

COUNTY OF DUKES COUNTY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

COUNTY OF DUKES COUNTY, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditors' Report

To the Honorable County Commissioners
County of Dukes County, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts, as of and for the fiscal year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Dukes County, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, on our consideration of the County of Dukes County, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

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

Romer & Sullivan, LLC

March 18, 2013

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the County of Dukes County, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

Financial Highlights

- The assets of the County of Dukes County exceeded its liabilities at the close of the most recent fiscal year by \$36.8 million (net assets).
- Of this amount, \$2.3 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the County's general fund reported an ending fund balance of \$749,000, an increase of \$303,000 in comparison with the prior year. Total fund balance represents 38% of total general fund expenditures.
- The County's total long-term debt decreased by \$50,000, during the current fiscal year, due to scheduled loan repayments on outstanding airport general obligation bonds.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Total assets exceeded total liabilities by \$36.8 million at the close of fiscal 2012.

Net assets totaling \$34.4 million (94%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$107,000 (less than 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2.3 million (6%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental Activities

The County's assets exceeded liabilities for governmental activities by \$1.6 million at the close of fiscal 2012.

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>
Assets:		
Current assets.....	\$ 1,148,259	\$ 922,272
Capital assets not being depreciated.....	584,954	480,172
Capital assets, net of accumulated depreciation.....	572,715	336,466
Total assets.....	<u>2,305,928</u>	<u>1,738,910</u>
Liabilities:		
Current liabilities (excluding debt).....	247,642	257,451
Noncurrent liabilities (excluding debt).....	423,386	313,898
Current debt.....	9,594	-
Total liabilities.....	<u>680,622</u>	<u>571,349</u>
Net Assets:		
Capital assets net of related debt.....	1,157,669	798,620
Restricted.....	106,939	413,880
Unrestricted.....	360,698	(44,939)
Total net assets.....	<u>\$ 1,625,306</u>	<u>\$ 1,167,561</u>

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>
Program revenues:		
Charges for services.....	\$ 1,149,748	\$ 1,008,710
Operating grants and contributions.....	540,804	420,023
Capital grants and contributions.....	257,060	-
General Revenues:		
Town assessments.....	849,415	828,701
County deeds excise tax.....	201,755	196,245
Nonrestricted grants and contributions.....	108,155	-
Unrestricted investment income.....	3,388	4,592
Other revenues.....	95,784	504,061
Total revenues.....	<u>3,206,109</u>	<u>2,962,332</u>
Expenses:		
County commissioners.....	190,847	173,500
Parking clerk.....	379,105	407,248
Courthouse/Administrative building.....	133,682	104,736
Treasurer.....	225,024	244,910
Registry of deeds.....	412,522	426,061
Civil defense/emergency management.....	29,149	32,653
Health and human services.....	541,457	515,056
Retiree postemployment benefits.....	293,439	281,817
Veterans agent.....	63,626	67,631
Recreation.....	17,140	1,424
Integrated pest management.....	88,446	78,176
Pension expense sheriff.....	456,870	447,673
Law enforcement.....	7,776	64,288
Animal shelter.....	191,138	115,111
Fisherman association.....	89,497	206
Old South Road Aquinnah project.....	170,028	80,804
Other expenditures.....	68,430	142,748
Total expenses.....	<u>3,358,176</u>	<u>3,184,042</u>
Increase (decrease) in net assets before transfers.....	(152,067)	(221,710)
Transfers.....	<u>220,490</u>	<u>170,988</u>
Change in net assets.....	<u>\$ 68,423</u>	<u>\$ (50,722)</u>

The governmental expenses totaled \$3.4 million of which \$1.9 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$1.3 million, primarily coming from town assessments and county deeds excise taxes and state grants.

The governmental net assets increased by \$68,000 during the current fiscal year. This was primarily due to the net increase in governmental fund balances, which was offset by current year depreciation expense and an increase in the OPEB liability.

Business-type activities

The County's assets exceeded its liabilities for business-type activities by \$35.1 million at the close of fiscal 2012.

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>
Assets:		
Current assets.....	\$ 4,777,359	\$ 2,032,792
Capital assets, non depreciable.....	1,410,887	11,651,831
Capital assets, net of accumulated depreciation.....	<u>32,002,144</u>	<u>18,833,039</u>
Total assets.....	<u>38,190,390</u>	<u>32,517,662</u>
Liabilities:		
Current liabilities (excluding debt).....	1,981,018	2,071,612
Noncurrent liabilities (excluding debt).....	883,264	627,354
Current debt.....	50,000	50,000
Noncurrent debt.....	<u>150,000</u>	<u>200,000</u>
Total liabilities.....	<u>3,064,282</u>	<u>2,948,966</u>
Net Assets:		
Capital assets, net of related debt.....	33,213,031	30,234,870
Unrestricted.....	<u>1,913,077</u>	<u>(666,174)</u>
Total net assets.....	<u>35,126,108</u>	<u>29,568,696</u>
Program revenues:		
Charges for services.....	7,136,618	5,706,403
Operating grants and contributions.....	113,257	120,805
Capital grants and contributions.....	7,228,872	8,947,867
General Revenues:		
Unrestricted investment income.....	-	9,882
Total revenues.....	<u>14,478,747</u>	<u>14,784,957</u>
Expenses:		
Airport.....	<u>8,700,845</u>	<u>6,754,774</u>
Increase (decrease) in net assets before transfers.....	<u>5,777,902</u>	<u>8,030,183</u>
Transfers.....	<u>(220,490)</u>	<u>(170,988)</u>
Change in net assets.....	<u>\$ 5,557,412</u>	<u>\$ 7,859,195</u>

The business-type expenses totaled \$8.7 million of which \$7.2 million was directly supported by program revenues consisting of charges for services, and operating grants and contributions.

