



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

COUNTY OF DUKES COUNTY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2023

COUNTY OF DUKES COUNTY, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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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, 2023, 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, 2023, 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.

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 June 7, 2024, 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.

A handwritten signature in black ink, appearing to read "Pons & Sullivan, LLC".

June 7, 2024

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, 2023. 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 \$49.8 million (net position).
- At the close of the current year, the government-wide unrestricted net position totaled \$3.1 million.
- At the close of the current year, the County's general fund reported fund balance totaling \$1.1 million, a decrease of \$173,000 in comparison with the prior year. Total fund balance represents 56% of total general fund expenditures.
- The County contributed an additional \$273,000 to the Dukes County Pooled Other Postemployment Benefits Trust Fund. The County's balance in the OPEB trust fund totaled \$2.0 million at year-end.

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 \$49.8 million at the close of 2023.

Net position totaling \$46.1 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 \$614,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totaled \$3.1 million. At the end of the current year, the County has reported positive balances in all 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 \$553,000 at the close of 2023.

	2023	2022
Assets:		
Current assets.....	\$ 4,863,673	\$ 4,142,883
Capital assets, non depreciable.....	1,051,004	1,034,954
Capital assets, net of accumulated depreciation....	1,463,518	1,488,946
Total assets.....	7,378,195	6,666,783
Deferred outflows of resources.....	1,690,052	1,626,448
Liabilities:		
Current liabilities (excluding debt).....	2,851,307	2,191,320
Noncurrent liabilities (excluding debt).....	3,394,174	2,733,690
Current debt.....	160,000	160,000
Noncurrent debt.....	320,000	480,000
Total liabilities.....	6,725,481	5,565,010
Deferred inflows of resources.....	1,789,885	2,329,662
Net position:		
Net investment in capital assets.....	2,034,522	1,883,900
Restricted.....	613,748	445,315
Unrestricted.....	(2,095,389)	(1,930,656)
Total net position.....	\$ 552,881	\$ 398,559

	2023	2022
Program Revenues:		
Charges for services.....	\$ 1,069,474	\$ 947,005
Operating grants and contributions.....	2,936,844	1,706,977
Capital grants and contributions.....	-	36,671
General Revenues:		
Town assessments.....	718,787	716,937
County deeds excise tax.....	447,372	556,138
Nonrestricted grants and contributions.....	61,148	98,358
Unrestricted investment income.....	16,812	3,303
Other revenues.....	68,469	30,292
Total revenues.....	5,318,906	4,095,681
Expenses:		
County commissioners.....	269,941	288,804
Parking clerk.....	263,432	309,178
Courthouse/Administrative/Senior services buildings.....	287,784	284,472
Treasurer.....	266,719	277,098
Registry of deeds.....	590,951	557,743
Civil defense/emergency management.....	759	1,879
Health and human services.....	1,019,898	1,029,612
Retiree postemployment benefits.....	268,506	405,550
Veterans agent.....	61,864	60,792
Recreation.....	69,306	95,804
COVID-19.....	38,908	29,605
Senior services.....	952,197	1,084,482
Interest.....	14,833	18,834
Other expenditures.....	168,294	69,173
Total expenses.....	4,273,392	4,513,026
Excess (Deficiency) before transfers.....	1,045,514	(417,345)
Transfers.....	(691,501)	199,319
Change in net position.....	354,013	(218,026)
Refund to member communities.....	(199,691)	(385,208)
Net position, beginning of year.....	398,559	1,001,793
Net position, end of year.....	\$ 552,881	\$ 398,559

The governmental expenses totaled \$4.3 million of which \$4.0 million (94%) was directly supported by program revenues consisting of charges for services, operating grants and contributions and capital grants and contributions. General revenues totaled \$1.3 million, primarily coming from town assessments, county deeds excise taxes and state grants.

The governmental net position increased by \$154,000 during the current year. This was primarily due to a \$256,000 increase in the other special revenue fund, \$30,000 increase in the senior services fund and a \$14,000 increase in the parking clerk fund. These increases were offset by a \$173,000 decrease in the general fund.

