

DRAFT

COUNTY OF DUKES COUNTY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2022

DRAFT

COUNTY OF DUKES COUNTY, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	12
Statement of net position	13
Statement of activities	14
Governmental funds – balance sheet	16
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position	17
Governmental funds – statement of revenues, expenditures and changes in fund balances	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	19
Proprietary funds – statement of net position	20
Proprietary funds – statement of revenues, expenses and changes in net position	21
Proprietary funds – statement of cash flows	22
Fiduciary funds – statement of fiduciary net position	23
Fiduciary funds – statement of changes in fiduciary net position	24
Notes to Basic Financial Statements	25
Required Supplementary Information	52
Schedule of revenues, expenditures and changes in fund balance – general fund – county operations – budget and actual	53
Schedule of revenues, expenditures and changes in fund balance – general fund – registry of deeds operations – budget and actual	54
Schedule of revenues, expenditures and changes in fund balance – general fund – combined operations – budget and actual	55
Pension plan schedules - County	56
Schedule of the County's proportionate share of the net pension liability	57
Schedule of the County's contributions	58
Other postemployment benefit plan schedules	59
Schedule of changes in the County's net OPEB liability and related ratios	60
Schedule of the County's contributions	61
Schedule of investment returns	62
Notes to required supplementary information	63
Combining	66
Airport Commission combining schedules	67
Airport Commission activities - combining schedule of net position	68
Airport Commission activities - combining schedule of revenues, expenses and changes in net position	69

DRAFT

Schedule of Revenues and Expenditures of Passenger Facility Charges	71
Report on internal control over financial reporting and on compliance and other matters required by <i>Government Auditing Standards</i>	72
Report on compliance with applicable requirements of the passenger facility charge program and on internal control over compliance in accordance with the passenger facility charge audit guide for public agencies	74
Schedule of revenues and expenditures of passenger facility charges.....	77
Notes to schedule of revenues and expenditures of passenger facility charges.....	78
Schedule of findings and questioned costs passenger facility charges.....	79

Independent Auditor's Report

To the Honorable County Commissioners
County of Dukes County, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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, Massachusetts (County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, in the year ending June 30, 2022, the County adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Additional Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining schedules and the schedule of revenues and expenditures of the passenger facility charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

_____, 2023

DRAFT

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the County of Dukes County, Massachusetts (County), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2022. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$44.2 million (net position).
- At the close of the current year, the government-wide unrestricted net position had a deficit balance of \$397,000, which was primarily due to the net pension and net other postemployment benefits (OPEB) liabilities.
- At the close of the current year, the County's general fund reported fund balance totaling \$1.3 million, a decrease of \$54,000 in comparison with the prior year. Total fund balance represents 73% of total general fund expenditures.
- The County contributed an additional \$6,000 to the Dukes County Pooled Other Postemployment Benefits Trust Fund. The County's balance in the OPEB trust fund totaled \$1.5 million at year-end.
- In 2022, the County implemented GASB 87, *Leases*. This resulted in the recognition of \$30.0 million in lease receivables and deferred inflows related to lease receivables. See Note 4 for additional information.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the

change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include county commissioners, parking clerk, courthouse/administrative/senior services buildings, treasurer, registry of deeds, civil defense/emergency management, health and human services, retiree postemployment benefits, veteran's agent, natural resources, COVID-19, senior services, interest, and other expenditures. The business-type activities include the activities of the airport operations.

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$44.2 million at the close of 2022.

Net position totaling \$44.1 million reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position totaling \$445,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$397,000. At the end of the current year, the County is able to report positive balances in two of the three categories of net position.

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

Governmental Activities

The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$399,000 at the close of 2022.

	2022	2021
Assets:		
Current assets.....	\$ 4,142,883	\$ 2,934,513
Capital assets, non depreciable.....	1,034,954	1,034,954
Capital assets, net of accumulated depreciation....	1,488,946	1,573,807
Total assets.....	6,666,783	5,543,274
Deferred outflows of resources.....	1,626,448	1,613,749
Liabilities:		
Current liabilities (excluding debt).....	2,191,320	591,370
Noncurrent liabilities (excluding debt).....	2,733,690	3,697,553
Current debt.....	160,000	160,000
Noncurrent debt.....	480,000	640,000
Total liabilities.....	5,565,010	5,088,923
Deferred inflows of resources.....	2,329,662	1,066,307
Net position:		
Net investment in capital assets.....	1,883,900	1,808,761
Restricted.....	445,315	504,937
Unrestricted.....	(1,930,656)	(1,311,905)
Total net position.....	\$ 398,559	\$ 1,001,793

DRAFT

	2022	2021
Program Revenues:		
Charges for services..... \$	947,005 \$	960,067
Operating grants and contributions.....	1,706,977	1,778,567
Capital grants and contributions.....	36,671	91,983
General Revenues:		
Town assessments.....	716,937	744,448
County deeds excise tax.....	556,138	669,883
Nonrestricted grants and contributions.....	98,358	112,320
Unrestricted investment income.....	3,303	3,363
Other revenues.....	30,292	93,806
Total revenues.....	4,095,681	4,454,437
Expenses:		
County commissioners.....	288,804	144,118
Parking clerk.....	309,178	357,585
Courthouse/Administrative/Senior services buildings.....	284,472	208,082
Treasurer.....	277,098	258,917
Registry of deeds.....	557,743	393,035
Civil defense/emergency management.....	1,879	10,491
Health and human services.....	1,029,612	843,922
Retiree postemployment benefits.....	405,550	567,364
Veterans agent.....	60,792	51,277
Recreation.....	95,804	42,644
COVID-19.....	29,605	14,608
Senior services.....	1,084,482	824,159
Interest.....	18,834	23,400
Other expenditures.....	69,173	136,341
Total expenses.....	4,513,026	3,875,943
Excess (Deficiency) before transfers.....	(417,345)	578,494
Transfers.....	199,319	218,829
Change in net position.....	(218,026)	797,323
Refund to member communities.....	(385,208)	(115,490)
Net position, beginning of year.....	1,001,793	319,960
Net position, end of year..... \$	398,559 \$	1,001,793

The governmental expenses totaled \$4.5 million of which \$2.7 million (60%) was directly supported by program revenues consisting of charges for services, operating grants and contributions and capital grants and contributions. General revenues totaled \$1.4 million, primarily coming from town assessments, county deeds excise taxes and state grants.

The governmental net position decreased by \$603,000 during the current year. This was primarily due to a \$54,000 decrease in the general fund, a \$203,000 decrease in the senior services fund, a \$120,000 decrease in the other special revenue fund, a \$225,000 decrease from the change in the net OPEB liability and the related deferred outflows/inflows of resources and a \$59,000 decrease from the change in the net pension liability and the related deferred outflows/inflows of resources.

Business-type Activities

The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources for business-type activities by \$43.8 million at the close of 2022.

	2022	2021
Assets:		
Current assets.....	\$ 11,291,312	\$ 8,691,543
Noncurrent assets (excluding capital).....	27,683,983	-
Capital assets, non depreciable.....	1,973,023	1,410,887
Capital assets, net of accumulated depreciation....	40,262,100	42,299,295
Total assets.....	81,210,418	52,401,725
Deferred outflows of resources.....	2,001,237	2,379,285
Liabilities:		
Current liabilities (excluding debt).....	955,638	864,061
Noncurrent liabilities (excluding debt).....	5,597,820	7,427,154
Current debt.....	-	3,465,791
Total liabilities.....	6,553,458	11,757,006
Deferred inflows of resources.....	32,865,457	1,554,542
Net position:		
Net investment in capital assets.....	42,259,107	43,764,853
Unrestricted.....	1,533,633	(2,295,391)
Total net position.....	\$ 43,792,740	\$ 41,469,462
Program Revenues:		
Charges for services.....	\$ 12,255,336	\$ 8,582,834
Operating grants and contributions.....	1,373,557	1,614,770
Capital grants and contributions.....	610,429	1,158,186
Total revenues.....	14,239,322	11,355,790
Expenses:		
Airport.....	11,716,725	9,625,742
Excess (Deficiency) before transfers.....	2,522,597	1,730,048
Transfers.....	(199,319)	(218,829)
Change in net position.....	2,323,278	1,511,219
Net position, beginning of year.....	41,469,462	39,958,243
Net position, end of year.....	\$ 43,792,740	\$ 41,469,462

The business-type expenses totaled \$11.7 million of which \$14.2 million (122%) was directly supported by program revenues consisting of charges for services, operating grants and contributions, and capital grants and contributions. This was due to the timing of grant revenues and expenditures.

The business-type net position increased by \$2.3 million during the current year. This increase was primarily due to a \$3.4 million increase in the operating fund, the recognition of \$610,000 of capital grants, \$675,000 of capital asset additions funded in the current year operating budget, and a \$712,000 increase from the change in the net pension liability and the related deferred outflows/inflows or resources. These increases were offset by a \$569,000 decrease from the change in the net OPEB liability and related deferred outflows/inflows of resources, and the recognition of \$2.8 million of depreciation expense.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances totaling \$2.0 million, of which \$1.3 million is for the general fund, \$3,600 is for the parking clerk fund, \$21,000 is for the senior services fund, \$349,000 is for the County capital projects fund, and \$312,000 is for the other special revenue fund. Cumulatively there was an decrease of \$392,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, total fund balance was \$1.3 million. 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 73% of total general fund expenditures.

The County's general fund decreased by \$54,000, which is primarily due to \$385,000 of refunds to member communities. This decrease was offset by a \$94,000 revenue surplus, \$128,000 of unexpended appropriations, and a \$129,000 surplus of transfers in from deeds excise taxes.