The business-type net assets increased by \$5.6 million during the current fiscal year. This increase was primarily due to the recognition of \$7.2 million of capital grants and \$343,000 of unexpended appropriations. These increases were offset by the recognition of \$2 million of depreciation expense.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances totaling approximately \$927,000, of which \$749,000 is for the general fund, a \$1,000 deficit is for the parking clerk fund, \$166,000 is for the other special revenue fund, and \$13,000 is for the County capital projects fund. Cumulatively there was a \$208,000 increase in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, total fund balance was \$749,000. 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 38% of total general fund expenditures.

The County's general fund increased by \$303,000, which is primarily due to actual revenues exceeding estimated revenues and unexpended appropriations.

The parking clerk fund is used to account for the receipt and disbursement of proceeds from parking violations to the member Town's. The fund is in a deficit position totaling approximately \$1,000.

The other special revenue fund is used to account for all other proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The fund is in a surplus position of \$166,000.

The county capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities of the County. This fund is in a surplus position of \$13,000.

General Fund Budgetary Highlights

The \$46,000 increase between the original budget and the final amended budget was primarily due to increases in the parking clerk, registry of deeds, retiree benefits and integrated pest management line-items.

Capital Asset and Debt Administration

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

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$34.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total additions to the County's investment in capital assets for the current year are \$4.9 million and consist of airport buildings and improvements, machinery and equipment and infrastructure improvements.

Debt Administration. The airport enterprise fund has outstanding long-term debt totaling \$200,000 that is fully supported by the airport enterprise fund and does not rely on a general fund subsidy.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 981,090	\$ 2,670,993	\$ 3,652,083
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	47,929	1,759,966	1,807,895
Departmental and other.....	119,240	171,758	290,998
Inventory.....	-	174,642	174,642
Total current assets.....	1,148,259	4,777,359	5,925,618
NONCURRENT:			
Capital assets, non depreciable.....	584,954	1,410,887	1,995,841
Capital assets, net of accumulated depreciation.....	572,715	32,002,144	32,574,859
Total noncurrent assets.....	1,157,669	33,413,031	34,570,700
TOTAL ASSETS.....	2,305,928	38,190,390	40,496,318
LIABILITIES			
CURRENT:			
Warrants payable.....	105,498	1,802,733	1,908,231
Accrued payroll.....	9,302	17,128	26,430
Accrued interest.....	-	4,767	4,767
Other liabilities.....	101,842	2,123	103,965
Customer deposits payable.....	5,000	80,267	85,267
Compensated absences.....	26,000	74,000	100,000
Capital lease obligations.....	9,594	-	9,594
Bonds and notes payable.....	-	50,000	50,000
Total current liabilities.....	257,236	2,031,018	2,288,254
NONCURRENT:			
Compensated absences.....	22,000	44,000	66,000
Other postemployment benefits.....	401,386	839,264	1,240,650
Bonds and notes payable.....	-	150,000	150,000
Total noncurrent liabilities.....	423,386	1,033,264	1,456,650
TOTAL LIABILITIES.....	680,622	3,064,282	3,744,904
NET ASSETS			
Invested in capital assets, net of related debt.....	1,157,669	33,213,031	34,370,700
Restricted for:			
Gifts and grants.....	106,939	-	106,939
Unrestricted.....	360,698	1,913,077	2,273,775
TOTAL NET ASSETS.....	\$ 1,625,306	\$ 35,126,108	\$ 36,751,414

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
<i>Governmental Activities:</i>					
County commissioners.....	\$ 190,847	\$ -	\$ -	\$ -	\$ (190,847)
Parking clerk.....	379,105	355,962	-	-	(23,143)
Courthouse/Administrative building.....	133,682	81,442	-	6,328	(45,912)
Treasurer.....	225,024	149,644	-	-	(75,380)
Registry of deeds.....	412,522	225,085	64,571	-	(122,866)
Civil defense/emergency management.....	29,149	-	-	-	(29,149)
Health and human services.....	541,457	131,703	357,249	-	(52,505)
Retiree postemployment benefits.....	293,439	-	-	-	(293,439)
Veterans agent.....	63,626	300	-	-	(63,326)
Recreation.....	17,140	45,800	30,000	-	58,660
Integrated pest management.....	88,446	70,058	-	-	(18,388)
Pension expense sheriff.....	456,870	-	-	-	(456,870)
Law enforcement.....	7,776	7,979	-	-	203
Animal shelter.....	191,138	81,754	293	-	(109,091)
Fisherman association.....	89,497	21	88,691	-	(785)
Old South Road Aquinnah project.....	170,028	-	-	250,732	80,704
Other expenditures.....	68,430	-	-	-	(68,430)
Total Governmental Activities.....	3,358,176	1,149,748	540,804	257,060	(1,410,564)
<i>Business-Type Activities:</i>					
Airport.....	8,700,845	7,136,618	113,257	7,228,872	5,777,902
Total Primary Government.....	\$ 12,059,021	\$ 8,286,366	\$ 654,061	\$ 7,485,932	\$ 4,367,338

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (1,410,564)	\$ 5,777,902	\$ 4,367,338
<i>General revenues:</i>			
Town assessments.....	849,415	-	849,415
County deeds excise tax.....	201,755	-	201,755
Grants and contributions not restricted to specific programs.....	108,155	-	108,155
Unrestricted investment income.....	3,388	-	3,388
Miscellaneous.....	95,784	-	95,784
<i>Transfers, net</i>	220,490	(220,490)	-
Total general revenues and transfers.....	<u>1,478,987</u>	<u>(220,490)</u>	<u>1,258,497</u>
Change in net assets.....	68,423	5,557,412	5,625,835
<i>Net Assets:</i>			
Beginning of year, as restated.....	<u>1,556,883</u>	<u>29,568,696</u>	<u>31,125,579</u>
End of year.....	\$ <u><u>1,625,306</u></u>	\$ <u><u>35,126,108</u></u>	\$ <u><u>36,751,414</u></u>