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 \$49.2 million at the close of 2023.

	2023	2022
Assets:		
Current assets.....	\$ 16,652,184	\$ 11,291,312
Noncurrent assets (excluding capital).....	28,215,973	27,683,983
Capital assets, non depreciable.....	4,924,089	1,973,023
Capital assets, net of accumulated depreciation....	39,110,898	40,262,100
Total assets.....	88,903,144	81,210,418
Deferred outflows of resources.....	1,998,770	2,001,237
Liabilities:		
Current liabilities (excluding debt).....	2,452,450	955,638
Noncurrent liabilities (excluding debt).....	5,951,143	5,597,820
Total liabilities.....	8,403,593	6,553,458
Deferred inflows of resources.....	33,290,697	32,865,457
Net position:		
Net investment in capital assets.....	44,034,987	42,259,107
Unrestricted.....	5,172,637	1,533,633
Total net position.....	\$ 49,207,624	\$ 43,792,740
Program Revenues:		
Charges for services.....	\$ 14,821,905	\$ 12,255,336
Operating grants and contributions.....	89,314	1,368,264
Capital grants and contributions.....	2,682,047	610,429
General Revenues:		
Unrestricted investment income.....	225,135	5,293
Total revenues.....	17,818,401	14,239,322
Expenses:		
Airport.....	13,095,018	11,716,725
Excess (Deficiency) before transfers.....	4,723,383	2,522,597
Transfers.....	691,501	(199,319)
Change in net position.....	5,414,884	2,323,278
Net position, beginning of year.....	43,792,740	41,469,462
Net position, end of year.....	\$ 49,207,624	\$ 43,792,740

The business-type expenses totaled \$13.1 million of which \$17.6 million (134%) was directly supported by program revenues consisting of charges for services, operating grants and contributions, and capital grants and contributions.

The business-type net position increased by \$5.4 million during the current year. This increase was primarily due to a \$3.8 million increase in the operating fund, the recognition of \$2.7 million of capital grants, and a \$900,000 transfer in from the American Rescue Plan Act (ARPA) - State and Local Fiscal Recovery Funds grant to fund capital costs. These increases were offset by the recognition of \$2.5 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 of \$2.0 million, of which \$1.1 million is for the general fund, \$18,000 is for the parking clerk fund, \$52,000 is for the senior services fund, \$276,000 is for the County capital projects fund, and \$568,000 is for the other special revenue fund. Cumulatively there was an increase of \$54,000 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 \$1.1 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 56% of total general fund expenditures.

The County's general fund decreased by \$173,000, which is primarily due to \$200,000 of refunds to member communities. This decrease was offset by a budgetary surplus of \$26,000.

The parking clerk fund is used to account for the receipt and disbursement of proceeds from parking violations to the member Town's. The fund balance increased by \$14,000 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 increased by \$30,000 from the prior year which was mainly due to increased costs related to the operations of 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 decreased by \$73,000, which is due to the use of reserves to fund current year improvements.

The other special revenue fund is used to account for proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The fund is in a surplus position of \$568,000 which is primarily due to timing differences between the receipt and expenditure of grant funds.

General Fund Budgetary Highlights

The original 2023 approved budget for the general fund (including the registry of deeds) authorized \$2.1 million in appropriations. During 2023, the County approved supplemental appropriations totaling \$276,000 that mainly relate to refunds to member communities and other appropriations related to the use of Cape and Island license plate revenues.

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, 2023, amounts to \$46.5 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 \$4.3 million, which includes additions to construction in progress, land improvements, buildings and improvements, machinery and equipment, and infrastructure. The governmental activities had current year fixed asset additions of \$74,000, which includes additions to construction in progress, and buildings and improvements.