The parking clerk fund is used to account for the receipt and disbursement of proceeds from parking violations to the member Town's. The fund balance decreased by \$30,000 from the prior year.

The senior services fund is used to account for financial resources to be used for the center for living and other services for senior citizens. The fund balance decreased by \$203,000 from the prior year which was mainly due to increased costs related to the center for living.

The County capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities of the County. The fund balance increased by \$15,000.

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 \$312,000 which is primarily due to timing differences between the receipt and expenditure of grant funds.

General Fund Budgetary Highlights

The original 2022 approved budget for the general fund (including the registry of deeds) authorized \$1.9 million in appropriations. During 2022, the County approved supplemental appropriations totaling \$396,000 that mainly relates to refunds to member communities.

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, 2022, amounts to \$44.8 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 business-type activities had current year fixed asset additions of \$1.4 million, which includes additions to construction in progress, land improvements, buildings and improvements, machinery and equipment, and infrastructure. The governmental activities did not have any current year fixed asset additions.

Debt Administration. The governmental activities have outstanding long-term debt totaling \$640,000. The airport enterprise fund did not have any long-term debt outstanding.

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'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.

DRAFT

Basic Financial Statements

DRAFT

STATEMENT OF NET POSITION

JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 3,984,870	\$ 7,801,955	\$ 11,786,825
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	43,420	110,921	154,341
Leases.....	-	2,324,141	2,324,141
Intergovernmental.....	12,176	797,255	809,431
Internal balances.....	102,417	(102,417)	-
Inventory.....	-	350,660	350,660
Other assets.....	-	8,797	8,797
Total current assets.....	4,142,883	11,291,312	15,434,195
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Leases.....	-	27,683,983	27,683,983
Capital assets, nondepreciable.....	1,034,954	1,973,023	3,007,977
Capital assets, net of accumulated depreciation.....	1,488,946	40,262,100	41,751,046
Total noncurrent assets.....	2,523,900	69,919,106	72,443,006
TOTAL ASSETS.....	6,666,783	81,210,418	87,877,201
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	576,810	565,669	1,142,479
Deferred outflows related to other postemployment benefits.....	1,049,638	1,435,568	2,485,206
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	1,626,448	2,001,237	3,627,685
LIABILITIES			
CURRENT:			
Warrants payable.....	118,147	692,932	811,079
Accrued payroll.....	65,617	141,320	206,937
Accrued interest.....	4,667	-	4,667
Customer deposits payable.....	5,000	60,000	65,000
Other liabilities.....	295,261	1,386	296,647
Unearned revenue.....	1,673,628	-	1,673,628
Compensated absences.....	29,000	60,000	89,000
Bonds payable.....	160,000	-	160,000
Total current liabilities.....	2,351,320	955,638	3,306,958
NONCURRENT:			
Compensated absences.....	85,000	180,000	265,000
Net pension liability.....	305,442	299,542	604,984
Net other postemployment benefits liability.....	2,343,248	5,118,278	7,461,526
Bonds payable.....	480,000	-	480,000
Total noncurrent liabilities.....	3,213,690	5,597,820	8,811,510
TOTAL LIABILITIES.....	5,565,010	6,553,458	12,118,468
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to lease receivables.....	-	30,008,124	30,008,124
Deferred inflows related to pensions.....	1,061,410	1,040,910	2,102,320
Deferred inflows related to other postemployment benefits.....	1,268,252	1,816,423	3,084,675
TOTAL DEFERRED INFLOWS OF RESOURCES.....	2,329,662	32,865,457	35,195,119
NET POSITION			
Net investment in capital assets.....	1,883,900	42,259,107	44,143,007
Restricted for:			
Economic development.....	178,423	-	178,423
Gifts and grants.....	266,892	-	266,892
Unrestricted.....	(1,930,656)	1,533,633	(397,023)
TOTAL NET POSITION.....	\$ 398,559	\$ 43,792,740	\$ 44,191,299

See notes to basic financial statements.

DRAFT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Program Revenues					
		Charges for	Operating	Capital		
Functions/Programs	Expenses	Services	Grants and Contributions	Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
County commissioners.....	\$ 288,804	\$ -	\$ -	\$ -	(288,804)	
Parking clerk.....	309,178	308,424	-	-	(754)	
Courthouse/Administrative/Senior services buildings...	284,472	191,471	-	36,671	(56,330)	
Treasurer.....	277,098	-	-	-	(277,098)	
Registry of deeds.....	557,743	227,659	-	-	(330,084)	
Civil defense/emergency management.....	1,879	-	-	-	(1,879)	
Health and human services.....	1,029,612	12,165	887,637	-	(129,810)	
Retiree postemployment benefits.....	405,550	-	-	-	(405,550)	
Veterans agent.....	60,792	-	-	-	(60,792)	
Natural resources.....	95,804	84,325	50,000	-	38,521	
COVID-19.....	29,605	-	29,037	-	(568)	
Senior services.....	1,084,482	122,961	740,303	-	(221,218)	
Interest.....	18,834	-	-	-	(18,834)	
Other.....	69,173	-	-	-	(69,173)	
Total Governmental Activities.....	4,513,026	947,005	1,706,977	36,671	(1,822,373)	
Business-Type Activities:						
Airport.....	11,716,725	12,255,336	1,373,557	610,429	2,522,597	
Total Primary Government.....	\$ 16,229,751	\$ 13,202,341	\$ 3,080,534	\$ 647,100	\$ 700,224	

See notes to basic financial statements.

(Continued)

DRAFT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(1,822,373)	\$ 2,522,597	\$ 700,224
<i>General revenues:</i>			
Town assessments.....	716,937	-	716,937
County deeds excise tax.....	556,138	-	556,138
Grants and contributions not restricted to specific programs.....	98,358	-	98,358
Unrestricted investment income.....	3,303	-	3,303
Miscellaneous.....	30,292	-	30,292
<i>Transfers, net</i>	<u>199,319</u>	<u>(199,319)</u>	<u>-</u>
Total general revenues and transfers.....	<u>1,604,347</u>	<u>(199,319)</u>	<u>1,405,028</u>
Change in net position.....	(218,026)	2,323,278	2,105,252
Refund to member communities.....	(385,208)	-	(385,208)
<i>Net position:</i>			
Beginning of year.....	<u>1,001,793</u>	<u>41,469,462</u>	<u>42,471,255</u>
End of year..... \$	<u><u>398,559</u></u>	<u><u>\$ 43,792,740</u></u>	<u><u>\$ 44,191,299</u></u>

See notes to basic financial statements.

(Concluded)

DRAFT

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2022

	General	Parking Clerk	Senior Services	County Capital Projects	Other Special Revenue	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 1,535,126	\$ 4,604	\$ 76,416	\$ 348,980	\$ 2,019,744	\$ 3,984,870
Receivables, net of uncollectibles:						
Departmental and other.....	49	-	-	-	43,371	43,420
Intergovernmental.....	11,239	-	-	-	937	12,176
Due from other funds.....	102,417	-	-	-	-	102,417
TOTAL ASSETS.....	\$ 1,648,831	\$ 4,604	\$ 76,416	\$ 348,980	\$ 2,064,052	\$ 4,142,883
LIABILITIES						
Warrants payable.....	\$ 27,369	\$ 125	\$ 55,104	\$ -	\$ 35,549	\$ 118,147
Accrued payroll.....	46,176	889	-	-	18,552	65,617
Customer deposits payable.....	-	-	-	-	5,000	5,000
Other liabilities.....	276,338	-	-	-	18,923	295,261
Unearned revenue.....	-	-	-	-	1,673,628	1,673,628
TOTAL LIABILITIES.....	349,883	1,014	55,104	-	1,751,652	2,157,653
FUND BALANCES						
Restricted.....	983,085	3,590	21,312	348,980	367,114	1,724,081
Assigned.....	11,488	-	-	-	-	11,488
Unassigned.....	304,375	-	-	-	(54,714)	249,661
TOTAL FUND BALANCES.....	1,298,948	3,590	21,312	348,980	312,400	1,985,230
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 1,648,831	\$ 4,604	\$ 76,416	\$ 348,980	\$ 2,064,052	\$ 4,142,883

See notes to basic financial statements.

DRAFT

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

JUNE 30, 2022

Total governmental fund balances.....	\$	1,985,230
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		2,523,900
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(703,214)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(4,667)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(640,000)	
Net pension liability.....	(305,442)	
Net other postemployment benefits liability.....	(2,343,248)	
Compensated absences.....	(114,000)	
Net effect of reporting long-term liabilities.....		<u>(3,402,690)</u>
Net position of governmental activities.....	\$	<u>398,559</u>

See notes to basic financial statements.