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2012

ASSETS	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
Cash and cash equivalents.....	\$ 751,829	\$ 23,541	\$ 192,477	\$ 13,243	\$ 981,090
Receivables, net of uncollectibles:					
Intergovernmental.....	46,992	-	937	-	47,929
Departmental and other.....	102,506	-	16,734	-	119,240
TOTAL ASSETS.....	\$ 901,327	\$ 23,541	\$ 210,148	\$ 13,243	\$ 1,148,259
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 42,495	\$ 24,479	\$ 37,833	\$ 691	\$ 105,498
Accrued payroll.....	8,122	-	1,180	-	9,302
Liabilities due depositors.....	-	-	5,000	-	5,000
Other liabilities.....	101,842	-	-	-	101,842
TOTAL LIABILITIES.....	152,459	24,479	44,013	691	221,642
FUND BALANCES:					
Restricted.....	173,232	-	166,135	12,552	351,919
Unassigned.....	575,636	(938)	-	-	574,698
TOTAL FUND BALANCES.....	748,868	(938)	166,135	12,552	926,617
TOTAL LIABILITIES AND FUND BALANCES..	\$ 901,327	\$ 23,541	\$ 210,148	\$ 13,243	\$ 1,148,259

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....	\$ 926,617
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	1,157,669
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Capital lease obligations.....	(9,594)
Compensated absences.....	(48,000)
Other postemployment benefits.....	<u>(401,386)</u>
Net effect of reporting long-term liabilities.....	<u>(458,980)</u>
Net assets of governmental activities.....	<u>\$ 1,625,306</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
REVENUES:					
Town assessments.....	\$ 849,415	\$ -	\$ -	\$ -	\$ 849,415
State grants.....	120,153	-	460,348	250,732	831,233
Property rental.....	81,442	-	-	-	81,442
Registry of deeds.....	225,085	-	266,326	-	491,411
Dog license revenue.....	-	-	14,982	-	14,982
Beach fees.....	45,800	-	-	-	45,800
Parking fees.....	64,806	291,131	-	-	355,937
County alarm fees.....	149,644	-	-	-	149,644
Health and environment.....	131,703	-	-	-	131,703
Investment income.....	3,150	263	314	-	3,727
Miscellaneous.....	137,360	-	107,127	6,328	250,815
TOTAL REVENUES.....	1,808,558	291,394	849,097	257,060	3,206,109
EXPENDITURES:					
Current:					
County commissioners.....	178,002	-	-	2,659	180,661
Parking clerk.....	89,136	293,593	-	-	382,729
Courthouse/Administrative building.....	107,387	-	-	16,849	124,236
Treasurer.....	237,320	-	-	-	237,320
Registry of deeds.....	356,252	-	40,110	-	396,362
Civil defense/emergency management.....	9,069	-	20,080	-	29,149
Health and human services.....	147,072	-	393,390	-	540,462
Retiree postemployment benefits.....	174,357	-	-	-	174,357
Veterans agent.....	62,691	-	935	-	63,626
Recreation.....	-	-	17,140	-	17,140
Integrated pest management.....	87,566	-	880	-	88,446
Pension expenditures sheriff.....	456,870	-	-	-	456,870
Law enforcement.....	-	-	7,776	-	7,776
Animal shelter.....	-	-	191,138	-	191,138
Fisherman association.....	-	-	89,497	-	89,497
Old South Road Aquinnah project.....	-	-	-	170,028	170,028
Other expenditures.....	51,136	-	17,294	-	68,430
TOTAL EXPENDITURES.....	1,956,858	293,593	778,240	189,536	3,218,227
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(148,300)	(2,199)	70,857	67,524	(12,118)
OTHER FINANCING SOURCES (USES):					
Transfers in - retirees' health insurance.....	116,188	-	-	-	116,188
Transfers in - cost allocations.....	107,002	-	-	-	107,002
Transfers out - cost allocations.....	-	-	(2,700)	-	(2,700)
Transfers in - deeds excise.....	201,555	-	-	-	201,555
Transfers out - deeds excise.....	-	-	(201,555)	-	(201,555)
Transfers in - other.....	26,437	-	-	-	26,437
Transfers out - other.....	-	-	(26,437)	-	(26,437)
TOTAL OTHER FINANCING SOURCES (USES)....	451,182	-	(230,692)	-	220,490
NET CHANGE IN FUND BALANCES.....	302,882	(2,199)	(159,835)	67,524	208,372
FUND BALANCES AT BEGINNING OF YEAR.....	445,986	1,261	325,970	(54,972)	718,245
FUND BALANCES AT END OF YEAR.....	\$ 748,868	\$ (938)	\$ 166,135	\$ 12,552	\$ 926,617