Debt Administration. The governmental activities have outstanding long-term debt totaling \$480,000. 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.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 4,612,372	\$ 2,627,292	\$ 7,239,664
Investments.....	-	8,099,901	8,099,901
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	129,845	215,332	345,177
Leases.....	-	2,495,451	2,495,451
Intergovernmental.....	18,924	3,142,955	3,161,879
Internal balances.....	102,532	(102,532)	-
Inventory.....	-	173,785	173,785
Total current assets.....	4,863,673	16,652,184	21,515,857
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Leases.....	-	28,215,973	28,215,973
Capital assets, nondepreciable.....	1,051,004	4,924,089	5,975,093
Capital assets, net of accumulated depreciation.....	1,463,518	39,110,898	40,574,416
Total noncurrent assets.....	2,514,522	72,250,960	74,765,482
TOTAL ASSETS.....	7,378,195	88,903,144	96,281,339
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	1,071,384	1,087,142	2,158,526
Deferred outflows related to other postemployment benefits.....	618,668	911,628	1,530,296
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	1,690,052	1,998,770	3,688,822
LIABILITIES			
CURRENT:			
Warrants payable.....	194,585	2,188,806	2,383,391
Accrued payroll.....	23,492	44,691	68,183
Accrued interest.....	3,500	-	3,500
Liabilities due depositors.....	-	95,953	95,953
Other liabilities.....	188,736	-	188,736
Unearned revenue.....	2,417,994	-	2,417,994
Customer deposits payable.....	-	55,000	55,000
Compensated absences.....	23,000	68,000	91,000
Bonds payable.....	160,000	-	160,000
Total current liabilities.....	3,011,307	2,452,450	5,463,757
NONCURRENT:			
Compensated absences.....	71,000	203,000	274,000
Net pension liability.....	1,743,026	1,768,661	3,511,687
Net other postemployment benefits liability.....	1,580,148	3,979,482	5,559,630
Bonds payable.....	320,000	-	320,000
Total noncurrent liabilities.....	3,714,174	5,951,143	9,665,317
TOTAL LIABILITIES.....	6,725,481	8,403,593	15,129,074
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to lease receivables.....	-	30,711,424	30,711,424
Deferred inflows related to pensions.....	130,910	132,836	263,746
Deferred inflows related to other postemployment benefits.....	1,658,975	2,446,437	4,105,412
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,789,885	33,290,697	35,080,582
NET POSITION			
Net investment in capital assets.....	2,034,522	44,034,987	46,069,509
Restricted for:			
Economic development.....	230,868	-	230,868
Gifts and grants.....	382,880	-	382,880
Unrestricted.....	(2,095,389)	5,172,637	3,077,248
TOTAL NET POSITION.....	\$ 552,881	\$ 49,207,624	\$ 49,760,505

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Program Revenues					
		Charges for	Operating	Capital		
Functions/Programs	Expenses	Services	Grants and Contributions	Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
County commissioners.....	\$ 269,941	\$ -	\$ -	\$ -	(269,941)	
Parking clerk.....	263,432	271,802	-	-	8,370	
Courthouse/Administrative/Senior services buildings...	287,784	154,680	-	-	(133,104)	
Treasurer.....	266,719	-	-	-	(266,719)	
Registry of deeds.....	590,951	192,481	18,040	-	(380,430)	
Civil defense/emergency management.....	759	-	-	-	(759)	
Health and human services.....	1,019,898	2,250	1,138,774	-	121,126	
Retiree postemployment benefits.....	268,506	-	-	-	(268,506)	
Veterans agent.....	61,864	-	-	-	(61,864)	
Natural resources.....	69,306	82,166	110,000	-	122,860	
COVID-19.....	38,908	-	938,903	-	899,995	
Senior services.....	952,197	229,637	728,728	-	6,168	
Interest.....	14,833	-	-	-	(14,833)	
Other.....	168,294	119,158	2,399	-	(46,737)	
Total Governmental Activities.....	4,273,392	1,069,474	2,936,844	-	(267,074)	
<i>Business-Type Activities:</i>						
Airport.....	13,095,018	14,821,905	89,314	2,682,047	4,498,248	
Total Primary Government.....	\$ 17,368,410	\$ 15,891,379	\$ 3,026,158	\$ 2,682,047	\$ 4,231,174	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (267,074)	\$ 4,498,248	\$ 4,231,174
<i>General revenues:</i>			
Town assessments.....	718,787	-	718,787
County deeds excise tax.....	447,372	-	447,372
Grants and contributions not restricted to specific programs.....	61,148	-	61,148
Unrestricted investment income.....	16,812	225,135	241,947
Miscellaneous.....	68,469	-	68,469
<i>Transfers, net</i>	(691,501)	691,501	-
Total general revenues and transfers.....	621,087	916,636	1,537,723
Change in net position.....	354,013	5,414,884	5,768,897
Refund to member communities.....	(199,691)	-	(199,691)
<i>Net position:</i>			
Beginning of year.....	398,559	43,792,740	44,191,299
End of year.....	\$ 552,881	\$ 49,207,624	\$ 49,760,505

