

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

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

***FISCAL YEAR ENDED JUNE 30, 2013***

COUNTY OF DUKES COUNTY, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

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## Independent Auditor's Report

To the Honorable County Commissioners  
County of Dukes County, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2014, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



April 7, 2014

***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, 2013. 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 \$35.4 million (net position).
- Of this amount, \$2.2 million (unrestricted net position) 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 fund balance totaling \$784,000, an increase of \$35,000 in comparison with the prior year. Total fund balance represents 39% 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 position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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, fisherman association, refund to member communities and other expenditures. The business-type activities include the activities of the airport operations.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the 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. Budgetary comparison statements have been provided for the general fund county and registry of deeds operations to demonstrate compliance with this budget.

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

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

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

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

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Total assets exceeded total liabilities by \$35.4 million at the close of fiscal 2013.

Net position totaling \$33.1 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 position \$130,000 (less than 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$2.2 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 position, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

### Governmental Activities

The County's assets exceeded liabilities for governmental activities by \$1.6 million at the close of fiscal 2013.

	Fiscal 2013	Fiscal 2012
<b>Assets:</b>		
Current assets.....	\$ 1,278,955	\$ 1,148,259
Capital assets not being depreciated.....	584,954	584,954
Capital assets, net of accumulated depreciation.....	573,597	572,715
<b>Total assets.....</b>	<b>2,437,506</b>	<b>2,305,928</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	333,347	247,642
Noncurrent liabilities (excluding debt).....	500,904	423,386
Current debt.....	-	9,594
<b>Total liabilities.....</b>	<b>834,251</b>	<b>680,622</b>
<b>Net Position:</b>		
Net investment in capital assets.....	1,158,551	1,157,669
Restricted.....	130,194	106,939
Unrestricted.....	314,510	360,698
<b>Total net position.....</b>	<b>\$ 1,603,255</b>	<b>\$ 1,625,306</b>



	<u>Fiscal 2013</u>	<u>Fiscal 2012</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 1,218,392	\$ 1,149,748
Operating grants and contributions.....	618,079	540,804
Capital grants and contributions.....	18,350	257,060
<b>General Revenues:</b>		
Town assessments.....	649,278	849,415
County deeds excise tax.....	211,985	201,755
Nonrestricted grants and contributions.....	106,029	108,155
Unrestricted investment income.....	4,518	3,388
Other revenues.....	34,771	95,784
<b>Total revenues.....</b>	<b><u>2,861,402</u></b>	<b><u>3,206,109</u></b>
<b>Expenses:</b>		
County commissioners.....	190,763	190,847
Parking clerk.....	432,452	379,105
Courthouse/Administrative building.....	150,075	133,682
Treasurer.....	235,773	225,024
Registry of deeds.....	381,142	412,522
Civil defense/emergency management.....	22,059	29,149
Health and human services.....	621,613	541,457
Retiree postemployment benefits.....	263,998	293,439
Veterans agent.....	59,938	63,626
Recreation.....	36,252	17,140
Integrated pest management.....	94,437	88,446
Pension expense sheriff.....	307,540	456,870
Law enforcement.....	28,330	7,776
Animal shelter.....	16,734	191,138
Fisherman association.....	14,919	89,497
Old South Road Aquinnah project.....	150,000	170,028
Other expenditures.....	93,559	68,430
<b>Total expenses.....</b>	<b><u>3,099,584</u></b>	<b><u>3,358,176</u></b>
<b>Increase (decrease) in net position before transfers.....</b>	<b>(238,182)</b>	<b>(152,067)</b>
<b>Transfers.....</b>	<b><u>216,131</u></b>	<b><u>220,490</u></b>
<b>Change in net position.....</b>	<b>(22,051)</b>	<b>68,423</b>
<b>Beginning net position.....</b>	<b><u>1,625,306</u></b>	<b><u>1,556,883</u></b>
<b>Ending net position.....</b>	<b><u>\$ 1,603,255</u></b>	<b><u>\$ 1,625,306</u></b>

The governmental expenses totaled \$3.1 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 \$1.0 million, primarily coming from town assessments and county deeds excise taxes and state grants.

The governmental net position decreased by \$22,000 during the current fiscal year. This was primarily due to a \$59,000 increase in operating results from governmental activities, which were offset by a \$72,000 increase in the other postemployment benefits liability (opeb).

## Business-type activities

The County's assets exceeded its liabilities for business-type activities by \$33.8 million at the close of fiscal 2013.

	Fiscal 2013	Fiscal 2012
<b>Assets:</b>		
Current assets.....	\$ 3,621,243	\$ 4,777,359
Capital assets, non depreciable.....	1,826,439	1,410,887
Capital assets, net of accumulated depreciation.....	30,292,563	32,002,144
<b>Total assets.....</b>	<b>35,740,245</b>	<b>38,190,390</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	644,017	1,981,018
Noncurrent liabilities (excluding debt).....	1,120,231	883,264
Current debt.....	50,000	50,000
Noncurrent debt.....	100,000	150,000
<b>Total liabilities.....</b>	<b>1,914,248</b>	<b>3,064,282</b>
<b>Net Position:</b>		
Net investment in capital assets.....	31,969,002	33,213,031
Unrestricted.....	1,856,995	1,913,077
<b>Total net position.....</b>	<b>33,825,997</b>	<b>35,126,108</b>
<b>Program revenues:</b>		
Charges for services.....	6,695,180	7,136,618
Operating grants and contributions.....	90,237	113,257
Capital grants and contributions.....	278,760	7,228,872
<b>Total revenues.....</b>	<b>7,064,177</b>	<b>14,478,747</b>
<b>Expenses:</b>		
Airport.....	8,148,157	8,700,845
<b>Increase (decrease) in net position before transfers...</b>	<b>(1,083,980)</b>	<b>5,777,902</b>
<b>Transfers.....</b>	<b>(216,131)</b>	<b>(220,490)</b>
<b>Change in net position.....</b>	<b>(1,300,111)</b>	<b>5,557,412</b>
<b>Beginning net position.....</b>	<b>35,126,108</b>	<b>29,568,696</b>
<b>Ending net position.....</b>	<b>\$ 33,825,997</b>	<b>\$ 35,126,108</b>

The business-type expenses totaled \$8.1 million of which \$7.1 million was directly supported by program revenues consisting of charges for services, and operating grants and contributions.