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds.....		\$ 208,372
<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>		
Depreciation expense.....		(48,291)
<p>The issuance of long-term debt (e.g., bonds and leases) 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, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital lease financing.....		8,424
<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.....	19,000	
Net change in other postemployment benefits.....	<u>(119,082)</u>	
Net effect of recording long-term liabilities.....		<u>(100,082)</u>
Change in net assets of governmental activities.....		<u>\$ 68,423</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Business-type Activities - Airport Enterprise Fund</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 2,670,993
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	1,759,966
Departmental and other.....	171,758
Inventory.....	<u>174,642</u>
Total current assets.....	<u>4,777,359</u>
NONCURRENT:	
Capital assets, non depreciable.....	1,410,887
Capital assets, net of accumulated depreciation.....	<u>32,002,144</u>
Total noncurrent assets.....	<u>33,413,031</u>
TOTAL ASSETS.....	<u>38,190,390</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	1,802,733
Accrued payroll.....	17,128
Accrued interest.....	4,767
Customer deposits payable.....	80,267
Other liabilities.....	2,123
Compensated absences.....	74,000
Bonds and notes payable.....	<u>50,000</u>
Total current liabilities.....	<u>2,031,018</u>
NONCURRENT:	
Compensated absences.....	44,000
Bonds and notes payable.....	150,000
Other postemployment benefits.....	<u>839,264</u>
Total noncurrent liabilities.....	<u>1,033,264</u>
TOTAL LIABILITIES.....	<u>3,064,282</u>
NET ASSETS	
Invested in capital assets, net of related debt.....	33,213,031
Unrestricted.....	<u>1,913,077</u>
TOTAL NET ASSETS.....	<u>\$ 35,126,108</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Airport Enterprise Fund
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 1,417,013
Intergovernmental.....	113,257
Fuel.....	4,448,260
Business park.....	1,174,926
Wastewater revenue.....	<u>88,295</u>
 TOTAL OPERATING REVENUES	 <u>7,241,751</u>
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	2,903,127
Fuel.....	3,144,785
Water facilities.....	211,977
Wastewater facilities.....	214,055
Transportation security.....	212,222
Depreciation.....	<u>2,004,177</u>
 TOTAL OPERATING EXPENSES	 <u>8,690,343</u>
 OPERATING INCOME (LOSS).....	 <u>(1,448,592)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	8,124
Intergovernmental.....	7,228,872
Interest expense.....	<u>(10,502)</u>
 TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	 <u>7,226,494</u>
 INCOME (LOSS) BEFORE TRANSFERS.....	 <u>5,777,902</u>
<u>TRANSFERS:</u>	
Transfers out - retirees' health insurance.....	(116,188)
Transfers out - cost allocations.....	<u>(104,302)</u>
 TOTAL TRANSFERS.....	 <u>(220,490)</u>
 CHANGE IN NET ASSETS.....	 5,557,412
NET ASSETS AT BEGINNING OF YEAR.....	<u>29,568,696</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 35,126,108</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Airport Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 7,263,281
Receipts from other governments.....	172,474
Payments to vendors.....	(5,250,026)
Payments to employees.....	<u>(1,005,145)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>1,180,584</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers out.....	<u>(220,490)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Capital grants.....	5,505,115
Acquisition and construction of capital assets.....	(4,975,392)
Principal payments on bonds and notes.....	(50,000)
Interest expense.....	<u>(11,625)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>468,098</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	<u>8,124</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,436,316
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>1,234,677</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 2,670,993</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ <u>(1,448,592)</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	2,004,177
Changes in assets and liabilities:	
Departmental and other.....	150,570
Intergovernmental.....	59,217
Inventory.....	18,766
Warrants payable.....	169,538
Accrued payroll.....	17,128
Liabilities due depositors.....	(15,783)
Other liabilities.....	(26,847)
Accrued compensated absences.....	500
Other postemployment benefits.....	<u>251,910</u>
Total adjustments.....	<u>2,629,176</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 1,180,584</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Agency Funds
ASSETS	
Cash and cash equivalents.....	\$ <u>69,418</u>
LIABILITIES	
Other liabilities.....	\$ <u>69,418</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The 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 fiscal 2012 health insurance premiums totaled \$713,000 of which the County contributes 90% for retirees and 75% for active employees. The County does not have an equity interest in the joint venture. Financial statements for the joint venture may be obtained by contacting the Cape Cod Municipal Health Group at 27 Midstate Office Park, Suite 204, Auburn, MA 01501.

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as

the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

The following major proprietary fund is reported:

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

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

The following fiduciary fund type is reported:

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

Government-Wide and Fund Financial Statements

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

D. Cash

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Other

Other receivables consist of revenues earned at year-end and not yet received, net of an allowance for uncollectible accounts. Allowances for uncollectible accounts are estimated based upon historical trends and specific account analysis.

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

Net assets have been "restricted for" the following:

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The Advisory Board on County expenditures is the highest level of decision-making authority for the government that can, by adoption of a supplemental appropriation prior to the end of the fiscal 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 assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Governmental Fund Financial Statements

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

N. Investment Income

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

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

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Individual Fund Deficits

Several individual fund deficits exist within the special revenue and airport capital project funds at June 30, 2012. These deficits will be funded through available fund balance and grant proceeds during fiscal 2013.

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 fiscal 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.

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 does not have a formal policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$3,455,687 and the bank balance totaled \$3,714,733. Of the bank balance, \$500,000 was covered by FDIC, \$94,055 was covered by DIF Insurance, and \$3,120,678 was collateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the County will not be able to recover the value of its investments or collateral security that are in the possession of the outside party. At June 30, 2012, 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, 2012, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
MMDT.....	\$ <u>265,814</u>

Interest Rate Risk

The County does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk

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

Concentration of Credit Risk

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

NOTE - 3 RECEIVABLES

At June 30, 2012, receivables for the individual major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Intergovernmental.....	\$ 47,929	\$ -	\$ 47,929
Other.....	<u>119,240</u>	<u>-</u>	<u>119,240</u>
	<u>\$ 167,169</u>	<u>\$ -</u>	<u>\$ 167,169</u>