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	General	Parking Clerk	Senior Services	County Capital Projects	Other Special Revenue	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 1,244,982	\$ 18,528	\$ 93,951	\$ 275,955	\$ 2,978,956	\$ 4,612,372
Receivables, net of uncollectibles:						
Departmental and other.....	41,923	-	19,508	-	68,414	129,845
Intergovernmental.....	18,924	-	-	-	-	18,924
Due from other funds.....	102,532	-	-	-	-	102,532
TOTAL ASSETS.....	\$ 1,408,361	\$ 18,528	\$ 113,459	\$ 275,955	\$ 3,047,370	\$ 4,863,673
LIABILITIES						
Warrants payable.....	\$ 97,880	\$ 29	\$ 61,780	\$ -	\$ 34,896	\$ 194,585
Accrued payroll.....	15,219	676	-	-	7,597	23,492
Other liabilities.....	169,813	-	-	-	18,923	188,736
Unearned revenue.....	-	-	-	-	2,417,994	2,417,994
TOTAL LIABILITIES.....	282,912	705	61,780	-	2,479,410	2,824,807
FUND BALANCES						
Restricted.....	980,820	17,823	51,679	275,955	567,960	1,894,237
Assigned.....	10,200	-	-	-	-	10,200
Unassigned.....	134,429	-	-	-	-	134,429
TOTAL FUND BALANCES.....	1,125,449	17,823	51,679	275,955	567,960	2,038,866
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 1,408,361	\$ 18,528	\$ 113,459	\$ 275,955	\$ 3,047,370	\$ 4,863,673

See notes to basic financial statements.