The business-type net position decreased by \$1.3 million during the current fiscal year. This decrease was primarily due to \$1.9 million of depreciation expense, which was offset by a \$464,000 surplus in the operating fund and \$279,000 in capital grants for airport construction.

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances totaling approximately \$986,000, of which \$784,000 is for the general fund, a \$4,000 deficit is for the parking clerk fund, \$221,000 is for the other special revenue fund, and a \$15,000 deficit is for the County capital projects fund. Cumulatively there was a \$59,000 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 \$784,000. 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 39% of total general fund expenditures.

The County's general fund increased by \$35,000, which is primarily due to better than anticipated deeds excise tax collections and various 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 \$4,000.

The other special revenue fund is used to account for proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The fund is in a surplus position of \$221,000.

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 deficit position of \$15,000.

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

The \$174,000 increase between the original budget and the final amended budget was primarily due to a supplemental appropriation for refunds to member communities as well as increases in the Courthouse/Administration building, integrated pest management, and other expenditures line-items.

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

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$33.3 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 \$746,000 and consist of County buildings and improvements, machinery and equipment and infrastructure improvements.

**Debt Administration.** The airport enterprise fund has outstanding long-term debt totaling \$150,000 that is fully supported by the airport enterprise fund and does not rely on a general fund subsidy.

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

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

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

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2013

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 899,354	\$ 3,192,483	\$ 4,091,837
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	86,198	35,604	121,802
Departmental and other.....	293,403	263,893	557,296
Inventory.....	-	129,263	129,263
<b>Total current assets.....</b>	<b>1,278,955</b>	<b>3,621,243</b>	<b>4,900,198</b>
<b>NONCURRENT:</b>			
Capital assets, non depreciable.....	584,954	1,826,439	2,411,393
Capital assets, net of accumulated depreciation.....	573,597	30,292,563	30,866,160
<b>Total noncurrent assets.....</b>	<b>1,158,551</b>	<b>32,119,002</b>	<b>33,277,553</b>
<b>TOTAL ASSETS.....</b>	<b>2,437,506</b>	<b>35,740,245</b>	<b>38,177,751</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	160,775	510,369	671,144
Accrued payroll.....	-	5,332	5,332
Accrued interest.....	-	3,598	3,598
Other liabilities.....	127,572	6,656	134,228
Customer deposits payable.....	5,000	64,062	69,062
Compensated absences.....	40,000	54,000	94,000
Bonds and notes payable.....	-	50,000	50,000
<b>Total current liabilities.....</b>	<b>333,347</b>	<b>694,017</b>	<b>1,027,364</b>
<b>NONCURRENT:</b>			
Compensated absences.....	28,000	42,000	70,000
Other postemployment benefits.....	472,904	1,078,231	1,551,135
Bonds and notes payable.....	-	100,000	100,000
<b>Total noncurrent liabilities.....</b>	<b>500,904</b>	<b>1,220,231</b>	<b>1,721,135</b>
<b>TOTAL LIABILITIES.....</b>	<b>834,251</b>	<b>1,914,248</b>	<b>2,748,499</b>
<b>NET POSITION</b>			
Net Investment in capital assets.....	1,158,551	31,969,002	33,127,553
Restricted for:			
Gifts and grants.....	130,194	-	130,194
Unrestricted.....	314,510	1,856,995	2,171,505
<b>TOTAL NET POSITION.....</b>	<b>\$ 1,603,255</b>	<b>\$ 33,825,997</b>	<b>\$ 35,429,252</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
County commissioners.....	\$ 190,763	\$ -	\$ -	\$ -	\$ (190,763)
Parking clerk.....	432,452	431,626	-	-	(826)
Courthouse/Administrative building.....	150,075	81,291	-	18,350	(50,434)
Treasurer.....	235,773	146,182	-	-	(89,591)
Registry of deeds.....	381,142	242,484	46,995	-	(91,663)
Civil defense/emergency management.....	22,059	-	-	-	(22,059)
Health and human services.....	621,613	153,403	515,629	-	47,419
Retiree postemployment benefits.....	263,998	-	-	-	(263,998)
Veterans agent.....	59,938	300	-	-	(59,638)
Recreation.....	36,252	51,250	30,000	-	44,998
Integrated pest management.....	94,437	84,897	-	-	(9,540)
Pension expense sheriff.....	307,540	-	-	-	(307,540)
Law enforcement.....	28,330	22,646	3,916	-	(1,768)
Animal shelter.....	16,734	4,233	21	-	(12,480)
Fisherman association.....	14,919	80	21,518	-	6,679
Refund to member communities.....	150,000	-	-	-	(150,000)
Other expenditures.....	93,559	-	-	-	(93,559)
<b>Total Governmental Activities.....</b>	<b>3,099,584</b>	<b>1,218,392</b>	<b>618,079</b>	<b>18,350</b>	<b>(1,244,763)</b>
<i>Business-Type Activities:</i>					
Airport.....	8,148,157	6,695,180	90,237	278,760	(1,083,980)
<b>Total Primary Government.....</b>	<b>\$ 11,247,741</b>	<b>\$ 7,913,572</b>	<b>\$ 708,316</b>	<b>\$ 297,110</b>	<b>\$ (2,328,743)</b>

See notes to basic financial statements.

(Continued)



**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(1,244,763)</b>	\$ <b>(1,083,980)</b>	\$ <b>(2,328,743)</b>
<i>General revenues:</i>			
Town assessments.....	649,278	-	649,278
County deeds excise tax.....	211,985	-	211,985
Grants and contributions not restricted to specific programs.....	106,029	-	106,029
Unrestricted investment income.....	4,518	-	4,518
Miscellaneous.....	34,771	-	34,771
<i>Transfers, net</i> .....	216,131	(216,131)	-
Total general revenues and transfers.....	<u>1,222,712</u>	<u>(216,131)</u>	<u>1,006,581</u>
Change in net position.....	(22,051)	(1,300,111)	(1,322,162)
<i>Net Position:</i>			
Beginning of year.....	<u>1,625,306</u>	<u>35,126,108</u>	<u>36,751,414</u>
End of year.....	\$ <u><u>1,603,255</u></u>	\$ <u><u>33,825,997</u></u>	\$ <u><u>35,429,252</u></u>

(Concluded)