At June 30, 2012, receivables for the airport enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Intergovernmental.....	\$ 1,759,966	\$ -	\$ 1,759,966
Departmental and other.....	<u>171,758</u>	<u>-</u>	<u>171,758</u>
Total.....	<u>\$ 1,931,724</u>	<u>\$ -</u>	<u>\$ 1,931,724</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 584,954	\$ -	\$ -	\$ 584,954
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	760,189	-	-	760,189
Machinery and equipment.....	378,110	-	(25,394)	352,716
Vehicles.....	54,679	-	-	54,679
Infrastructure.....	21,850	-	-	21,850
Total capital assets being depreciated.....	1,214,828	-	(25,394)	1,189,434
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(235,121)	(19,762)	-	(254,883)
Machinery and equipment.....	(295,805)	(27,664)	25,394	(298,075)
Vehicles.....	(54,679)	-	-	(54,679)
Infrastructure.....	(8,217)	(865)	-	(9,082)
Total accumulated depreciation.....	(593,822)	(48,291)	25,394	(616,719)
Total capital assets being depreciated, net.....	621,006	(48,291)	-	572,715
Total governmental activities capital assets, net.....	\$ 1,205,960	\$ (48,291)	\$ -	\$ 1,157,669
Business-Type Activities:				
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress.....	10,240,944	-	(10,240,944)	-
Total capital assets not being depreciated.....	11,651,831	-	(10,240,944)	1,410,887
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,244,603	-	-	4,244,603
Buildings and improvements.....	16,027,525	10,515	-	16,038,040
Machinery and equipment.....	3,801,803	1,240,307	-	5,042,110
Infrastructure.....	11,479,412	13,922,460	-	25,401,872
Total capital assets being depreciated.....	35,553,343	15,173,282	-	50,726,625
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,730,833)	(197,541)	-	(2,928,374)
Buildings.....	(6,097,411)	(424,692)	-	(6,522,103)
Machinery and equipment.....	(2,607,066)	(265,696)	-	(2,872,762)
Infrastructure.....	(5,284,994)	(1,116,248)	-	(6,401,242)
Total accumulated depreciation.....	(16,720,304)	(2,004,177)	-	(18,724,481)
Total capital assets being depreciated, net.....	18,833,039	13,169,105	-	32,002,144
Total business-type activities capital assets, net.....	\$ 30,484,870	\$ 13,169,105	\$ (10,240,944)	\$ 33,413,031

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

Governmental Activities:

County commissioners.....	\$ 10,186
Parking clerk.....	4,800
Treasurer.....	6,704
Registry of deeds.....	16,160
Health and human services.....	995
Courthouse.....	<u>9,446</u>
Total depreciation expense - governmental activities.....	<u>\$ 48,291</u>

Business-Type Activities:

Airport.....	<u>\$ 2,004,177</u>
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The governmental net assets have been restated as of June 30, 2011 to properly reflect prior year depreciation expense. As a result, governmental net assets increased by \$389,322 and total \$1,556,883 as of June 30, 2011.

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>	
	General Fund	
Sheriff.....	\$ 21,280	(1)
Other Special Revenue.....	209,412	(2)
Airport Enterprise Fund.....	<u>220,490</u>	(3)
Totals.....	<u>\$ 451,182</u>	

- (1) Represents the transfer of law enforcement expenditures between the general fund and the law enforcement fund.
- (2) Represents cost allocation transfers, the transfer of deeds excise taxes and the close out of old grant balances.
- (3) Represents cost allocation transfers and reimbursement of retiree health insurance costs.

NOTE 6 - SHORT-TERM FINANCING

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

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

Short-term loans are general obligations of the County and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the general fund and airport enterprise fund.

The County did not have any outstanding short-term debt as of June 30, 2012.

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, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Airport terminal.....	4.70% - 5.25%	\$ 250,000	\$ -	\$ 50,000	\$ 200,000

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 50,000	\$ 9,125	\$ 59,125
2014.....	50,000	6,563	56,563
2015.....	50,000	3,963	53,963
2016.....	50,000	1,325	51,325
Totals.....	\$ 200,000	\$ 20,976	\$ 220,976

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Activities:					
Compensated absences.....	\$ 67,000	\$ 26,000	\$ (45,000)	\$ 48,000	\$ 26,000
Capital leases.....	18,018	-	(8,424)	9,594	9,594
Other postemployment benefits..	282,304	245,132	(126,050)	401,386	-
Total governmental activities.....	<u>\$ 367,322</u>	<u>\$ 271,132</u>	<u>\$ (179,474)</u>	<u>\$ 458,980</u>	<u>\$ 35,594</u>
Business-type Activities:					
Long-term bonds and notes.....	\$ 250,000	\$ -	\$ (50,000)	\$ 200,000	\$ 50,000
Compensated absences.....	117,500	78,000	(77,500)	118,000	74,000
Other postemployment benefits..	587,354	369,524	(117,614)	839,264	-
Total business-type activities.....	<u>\$ 954,854</u>	<u>\$ 447,524</u>	<u>\$ (245,114)</u>	<u>\$ 1,157,264</u>	<u>\$ 124,000</u>

Lease Obligations

Operating Leases

The County has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases are immaterial as of June 30, 2012.

Capital Leases

In Accordance with Massachusetts General Laws, the County may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The annual requirements to pay down the principal of capital lease obligations outstanding as of June 30, 2012 are shown in the following table. Interest payments are 6.657% of the outstanding balance.

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2013.....	<u>\$ 9,594</u>

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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

	Governmental Funds				
	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
Fund balances					
Restricted for:					
Registry of deeds.....	\$ 173,232	\$ -	\$ -	\$ -	\$ 173,232
Deeds excise tax.....	-	-	20,409	-	20,409
Civil defense/emergency management...	-	-	16,471	-	16,471
Health and human services.....	-	-	47,540	-	47,540
Veterans agent.....	-	-	6,969	-	6,969
Recreation.....	-	-	56,542	-	56,542
Other expenditures.....	-	-	18,204	-	18,204
County capital projects.....	-	-	-	12,552	12,552
Unassigned.....	<u>575,636</u>	<u>(938)</u>	<u>-</u>	<u>-</u>	<u>574,698</u>
Total fund balances (deficit).....	<u>\$ 748,868</u>	<u>\$ (938)</u>	<u>\$ 166,135</u>	<u>\$ 12,552</u>	<u>\$ 926,617</u>

NOTE 9 - RISK FINANCING

Insurance

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

Health benefits

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

Workers' Compensation

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

NOTE 10 - PENSION PLAN

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

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

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The County is required to pay into the System its share of the system-wide actuarially determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the County. The County contributions to the System for the fiscal years ended June 30, 2012, 2011 and 2010 were \$300,000, \$286,000, and \$554,742, respectively, which equaled its required contribution for each fiscal year.