DRAFT

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

YEAR ENDED JUNE 30, 2022

	General	Parking Clerk	Senior Services	County Capital Projects	Other Special Revenue	Total Governmental Funds
REVENUES:						
Town assessments - County tax.....	\$ 536,937	\$ -	\$ -	\$ -	\$ -	\$ 536,937
Town assessments - debt service.....	180,000	-	-	-	-	180,000
Town assessments - senior services.....	-	-	522,784	-	-	522,784
Town assessments - health and human services.....	-	-	-	-	430,277	430,277
Town assessments - substance use disorder prevention.....	-	-	-	-	55,560	55,560
State grants.....	-	-	217,508	36,671	408,323	662,502
Cape and island license plates.....	98,358	-	-	-	-	98,358
Property rental.....	209,366	-	-	-	-	209,366
Registry of deeds.....	209,764	-	-	-	556,138	765,902
Dog license revenue.....	-	-	-	-	811	811
Natural resources.....	84,325	-	-	-	-	84,325
Parking fines.....	1,952	306,472	-	-	-	308,424
Senior services.....	-	-	122,972	-	-	122,972
Intergovernmental - COVID-19 relief.....	-	-	-	-	29,037	29,037
Investment income.....	2,043	692	-	-	568	3,303
Miscellaneous.....	24,287	-	-	-	60,836	85,123
TOTAL REVENUES.....	1,347,032	307,164	863,264	36,671	1,541,550	4,095,681
EXPENDITURES:						
Current:						
County commissioners.....	280,080	-	-	-	-	280,080
Parking clerk.....	-	337,147	-	-	-	337,147
Courthouse/Administrative/Senior services buildings.....	249,111	-	-	-	-	249,111
Treasurer.....	266,721	-	-	-	631	267,352
Registry of deeds.....	490,710	-	-	-	44,455	535,165
Civil defense/emergency management.....	1,541	-	-	-	338	1,879
Health and human services.....	841	-	-	-	780,712	781,553
Retiree postemployment benefits.....	180,920	-	-	-	-	180,920
Veterans agent.....	69,758	-	-	-	1,810	71,568
Natural resources.....	10,885	-	-	-	85,440	96,325
Senior services.....	-	-	1,060,283	-	-	1,060,283
COVID-19.....	-	-	-	-	28,974	28,974
Other.....	46,461	-	-	21,707	163,013	231,181
Debt service:						
Principal.....	160,000	-	-	-	-	160,000
Interest.....	20,000	-	-	-	-	20,000
TOTAL EXPENDITURES.....	1,777,028	337,147	1,060,283	21,707	1,105,373	4,301,538
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(429,996)	(29,983)	(197,019)	14,964	436,177	(205,857)
OTHER FINANCING SOURCES (USES):						
Transfers in - retirees' health insurance.....	103,026	-	-	-	-	103,026
Transfers in - cost allocations.....	102,417	-	-	-	-	102,417
Transfers in - deeds excise.....	556,138	-	-	-	-	556,138
Transfers out - retirees' health insurance.....	-	-	(6,124)	-	-	(6,124)
Transfers out - deeds excise.....	-	-	-	-	(556,138)	(556,138)
TOTAL OTHER FINANCING SOURCES (USES).....	761,581	-	(6,124)	-	(556,138)	199,319
NET CHANGE IN FUND BALANCES.....	331,585	(29,983)	(203,143)	14,964	(119,961)	(6,538)
REFUND TO MEMBER COMMUNITIES.....	(385,208)	-	-	-	-	(385,208)
FUND BALANCES AT BEGINNING OF YEAR.....	1,352,571	33,573	224,455	334,016	432,361	2,376,976
FUND BALANCES AT END OF YEAR.....	\$ 1,298,948	\$ 3,590	\$ 21,312	\$ 348,980	\$ 312,400	\$ 1,985,230

See notes to basic financial statements.

DRAFT

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

YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds.....	\$	(391,746)
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.		
Depreciation expense.....		(84,861)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.		
Debt service principal payments.....		160,000
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.....	(4,000)	
Net change in accrued interest on long-term debt.....	1,166	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(270,115)	
Net change in net pension liability.....	210,952	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits....	(980,541)	
Net change in net other postemployment benefits liability.....	<u>755,911</u>	
Net effect of recording long-term liabilities.....		<u>(286,627)</u>
Change in net position of governmental activities.....	\$	<u>(603,234)</u>

See notes to basic financial statements.

DRAFT

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2022

	Business-type Activities - Airport Enterprise Fund
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 7,801,955
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	110,921
Leases.....	2,324,141
Intergovernmental.....	797,255
Inventory.....	350,660
Other assets.....	8,797
Total current assets.....	11,393,729
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Leases.....	27,683,983
Capital assets, non depreciable.....	1,973,023
Capital assets, net of accumulated depreciation.....	40,262,100
Total noncurrent assets.....	69,919,106
TOTAL ASSETS.....	81,312,835
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions.....	565,669
Deferred outflows related to other postemployment benefits.....	1,435,568
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	2,001,237
LIABILITIES	
CURRENT:	
Warrants payable.....	692,932
Accrued payroll.....	141,320
Due to other funds.....	102,417
Customer deposits payable.....	60,000
Other liabilities.....	1,386
Compensated absences.....	60,000
Total current liabilities.....	1,058,055
NONCURRENT:	
Compensated absences.....	180,000
Net pension liability.....	299,542
Net other postemployment benefits liability.....	5,118,278
Total noncurrent liabilities.....	5,597,820
TOTAL LIABILITIES.....	6,655,875
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to lease receivables.....	30,008,124
Deferred inflows related to pensions.....	1,040,910
Deferred inflows related to other postemployment benefits.....	1,816,423
TOTAL DEFERRED INFLOWS OF RESOURCES.....	32,865,457
NET POSITION	
Net investment in capital assets.....	42,259,107
Unrestricted.....	1,533,633
TOTAL NET POSITION.....	\$ 43,792,740

See notes to basic financial statements.

DRAFT

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

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Airport Enterprise Fund
OPERATING REVENUES:	
Charges for services.....	\$ 2,679,695
Intergovernmental.....	107,100
Fuel.....	7,003,098
Business park.....	2,168,721
Water revenue.....	279,435
Wastewater revenue.....	124,387
Intergovernmental - COVID-19 relief.....	1,260,938
TOTAL OPERATING REVENUES	13,623,374
OPERATING EXPENSES:	
Cost of services and administration.....	2,257,903
Salaries and wages.....	1,819,917
Fuel.....	4,056,462
Wastewater facilities.....	515,114
Transportation security.....	197,997
Depreciation.....	2,829,426
TOTAL OPERATING EXPENSES.....	11,676,819
OPERATING INCOME (LOSS).....	1,946,555
NONOPERATING REVENUES (EXPENSES):	
Investment income.....	5,519
Interest expense.....	(39,906)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(34,387)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	1,912,168
CAPITAL CONTRIBUTIONS.....	610,429
TRANSFERS:	
Transfers out - retirees' health insurance.....	(96,902)
Transfers out - cost allocations.....	(102,417)
TOTAL TRANSFERS.....	(199,319)
CHANGE IN NET POSITION.....	2,323,278
NET POSITION AT BEGINNING OF YEAR.....	41,469,462
NET POSITION AT END OF YEAR.....	\$ 43,792,740

See notes to basic financial statements.

DRAFT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Airport Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 12,445,683
Receipts from other governments.....	1,384,136
Payments to vendors.....	(7,291,366)
Payments to employees.....	(1,816,670)
NET CASH FROM OPERATING ACTIVITIES.....	4,721,783
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers out.....	(199,319)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Capital contributions.....	914,821
Acquisition and construction of capital assets.....	(1,296,684)
Principal payments on bonds and notes.....	(3,465,791)
Interest expense.....	(39,906)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(3,887,560)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	5,519
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	640,423
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	7,161,532
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 7,801,955
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ 1,946,555
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	2,829,426
Deferred (outflows)/inflows related to pensions.....	39,072
Deferred (outflows)/inflows related to other postemployment benefits.....	1,641,767
Changes in assets and liabilities:	
Departmental and other.....	87,930
Intergovernmental.....	16,098
Inventory.....	(154,856)
Other assets.....	8,814
Warrants payable.....	24,647
Accrued payroll.....	11,247
Due to other funds.....	102,417
Compensated absences.....	(8,000)
Net pension liability.....	(750,579)
Net other postemployment benefits liability.....	(1,072,755)
Total adjustments.....	2,775,228
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,721,783
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Acquisition of capital assets on account.....	\$ 57,683

See notes to basic financial statements.

DRAFT

FIDUCIARY FUNDS STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

		Other Postemployment Benefit Trust Fund
ASSETS		
Dukes County pooled OPEB trust.....	\$	<u>1,523,965</u>
NET POSITION		
Restricted for other postemployment benefits.....	\$	<u><u>1,523,965</u></u>

See notes to basic financial statements.

DRAFT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022

	Other Postemployment Benefit Trust Fund
ADDITIONS:	
Contributions:	
Employer contributions.....	\$ 6,000
Employer contributions for other postemployment benefit payments.....	313,230
Total contributions.....	319,230
Net investment income:	
Investment income (loss).....	(159,401)
Less: investment expense.....	(3,957)
Net investment income (loss).....	(163,358)
TOTAL ADDITIONS.....	155,872
DEDUCTIONS:	
Other postemployment benefit payments.....	313,230
NET INCREASE (DECREASE) IN NET POSITION.....	(157,358)
NET POSITION AT BEGINNING OF YEAR.....	1,681,323
NET POSITION AT END OF YEAR.....	\$ 1,523,965

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

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

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

The County has entered into a joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing employee health insurance benefits to venture participants through the Cape Cod Municipal Health Group. The County's 2022 health insurance premiums totaled \$586,667 of which the County contributes 90% for retirees and 75% for active employees. The County does not have an equity interest in the joint venture. Financial statements for the joint venture may be obtained by contacting the Cape Cod Municipal Health Group at 27 Midstate Office Park, Suite 204, Auburn, MA 01501.

