	Operations	Passenger Facility Charges	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	CARES Act Airport Grants	Long-Term Obligations	Fixed Assets	Total Airport Commission Activities
ASSETS										
CURRENT:										
Cash and cash equivalents.....	\$ 2,223,660	\$ 118,612	\$ 73,627	\$ 11,792	\$ 106,544	\$ 1,718,351	\$ (277,407)	\$ -	\$ -	\$ 3,975,179
Receivables, net of allowance for uncollectibles:										
Departmental and other.....	15,648	-	104,932	-	-	-	-	-	-	120,580
Intergovernmental.....	148,309	-	-	19,040	-	430,145	362,917	-	-	960,411
Inventory.....	-	-	197,788	-	-	-	-	-	-	197,788
Total current assets.....	2,387,617	118,612	376,347	30,832	106,544	2,148,496	85,510	-	-	5,253,958
NONCURRENT:										
Capital assets, non depreciable.....	-	-	-	-	-	-	-	-	12,424,282	12,424,282
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	-	32,661,345	32,661,345
Total noncurrent assets.....	-	-	-	-	-	-	-	-	45,085,627	45,085,627
TOTAL ASSETS.....	2,387,617	118,612	376,347	30,832	106,544	2,148,496	85,510	-	45,085,627	50,339,585
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows related to pensions.....	-	-	-	-	-	-	-	275,065	-	275,065
Deferred outflows related to other postemployment benefits.....	-	-	-	-	-	-	-	2,177,871	-	2,177,871
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	-	-	-	-	-	-	-	2,452,936	-	2,452,936
LIABILITIES										
CURRENT:										
Warrants payable.....	285,782	-	122,342	34,474	-	486,748	85,510	-	-	1,014,856
Accrued payroll.....	98,606	-	-	-	-	-	-	-	-	98,606
Due to other funds.....	214,757	-	-	-	-	-	-	-	-	214,757
Customer deposits payable.....	5,000	-	55,000	-	-	-	-	-	-	60,000
Other liabilities.....	1,386	-	-	-	-	-	-	-	-	1,386
Compensated absences.....	-	-	-	-	-	-	-	37,000	-	37,000
Notes payable.....	-	-	-	-	-	3,065,791	-	-	-	3,065,791
Total current liabilities.....	605,531	-	177,342	34,474	-	3,552,539	85,510	37,000	-	4,492,396
NONCURRENT:										
Compensated absences.....	-	-	-	-	-	-	-	108,000	-	108,000
Net pension liability.....	-	-	-	-	-	-	-	1,231,679	-	1,231,679
Net other postemployment benefits liability.....	-	-	-	-	-	-	-	6,309,146	-	6,309,146
Total noncurrent liabilities.....	-	-	-	-	-	-	-	7,648,825	-	7,648,825
TOTAL LIABILITIES.....	605,531	-	177,342	34,474	-	3,552,539	85,510	7,685,825	-	12,141,221
DEFERRED INFLOWS OF RESOURCES										
Deferred inflows related to pensions.....	-	-	-	-	-	-	-	693,057	-	693,057
NET POSITION										
Net investment in capital assets.....	-	-	-	-	-	(1,404,043)	-	-	45,085,627	43,681,584
Unrestricted.....	1,782,086	118,612	199,005	(3,642)	106,544	-	-	(5,925,946)	-	(3,723,341)
TOTAL NET POSITION.....	\$ 1,782,086	\$ 118,612	\$ 199,005	\$ (3,642)	\$ 106,544	\$ (1,404,043)	\$ -	\$ (5,925,946)	\$ 45,085,627	\$ 39,958,243