In accordance with the provisions of Massachusetts Session Laws: Chapter 61, Section 10 of the acts of 2009, the Dukes County Sheriff's department was transferred to the Commonwealth of Massachusetts as of January 1, 2010. As stipulated in the law, the County was required to appropriate and pay an amount equal to the minimum obligations to fund the unfunded County pension liabilities and other benefit liabilities of the retired Sheriff's office employees that remain in the Dukes County retirement system. Accordingly, the Secretary of Administration and Finance established a plan for the County to pay off the \$1,035,575 unfunded liability associated with these retirees. The payment plan called for payments totaling \$447,673, \$456,870 and \$307,540 to be paid in fiscal 2011, 2012, and 2013, respectively. For fiscal 2011 and 2012, the actual payments equaled the required payments as indicated in the payment plan.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the County is one participating employer, as well as the County's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the County.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The County of Dukes County administers a single-employer defined benefit plan (“the Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses 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 and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the County and union representatives. 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 spouses. Plan members receiving benefits contribute the remaining 10% to 25% percent of their premium costs. For fiscal year 2012, the County contributed \$243,664 to the plan.

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

	Governmental Activities	Business-type Activities	Total
Annual required contribution.....	\$ 237,663	\$ 364,190	\$ 601,853
Interest on net OPEB obligation.....	32,896	23,494	56,390
Adjustment to annual required contribution.....	25,427	18,160	43,587
Annual OPEB cost (expense).....	<u>245,132</u>	<u>369,524</u>	<u>614,656</u>
Contributions made.....	<u>126,050</u>	<u>117,614</u>	<u>243,664</u>
Increase in net OPEB obligation.....	119,082	251,910	370,992
Net OPEB obligation--beginning of year.....	<u>282,304</u>	<u>587,354</u>	<u>869,658</u>
Net OPEB obligation--end of year.....	<u>\$ 401,386</u>	<u>\$ 839,264</u>	<u>\$ 1,240,650</u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Governmental activities:			
6/30/2012	\$ 245,132	51%	\$ 401,386
6/30/2011	232,669	50%	282,304
6/30/2010	131,974	52%	166,324
Business-type activities:			
6/30/2012	369,524	32%	839,264
6/30/2011	348,998	31%	587,354
6/30/2010	288,243	52%	347,235

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$6,926,653, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,805,019, and the ratio of the UAAL to the covered payroll was 383.6 percent.

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

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

In the July 1, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the County, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10.0% initially, graded to 5% over seven years. The UAAL is being amortized over a 30 years on an open amortization period.

NOTE 12 - CONTINGENCIES

The County participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.

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

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Final Budget		
REVENUES:				
Town assessments.....	\$ 849,415	\$ 849,415	\$ 849,415	\$ -
State grants.....	120,000	120,000	120,153	153
Property rental.....	77,000	77,000	81,442	4,442
Registry of deeds.....	206,000	206,000	225,085	19,085
Beach fees.....	45,500	45,500	45,800	300
Parking fees.....	67,000	67,000	64,806	(2,194)
County alarm fees.....	135,000	135,000	149,644	14,644
Health and environment.....	131,782	131,782	131,703	(79)
Investment income.....	-	-	3,150	3,150
Miscellaneous.....	63,971	71,261	137,360	66,099
TOTAL REVENUES.....	1,695,668	1,702,958	1,808,558	105,600
EXPENDITURES:				
Current:				
County commissioners.....	182,506	185,373	178,002	7,371
Parking clerk.....	75,537	89,414	89,136	278
Courthouse/Administrative building.....	131,594	131,594	107,387	24,207
Treasurer.....	235,097	238,703	237,320	1,383
Civil defense/emergency management.....	9,418	9,418	9,069	349
Health and human services.....	150,000	152,110	147,072	5,038
Retiree postemployment benefits.....	179,849	189,849	174,357	15,492
Veterans agent.....	70,202	70,402	62,691	7,711
Integrated pest management.....	80,461	87,692	87,566	126
Pension expenditure sheriff.....	501,702	490,748	456,870	33,878
Other expenditures.....	57,018	57,078	51,136	5,942
TOTAL EXPENDITURES.....	1,673,384	1,702,382	1,600,606	101,776
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...	22,284	576	207,952	207,376
OTHER FINANCING SOURCES (USES):				
Transfers in - retirees' health insurance.....	102,200	116,143	117,585	1,442
Transfers in - cost allocations.....	75,000	75,000	117,002	42,002
Transfers in - deeds excise.....	100,000	100,000	120,933	20,933
Transfers out - registry maintenance of effort.....	(289,419)	(289,419)	(289,419)	-
Transfers in - other.....	-	-	26,437	26,437
TOTAL OTHER FINANCING SOURCES (USES).....	(12,219)	1,724	92,538	90,814
NET CHANGE IN FUND BALANCE.....	10,065	2,300	300,490	298,190
BUDGETARY FUND BALANCE, Beginning of year.....	445,986	272,236	272,236	-
BUDGETARY FUND BALANCE, End of year.....	\$ 456,051	\$ 274,536	\$ 572,726	\$ 298,190

See notes to required supplementary information.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Final Budget		
EXPENDITURES:				
Current:				
Registry of deeds.....	\$ 372,082	\$ 388,893	\$ 361,252	\$ 27,641
OTHER FINANCING SOURCES (USES):				
Transfers out - retirees' health insurance.....	-	(3,943)	(1,397)	2,546
Transfers out - cost allocations.....	-	-	(5,000)	(5,000)
Transfers in - deeds excise.....	82,663	104,192	80,622	(23,570)
Transfers in - registry maintenance of effort.....	289,419	289,419	289,419	-
TOTAL OTHER FINANCING SOURCES (USES).....	372,082	389,668	363,644	(26,024)
NET CHANGE IN FUND BALANCE.....	-	775	2,392	1,617
BUDGETARY FUND BALANCE, Beginning of year.....	445,986	170,840	170,840	-
BUDGETARY FUND BALANCE, End of year.....	\$ 445,986	\$ 171,615	\$ 173,232	\$ 1,617

See notes to required supplementary information.