**GOVERNMENTAL FUNDS**  
BALANCE SHEET

JUNE 30, 2013

<b>ASSETS</b>	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
Cash and cash equivalents.....	\$ 575,649	\$ 24,949	\$ 298,756	\$ -	\$ 899,354
Receivables, net of uncollectibles:					
Intergovernmental.....	85,186	75	937	-	86,198
Departmental and other.....	289,170	-	4,233	-	293,403
Due from other funds.....	891	-	-	-	891
<b>TOTAL ASSETS.....</b>	<b>\$ 950,896</b>	<b>\$ 25,024</b>	<b>\$ 303,926</b>	<b>\$ -</b>	<b>\$ 1,279,846</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 39,061	\$ 28,966	\$ 78,298	\$ 14,450	\$ 160,775
Liabilities due depositors.....	-	-	5,000	-	5,000
Other liabilities.....	127,572	-	-	-	127,572
Due to other funds.....	-	-	-	891	891
<b>TOTAL LIABILITIES.....</b>	<b>166,633</b>	<b>28,966</b>	<b>83,298</b>	<b>15,341</b>	<b>294,238</b>
<b>FUND BALANCES:</b>					
Restricted.....	201,639	-	245,179	-	446,818
Assigned.....	6,878	-	-	-	6,878
Unassigned.....	575,746	(3,942)	(24,551)	(15,341)	531,912
<b>TOTAL FUND BALANCES.....</b>	<b>784,263</b>	<b>(3,942)</b>	<b>220,628</b>	<b>(15,341)</b>	<b>985,608</b>
<b>TOTAL LIABILITIES AND FUND BALANCES... \$</b>	<b>950,896</b>	<b>\$ 25,024</b>	<b>\$ 303,926</b>	<b>\$ -</b>	<b>\$ 1,279,846</b>

See notes to basic financial statements.

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

JUNE 30, 2013

Total governmental fund balances.....		\$ 985,608
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		1,158,551
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated absences.....	(68,000)	
Other postemployment benefits.....	<u>(472,904)</u>	
Net effect of reporting long-term liabilities.....		<u>(540,904)</u>
Net position of governmental activities.....		<u>\$ 1,603,255</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	General	Parking Clerk	Other Special Revenue	County Capital Projects	Total Governmental Funds
<b>REVENUES:</b>					
Town assessments - County tax.....	\$ 649,278	\$ -	\$ -	\$ -	\$ 649,278
Town assessments - Integrated pest management.....	53,226	-	-	-	53,226
Town assessments - Health care access program.....	153,403	-	-	-	153,403
State grants.....	119,161	-	566,220	-	685,381
Property rental.....	81,291	-	-	-	81,291
Registry of deeds.....	242,484	-	258,980	-	501,464
Dog license revenue.....	-	-	4,624	-	4,624
Beach fees.....	51,250	-	-	-	51,250
Parking fees.....	79,917	351,706	-	-	431,623
County alarm fees.....	146,182	-	-	-	146,182
Investment income.....	4,257	264	101	-	4,622
Miscellaneous.....	47,255	-	33,453	18,350	99,058
<b>TOTAL REVENUES.....</b>	<b>1,627,704</b>	<b>351,970</b>	<b>863,378</b>	<b>18,350</b>	<b>2,861,402</b>
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	151,734	-	-	8,843	160,577
Parking clerk.....	82,272	354,974	-	-	437,246
Courthouse/Administrative building.....	139,694	-	-	37,400	177,094
Treasurer.....	235,766	-	-	-	235,766
Registry of deeds.....	342,852	-	28,141	-	370,993
Civil defense/emergency management.....	11,934	-	10,125	-	22,059
Health and human services.....	167,170	-	453,448	-	620,618
Retiree postemployment benefits.....	192,480	-	-	-	192,480
Veterans agent.....	58,160	-	1,778	-	59,938
Recreation.....	-	-	36,252	-	36,252
Integrated pest management.....	94,437	-	-	-	94,437
Pension expenditures sheriff.....	307,540	-	-	-	307,540
Law enforcement.....	-	-	28,330	-	28,330
Animal shelter.....	-	-	16,734	-	16,734
Fisherman association.....	-	-	14,919	-	14,919
Refund to member communities.....	150,000	-	-	-	150,000
Other expenditures.....	79,386	-	14,173	-	93,559
<b>TOTAL EXPENDITURES.....</b>	<b>2,013,425</b>	<b>354,974</b>	<b>603,900</b>	<b>46,243</b>	<b>3,018,542</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(385,721)</b>	<b>(3,004)</b>	<b>259,478</b>	<b>(27,893)</b>	<b>(157,140)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	118,137	-	-	-	118,137
Transfers in - cost allocations.....	103,694	-	12,500	-	116,194
Transfers out - cost allocations.....	(12,500)	-	(5,700)	-	(18,200)
Transfers in - deeds excise.....	211,785	-	-	-	211,785
Transfers out - deeds excise.....	-	-	(211,785)	-	(211,785)
<b>TOTAL OTHER FINANCING SOURCES (USES)....</b>	<b>421,116</b>	<b>-</b>	<b>(204,985)</b>	<b>-</b>	<b>216,131</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>35,395</b>	<b>(3,004)</b>	<b>54,493</b>	<b>(27,893)</b>	<b>58,991</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>748,868</b>	<b>(938)</b>	<b>166,135</b>	<b>12,552</b>	<b>926,617</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 784,263</b>	<b>\$ (3,942)</b>	<b>\$ 220,628</b>	<b>\$ (15,341)</b>	<b>\$ 985,608</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds..... \$ 58,991

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	42,522
Depreciation expense.....	<u>(41,640)</u>

Net effect of reporting capital assets..... 882

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 position. 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.