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

YEAR ENDED JUNE 30, 2020

	Operations	Passenger Facility Charges	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	CARES Act Airport Grants	Long-Term Obligations	Fixed Assets	Total Airport Commission Activities
OPERATING REVENUES:										
Charges for services.....	\$ 1,487,718	\$ 224,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,712,203
Intergovernmental.....	-	-	-	67,780	-	-	-	-	-	67,780
Fuel.....	-	-	3,811,480	-	-	-	-	-	-	3,811,480
Business Park.....	1,958,847	-	-	-	-	-	-	-	-	1,958,847
Water revenue.....	319,477	-	-	-	-	-	-	-	-	319,477
Wastewater revenue.....	91,689	-	-	-	-	-	-	-	-	91,689
Intergovernmental COVID-19.....	-	-	-	-	-	-	1,037,580	-	-	1,037,580
Other operating revenues.....	-	-	-	-	-	1,425	-	-	-	1,425
TOTAL OPERATING REVENUES	3,857,731	224,485	3,811,480	67,780	-	1,425	1,037,580	-	-	9,000,481
OPERATING EXPENSES:										
Cost of services and administration.....	2,355,527	-	-	-	-	1,547,515	-	877,792	(1,531,239)	3,249,595
Cost of services and administration - COVID-19.....	-	-	-	-	-	-	89,041	-	-	89,041
Salaries and wages.....	773,994	-	-	-	-	-	-	-	-	773,994
Salaries and wages - COVID-19.....	-	-	-	-	-	-	948,539	-	-	948,539
Fuel.....	-	-	2,307,060	-	-	-	-	-	-	2,307,060
Water facilities.....	119,873	-	-	-	-	-	-	-	-	119,873
Wastewater facilities.....	234,097	-	-	-	-	-	-	-	-	234,097
Transportation security.....	-	-	-	203,991	-	-	-	-	-	203,991
Depreciation.....	-	-	-	-	-	-	-	-	2,270,758	2,270,758
TOTAL OPERATING EXPENSES.....	3,483,491	-	2,307,060	203,991	-	1,547,515	1,037,580	877,792	739,519	10,196,948
OPERATING INCOME (LOSS).....	374,240	224,485	1,504,420	(136,211)	-	(1,546,090)	-	(877,792)	(739,519)	(1,196,467)
NONOPERATING REVENUES (EXPENSES):										
Investment income.....	14,661	156	-	-	-	-	-	-	-	14,817
Interest expense.....	(148,495)	-	-	-	-	-	-	-	-	(148,495)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(133,834)	156	-	-	-	-	-	-	-	(133,678)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	240,406	224,641	1,504,420	(136,211)	-	(1,546,090)	-	(877,792)	(739,519)	(1,330,145)
CAPITAL CONTRIBUTIONS.....	144,915	-	-	-	-	1,122,579	-	-	-	1,267,494
TRANSFERS:										
Transfers in.....	1,742,007	-	-	132,569	-	-	-	-	-	1,874,576
Transfers out.....	(132,569)	(137,278)	(1,604,729)	-	-	-	-	-	-	(1,874,576)
Transfers out - retirees' health insurance.....	(89,758)	-	-	-	-	-	-	-	-	(89,758)
Transfers out - cost allocations.....	(125,000)	-	-	-	-	-	-	-	-	(125,000)
TOTAL TRANSFERS.....	1,394,680	(137,278)	(1,604,729)	132,569	-	-	-	-	-	(214,758)
CHANGE IN NET POSITION.....	1,780,001	87,363	(100,309)	(3,642)	-	(423,511)	-	(877,792)	(739,519)	(277,409)
NET POSITION AT BEGINNING OF YEAR.....	2,085	31,249	299,314	-	106,544	(980,532)	-	(5,048,154)	45,825,146	40,235,652
NET POSITION AT END OF YEAR.....	\$ 1,782,086	\$ 118,612	\$ 199,005	\$ (3,642)	\$ 106,544	\$ (1,404,043)	\$ -	\$ (5,925,946)	\$ 45,085,627	\$ 39,958,243

Schedule of Revenues and Expenditures of Passenger Facility Charges



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Honorable County Commissioners
County of Dukes County, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts', as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County of Dukes County, Massachusetts' basic financial statements, and have issued our report thereon dated May 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Dukes County, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Dukes County, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Dukes County, Massachusetts' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Dukes County, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect

on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Pons & Allen, LLC". The signature is written in a cursive, flowing style.