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

JUNE 30, 2023

Total governmental fund balances.....	\$ 2,038,866
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	2,514,522
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.....	(99,833)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(3,500)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(480,000)
Net pension liability.....	(1,743,026)
Net other postemployment benefits liability.....	(1,580,148)
Compensated absences.....	(94,000)
Net effect of reporting long-term liabilities.....	<u>(3,897,174)</u>
Net position of governmental activities.....	\$ <u>552,881</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	General	Parking Clerk	Senior Services	County Capital Projects	Other Special Revenue	Total Governmental Funds
REVENUES:						
Town assessments - County tax.....	\$ 542,787	\$ -	\$ -	\$ -	\$ -	\$ 542,787
Town assessments - debt service.....	176,000	-	-	-	-	176,000
Town assessments - senior services.....	-	-	611,909	-	-	611,909
Town assessments - health and human services.....	-	-	-	-	487,673	487,673
Town assessments - substance use disorder prevention.....	-	-	-	-	49,921	49,921
State grants.....	-	-	115,770	-	643,147	758,917
Cape and island license plates.....	180,306	-	-	-	-	180,306
Property rental.....	174,680	-	-	-	-	174,680
Registry of deeds.....	172,481	-	-	-	465,412	637,893
Dog license revenue.....	-	-	-	-	1,149	1,149
Natural resources.....	82,166	-	-	-	-	82,166
Parking fines.....	5,142	266,660	-	-	-	271,802
Senior services.....	-	-	230,686	-	-	230,686
Intergovernmental - COVID-19 relief.....	-	-	-	-	938,903	938,903
Investment income.....	8,389	744	-	-	7,679	16,812
Miscellaneous.....	74,515	-	-	-	82,787	157,302
TOTAL REVENUES.....	1,416,466	267,404	958,365	-	2,676,671	5,318,906
EXPENDITURES:						
Current:						
County commissioners.....	286,445	-	-	-	7,500	293,945
Parking clerk.....	-	253,171	-	-	-	253,171
Courthouse/Administrative/Senior services buildings.....	289,399	-	-	-	-	289,399
Treasurer.....	292,529	-	-	-	-	292,529
Registry of deeds.....	573,705	-	-	-	17,809	591,514
Civil defense/emergency management.....	759	-	-	-	-	759
Health and human services.....	1,292	-	-	-	827,957	829,249
Retiree postemployment benefits.....	209,913	-	-	-	-	209,913
Veterans agent.....	65,139	-	-	-	123	65,262
Natural resources.....	17,805	-	-	-	40,913	58,718
Senior services.....	-	-	927,998	-	-	927,998
COVID-19.....	-	-	-	-	38,908	38,908
Other.....	93,898	-	-	73,025	179,790	346,713
Debt service:						
Principal.....	160,000	-	-	-	-	160,000
Interest.....	16,000	-	-	-	-	16,000
TOTAL EXPENDITURES.....	2,006,884	253,171	927,998	73,025	1,113,000	4,374,078
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(590,418)	14,233	30,367	(73,025)	1,563,671	944,828
OTHER FINANCING SOURCES (USES):						
Transfers in - retirees' health insurance.....	105,828	-	-	-	-	105,828
Transfers in - cost allocations.....	102,532	-	-	-	-	102,532
Transfers in - deeds excise.....	408,250	-	-	-	-	408,250
Transfers out.....	-	-	-	-	(899,861)	(899,861)
Transfers out - deeds excise.....	-	-	-	-	(408,250)	(408,250)
TOTAL OTHER FINANCING SOURCES (USES).....	616,610	-	-	-	(1,308,111)	(691,501)
NET CHANGE IN FUND BALANCES.....	26,192	14,233	30,367	(73,025)	255,560	253,327
REFUND TO MEMBER COMMUNITIES.....	(199,691)	-	-	-	-	(199,691)
FUND BALANCES AT BEGINNING OF YEAR.....	1,298,948	3,590	21,312	348,980	312,400	1,985,230
FUND BALANCES AT END OF YEAR.....	\$ 1,125,449	\$ 17,823	\$ 51,679	\$ 275,955	\$ 567,960	\$ 2,038,866