Capital lease financing.....	9,594
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(20,000)
Net change in other postemployment benefits.....	<u>(71,518)</u>

Net effect of recording long-term liabilities..... (91,518)

Change in net position of governmental activities..... \$ (22,051)

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-type Activities - Airport Enterprise Fund
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 3,192,483
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	35,604
Departmental and other.....	263,893
Inventory.....	129,263
Total current assets.....	3,621,243
NONCURRENT:	
Capital assets, non depreciable.....	1,826,439
Capital assets, net of accumulated depreciation.....	30,292,563
Total noncurrent assets.....	32,119,002
TOTAL ASSETS.....	35,740,245
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	510,369
Accrued payroll.....	5,332
Accrued interest.....	3,598
Customer deposits payable.....	64,062
Other liabilities.....	6,656
Compensated absences.....	54,000
Bonds and notes payable.....	50,000
Total current liabilities.....	694,017
NONCURRENT:	
Compensated absences.....	42,000
Bonds and notes payable.....	100,000
Other postemployment benefits.....	1,078,231
Total noncurrent liabilities.....	1,220,231
TOTAL LIABILITIES.....	1,914,248
<b>NET POSITION</b>	
Net investment in capital assets.....	31,969,002
Unrestricted.....	1,856,995
TOTAL NET POSITION.....	\$ 33,825,997

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities - Airport Enterprise Fund</u>
<b><u>OPERATING REVENUES:</u></b>	
Charges for services.....	\$ 1,365,978
Intergovernmental.....	90,237
Fuel.....	3,911,965
Business park.....	1,219,545
Water revenue.....	96,646
Wastewater revenue.....	<u>93,075</u>
 TOTAL OPERATING REVENUES .....	 <u>6,777,446</u>
<b><u>OPERATING EXPENSES:</u></b>	
Cost of services and administration.....	2,754,712
Fuel.....	2,792,622
Water facilities.....	120,730
Wastewater facilities.....	262,684
Transportation security.....	212,815
Depreciation.....	<u>1,996,638</u>
 TOTAL OPERATING EXPENSES .....	 <u>8,140,201</u>
 OPERATING INCOME (LOSS).....	 <u>(1,362,755)</u>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>	
Investment income.....	7,971
Intergovernmental.....	278,760
Interest expense.....	<u>(7,956)</u>
 TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	 <u>278,775</u>
 INCOME (LOSS) BEFORE TRANSFERS.....	 <u>(1,083,980)</u>
<b><u>TRANSFERS:</u></b>	
Transfers out - retirees' health insurance.....	(118,137)
Transfers out - cost allocations.....	<u>(97,994)</u>
 TOTAL TRANSFERS.....	 <u>(216,131)</u>
 CHANGE IN NET POSITION.....	 (1,300,111)
NET POSITION AT BEGINNING OF YEAR.....	<u>35,126,108</u>
NET POSITION AT END OF YEAR.....	<u>\$ 33,825,997</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities - Airport Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 6,578,869
Receipts from other governments.....	94,446
Payments to vendors.....	(4,928,436)
Payments to employees.....	<u>(1,091,136)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>653,743</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers out.....	<u>(216,131)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Capital grants.....	1,998,913
Acquisition and construction of capital assets.....	(1,863,881)
Principal payments on bonds and notes.....	(50,000)
Interest expense.....	<u>(9,125)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>75,907</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	<u>7,971</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	521,490
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>2,670,993</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 3,192,483</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ <u>(1,362,755)</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	1,996,638
Changes in assets and liabilities:	
Departmental and other.....	(92,135)
Intergovernmental.....	4,209
Inventory.....	45,379
Warrants payable.....	(131,092)
Accrued payroll.....	(11,796)
Liabilities due depositors.....	(16,205)
Other liabilities.....	4,533
Accrued compensated absences.....	(22,000)
Other postemployment benefits.....	<u>238,967</u>
Total adjustments.....	<u>2,016,498</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 653,743</u>

See notes to basic financial statements.



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

JUNE 30, 2013

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	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents.....	\$ 102,594
<b>LIABILITIES</b>	
Other liabilities.....	\$ 102,594

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 2013 health insurance premiums totaled \$477,000 of which the County contributes 90% for retirees and 75% for active employees. The County does not have an equity interest in the joint venture. Financial statements for the joint venture may be obtained by contacting the Cape Cod Municipal Health Group at 27 Midstate Office Park, Suite 204, Auburn, MA 01501.

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

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

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

- If 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 Towns.

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

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

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

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

The following major proprietary fund is reported:

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

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

The following fiduciary fund type is reported:

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

#### *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.

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

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

#### ***Intergovernmental***

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

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

F. Inventories

*Government-Wide and Fund Financial Statements*

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

G. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

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

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

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

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

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

*Governmental Fund Financial Statements*

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

H. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of

resources (expense/ expenditure) until then. The County did not have any items that qualify for reporting in this category.

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

#### I. Interfund Receivables and Payables

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

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### J. Interfund Transfers

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

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### K. Net Position and Fund Equity

##### *Government-Wide Financial Statements (Net Position)*

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

Net position has been “restricted for” the following:

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

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

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

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The Advisory Board on County expenditures is the highest level of decision-making authority for the government that can, by adoption of a supplemental appropriation prior to the end of the 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.



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

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

*Governmental Fund Financial Statements*

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

M. Investment Income

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

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

N. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

O. Individual Fund Deficits

Several individual fund deficits exist within the special revenue and airport capital project funds at June 30, 2013. These deficits will be funded through available fund balance and grant proceeds during fiscal 2014.

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

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

Q. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 - CASH AND INVESTMENTS**

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

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

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a formal policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$3,928,040 and the bank balance totaled \$4,260,011. Of the bank balance, \$500,000 was covered by FDIC, \$30,222 was covered by DIF Insurance, and \$3,729,789 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, 2013, 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, 2013, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
MMDT.....	\$ <u>266,391</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, 2013, 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.....	\$ 86,198	\$ -	\$ 86,198
Departmental and other.....	<u>293,403</u>	<u>-</u>	<u>293,403</u>
	<u>\$ 379,601</u>	<u>\$ -</u>	<u>\$ 379,601</u>