May 7, 2021



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REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS OF THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

Independent Auditor's Report

To the Honorable County Commissioners
County of Dukes County, Massachusetts

Report on Compliance for the Passenger Facility Charge Program

We have audited the County of Dukes County, Massachusetts' compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide") that could have a direct and material effect on the County of Dukes County, Massachusetts' Passenger Facility Charge program (the "PFC Program") for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions applicable to the County's Passenger Facility Charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County of Dukes County, Massachusetts' Passenger Facility Charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of this guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program occurred. An audit includes examining, on a test basis, evidence about the County of Dukes County, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the County of Dukes County, Massachusetts' compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the County of Dukes County, Massachusetts' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the County of Dukes County, Massachusetts' is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Dukes County, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on the Passenger Facility Charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express such an opinion on the effectiveness of the County of Dukes County, Massachusetts' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Passenger Facility Charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Passenger Facility Charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Passenger Facility Charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Revenues and Expenditures of Passenger Facility Charges

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts' as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County of Dukes County, Massachusetts' basic financial statements. We issued our report thereon dated May 7, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenues and expenditures of the passenger facility charges is presented for purposes of additional analysis as specified in the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of revenues and expenditures of the Passenger facility charges is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ponce Allen, LLC

May 7, 2021

SCHEDULE OF REVENUES AND EXPENDITURES OF PASSENGER FACILITY CHARGES
APPLICATION 17-02-C-00-MVY

Year Ended June 30, 2019, and Each Quarter During the Year Ended June 30, 2020, with Cumulative Totals as of June 30, 2020

		Quarters Ended					Year-Ended	
		June 30, 2019	September 30,	December 31,	March 31,	June 30,	June 30, 2020	June 30, 2020
		Program Total	2019	2019	2020	2020	Total	Program Total
Revenue:								
Passenger facility charges collected.....	\$	269,849	\$ 160,026	\$ 24,412	\$ 19,607	\$ 20,440	\$ 224,485	\$ 494,334
Interest credited.....		25	23	51	51	31	156	181
Total revenue.....		269,874	160,049	24,463	19,658	20,471	224,641	494,515
Disbursements:								
Project ID 02-001 Construct ARFF & SRE Building.....		189,282	-	-	-	137,278	137,278	326,560
Project ID 02-002 Acquire snow removal equipment.....		12,850	-	-	-	-	-	12,850
Project ID 02-003 Update airport master plan study.....		15,156	-	-	-	-	-	15,156
Project ID 02-004 PFC program administration.....		21,337	-	-	-	-	-	21,337
Total disbursements.....		238,625	-	-	-	137,278	137,278	375,903
Net PFC revenue.....		31,249	160,049	24,463	19,658	(116,807)	87,363	118,612
PFC account balance.....	\$	31,249	\$ 191,298	\$ 215,761	\$ 235,419	\$ 118,612	\$ 118,612	\$ 118,612

See notes to schedule of revenues and expenditures of passenger facility charges.

NOTE A - BASIS OF ACCOUNTING

The schedule of passenger facility charges collected and expended and interest credited are prepared on the basis of cash receipts and disbursements, as prescribed by Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, issued by the Federal Aviation Administration of the U.S. Department of Transportation, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Passenger facility charges collected include amounts collected by the airlines and transferred to the County's airport. Expenditures for passenger facility charge approved projects are presented on a cash basis and include only the expenditures for approved passenger facility charge projects.

NOTE B - INTEREST CREDITED

Interest credited represents interest income earned from passenger facility charge program based on the passenger facility charge program's unexpended passenger facility charges cash balance.