The financial position and results of operations of the Dukes County Retirement System (the System) and the Martha's Vineyard Land Bank (MVLB) are not included in these basic financial statements, as they are not considered to be a part of the reporting entity. The financial statements for the System can be obtained by contacting the System at 9 Airport Road, Suite 1, Vineyard Haven, Massachusetts, 02568. The financial statements for the MVLB can be obtained by contacting the MVLB at 167 Main Street, Edgartown, Massachusetts, 02539.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

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

Fund Financial Statements

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

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

The following major governmental funds are reported:

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

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

The *senior services fund* is used to account for financial resources to be used for the center for living and other services for senior citizens.

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

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

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

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

The following major proprietary fund is reported:

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

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

The following fiduciary fund type is reported:

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the County's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable*Government-Wide and Fund Financial Statements*

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

Departmental and Other

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

Intergovernmental

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

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

Right-to-Use Lease Receivables

The airport is the lessor for leases of various airport assets. The receivable is recorded at the present value of noncancellable future lease payments and is offset by a corresponding deferred inflow of resources. Revenue is recognized when earned.

G. Inventories*Government-Wide and Fund Financial Statements*

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

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

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

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

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

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has reported deferred outflows of resources related to pensions and other postemployment benefits in this category.

In addition to liabilities, the statement of net 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has recorded deferred inflows of resources related to pensions, other postemployment benefits, and lease receivables in this category.

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

Net position has been “restricted for” the following:

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

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

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption

must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as

other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

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

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

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Individual Fund Deficits

The sheriffs detail fund, health council youth task force fund, the deferred compensation fund, the gifts and grants fund, and the business park security deposit fund include individual fund deficits at June 30, 2022. These deficits will be funded through available fund balance and grant proceeds in 2023.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

The County invests in the Dukes County Pooled OPEB Trust Fund (OPEB Trust) which is an investment pool established by Massachusetts Session Law, Chapter 149 of the acts of 2010, an act authorizing the government employers in the County to establish a pooled OPEB trust. The fair value of the County's assets in the OPEB Trust totaled \$1,523,965 as of June 30, 2022. Details related to the OPEB Trust investments can be obtained by contacting the OPEB Trust at P.O. Box 921, Vineyard Haven, MA 02568.

Custodial Credit Risk - Deposits

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

At year-end, the carrying amount of deposits totaled \$11,621,058 and the bank balance totaled \$12,520,433. Of the bank balance, \$250,000 was covered by FDIC, and \$12,270,433 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, 2022, 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, 2022, the County had \$111,802 of MMDT investments.

Interest Rate Risk

The County's policy to limit interest rate risk is to not allow investments with maturities longer than 36 months unless specifically recommended by the County Treasurer and approved by the Finance Committee. The County participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 27 days.

Credit Risk

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

Concentration of Credit Risk

The County's policy to limit concentration of credit risk is to not, at any one time, have on deposit in a bank or trust company or banking company an amount exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to the County by such bank or trust company or banking company for such excess.

Fair Value of Investments

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

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

NOTE 3 – RECEIVABLES

At June 30, 2022, receivables for the individual major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 12,176	\$ -	\$ 12,176
Departmental and other.....	43,420	-	43,420
Total.....	<u>\$ 55,596</u>	<u>\$ -</u>	<u>\$ 55,596</u>

At June 30, 2022, receivables for the airport enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 797,255	\$ -	\$ 797,255
Departmental and other.....	110,921	-	110,921
Lease receivables.....	30,008,124	-	30,008,124
Total.....	\$ 30,916,300	\$ -	\$ 30,916,300

NOTE 4 – RIGHT TO USE LEASE RECEIVABLES

Change in Accounting Principle

During 2022, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as a right to use another entity's asset over a definitive period of time and required the County to record lease receivables that were previously not required. No restatement of beginning net position was required.

Lease Receivables

The airport has several right to use lease agreements for business park property, airport terminal space, and aircraft storage. Under the current lease agreements, the airport is scheduled to receive lease payments through 2047. In 2022, the airport received \$2.5 million of lease revenue.

The future scheduled lease revenues as of June 30, 2022, are as follows:

Years ending June 30:	Business-Type Activities		
	Lease Revenues	Interest	Total
2023.....	\$ 2,324,141	\$ 868,459	\$ 3,192,600
2024.....	2,310,871	798,917	3,109,788
2025.....	2,076,086	732,802	2,808,888
2026.....	2,095,505	670,255	2,765,760
2027.....	1,700,753	612,787	2,313,540
2028 to 2032.....	7,825,720	2,341,352	10,167,072
2033 to 2037.....	7,127,289	1,195,743	8,323,032
2038 to 2042.....	4,150,134	338,070	4,488,204
2043 to 2047.....	397,625	6,490	404,115
Total future lease revenues.....	\$ 30,008,124	\$ 7,564,875	\$ 37,572,999

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,034,954	\$ -	\$ -	\$ 1,034,954
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	2,170,451	-	-	2,170,451
Machinery and equipment.....	363,425	-	-	363,425
Vehicles.....	24,696	-	-	24,696
Infrastructure.....	28,745	-	-	28,745
Total capital assets being depreciated.....	2,587,317	-	-	2,587,317
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(681,203)	(69,834)	-	(751,037)
Machinery and equipment.....	(293,515)	(13,818)	-	(307,333)
Vehicles.....	(24,696)	-	-	(24,696)
Infrastructure.....	(14,096)	(1,209)	-	(15,305)
Total accumulated depreciation.....	(1,013,510)	(84,861)	-	(1,098,371)
Total capital assets being depreciated, net.....	1,573,807	(84,861)	-	1,488,946
Total governmental activities capital assets, net....	\$ 2,608,761	\$ (84,861)	\$ -	\$ 2,523,900
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress.....	-	562,136	-	562,136
Total capital assets not being depreciated....	1,410,887	562,136	-	1,973,023
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,403,574	394,116	-	5,797,690
Buildings and improvements.....	29,262,847	85,210	-	29,348,057
Machinery and equipment.....	6,359,901	69,822	-	6,429,723
Infrastructure.....	37,998,192	243,082	-	38,241,274
Total capital assets being depreciated.....	79,024,514	792,230	-	79,816,744
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,614,816)	(237,492)	-	(4,852,308)
Buildings and improvements.....	(11,030,369)	(623,226)	-	(11,653,595)
Machinery and equipment.....	(4,786,223)	(216,881)	-	(5,003,104)
Infrastructure.....	(16,293,810)	(1,751,827)	-	(18,045,637)
Total accumulated depreciation.....	(36,725,218)	(2,829,426)	-	(39,554,644)
Total capital assets being depreciated, net.....	42,299,296	(2,037,196)	-	40,262,100
Total business-type activities capital assets, net....	\$ 43,710,183	\$ (1,475,060)	\$ -	\$ 42,235,123

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

Governmental Activities:

County commissioners.....	\$	13,955
Treasurer.....		2,880
Registry of deeds.....		7,928
Health and human services.....		1,404
Courthouse/Administrative/Senior services buildings.....		34,495
Senior services.....		24,199
		<u>24,199</u>
Total depreciation expense - governmental activities.....	\$	<u>84,861</u>

Business-Type Activities:

Airport.....	\$	<u>2,829,426</u>
--------------	----	------------------

NOTE 6 – INTERNAL BALANCES, INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS

The County has recorded internal balances on the entity-wide financial statements and interfund receivables/payables on the fund based financial statements to reflect pending bank transfers for year-end cost allocations between the County's general fund and the airport enterprise fund.

Interfund transfers for the year ended June 30, 2022, are summarized as follows:

		<u>Transfers In:</u>	
<u>Transfers Out:</u>		General	
		fund	
Other special revenue.....	\$	556,138	(1)
Senior services.....		6,124	(2)
Airport enterprise fund.....		<u>199,319</u>	(2)
Total.....	\$	<u>761,581</u>	

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

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

NOTE 7 – SHORT-TERM FINANCING

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

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

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

Details related to the County's short-term debt as of June 30, 2022 are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
Airport Enterprise Fund:							
FAN	Airport.....	1.25	10/15/21	\$ 1,994,445	\$ -	\$ 1,994,445	\$ -
BAN	Airport.....	1.00	09/10/21	1,265,791	-	1,265,791	-
FAN	Airport.....	1.15	09/10/21	205,555	-	205,555	-
Total Airport Enterprise Fund.....				\$ 3,465,791	\$ -	\$ 3,465,791	\$ -

NOTE 8 – 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, 2022, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
Land/Building purchase.....	2026	\$ 1,600,000	2.50 - 3.00	\$ 640,000

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

Year	Principal	Interest	Total
2023.....	\$ 160,000	\$ 16,000	\$ 176,000
2024.....	160,000	12,000	172,000
2025.....	160,000	8,000	168,000
2026.....	160,000	4,000	164,000
Total.....	\$ 640,000	\$ 40,000	\$ 680,000

Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:						
Long-term bonds payable.....	\$ 800,000	\$ (160,000)	\$ -	\$ -	\$ 640,000	\$ 160,000
Compensated absences.....	110,000	-	32,000	(28,000)	114,000	29,000
Net pension liability.....	516,394	-	92,658	(303,610)	305,442	-
Net other postemployment benefits liability.....	3,099,159	-	180,945	(936,856)	2,343,248	-
Total governmental activity long-term liabilities.....	\$ 4,525,553	\$ (160,000)	\$ 305,603	\$ (1,268,466)	\$ 3,402,690	\$ 189,000
Business-Type Activities:						
Compensated absences.....	\$ 248,000	\$ -	\$ 54,000	\$ (62,000)	\$ 240,000	\$ 60,000
Net pension liability.....	1,050,121	-	717,577	(1,468,156)	299,542	-
Net other postemployment benefits liability.....	6,191,033	-	973,587	(2,046,342)	5,118,278	-
Total business-type activity long-term liabilities.....	\$ 7,489,154	\$ -	\$ 1,745,164	\$ (3,576,498)	\$ 5,657,820	\$ 60,000