At June 30, 2013, 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.....	\$ 35,604	\$ -	\$ 35,604
Departmental and other.....	<u>263,893</u>	<u>-</u>	<u>263,893</u>
Total.....	<u>\$ 299,497</u>	<u>\$ -</u>	<u>\$ 299,497</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 584,954	\$ -	\$ -	\$ 584,954
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	760,189	37,400	-	797,589
Machinery and equipment.....	352,716	5,122	-	357,838
Vehicles.....	54,679	-	-	54,679
Infrastructure.....	21,850	-	-	21,850
Total capital assets being depreciated.....	<u>1,189,434</u>	<u>42,522</u>	<u>-</u>	<u>1,231,956</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(254,883)	(20,697)	-	(275,580)
Machinery and equipment.....	(298,075)	(20,078)	-	(318,153)
Vehicles.....	(54,679)	-	-	(54,679)
Infrastructure.....	(9,082)	(865)	-	(9,947)
Total accumulated depreciation.....	<u>(616,719)</u>	<u>(41,640)</u>	<u>-</u>	<u>(658,359)</u>
Total capital assets being depreciated, net.....	<u>572,715</u>	<u>882</u>	<u>-</u>	<u>573,597</u>
Total governmental activities capital assets, net.....	<u>\$ 1,157,669</u>	<u>\$ 882</u>	<u>\$ -</u>	<u>\$ 1,158,551</u>
<b>Business-Type Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress.....	-	415,552	-	415,552
Total capital assets not being depreciated.....	<u>1,410,887</u>	<u>415,552</u>	<u>-</u>	<u>1,826,439</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,244,603	-	-	4,244,603
Buildings and improvements.....	16,038,040	-	-	16,038,040
Machinery and equipment.....	5,042,110	187,628	(76,740)	5,152,998
Infrastructure.....	25,401,872	100,759	-	25,502,631
Total capital assets being depreciated.....	<u>50,726,625</u>	<u>288,387</u>	<u>(76,740)</u>	<u>50,938,272</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,928,374)	(184,291)	-	(3,112,665)
Buildings.....	(6,522,103)	(420,740)	-	(6,942,843)
Machinery and equipment.....	(2,872,762)	(316,340)	75,410	(3,113,692)
Infrastructure.....	(6,401,242)	(1,075,267)	-	(7,476,509)
Total accumulated depreciation.....	<u>(18,724,481)</u>	<u>(1,996,638)</u>	<u>75,410</u>	<u>(20,645,709)</u>
Total capital assets being depreciated, net.....	<u>32,002,144</u>	<u>(1,708,251)</u>	<u>(1,330)</u>	<u>30,292,563</u>
Total business-type activities capital assets, net.....	<u>\$ 33,413,031</u>	<u>\$ (1,292,699)</u>	<u>\$ (1,330)</u>	<u>\$ 32,119,002</u>

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

<b>Governmental Activities:</b>	
County commissioners.....	\$ 10,186
Parking clerk.....	4,800
Treasurer.....	5,129
Registry of deeds.....	10,149
Health and human services.....	995
Courthouse.....	<u>10,381</u>
Total depreciation expense - governmental activities.....	<u>\$ 41,640</u>
<b>Business-Type Activities:</b>	
Airport.....	<u>\$ 1,996,638</u>

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Other Special Revenue	Total
General Fund.....	\$ -	\$ 12,500	\$ 12,500 (1)
Deeds Excise.....	211,785	-	211,785 (2)
Other Special Revenue.....	5,700	-	5,700 (3)
Airport Enterprise Fund.....	<u>216,131</u>	<u>-</u>	<u>216,131 (4)</u>
Totals.....	<u>\$ 433,616</u>	<u>\$ 12,500</u>	<u>\$ 446,116</u>

- (1) Represents the reversal of prior year cost allocations to the animal shelter fund.
- (2) Represents the transfer of the County and Registry of Deeds share of deeds excise taxes.
- (3) Represents cost allocation transfers.
- (4) Represents cost allocation transfers and reimbursement of retiree health insurance costs.

**NOTE 6 - SHORT-TERM FINANCING**

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

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

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

The County did not have any outstanding short-term debt as of June 30, 2013.

**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, 2013, and the debt service requirements are as follows:

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

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>
Airport terminal.....	4.70% - 5.25%	\$ <u>200,000</u>	\$ <u>-</u>	\$ <u>50,000</u>	\$ <u>150,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 50,000	\$ 6,563	\$ 56,563
2015.....	50,000	3,963	53,963
2016.....	<u>50,000</u>	<u>1,325</u>	<u>51,325</u>
Totals.....	\$ <u>150,000</u>	\$ <u>11,851</u>	\$ <u>161,851</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2013, 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>
<b>Governmental Activities:</b>					
Compensated absences.....	\$ 48,000	\$ 46,000	\$ (26,000)	\$ 68,000	\$ 40,000
Capital leases.....	9,594	-	(9,594)	-	-
Other postemployment benefits..	<u>401,386</u>	<u>153,844</u>	<u>(82,326)</u>	<u>472,904</u>	<u>-</u>
Total governmental activities.....	\$ <u>458,980</u>	\$ <u>199,844</u>	\$ <u>(117,920)</u>	\$ <u>540,904</u>	\$ <u>40,000</u>
<b>Business-type Activities:</b>					
Long-term bonds and notes.....	\$ 200,000	\$ -	\$ (50,000)	\$ 150,000	\$ 50,000
Compensated absences.....	118,000	52,000	(74,000)	96,000	54,000
Other postemployment benefits..	<u>839,264</u>	<u>375,912</u>	<u>(136,945)</u>	<u>1,078,231</u>	<u>-</u>
Total business-type activities.....	\$ <u>1,157,264</u>	\$ <u>427,912</u>	\$ <u>(260,945)</u>	\$ <u>1,324,231</u>	\$ <u>104,000</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.....	\$ 201,639	\$ -	\$ -	\$ -	201,639
Deeds excise tax.....	-	-	20,409	-	20,409
Civil defense/emergency management...	-	-	17,895	-	17,895
Health and human services.....	-	-	95,370	-	95,370
Veterans agent.....	-	-	7,943	-	7,943
Recreation.....	-	-	50,290	-	50,290
Other special revenues.....	-	-	53,272	-	53,272
Assigned to:					
Treasurer.....	6,878	-	-	-	6,878
Unassigned.....	575,746	(3,942)	(24,551)	(15,341)	531,912
Total fund balances (deficit).....	\$ <u>784,263</u>	\$ <u>(3,942)</u>	\$ <u>220,628</u>	\$ <u>(15,341)</u>	\$ <u>985,608</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, 2013, 2012 and 2011 were \$286,000, \$300,000, and \$286,000, 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, 2012, and 2013, 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 2013, the County contributed \$219,271 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.....	\$ 150,200	\$ 368,292	\$ 518,492
Interest on net OPEB obligation.....	16,055	33,571	49,626
Adjustment to annual required contribution.....	<u>(12,411)</u>	<u>(25,951)</u>	<u>(38,362)</u>
Annual OPEB cost (expense).....	153,844	375,912	529,756
Contributions made.....	<u>(82,326)</u>	<u>(136,945)</u>	<u>(219,271)</u>
Increase in net OPEB obligation.....	71,518	238,967	310,485
Net OPEB obligation--beginning of year.....	<u>401,386</u>	<u>839,264</u>	<u>1,240,650</u>
Net OPEB obligation--end of year.....	<u>\$ 472,904</u>	<u>\$ 1,078,231</u>	<u>\$ 1,551,135</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 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<i>Governmental activities:</i>			
6/30/2013	\$ 153,844	54%	\$ 472,904
6/30/2012	245,132	51%	401,386
6/30/2011	232,669	50%	282,304
<i>Business-type activities:</i>			
6/30/2013	\$ 375,912	36%	\$ 1,078,231
6/30/2012	369,524	32%	839,264
6/30/2011	348,998	31%	587,354

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

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

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

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

#### **NOTE 12 - CONTINGENCIES**

The County participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

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

During fiscal year 2013, the following GASB pronouncements were implemented:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. The implementation of this pronouncement did not impact the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. The implementation of this pronouncement did not impact the basic financial statements.
- 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. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- 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 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 #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- 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.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #71, *Pension Transition Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with Statement #68.