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

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Final Budget		
REVENUES:				
Town assessments.....	\$ 849,415	\$ 849,415	\$ 849,415	\$ -
State grants.....	120,000	120,000	120,153	153
Property rental.....	77,000	77,000	81,442	4,442
Registry of deeds.....	206,000	206,000	225,085	19,085
Beach fees.....	45,500	45,500	45,800	300
Parking fees.....	67,000	67,000	64,806	(2,194)
County alarm fees.....	135,000	135,000	149,644	14,644
Health and environment.....	131,782	131,782	131,703	(79)
Investment income.....	-	-	3,150	3,150
Miscellaneous.....	63,971	71,261	137,360	66,099
TOTAL REVENUES.....	1,695,668	1,702,958	1,808,558	105,600
EXPENDITURES:				
Current:				
County commissioners.....	182,506	185,373	178,002	7,371
Parking clerk.....	75,537	89,414	89,136	278
Courthouse/Administrative building.....	131,594	131,594	107,387	24,207
Treasurer.....	235,097	238,703	237,320	1,383
Registry of deeds.....	372,082	388,894	361,252	27,642
Civil defense/emergency management.....	9,418	9,418	9,069	349
Health and human services.....	150,000	152,110	147,072	5,038
Retiree postemployment benefits.....	179,849	189,849	174,357	15,492
Veterans agent.....	70,202	70,402	62,691	7,711
Integrated pest management.....	80,461	87,692	87,566	126
Pension expenditure sheriff.....	501,702	490,748	456,870	33,878
Other expenditures.....	57,018	57,078	51,136	5,942
TOTAL EXPENDITURES.....	2,045,466	2,091,275	1,961,858	129,417
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...	(349,798)	(388,317)	(153,300)	235,017
OTHER FINANCING SOURCES (USES):				
Transfers in - retirees' health insurance.....	102,200	112,200	116,188	3,988
Transfers in - cost allocations.....	75,000	75,000	112,002	37,002
Transfers in - deeds excise.....	182,663	204,192	201,555	(2,637)
Transfers in - other.....	-	-	26,437	26,437
TOTAL OTHER FINANCING SOURCES (USES).....	359,863	391,392	456,182	64,790
NET CHANGE IN FUND BALANCE.....	10,065	3,075	302,882	299,807
BUDGETARY FUND BALANCE, Beginning of year.....	445,986	445,986	445,986	-
BUDGETARY FUND BALANCE, End of year.....	\$ 456,051	\$ 449,061	\$ 748,868	\$ 299,807

See notes to required supplementary information.

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

THE COUNTY OF DUKES COUNTY CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS (DOLLAR AMOUNTS IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/11	\$ 73,989	\$ 110,359	\$ 36,369	67.0%	\$ 29,118	125.0%
1/1/09	60,629	97,882	37,253	61.9%	30,407	123.0%
1/1/07	53,493	82,757	29,264	64.6%	26,286	111.3%
1/1/05	43,588	68,303	24,715	63.8%	22,710	108.8%
1/1/03	36,979	63,042	26,063	58.7%	20,191	129.1%
1/1/01	31,491	45,305	13,814	69.5%	18,409	75.0%
1/1/98	21,622	36,448	14,826	59.3%	14,311	103.6%

The County's share of the UAAL, as of January 1, 2011, is approximately 5%.

See notes to required supplementary information.

COUNTY OF DUKES COUNTY CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

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

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
Governmental activities:			
2012	\$ 237,663	\$ 126,050	53%
2011	228,161	116,689	51%
2010	131,974	68,525	52%
Business-type activities:			
2012	\$ 364,190	\$ 117,614	32%
2011	346,782	108,879	31%
2010	288,243	149,664	52%

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

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date..... July 1, 2010
 Actuarial cost method..... Projected Unit Credit
 Amortization method..... Amortization payments increasing at 3.5%
 Remaining amortization period..... 30 years as of January 1, 2010, open

Actuarial Assumptions:

Inflation rate..... 4.50%
 Medical/drug cost trend rate..... 10% grading down to 5% over 7 years

Plan Membership:

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

See notes to required supplementary information.

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

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

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

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

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

The 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 fiscal year 2012 approved budget for the general fund authorized approximately \$2 million, in appropriations. During fiscal year 2012, the Advisory Board also approved supplemental appropriations totaling approximately \$46,000.

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

2. Budgetary - GAAP Reconciliation

Accounting principles followed for purposes of preparing the basic financial statements on a budgetary basis did not differ from those used to present the basic financial statements in conformity with GAAP. Accordingly, a reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is not deemed necessary.

3. Appropriation Deficits

For the fiscal year ended June 30, 2012, actual expenditures did not exceed appropriations.

NOTE B - PENSION PLAN

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

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the County is one participating employer, as well as the County's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the County.

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2011
Actuarial Cost Method.....	Individual Entry-Age Normal Cost Method
Amortization Method.....	Approximate level percent of payroll. Closed.
Remaining Amortization Period.....	14 years.
Asset Valuation Method.....	Market value of assets

Actuarial Assumptions:

Investment rate of return.....	8.00%
Projected salary increases.....	4.75%
Cost of living adjustments.....	Retirement benefits were assumed to increase annually by 3%, up to a maximum of \$360.