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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

	General	Parking Clerk	Senior Services	County Capital Projects	Other Special Revenue	Total Governmental Funds
Fund Balances:						
Restricted for:						
Parking clerk.....	\$ -	\$ 3,590	\$ -	\$ -	\$ -	\$ 3,590
Senior services.....	-	-	21,312	-	-	21,312
County capital projects.....	-	-	-	348,980	-	348,980
Economic development.....	178,423	-	-	-	-	178,423
Registry of deeds.....	804,662	-	-	-	142,286	946,948
Deeds excise.....	-	-	-	-	1,003	1,003
Civil defense/emergency management.....	-	-	-	-	23,095	23,095
Health and human services.....	-	-	-	-	138,233	138,233
Veterans agent.....	-	-	-	-	20,036	20,036
Recreation.....	-	-	-	-	42,461	42,461
Assigned to:						
Courthouse/Administrative/Senior services buildings.....	11,488	-	-	-	-	11,488
Unassigned.....	304,375	-	-	-	(54,714)	249,661
Total Fund Balances.....	\$ 1,298,948	\$ 3,590	\$ 21,312	\$ 348,980	\$ 312,400	\$ 1,985,230

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year-end, the general stabilization fund totaled \$50,405 and is reported as unassigned fund balance within the general fund.

NOTE 10 – RISK FINANCING

Insurance

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

Health Benefits

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

Workers' Compensation

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

NOTE 11 – PENSION PLAN*Plan Descriptions*

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

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There are no reported changes in pension benefits as of December 31, 2021.

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarial determined contribution that is apportioned among the employers using an actuarial based methodology that allocates contributions to member units based on the member units actuarially determined total liability at the beginning of the measurement period. The County's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2021, and totaled \$601,356 or 21.93% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2022, the County reported a liability of \$604,984 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the

pension plan relative to the projected contributions of all participating members. At December 31, 2021, the County's proportion was 6.56%, which was unchanged from the prior year.

Pension Expense

For the year ended June 30, 2022, the County recognized negative pension expense of \$50,988. At June 30, 2022, the County reported deferred outflows of resources related to pensions of \$1,142,479, and deferred inflows of resources related to pensions of \$2,102,320.

The balances of deferred outflows and (inflows) at June 30, 2022, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 270,642	\$ (8,629)	\$ 262,013
Net difference between projected and actual earnings.....	-	(1,935,150)	(1,935,150)
Changes in assumptions.....	750,606	-	750,606
Changes in proportion and proportionate share of contributions...	121,231	(158,541)	(37,310)
Total deferred outflows/(inflows) of resources.....	\$ 1,142,479	\$ (2,102,320)	\$ (959,841)

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

Year ended June 30:

2023.....	\$ (251,198)
2024.....	(452,027)
2025.....	(199,015)
2026.....	(121,259)
2027.....	63,658
Total.....	\$ (959,841)

Actuarial Assumptions

The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2021:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Individual entry age normal cost method.
Amortization method.....	UAAL: Increasing dollar amount at 4.0% to reduce the unfunded actuarial accrued liability to zero on or before June 30, 2031. The annual increase in appropriation is limited to 4.51% per year.

2002 & 2003 ERI's: Increasing dollar amount at 4.5% to reduce the unfunded actuarial accrued liability attributable to the ERI's to zero on or before June 30, 2028.

Remaining amortization period.....	9 years for the UAL as of December 31, 2021. 6 years for the 2002 and 2003 ERI's as of December 31, 2021.
Asset valuation method.....	The actuarial value of assets is the fair value of assets as of the valuation date reduced by the sum of: <ul style="list-style-type: none"> a) 80% of gains and losses of the prior year, b) 60% of gains and losses of the second prior year, c) 40% of gains and losses of the third prior year and, d) 20% of gains and losses of the fourth prior year. <p>Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the fair value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of fair value.</p>
Inflation rate.....	2.4% per year.
Projected salary increases.....	6% - 4.25% for general employees and 7% - 4.75% for public safety, depending on years of service.
Payroll growth.....	3.25% per year.
Cost of living allowances.....	Cost of living adjustments (COLA) are assumed to be 3% of the first \$14,000 of the annual retirement allowance.
Mortality Rates.....	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvements using Scale MP-2020. For disabled members, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with generational mortality improvement using Scale MP-2020.
Investment rate of return/Discount rate.....	7.00% per year, net of pension plan investment expense, including inflation.

Investment policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation and a risk factor) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	30.00%	9.10%
International equity.....	5.00%	6.60%
Real estate.....	5.00%	6.80%
PRIT core.....	50.00%	6.80%
Fixed income.....	10.00%	2.20%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.66%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.00% for the year ended December 31, 2021 and 7.50% for the year ended December 31, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
The County's proportionate share of the net pension liability (asset).....	\$ 2,558,418	\$ 604,984	\$ (1,046,445)

Changes of Assumptions

The long-term rate of return was reduced from 7.50% to 7.00% and the mortality tables and mortality improvement rates were updated.

Changes in Plan Provisions

None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS*Plan Description*

The County administers a single-employer defined benefit plan (“the Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their dependents through the County’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the County and the unions representing County employees. The County contributes to the Dukes County Pooled OPEB Trust Fund (Trust Fund), a qualified OPEB trust fund established by special legislation (Chapter 149 of the Acts of 2010) passed on July 2, 2010, and a trust agreement that was signed on November 1, 2010. The Retiree Health Plan does not issue a publicly available financial report.

Summary of Significant Accounting Policies

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

During 2022, the County pre-funded future OPEB liabilities totaling \$6,000 by contributing funds to the OPEB trust fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of June 30, 2022, the net position of the OPEB trust fund totaled \$1,523,965.

Funding Policy

The required contribution is based on a pay-as-you-go financing requirement. The County contributes 90% and 75% of the cost of current-year health and life insurance premiums, respectively for eligible retired plan members and their dependents. Plan members receiving benefits contribute the remaining 10% to 25% percent of their premium costs. For 2022, the County contributed \$319,230 to the plan.

Investment Policy

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

Employees Covered by Benefit Terms

The following table represents the Plan’s membership as of June 30, 2022:

Active members.....	33
Inactive members currently receiving benefits.....	20
Total.....	<u>53</u>

Components of OPEB Liability

The following table represents the components of the Plan's OPEB liability as of June 30, 2022:

Total OPEB liability.....	\$	8,985,491
Less: OPEB plan's fiduciary net position.....		<u>(1,523,965)</u>
Net OPEB liability.....	\$	<u>7,461,526</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		16.96%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2020, actuarial valuation was determined by using the following assumptions, applied to all periods included in the measurement date, unless otherwise specified, that was updated to June 30, 2022:

Valuation date.....	July 1, 2020
Actuarial cost method.....	Entry Age Normal.
Amortization method.....	Increasing at 3.5% over 30 years on an open amortization period for partial pre-funding.
Asset valuation method.....	Fair value.
Discount rate.....	3.78%, net of investment expenses, including inflation.
Long-term expected rate of return.....	6.6%, compounded annually, net of fees.
Healthcare cost trend rate.....	7% for 2020, decreasing 0.4% per year to 5.4%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075
Inflation rate.....	2.4% per year, based on current economic data, analyses from economists and other experts, and professional judgement.
Payroll growth.....	3.5% per year.
Pre-retirement mortality.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2018.
Healthy retiree mortality.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2018.
Disabled retiree mortality.....	RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Rate of return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB investment expense, was -9.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation and a risk factor) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the table on the following page:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity.....	35.00%	5.08%
Mid cap equity.....	10.00%	5.06%
Small cap equity.....	10.00%	4.89%
International equity.....	15.00%	6.09%
Real estate.....	10.00%	2.65%
Fixed income.....	20.00%	1.36%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.78%, previously 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions from the County will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to the first 12 periods of projected future benefit payments and, the 3.54% municipal bond rate was applied to all periods thereafter to determine the total OPEB liability. The 3.54% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 30, 2022.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021.....	\$ 10,971,515	\$ 1,681,323	\$ 9,290,192
Changes for the year:			
Service cost.....	708,275	-	708,275
Interest.....	282,899	-	282,899
Changes of assumptions.....	(2,663,968)	-	(2,663,968)
Net investment income (loss).....	-	(163,358)	163,358
Employer contributions.....	-	319,230	(319,230)
Benefit payments.....	(313,230)	(313,230)	-
Net change.....	(1,986,024)	(157,358)	(1,828,666)
Balances at June 30, 2022.....	\$ 8,985,491	\$ 1,523,965	\$ 7,461,526

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following represents the net OPEB liability calculated using the current discount rate of 3.78%, as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (2.78%)	Current Discount Rate (3.78%)	1% Increase (4.78%)
Net OPEB liability.....	\$ 9,046,815	\$ 7,461,526	\$ 6,214,940

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following represents the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 5,978,938	\$ 7,461,526	\$ 9,399,372

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the County recognized OPEB expense of \$1,063,117. At June 30, 2022, the County reported deferred outflows of resources related to OPEB of \$2,485,206 and deferred inflows of resources related to OPEB of \$3,084,675 from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 112,124	\$ (876,753)	\$ (764,629)
Changes in assumptions.....	2,308,156	(2,207,922)	100,234
Net difference between projected and actual earnings.....	64,926	-	64,926
Total deferred outflows of resources.....	\$ 2,485,206	\$ (3,084,675)	\$ (599,469)

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

Measurement date year ended June 30:

2023.....	\$ 283,695
2024.....	266,667
2025.....	(96,387)
2026.....	(449,437)
2027.....	(460,774)
2028.....	(143,233)
Total.....	\$ (599,469)

Changes of Assumptions

The discount rate increased from 2.27% as of June 30, 2021, to 3.78% as of June 30, 2022, and the inflation rate was updated.