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, 2013

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Town assessments - County tax..... \$	649,278	\$ 649,278	\$ 649,278	\$ -	-
Town assessments - Integrated pest management.....	54,015	54,015	53,226	-	(789)
Town assessments - Health care access program.....	154,208	154,208	153,403	-	(805)
State grants.....	117,000	117,000	119,161	-	2,161
Property rental.....	77,000	77,000	81,291	-	4,291
Registry of deeds.....	210,000	210,000	242,484	-	32,484
Beach fees.....	45,500	45,500	51,250	-	5,750
Parking fees.....	65,000	65,000	79,917	-	14,917
County alarm fees.....	135,000	135,000	146,182	-	11,182
Investment income.....	5,000	5,000	4,257	-	(743)
Miscellaneous.....	32,200	32,200	44,621	-	12,421
<b>TOTAL REVENUES.....</b>	<b>1,544,201</b>	<b>1,544,201</b>	<b>1,625,070</b>	<b>-</b>	<b>80,869</b>
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	186,580	156,483	151,734	-	4,749
Parking clerk.....	80,539	82,849	82,272	-	577
Courthouse/Administrative building.....	135,454	150,699	139,694	-	11,005
Treasurer.....	244,072	248,597	235,766	6,878	5,953
Civil defense/emergency management.....	11,940	11,940	11,934	-	6
Health and human services.....	164,239	165,166	167,170	-	(2,004)
Retiree postemployment benefits.....	210,603	195,111	192,480	-	2,631
Veterans agent.....	58,097	58,420	58,160	-	260
Integrated pest management.....	85,422	94,608	94,437	-	171
Pension expenditure sheriff.....	307,540	307,540	307,540	-	-
Other expenditures.....	65,690	82,093	79,386	-	2,707
Refund to member communities.....	-	150,000	150,000	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,550,176</b>	<b>1,703,506</b>	<b>1,670,573</b>	<b>6,878</b>	<b>26,055</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..</b>	<b>(5,975)</b>	<b>(159,305)</b>	<b>(45,503)</b>	<b>(6,878)</b>	<b>106,924</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	112,098	112,098	125,881	-	13,783
Transfers in - cost allocations.....	75,000	75,000	108,694	-	33,694
Transfers out - cost allocations.....	-	-	(12,500)	-	(12,500)
Transfers in - deeds excise.....	105,000	105,000	127,071	-	22,071
Unreserved fund balance.....	-	150,000	-	-	(150,000)
Transfers out - registry maintenance of effort.....	(296,655)	(296,655)	(296,655)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(4,557)</b>	<b>145,443</b>	<b>52,491</b>	<b>-</b>	<b>(92,952)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(10,532)</b>	<b>(13,862)</b>	<b>6,988</b>	<b>(6,878)</b>	<b>13,972</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>575,636</b>	<b>575,636</b>	<b>575,636</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year..... \$</b>	<b>\$ 565,104</b>	<b>\$ 561,774</b>	<b>\$ 582,624</b>	<b>\$ (6,878)</b>	<b>\$ 13,972</b>

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, 2013

	<u>Budgeted Amounts</u>		Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Final Budget		
<b>REVENUES:</b>				
Miscellaneous.....	\$ -	\$ -	\$ 2,634	\$ 2,634
<b>EXPENDITURES:</b>				
Current:				
Registry of deeds.....	342,431	347,296	342,852	4,444
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...	(342,431)	(347,296)	(340,218)	7,078
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out - retirees' health insurance.....	(3,943)	(3,943)	(7,744)	(3,801)
Transfers out - cost allocations.....	-	-	(5,000)	(5,000)
Transfers in - deeds excise.....	65,000	69,865	84,714	14,849
Transfers in - registry maintenance of effort.....	296,655	296,655	296,655	-
TOTAL OTHER FINANCING SOURCES (USES).....	357,712	362,577	368,625	6,048
NET CHANGE IN FUND BALANCE.....	15,281	15,281	28,407	13,126
BUDGETARY FUND BALANCE, Beginning of year.....	173,232	173,232	173,232	-
BUDGETARY FUND BALANCE, End of year.....	\$ 188,513	\$ 188,513	\$ 201,639	\$ 13,126