Plan Membership:

Retired participants and beneficiaries receiving benefits paid by the county.....	236
Inactive participants.....	116
Active participants.....	<u>602</u>
Total.....	<u>954</u>

NOTE C - OTHER POSTEMPLOYMENT BENEFITS

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

The County currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In

accordance with Governmental Accounting Standards, the County has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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

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

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

Combining Schedules

Airport Commission Combining Schedules

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

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

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

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

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

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

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

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

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

AIRPORT COMMISSION ACTIVITIES
COMBINING SCHEDULE OF NET ASSETS

JUNE 30, 2012

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
ASSETS									
CURRENT:									
Cash and cash equivalents.....	\$ 2,352,998	\$ 312,363	\$ (1,839)	\$ 249,982	\$ (624,970)	\$ 382,459	\$ -	\$ -	\$ 2,670,993
Receivables, net of allowance for uncollectibles:									
Intergovernmental.....	-	-	36,209	-	1,723,757	-	-	-	1,759,966
Departmental and other.....	171,758	-	-	-	-	-	-	-	171,758
Inventory.....	-	174,642	-	-	-	-	-	-	174,642
Total current assets.....	2,524,756	487,005	34,370	249,982	1,098,787	382,459	-	-	4,777,359
NONCURRENT:									
Capital assets, non depreciable.....	-	-	-	-	-	-	-	1,410,887	1,410,887
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	32,002,144	32,002,144
Total noncurrent assets.....	-	-	-	-	-	-	-	33,413,031	33,413,031
TOTAL ASSETS.....	2,524,756	487,005	34,370	249,982	1,098,787	382,459	-	33,413,031	38,190,390
LIABILITIES									
CURRENT:									
Warrants payable.....	350,040	257,050	34,370	-	1,161,273	-	-	-	1,802,733
Accrued payroll.....	17,128	-	-	-	-	-	-	-	17,128
Accrued interest.....	-	-	-	-	-	-	4,767	-	4,767
Customer deposits payable.....	32,500	47,767	-	-	-	-	-	-	80,267
Other liabilities.....	2,123	-	-	-	-	-	-	-	2,123
Compensated absences.....	-	-	-	-	-	-	74,000	-	74,000
Bonds and notes payable.....	-	-	-	-	-	-	50,000	-	50,000
Total current liabilities.....	401,791	304,817	34,370	-	1,161,273	-	128,767	-	2,031,018
NONCURRENT:									
Compensated absences.....	-	-	-	-	-	-	44,000	-	44,000
Bonds and notes payable.....	-	-	-	-	-	-	150,000	-	150,000
Other postemployment benefits.....	-	-	-	-	-	-	839,264	-	839,264
Total noncurrent liabilities.....	-	-	-	-	-	-	1,033,264	-	1,033,264
TOTAL LIABILITIES.....	401,791	304,817	34,370	-	1,161,273	-	1,162,031	-	3,064,282
NET ASSETS									
Invested in capital assets, net of related debt.....	-	-	-	-	-	-	(200,000)	33,413,031	33,213,031
Unrestricted.....	2,122,965	182,188	-	249,982	(62,486)	382,459	(962,031)	-	1,913,077
TOTAL NET ASSETS.....	\$ 2,122,965	\$ 182,188	\$ -	\$ 249,982	\$ (62,486)	\$ 382,459	\$ (1,162,031)	\$ 33,413,031	\$ 35,126,108

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

FISCAL YEAR ENDED JUNE 30, 2012

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
OPERATING REVENUES:									
Charges for services.....	\$ 1,417,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,417,013
Intergovernmental.....	-	-	113,257	-	-	-	-	-	113,257
Fuel.....	-	4,448,260	-	-	-	-	-	-	4,448,260
Business park.....	1,174,926	-	-	-	-	-	-	-	1,174,926
Wastewater revenue.....	88,295	-	-	-	-	-	-	-	88,295
TOTAL OPERATING REVENUES	2,680,234	4,448,260	113,257	-	-	-	-	-	7,241,751
OPERATING EXPENSES:									
Cost of services and administration.....	2,854,627	-	-	-	4,728,428	-	252,410	(4,932,338)	2,903,127
Fuel.....	-	3,144,785	-	-	-	-	-	-	3,144,785
Water facilities.....	211,977	-	-	-	-	-	-	-	211,977
Wastewater facilities.....	214,055	-	-	-	-	-	-	-	214,055
Transportation security.....	-	-	212,222	-	-	-	-	-	212,222
Depreciation.....	-	-	-	-	-	-	-	2,004,177	2,004,177
TOTAL OPERATING EXPENSES	3,280,659	3,144,785	212,222	-	4,728,428	-	252,410	(2,928,161)	8,690,343
OPERATING INCOME (LOSS).....	(600,425)	1,303,475	(98,965)	-	(4,728,428)	-	(252,410)	2,928,161	(1,448,592)
NONOPERATING REVENUES (EXPENSES):									
Investment income.....	8,124	-	-	-	-	-	-	-	8,124
Intergovernmental.....	-	-	-	-	7,228,872	-	-	-	7,228,872
Interest expense.....	(11,625)	-	-	-	-	-	1,123	-	(10,502)
Debt service - principal.....	(50,000)	-	-	-	-	-	50,000	-	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(53,501)	-	-	-	7,228,872	-	51,123	-	7,226,494
INCOME (LOSS) BEFORE TRANSFERS.....	(653,926)	1,303,475	(98,965)	-	2,500,444	-	(201,287)	2,928,161	5,777,902
TRANSFERS:									
Transfers out - retirees' health insurance.....	(116,188)	-	-	-	-	-	-	-	(116,188)
Transfers out - cost allocations.....	(104,302)	-	-	-	-	-	-	-	(104,302)
Transfers in - other.....	1,322,241	-	170,175	-	-	-	-	-	1,492,416
Transfers out - other.....	(170,175)	(1,322,241)	-	-	-	-	-	-	(1,492,416)
TOTAL TRANSFERS.....	931,576	(1,322,241)	170,175	-	-	-	-	-	(220,490)
CHANGE IN NET ASSETS.....	277,650	(18,766)	71,210	-	2,500,444	-	(201,287)	2,928,161	5,557,412
NET ASSETS AT BEGINNING OF YEAR.....	1,845,315	200,954	(71,210)	249,982	(2,562,930)	382,459	(960,744)	30,484,870	29,568,696
NET ASSETS AT END OF YEAR.....	\$ 2,122,965	\$ 182,188	\$ -	\$ 249,982	\$ (62,486)	\$ 382,459	\$ (1,162,031)	\$ 33,413,031	\$ 35,126,108