Changes in Plan Provisions

None.

NOTE 13 – 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, 2022, 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, 2022, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2022.

NOTE 14 – COMMITMENTS

The general fund has various commitments outstanding for goods and services related to encumbrances totaling \$13,638.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through _____, 2023, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2022, the following GASB pronouncements were implemented:

- GASB Statement #87, *Leases*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.
- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.
- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.

- GASB Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #99, *Omnibus 2022*, which is required to be implemented in 2023.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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

Required Supplementary Information

DRAFT

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Amounts	Variance
	Original Budget	Final Budget	Budgetary Amounts	Carried Forward To Next Year	to Final Budget
REVENUES:					
Town assessments - County tax.....	\$ 529,548	\$ 529,548	\$ 529,548	\$ -	\$ -
Town assessments - debt service.....	180,000	180,000	180,000	-	-
Cape and island license plates.....	74,061	74,061	98,358	-	24,297
Property rental.....	184,126	193,542	209,366	-	15,824
Registry of deeds.....	180,000	180,000	209,764	-	29,764
Natural resources.....	55,400	55,400	84,325	-	28,925
Parking fines.....	3,500	3,500	1,952	-	(1,548)
Investment income.....	4,100	4,100	2,043	-	(2,057)
Miscellaneous.....	15,300	25,200	24,287	-	(913)
TOTAL REVENUES.....	1,226,035	1,245,351	1,339,643	-	94,292
EXPENDITURES:					
Current:					
County commissioners.....	282,690	282,690	280,080	-	2,610
Courthouse/Administrative/Senior services buildings.....	261,172	265,172	249,111	11,488	4,573
Treasurer.....	317,665	317,665	266,721	-	50,944
Civil defense/emergency management.....	4,812	4,812	1,541	-	3,271
Health and human services.....	1,000	1,000	841	-	159
Veterans agent.....	68,033	74,651	69,758	-	4,893
Natural resources.....	15,177	15,177	10,885	-	4,292
Employee benefits.....	201,965	201,965	176,920	-	25,045
Other.....	74,484	70,484	46,461	-	24,023
Debt service:					
Principal.....	160,000	160,000	160,000	-	-
Interest.....	20,000	20,000	20,000	-	-
TOTAL EXPENDITURES.....	1,406,998	1,413,616	1,282,318	11,488	119,810
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(180,963)	(168,265)	57,325	(11,488)	214,102
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	15,000	21,618	-	-	(21,618)
Transfers in - retirees' health insurance.....	129,908	129,908	111,235	-	(18,673)
Transfers in - cost allocations.....	137,183	137,183	102,417	-	(34,766)
Transfers in - deeds excise.....	275,000	275,000	333,683	-	58,683
Transfers out.....	(370,481)	(370,481)	(370,481)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	186,610	193,228	176,854	-	(16,374)
NET CHANGE IN FUND BALANCE.....	5,647	24,963	234,179	(11,488)	197,728
REFUND TO MEMBER COMMUNITIES.....	-	(385,208)	(385,208)	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	594,910	594,910	594,910	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 600,557	\$ 234,665	\$ 443,881	\$ (11,488)	\$ 197,728

See notes to required supplementary information.

DRAFT

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

YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		Actual	Amounts	Variance
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Carried Forward</u>	<u>to Final</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	<u>To Next Year</u>	<u>Budget</u>
<u>EXPENDITURES:</u>					
Current:					
Registry of deeds.....	\$ 501,278	\$ 505,278	\$ 490,710	\$ 2,150	\$ 12,418
<u>OTHER FINANCING SOURCES (USES):</u>					
Use of prior year reserves.....	2,632	2,632	-	-	(2,632)
Transfers in - registry maintenance of effort.....	370,481	370,481	370,481	-	-
Transfers in - deeds excise.....	148,557	152,557	222,455	-	69,898
Transfers out - retirees' health insurance.....	(8,209)	(8,209)	(8,209)	-	-
Transfers out - cost allocations.....	(12,183)	(12,183)	-	-	12,183
TOTAL OTHER FINANCING SOURCES (USES).....	501,278	505,278	584,727	-	79,449
NET CHANGE IN FUND BALANCE.....	-	-	90,017	2,150	87,867
BUDGETARY FUND BALANCE, Beginning of year.....	714,645	714,645	714,645	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 714,645	\$ 714,645	\$ 804,662	\$ 2,150	\$ 87,867

See notes to required supplementary information.

DRAFT

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Town assessments - County tax.....	\$ 529,548	\$ 529,548	\$ 529,548	\$ -	\$ -
Town assessments - debt service.....	180,000	180,000	180,000	-	-
Cape and island license plates.....	74,061	74,061	98,358	-	24,297
Property rental.....	184,126	193,542	209,366	-	15,824
Registry of deeds.....	180,000	180,000	209,764	-	29,764
Natural resources.....	55,400	55,400	84,325	-	28,925
Parking fines.....	3,500	3,500	1,952	-	(1,548)
Investment income.....	4,100	4,100	2,043	-	(2,057)
Miscellaneous.....	15,300	25,200	24,287	-	(913)
TOTAL REVENUES.....	1,226,035	1,245,351	1,339,643	-	94,292
EXPENDITURES:					
Current:					
County commissioners.....	282,690	282,690	280,080	-	2,610
Courthouse/Administrative/Senior services buildings....	261,172	265,172	249,111	11,488	4,573
Treasurer.....	317,665	317,665	266,721	-	50,944
Registry of deeds.....	501,278	505,278	490,710	2,150	12,418
Civil defense/emergency management.....	4,812	4,812	1,541	-	3,271
Health and human services.....	1,000	1,000	841	-	159
Veterans agent.....	68,033	74,651	69,758	-	4,893
Natural resources.....	15,177	15,177	10,885	-	4,292
Employee benefits.....	201,965	201,965	180,920	-	21,045
Other.....	74,484	70,484	46,461	-	24,023
Debt service:					
Principal.....	160,000	160,000	160,000	-	-
Interest.....	20,000	20,000	20,000	-	-
TOTAL EXPENDITURES.....	1,908,276	1,918,894	1,777,028	13,638	128,228
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....					
	(682,241)	(673,543)	(437,385)	(13,638)	222,520
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	17,632	24,250	-	-	(24,250)
Transfers in - retirees' health insurance.....	121,699	121,699	103,026	-	(18,673)
Transfers in - cost allocations.....	125,000	125,000	102,417	-	(22,583)
Transfers in - deeds excise.....	423,557	427,557	556,138	-	128,581
TOTAL OTHER FINANCING SOURCES (USES).....	687,888	698,506	761,581	-	63,075
NET CHANGE IN FUND BALANCE.....	5,647	24,963	324,196	(13,638)	285,595
REFUND TO MEMBER COMMUNITIES.....	-	(385,208)	(385,208)	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	1,309,555	1,309,555	1,309,555	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,315,202	\$ 949,310	\$ 1,248,543	\$ (13,638)	\$ 285,595

See notes to required supplementary information.

Pension Plan Schedules - County

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

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

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

DRAFT

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2021.....	6.56%	\$ 604,984	\$ 2,714,555	22.29%	96.41%
December 31, 2020.....	6.56%	1,566,515	2,668,808	58.70%	89.76%
December 31, 2019.....	7.00%	1,998,237	2,567,730	77.82%	86.73%
December 31, 2018.....	7.00%	3,498,182	2,245,135	155.81%	75.54%
December 31, 2017.....	7.55%	2,505,209	2,856,428	87.70%	82.43%
December 31, 2016.....	7.55%	3,468,277	2,044,480	169.64%	74.21%
December 31, 2015.....	8.06%	3,165,961	2,133,835	148.37%	75.61%
December 31, 2014.....	8.06%	2,903,770	2,051,764	141.53%	76.17%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

DRAFT

SCHEDULE OF THE COUNTY'S CONTRIBUTIONS DUKES COUNTY CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2022.....	\$ 601,356	\$ (601,356)	\$ -	\$ 2,741,701	21.93%
June 30, 2021.....	537,719	(537,719)	-	2,722,184	19.75%
June 30, 2020.....	513,828	(513,828)	-	2,619,085	19.62%
June 30, 2019.....	499,684	(499,684)	-	2,290,038	21.82%
June 30, 2018.....	475,890	(475,890)	-	2,913,557	16.33%
June 30, 2017.....	436,984	(436,984)	-	2,085,370	20.95%
June 30, 2016.....	381,256	(381,256)	-	2,176,512	17.52%
June 30, 2015.....	313,649	(313,649)	-	2,092,799	14.99%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