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, 2013

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Town assessments - County tax..... \$	649,278	\$ 649,278	\$ 649,278	\$ -	-
Town assessments - Integrated pest management.....	54,015	54,015	53,226	-	(789)
Town assessments - Health care access program.....	154,208	154,208	153,403	-	(805)
State grants.....	117,000	117,000	119,161	-	2,161
Property rental.....	77,000	77,000	81,291	-	4,291
Registry of deeds.....	210,000	210,000	242,484	-	32,484
Beach fees.....	45,500	45,500	51,250	-	5,750
Parking fees.....	65,000	65,000	79,917	-	14,917
County alarm fees.....	135,000	135,000	146,182	-	11,182
Investment income.....	5,000	5,000	4,257	-	(743)
Miscellaneous.....	32,200	32,200	47,255	-	15,055
<b>TOTAL REVENUES.....</b>	<b>1,544,201</b>	<b>1,544,201</b>	<b>1,627,704</b>	<b>-</b>	<b>83,503</b>
<b>EXPENDITURES:</b>					
Current:					
County commissioners.....	186,580	156,483	151,734	-	4,749
Parking clerk.....	80,539	82,849	82,272	-	577
Courthouse/Administrative building.....	135,454	150,699	139,694	-	11,005
Treasurer.....	244,072	248,597	235,766	6,878	5,953
Registry of deeds.....	342,431	347,296	342,852	-	4,444
Civil defense/emergency management.....	11,940	11,940	11,934	-	6
Health and human services.....	164,239	165,166	167,170	-	(2,004)
Retiree postemployment benefits.....	226,545	195,111	192,480	-	2,631
Veterans agent.....	58,097	58,420	58,160	-	260
Integrated pest management.....	85,422	94,608	94,437	-	171
Pension expenditure sheriff.....	307,540	307,540	307,540	-	-
Other expenditures.....	65,690	82,093	79,386	-	2,707
Refund to member communities.....	-	150,000	150,000	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,908,549</b>	<b>2,050,802</b>	<b>2,013,425</b>	<b>6,878</b>	<b>30,499</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..</b>	<b>(364,348)</b>	<b>(506,601)</b>	<b>(385,721)</b>	<b>(6,878)</b>	<b>114,002</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in - retirees' health insurance.....	108,155	108,155	118,137	-	9,982
Transfers in - cost allocations.....	75,000	75,000	103,694	-	28,694
Transfers out - cost allocations.....	-	-	(12,500)	-	(12,500)
Transfers in - deeds excise.....	170,000	174,865	211,785	-	36,920
Unreserved fund balance.....	-	150,000	-	-	(150,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>353,155</b>	<b>508,020</b>	<b>421,116</b>	<b>-</b>	<b>(86,904)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(11,193)</b>	<b>1,419</b>	<b>35,395</b>	<b>(6,878)</b>	<b>27,098</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>748,868</b>	<b>748,868</b>	<b>748,868</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year..... \$</b>	<b>737,675</b>	<b>\$ 750,287</b>	<b>\$ 784,263</b>	<b>\$ (6,878)</b>	<b>\$ 27,098</b>

See notes to required supplementary information.



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

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/11	\$ 73,989,000	\$ 110,359,000	\$ 36,369,000	67.0%	\$ 29,118,000	125.0%
1/1/09	60,629,000	97,882,000	37,253,000	61.9%	30,407,000	123.0%
1/1/07	53,493,000	82,757,000	29,264,000	64.6%	26,286,000	111.3%
1/1/05	43,588,000	68,303,000	24,715,000	63.8%	22,710,000	108.8%
1/1/03	36,979,000	63,042,000	26,063,000	58.7%	20,191,000	129.1%
1/1/01	31,491,000	45,305,000	13,814,000	69.5%	18,409,000	75.0%
1/1/98	21,622,000	36,448,000	14,826,000	59.3%	14,311,000	103.6%

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

See notes to required supplementary information.

**THE 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
2013	\$ 5,112,099	\$ 5,112,099	100%	\$ 286,286	5.60%
2012	4,575,700	4,575,700	100%	300,000	6.56%
2011	4,663,656	4,663,656	100%	286,000	6.13%
2010	4,398,687	4,398,687	100%	554,742	12.61%
2009	4,200,863	4,200,863	100%	529,891	12.61%
2008	3,612,812	3,612,812	100%	515,218	14.26%
2007	3,782,369	3,782,369	100%	515,242	13.62%
2006	3,372,865	3,372,865	100%	513,704	15.23%
2005	2,766,595	2,766,595	100%	480,833	17.38%

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

See notes to required supplementary information.

# Other Postemployment Benefit Plan Schedules

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

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
<i>Governmental activities:</i>						
7/1/2012	\$ -	\$ 2,800,668	\$ 2,800,668	0%	\$ 925,613	326.2%
7/1/2010	-	3,018,906	3,018,906	0%	898,981	335.8%
6/30/2009	-	2,189,079	2,189,079	0%	818,041	267.6%
<i>Business-type activities:</i>						
7/1/2012	\$ -	\$ 4,310,590	\$ 4,310,590	0%	\$ 1,029,961	293.1%
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
<i>Governmental activities:</i>			
2013	\$ 150,200	\$ 82,326	55%
2012	237,663	126,050	53%
2011	228,161	116,689	51%
2010	131,974	68,525	52%
<i>Business-type activities:</i>			
2013	\$ 368,292	\$ 136,945	37%
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**

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Actuarial Methods:

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

Actuarial Assumptions:

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

Plan Membership:

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

See notes to required supplementary information.

**NOTE A - BUDGETARY BASIS OF ACCOUNTING**

1. Budgetary Information

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

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

The majority of the County's appropriations are non-continuing which lapse at the end of each 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 2013 approved budget for the general fund authorized approximately \$1.9 million, in appropriations. During fiscal year 2013, the Advisory Board also approved supplemental appropriations totaling approximately \$174,000.

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 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, 2013, is presented below:

Net change in fund balance - budgetary basis.....	\$	35,395
<u>Basis of accounting differences:</u>		
Net change in recording accrued liabilities.....		<u>(16,133)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>19,262</u></u>

**3. Appropriation Deficits**

For the fiscal year ended June 30, 2013, actual expenditures exceeded appropriations for health and human services.

**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><u>954</u></u>



**NOTE C - OTHER POSTEMPLOYMENT BENEFITS**

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

The County currently finances its other postemployment benefits (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 POSITION