NOTE C - APPLICATION

On July 31, 2017, the Federal Aviation Administration approved the airport's application allowing them to charge a \$4.50 passenger facility charge effective October 1, 2017. The airport was approved to charge \$808,872 in passenger facility charges for the following:

Passenger facility charges:	
Construct ARFF & SRE building.....	\$ 484,248
Acquire snow removal equipment.....	30,467
Update airport master plan study.....	18,338
PFC program administration.....	46,000
Master plan update environmental assessment.....	27,139
Acquire interactive training system.....	85,000
Install apron islands and relocate runway 33 hold lines.....	9,000
Remove runway 15/33 shoulder pavements.....	61,300
Replace ARFF truck.....	47,380
	<hr/>
Total passenger facility charge.....	\$ 808,872

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Noncompliance material to the financial statements noted?	No

Passenger Facility Charge Program

Type of auditors' report issued on compliance for passenger facility charge program:	Unmodified
Internal control over passenger facility charge program:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the PFC program?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001: Develop Written Financial Procedures

Condition and Criteria: The County and the Martha's Vineyard Airport (Airport) have not developed written procedures establishing guidelines for the submission of invoices and reimbursement requests, payroll, journal entries, and receipts and revenues for processing. While the Airport has responsibility for authorizing payments and approving transactions, the County Treasurer provides an important check and balance to ensure that transactions are being recorded properly and in accordance with management's and the Airport Commission's intent. Written procedures should be detailed and indicate what supporting documentation should be provided to the County Treasurer for the transactions to be processed.

Auditors' Recommendation: We recommend that the County and the Airport work together to develop written procedures to provide guidelines to be followed when submitting transactions to the County Treasurer for processing.

Views of Responsible Officials: The County and the Airport will work together to develop written procedures to provide guidelines to be followed when submitting transactions to the County Treasurer for processing. It is anticipated that the corrective action will be taken in fiscal year 2021.

SECTION III – PASSENGER FACILITY CHARGE PROGRAM FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2019-001: Develop Written Financial Procedures

Condition and Criteria: The County and the Martha's Vineyard Airport (Airport) have not developed written procedures establishing guidelines for the submission of invoices and reimbursement requests, payroll, journal entries, and receipts and revenues for processing. While the Airport has responsibility for authorizing payments and approving transactions, the County Treasurer provides an important check and balance to ensure that transactions are being recorded properly and in accordance with management's and the Airport Commission's intent. Written procedures should be detailed and indicate what supporting documentation should be provided to the County Treasurer for the transactions to be processed.

Auditors' Recommendation: The Auditor recommended that the County and the Airport work together to develop written procedures to provide guidelines to be followed when submitting transactions to the County Treasurer for processing.

Current Status: The corrective action was not taken in 2020 and a current year finding has been reported as a significant deficiency in internal control related to the audit of the basic financial statements as finding 2020-001.

2019-002: Improve Interim and Year-end Closing Procedures

Condition and Criteria: Implement procedures to ensure that all accounts are reconciled, all opening balances are properly reported, and that accrual entries and airport allocations are recorded on a monthly basis. Establish a formal monthly and year-end closing process that includes closing checklists that identify all of the items needed to close the books, the people responsible for providing the information to accounting, and a timeline that provides deadlines for completing the procedures.

During the current year audit, we noted various accounting entries that are normally completed as part of the closing process that were not recorded as of the date of our fieldwork, which was completed in the first week of December. Journal entries were proposed through the audit process and accepted by management to correct the account balances.

We believe that implementing the procedures noted above would improve overall internal control, financial reporting, streamline the year-end closing process and reduce the reliance on the year-end audit process to ensure that account balances are properly stated.

Auditors' Recommendation: The Auditor recommended that the County Treasurer develop formal monthly and year-end closing checklists that identify all of the closing procedures and a timeline for completing them and that the closing schedule be adhered to. This will facilitate a timelier closing process and will allow for a timelier audit of the County's financial statements.

Current Status: The corrective action was taken.