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

DRAFT

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Total OPEB Liability						
Service cost.....	\$ 342,568	\$ 301,243	\$ 330,289	\$ 507,923	\$ 741,178	\$ 708,275
Interest.....	285,191	313,794	328,781	364,938	288,993	282,899
Changes of benefit terms.....	-	(8,833)	-	(337,801)	-	-
Differences between expected and actual experience...	-	-	349,306	-	(1,389,686)	-
Changes of assumptions.....	(576,049)	190,641	2,331,407	1,643,929	416,982	(2,663,968)
Benefit payments.....	(236,184)	(255,164)	(318,349)	(251,348)	(235,642)	(313,230)
Net change in total OPEB liability.....	(184,474)	541,681	3,021,434	1,927,641	(178,175)	(1,986,024)
Total OPEB liability - beginning.....	5,843,408	5,658,934	6,200,615	9,222,049	11,149,690	10,971,515
Total OPEB liability - ending (a).....	<u>\$ 5,658,934</u>	<u>\$ 6,200,615</u>	<u>\$ 9,222,049</u>	<u>\$ 11,149,690</u>	<u>\$ 10,971,515</u>	<u>\$ 8,985,491</u>
Plan fiduciary net position						
Employer contributions.....	\$ 150,000	\$ 120,000	\$ 214,951	\$ 98,840	\$ 84,871	\$ 6,000
Employer contributions for OPEB payments.....	236,184	255,164	318,349	251,348	235,642	313,230
Net investment income (loss).....	25,782	33,657	44,971	48,997	373,798	(163,358)
Benefit payments.....	(236,184)	(255,164)	(318,349)	(251,348)	(235,642)	(313,230)
Net change in plan fiduciary net position.....	175,782	153,657	259,922	147,837	458,669	(157,358)
Plan fiduciary net position - beginning of year.....	485,456	661,238	814,895	1,074,817	1,222,654	1,681,323
Plan fiduciary net position - end of year (b).....	<u>\$ 661,238</u>	<u>\$ 814,895</u>	<u>\$ 1,074,817</u>	<u>\$ 1,222,654</u>	<u>\$ 1,681,323</u>	<u>\$ 1,523,965</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 4,997,696</u>	<u>\$ 5,385,720</u>	<u>\$ 8,147,232</u>	<u>\$ 9,927,036</u>	<u>\$ 9,290,192</u>	<u>\$ 7,461,526</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	11.68%	13.14%	11.65%	10.97%	15.32%	16.96%
Covered-employee payroll.....	\$ 2,162,273	\$ 2,395,994	\$ 2,658,800	\$ 2,641,426	\$ 2,515,077	\$ 2,565,379
Net OPEB liability as a percentage of covered-employee payroll.....	231.13%	224.78%	306.43%	375.82%	369.38%	290.85%

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

See notes to required supplementary information.

DRAFT

SCHEDULE OF THE COUNTY'S CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
<u>Governmental Activities</u>					
June 30, 2022.....	\$ 276,690	\$ (175,021)	\$ 101,669	\$ 924,133	18.94%
June 30, 2021.....	297,131	(142,454)	154,677	906,013	15.72%
June 30, 2020.....	220,268	(224,616)	(4,348)	985,173	22.80%
June 30, 2019.....	162,893	(256,119)	(93,226)	1,031,753	24.82%
June 30, 2018.....	171,302	(235,548)	(64,246)	1,187,436	19.84%
June 30, 2017.....	125,680	(265,825)	(140,145)	1,011,265	26.29%
<u>Business-type Activities</u>					
June 30, 2022.....	\$ 690,754	\$ (144,209)	\$ 546,545	\$ 1,641,245	\$ 8.79%
June 30, 2021.....	720,837	(178,059)	542,778	1,609,064	11.07%
June 30, 2020.....	554,266	(125,572)	428,694	1,656,253	7.58%
June 30, 2019.....	419,932	(277,181)	142,751	1,627,047	17.04%
June 30, 2018.....	357,318	(139,616)	217,702	1,208,558	11.55%
June 30, 2017.....	253,723	(120,359)	133,364	1,151,008	10.46%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

DRAFT

SCHEDULE OF INVESTMENT RETURNS OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2022.....	-9.71%
June 30, 2021.....	30.26%
June 30, 2020.....	4.56%
June 30, 2019.....	4.74%
June 30, 2018.....	4.42%
June 30, 2017.....	4.14%

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

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTINGBudgetary Information

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

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

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

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

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

The County adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2022 approved budget for the general fund (including the registry of deeds) authorized \$1.9 million, in appropriations. During 2022, the County approved supplemental appropriations totaling \$396,000 that relate to refunds to member communities, the registry of deeds, and the veteran's agent appropriations.

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.

Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2022, is presented below:

Net change in fund balance - budgetary basis.....	\$	324,196
---	----	---------

Perspective differences:

Activity of the stabilization fund recorded in the general fund for GAAP.....		7,389
--	--	-------

Net change in fund balance - GAAP basis.....	\$	<u>331,585</u>
--	----	----------------

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

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

Schedule of County's Contributions

Governmental employers are required to pay an annual appropriation as established by statute and approved by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". Pension fund appropriations have been allocated among employers using an actuarial based methodology that allocates contributions to member units based on the member units actuarially determined total liability at the beginning of the measurement period.

Changes of Assumptions

The long-term rate of return was reduced from 7.50% to 7.00% and the mortality tables and mortality improvement rates were updated.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Schedule of the County's Contributions

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

Valuation date.....	July 1, 2020
Actuarial cost method.....	Entry Age Normal.
Amortization method.....	Increasing at 3.5% over 30 years on an open amortization period for partial pre-funding.
Asset valuation method.....	Fair value.
Discount rate.....	3.78%, net of investment expenses, including inflation.
Long-term expected rate of return.....	6.6%, compounded annually, net of fees.
Healthcare cost trend rate.....	7% for 2020, decreasing 0.4% per year to 5.4%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075
Inflation rate.....	2.4% per year, based on current economic data, analyses from economists and other experts, and professional judgement.
Payroll growth.....	3.5% per year.
Pre-retirement mortality.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2018.
Healthy retiree mortality.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2018.
Disabled retiree mortality.....	RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Schedule of Investment Returns

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

Changes of Assumptions

The discount rate increased from 2.27% as of June 30, 2021, to 3.78% as of June 30, 2022, and the inflation rate was updated.

Changes in Plan Provisions

None.

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.

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

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

Parking Fund – This fund is used to account for the income and expenses of the parking operation for the airport.

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

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

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

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

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

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

AIRPORT COMMISSION ACTIVITIES
COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2022

	Operations	Passenger Facility Charges	Fuel Revolving	Parking	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	CARES Act Airport Grants	Long-Term Obligations	Fixed Assets	Total Airport Commission Activities
ASSETS											
CURRENT:											
Cash and cash equivalents.....	\$ 7,748,319	\$ 174,037	\$ 145,657	\$ 6,547	\$ 4,657	\$ 106,700	\$ (384,706)	\$ 744	\$ -	\$ -	\$ 7,801,955
Receivables, net of allowance for uncollectibles:											
Departmental and other.....	49,177	18	42,462	19,264	-	-	-	-	-	-	110,921
Leases.....	2,324,141	-	-	-	-	-	-	-	-	-	2,324,141
Intergovernmental.....	122,625	-	-	-	8,800	-	665,830	-	-	-	797,255
Inventory.....	-	-	350,660	-	-	-	-	-	-	-	350,660
Other assets.....	8,797	-	-	-	-	-	-	-	-	-	8,797
Total current assets.....	10,253,059	174,055	538,779	25,811	13,457	106,700	281,124	744	-	-	11,393,729
NONCURRENT:											
Receivables, net of allowance for uncollectibles:											
Leases.....	27,683,983	-	-	-	-	-	-	-	-	-	27,683,983
Capital assets, non depreciable.....	-	-	-	-	-	-	-	-	-	1,973,023	1,973,023
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	-	-	40,262,100	40,262,100
Total noncurrent assets.....	27,683,983	-	-	-	-	-	-	-	-	42,235,123	69,919,106
TOTAL ASSETS.....	37,937,042	174,055	538,779	25,811	13,457	106,700	281,124	744	-	42,235,123	81,312,835
DEFERRED OUTFLOWS OF RESOURCES											
Deferred outflows related to pensions.....	-	-	-	-	-	-	-	-	565,669	-	565,669
Deferred outflows related to other postemployment benefits.....	-	-	-	-	-	-	-	-	1,435,568	-	1,435,568
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	-	-	-	-	-	-	-	-	2,001,237	-	2,001,237
LIABILITIES											
CURRENT:											
Warrants payable.....	421,591	-	-	-	13,457	-	257,884	-	-	-	692,932
Accrued payroll.....	141,320	-	-	-	-	-	-	-	-	-	141,320
Due to other funds.....	102,417	-	-	-	-	-	-	-	-	-	102,417
Customer deposits payable.....	5,000	-	55,000	-	-	-	-	-	-	-	60,000
Other liabilities.....	1,386	-	-	-	-	-	-	-	-	-	1,386
Compensated absences.....	-	-	-	-	-	-	-	-	60,000	-	60,000
Total current liabilities.....	671,714	-	55,000	-	13,457	-	257,884	-	60,000	-	1,058,055
NONCURRENT:											
Compensated absences.....	-	-	-	-	-	-	-	-	180,000	-	180,000
Net pension liability.....	-	-	-	-	-	-	-	-	299,542	-	299,542
Net other postemployment benefits liability.....	-	-	-	-	-	-	-	-	5,118,278	-	5,118,278
Total noncurrent liabilities.....	-	-	-	-	-	-	-	-	5,597,820	-	5,597,820
TOTAL LIABILITIES.....	671,714	-	55,000	-	13,457	-	257,884	-	5,657,820	-	6,655,875
DEFERRED INFLOWS OF RESOURCES											
Deferred inflows related to lease receivables.....	30,008,124	-	-	-	-	-	-	-	-	-	30,008,124
Deferred inflows related to pensions.....	-	-	-	-	-	-	-	-	1,040,910	-	1,040,910
Deferred inflows related to other postemployment benefits.....	-	-	-	-	-	-	-	-	1,816,423	-	1,816,423
TOTAL DEFERRED INFLOWS OF RESOURCES.....	30,008,124	-	-	-	-	-	-	-	2,857,333	-	32,865,457
NET POSITION											
Net investment in capital assets.....	-	-	-	-	-	-	23,240	744	-	42,235,123	42,259,107
Unrestricted.....	7,257,204	174,055	483,779	25,811	-	106,700	-	-	(6,513,916)	-	1,533,633
TOTAL NET POSITION.....	\$ 7,257,204	\$ 174,055	\$ 483,779	\$ 25,811	\$ -	\$ 106,700	\$ 23,240	\$ 744	\$ (6,513,916)	\$ 42,235,123	\$ 43,792,740