JUNE 30, 2013

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
<b>ASSETS</b>									
<b>CURRENT:</b>									
Cash and cash equivalents.....	\$ 2,782,035	\$ 68,227	\$ (19,366)	\$ 249,982	\$ (270,854)	\$ 382,459	\$ -	\$ -	\$ 3,192,483
Receivables, net of allowance for uncollectibles:									
Intergovernmental.....	-	-	32,000	-	3,604	-	-	-	35,604
Departmental and other.....	64,682	199,211	-	-	-	-	-	-	263,893
Inventory.....	-	129,263	-	-	-	-	-	-	129,263
<b>Total current assets.....</b>	<b>2,846,717</b>	<b>396,701</b>	<b>12,634</b>	<b>249,982</b>	<b>(267,250)</b>	<b>382,459</b>	<b>-</b>	<b>-</b>	<b>3,621,243</b>
<b>NONCURRENT:</b>									
Capital assets, non depreciable.....	-	-	-	-	-	-	-	1,826,439	1,826,439
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	30,292,563	30,292,563
<b>Total noncurrent assets.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,119,002</b>	<b>32,119,002</b>
<b>TOTAL ASSETS.....</b>	<b>2,846,717</b>	<b>396,701</b>	<b>12,634</b>	<b>249,982</b>	<b>(267,250)</b>	<b>382,459</b>	<b>-</b>	<b>32,119,002</b>	<b>35,740,245</b>
<b>LIABILITIES</b>									
<b>CURRENT:</b>									
Warrants payable.....	231,399	211,906	19,004	-	48,060	-	-	-	510,369
Accrued payroll.....	5,332	-	-	-	-	-	-	-	5,332
Accrued interest.....	-	-	-	-	-	-	3,598	-	3,598
Customer deposits payable.....	16,295	47,767	-	-	-	-	-	-	64,062
Other liabilities.....	6,656	-	-	-	-	-	-	-	6,656
Compensated absences.....	-	-	-	-	-	-	54,000	-	54,000
Bonds and notes payable.....	-	-	-	-	-	-	50,000	-	50,000
<b>Total current liabilities.....</b>	<b>259,682</b>	<b>259,673</b>	<b>19,004</b>	<b>-</b>	<b>48,060</b>	<b>-</b>	<b>107,598</b>	<b>-</b>	<b>694,017</b>
<b>NONCURRENT:</b>									
Compensated absences.....	-	-	-	-	-	-	42,000	-	42,000
Bonds and notes payable.....	-	-	-	-	-	-	100,000	-	100,000
Other postemployment benefits.....	-	-	-	-	-	-	1,078,231	-	1,078,231
<b>Total noncurrent liabilities.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,220,231</b>	<b>-</b>	<b>1,220,231</b>
<b>TOTAL LIABILITIES.....</b>	<b>259,682</b>	<b>259,673</b>	<b>19,004</b>	<b>-</b>	<b>48,060</b>	<b>-</b>	<b>1,327,829</b>	<b>-</b>	<b>1,914,248</b>
<b>NET POSITION</b>									
Net investment in capital assets.....	-	-	-	-	-	-	(150,000)	32,119,002	31,969,002
Unrestricted.....	2,587,035	137,028	(6,370)	249,982	(315,310)	382,459	(1,177,829)	-	1,856,995
<b>TOTAL NET POSITION.....</b>	<b>\$ 2,587,035</b>	<b>\$ 137,028</b>	<b>\$ (6,370)</b>	<b>\$ 249,982</b>	<b>\$ (315,310)</b>	<b>\$ 382,459</b>	<b>\$ (1,327,829)</b>	<b>\$ 32,119,002</b>	<b>\$ 33,825,997</b>

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

FISCAL YEAR ENDED JUNE 30, 2013

	Operations	Fuel Revolving	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	MVY Stabilization	Long-Term Obligations	Fixed Assets	Total
<b>OPERATING REVENUES:</b>									
Charges for services.....	\$ 1,365,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,365,978
Intergovernmental.....	-	-	90,237	-	-	-	-	-	90,237
Fuel.....	-	3,911,965	-	-	-	-	-	-	3,911,965
Business park.....	1,219,545	-	-	-	-	-	-	-	1,219,545
Water revenue.....	96,646	-	-	-	-	-	-	-	96,646
Wastewater revenue.....	93,075	-	-	-	-	-	-	-	93,075
<b>TOTAL OPERATING REVENUES .....</b>	<b>2,775,244</b>	<b>3,911,965</b>	<b>90,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,777,446</b>
<b>OPERATING EXPENSES:</b>									
Cost of services and administration.....	2,708,770	-	-	-	531,584	-	216,967	(702,609)	2,754,712
Fuel.....	-	2,792,622	-	-	-	-	-	-	2,792,622
Water facilities.....	120,730	-	-	-	-	-	-	-	120,730
Wastewater facilities.....	262,684	-	-	-	-	-	-	-	262,684
Transportation security.....	-	-	212,815	-	-	-	-	-	212,815
Depreciation.....	-	-	-	-	-	-	-	1,996,638	1,996,638
<b>TOTAL OPERATING EXPENSES .....</b>	<b>3,092,184</b>	<b>2,792,622</b>	<b>212,815</b>	<b>-</b>	<b>531,584</b>	<b>-</b>	<b>216,967</b>	<b>1,294,029</b>	<b>8,140,201</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(316,940)</b>	<b>1,119,343</b>	<b>(122,578)</b>	<b>-</b>	<b>(531,584)</b>	<b>-</b>	<b>(216,967)</b>	<b>(1,294,029)</b>	<b>(1,362,755)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment income.....	7,971	-	-	-	-	-	-	-	7,971
Intergovernmental.....	-	-	-	-	278,760	-	-	-	278,760
Interest expense.....	(9,125)	-	-	-	-	-	1,169	-	(7,956)
Debt service - principal.....	(50,000)	-	-	-	-	-	50,000	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(51,154)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>278,760</b>	<b>-</b>	<b>51,169</b>	<b>-</b>	<b>278,775</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(368,094)</b>	<b>1,119,343</b>	<b>(122,578)</b>	<b>-</b>	<b>(252,824)</b>	<b>-</b>	<b>(165,798)</b>	<b>(1,294,029)</b>	<b>(1,083,980)</b>
<b>TRANSFERS:</b>									
Transfers out - retirees' health insurance.....	(118,137)	-	-	-	-	-	-	-	(118,137)
Transfers out - cost allocations.....	(97,994)	-	-	-	-	-	-	-	(97,994)
Transfers in - other.....	1,164,503	-	116,208	-	-	-	-	-	1,280,711
Transfers out - other.....	(116,208)	(1,164,503)	-	-	-	-	-	-	(1,280,711)
<b>TOTAL TRANSFERS.....</b>	<b>832,164</b>	<b>(1,164,503)</b>	<b>116,208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(216,131)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>464,070</b>	<b>(45,160)</b>	<b>(6,370)</b>	<b>-</b>	<b>(252,824)</b>	<b>-</b>	<b>(165,798)</b>	<b>(1,294,029)</b>	<b>(1,300,111)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>2,122,965</b>	<b>182,188</b>	<b>-</b>	<b>249,982</b>	<b>(62,486)</b>	<b>382,459</b>	<b>(1,162,031)</b>	<b>33,413,031</b>	<b>35,126,108</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 2,587,035</b>	<b>\$ 137,028</b>	<b>\$ (6,370)</b>	<b>\$ 249,982</b>	<b>\$ (315,310)</b>	<b>\$ 382,459</b>	<b>\$ (1,327,829)</b>	<b>\$ 32,119,002</b>	<b>\$ 33,825,997</b>