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

YEAR ENDED JUNE 30, 2022

	Operations	Passenger Facility Charges	Fuel Revolving	Parking	Transportation Security Administration	Debt Service	Multi-Year Capital Projects	CARES Act Airport Grants	Long-Term Obligations	Fixed Assets	Total Airport Commission Activities
OPERATING REVENUES:											
Charges for services.....	\$ 2,286,880	\$ 264,764	\$ -	\$ 128,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,679,695
Intergovernmental.....	-	-	-	-	55,760	-	51,340	-	-	-	107,100
Fuel.....	-	-	7,003,098	-	-	-	-	-	-	-	7,003,098
Business Park.....	2,168,721	-	-	-	-	-	-	-	-	-	2,168,721
Water revenue.....	279,435	-	-	-	-	-	-	-	-	-	279,435
Wastewater revenue.....	124,387	-	-	-	-	-	-	-	-	-	124,387
Intergovernmental COVID-19.....	-	-	-	-	-	-	-	1,260,938	-	-	1,260,938
TOTAL OPERATING REVENUES	4,859,423	264,764	7,003,098	128,051	55,760	-	51,340	1,260,938	-	-	13,623,374
OPERATING EXPENSES:											
Cost of services and administration.....	2,385,760	-	-	8,515	-	-	1,368,490	-	(150,495)	(1,354,367)	2,257,903
Salaries and wages.....	1,819,917	-	-	-	-	-	-	-	-	-	1,819,917
Fuel.....	-	-	4,056,462	-	-	-	-	-	-	-	4,056,462
Wastewater facilities.....	515,114	-	-	-	-	-	-	-	-	-	515,114
Transportation security.....	-	-	-	-	197,997	-	-	-	-	-	197,997
Depreciation.....	-	-	-	-	-	-	-	-	-	2,829,426	2,829,426
TOTAL OPERATING EXPENSES.....	4,720,791	-	4,056,462	8,515	197,997	-	1,368,490	-	(150,495)	1,475,059	11,676,819
OPERATING INCOME (LOSS).....	138,632	264,764	2,946,636	119,536	(142,237)	-	(1,317,150)	1,260,938	150,495	(1,475,059)	1,946,555
NONOPERATING REVENUES (EXPENSES):											
Investment income.....	5,293	70	-	-	-	156	-	-	-	-	5,519
Interest expense.....	(39,906)	-	-	-	-	-	-	-	-	-	(39,906)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(34,613)	70	-	-	-	156	-	-	-	-	(34,387)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	104,019	264,834	2,946,636	119,536	(142,237)	156	(1,317,150)	1,260,938	150,495	(1,475,059)	1,912,168
CAPITAL CONTRIBUTIONS.....	-	-	-	-	-	-	610,429	-	-	-	610,429
TRANSFERS:											
Transfers in.....	4,310,397	-	-	-	142,237	-	675,290	-	-	-	5,127,924
Transfers out.....	(817,527)	(138,890)	(2,791,777)	(119,536)	-	-	-	(1,260,194)	-	-	(5,127,924)
Transfers out - retirees' health insurance.....	(96,902)	-	-	-	-	-	-	-	-	-	(96,902)
Transfers out - cost allocations.....	(102,417)	-	-	-	-	-	-	-	-	-	(102,417)
TOTAL TRANSFERS.....	3,293,551	(138,890)	(2,791,777)	(119,536)	142,237	-	675,290	(1,260,194)	-	-	(199,319)
CHANGE IN NET POSITION.....	3,397,570	125,944	154,859	-	-	156	(31,431)	744	150,495	(1,475,059)	2,323,278
NET POSITION AT BEGINNING OF YEAR.....	3,859,634	48,111	328,920	25,811	-	106,544	54,671	-	(6,664,411)	43,710,182	41,469,462
NET POSITION AT END OF YEAR.....	\$ 7,257,204	\$ 174,055	\$ 483,779	\$ 25,811	\$ -	\$ 106,700	\$ 23,240	\$ 744	\$ (6,513,916)	\$ 42,235,123	\$ 43,792,740

DRAFT

This page intentionally left blank.

***Schedule of Revenues and Expenditures
of Passenger Facility Charges***

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

Independent Auditor's Report

To the Honorable County Commissioners
County of Dukes County, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts' (County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated _____, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

_____, 2023

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

Independent Auditor's Report

To the Honorable County Commissioners
County of Dukes County, Massachusetts

Report on Compliance for the Passenger Facility Charge Program

We have audited the County of Dukes County, Massachusetts' (County) compliance with the types of compliance requirements identified in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide") that could have a direct and material effect on the County's Passenger Facility Charge program (the "PFC Program") for the year ended June 30, 2022.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on PFC Program for the year ended June 30, 2022.

Basis for Opinion on the PFC Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the PFC Program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's PFC Program.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the PFC Program.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control

over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Revenues and Expenditures of Passenger Facility Charges

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated _____, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenues and expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures of the passenger facility charges is fairly stated in all material respects in relation to the basic financial statements as a whole.

_____, 2023

SCHEDULE OF REVENUES AND EXPENDITURES OF PASSENGER FACILITY CHARGES

APPLICATION 17-02-C-00-MVY

Year Ended June 30, 2021, and Each Quarter During the Year Ended June 30, 2022, with Cumulative Totals as of June 30, 2022

	June 30, 2021 Program Total	Quarters Ended				Year-Ended June 30, 2022 Total	June 30, 2022 Program Total
		September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022		
Revenue:							
Passenger facility charges collected.....	\$ 591,065	\$ 164,350	\$ 72,708	\$ 26,774	\$ 932	\$ 264,764	\$ 855,829
Interest credited.....	199	11	20	22	17	70	269
Total revenue.....	<u>591,264</u>	<u>164,361</u>	<u>72,728</u>	<u>26,796</u>	<u>949</u>	<u>264,834</u>	<u>856,098</u>
Disbursements:							
Project ID 02-001 Construct ARFF & SRE Building.....	373,829	-	-	110,420	16,199	126,619	500,448
Project ID 02-002 Acquire snow removal equipment.....	30,467	-	-	-	-	-	30,467
Project ID 02-003 Update airport master plan study.....	18,338	-	-	-	-	-	18,338
Project ID 02-004 PFC program administration.....	46,000	-	-	-	-	-	46,000
Project ID 02-005 Master Plan Update Environmental Assessment.....	27,139	-	-	-	19,018	19,018	46,157
Project ID 02-009 Replace ARFF truck.....	47,380	-	-	-	(6,747)	(6,747)	40,633
Total disbursements.....	<u>543,153</u>	<u>-</u>	<u>-</u>	<u>110,420</u>	<u>28,470</u>	<u>138,890</u>	<u>682,043</u>
Net PFC revenue.....	<u>48,111</u>	<u>164,361</u>	<u>72,728</u>	<u>(83,624)</u>	<u>(27,521)</u>	<u>125,944</u>	<u>174,055</u>
PFC account balance.....	\$ <u>48,111</u>	\$ <u>212,472</u>	\$ <u>285,200</u>	\$ <u>201,576</u>	\$ <u>174,055</u>	\$ <u>174,055</u>	\$ <u>174,055</u>

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

NOTE A - BASIS OF ACCOUNTING

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

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

NOTE B - INTEREST CREDITED

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

NOTE C - APPLICATION

On July 31, 2017, the Federal Aviation Administration approved the airport's application allowing them to charge a \$4.50 passenger facility charge effective October 1, 2017. The airport was initially approved to charge \$808,872 in passenger facility charges, which was revised to \$837,343 in 2022 as follows:

<u>Passenger facility charges:</u>		<u>Initial Amount Approved</u>	<u>Revised Amount Approved</u>
02-001	Construct ARFF & SRE building.....	\$ 484,248	\$ 500,448
02-002	Acquire snow removal equipment.....	30,467	30,467
02-003	Update airport master plan study.....	18,338	18,338
02-004	PFC program administration.....	46,000	46,000
02-005	Master plan update environmental assessment.....	27,139	46,157
02-006	Acquire interactive training system.....	85,000	85,000
02-007	Install apron islands and relocate runway 33 hold lines.....	9,000	9,000
02-008	Remove runway 15/33 shoulder pavements.....	61,300	61,300
02-009	Replace ARFF truck.....	47,380	40,633
Total passenger facility charge.....		<u>\$ 808,872</u>	<u>\$ 837,343</u>

SECTION I – SUMMARY OF AUDITOR'S RESULTS**Financial Statements**

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

Passenger Facility Charge Program

Type of auditors' report issued on compliance for passenger facility charge program:	Unmodified
Internal control over passenger facility charge program:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to the PFC program noted?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – PASSENGER FACILITY CHARGE PROGRAM FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.