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....	\$	53,636
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	74,378	
Depreciation expense.....	<u>(83,756)</u>	
Net effect of reporting capital assets.....		(9,378)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		160,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	20,000	
Net change in accrued interest on long-term debt.....	1,167	
Net change in deferred outflow/(inflow) of resources related to pensions.....	1,425,074	
Net change in net pension liability.....	(1,437,584)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits....	(821,693)	
Net change in net other postemployment benefits liability.....	<u>763,100</u>	
Net effect of recording long-term liabilities.....		<u>(49,936)</u>
Change in net position of governmental activities.....	\$	<u>154,322</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-type Activities - Airport Enterprise Fund
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 2,627,292
Investments.....	8,099,901
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	215,332
Leases.....	2,495,451
Intergovernmental.....	3,142,955
Inventory.....	173,785
Total current assets.....	<u>16,754,716</u>
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Leases.....	28,215,973
Capital assets, non depreciable.....	4,924,089
Capital assets, net of accumulated depreciation.....	<u>39,110,898</u>
Total noncurrent assets.....	<u>72,250,960</u>
TOTAL ASSETS.....	<u>89,005,676</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions.....	1,087,142
Deferred outflows related to other postemployment benefits.....	<u>911,628</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>1,998,770</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	2,188,806
Accrued payroll.....	44,691
Due to other funds.....	102,532
Liabilities due depositors.....	95,953
Customer deposits payable.....	55,000
Compensated absences.....	<u>68,000</u>
Total current liabilities.....	<u>2,554,982</u>
NONCURRENT:	
Compensated absences.....	203,000
Net pension liability.....	1,768,661
Net other postemployment benefits liability.....	<u>3,979,482</u>
Total noncurrent liabilities.....	<u>5,951,143</u>
TOTAL LIABILITIES.....	<u>8,506,125</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to lease receivables.....	30,711,424
Deferred inflows related to pensions.....	132,836
Deferred inflows related to other postemployment benefits.....	<u>2,446,437</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>33,290,697</u>
NET POSITION	
Net investment in capital assets.....	44,034,987
Unrestricted.....	<u>5,172,637</u>
TOTAL NET POSITION.....	<u>\$ 49,207,624</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Airport Enterprise Fund
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 3,427,495
Intergovernmental.....	84,590
Fuel.....	8,147,328
Business park.....	2,698,561
Water revenue.....	326,903
Wastewater revenue.....	221,618
 TOTAL OPERATING REVENUES	 <u>14,906,495</u>
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	2,741,802
Salaries and wages.....	1,932,806
Fuel.....	4,946,101
Wastewater facilities.....	666,548
Transportation security.....	291,679
Depreciation.....	2,516,082
 TOTAL OPERATING EXPENSES.....	 <u>13,095,018</u>
 OPERATING INCOME (LOSS).....	 <u>1,811,477</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	229,859
 INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	 <u>2,041,336</u>
 CAPITAL CONTRIBUTIONS.....	 <u>2,682,047</u>
<u>TRANSFERS:</u>	
Transfers in.....	899,861
Transfers out - retirees' health insurance.....	(105,828)
Transfers out - cost allocations.....	(102,532)
 TOTAL TRANSFERS.....	 <u>691,501</u>
 CHANGE IN NET POSITION.....	 5,414,884
 NET POSITION AT BEGINNING OF YEAR.....	 <u>43,792,740</u>
 NET POSITION AT END OF YEAR.....	 <u>\$ 49,207,624</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Airport Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 14,808,562
Receipts from other governments.....	102,371
Payments to vendors.....	(8,142,153)
Payments to employees.....	(1,998,435)
NET CASH FROM OPERATING ACTIVITIES.....	<u>4,770,345</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers in.....	899,861
Transfers out.....	(208,360)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>691,501</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Capital contributions.....	318,566
Acquisition and construction of capital assets.....	(3,085,033)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(2,766,467)</u>
Purchase of investments.....	(8,099,901)
Investment income.....	229,859
NET CASH FROM INVESTING ACTIVITIES.....	<u>(7,870,042)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	<u>(5,174,663)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>7,801,955</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 2,627,292</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ 1,811,477
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	2,516,082
Deferred (outflows)/inflows related to pensions.....	(1,429,547)
Deferred (outflows)/inflows related to other postemployment benefits.....	1,153,954
Departmental and other.....	(104,411)
Intergovernmental.....	17,781
Inventory.....	176,875
Other assets.....	8,797
Warrants payable.....	264,961
Accrued payroll.....	(96,629)
Due to other funds.....	115
Customer deposits.....	(5,000)
Liabilities due depositors.....	95,953
Other liabilities.....	(1,386)
Compensated absences.....	31,000
Net pension liability.....	1,469,119
Net other postemployment benefits liability.....	(1,138,796)
Total adjustments.....	<u>2,958,868</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 4,770,345</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Acquisition of capital assets on account.....	\$ 1,230,913

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

		Other Postemployment Benefit Trust Fund
ASSETS		
Dukes County pooled OPEB trust.....	\$	<u>1,965,898</u>
NET POSITION		
Restricted for other postemployment benefits.....	\$	<u><u>1,965,898</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions.....	\$ 272,500
Employer contributions for other postemployment benefit payments.....	266,698
Total contributions.....	539,198
Net investment income:	
Investment income (loss).....	173,241
Less: investment expense.....	(3,808)
Net investment income (loss).....	169,433
TOTAL ADDITIONS.....	708,631
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	266,698
NET INCREASE (DECREASE) IN NET POSITION.....	441,933
NET POSITION AT BEGINNING OF YEAR.....	1,523,965
NET POSITION AT END OF YEAR.....	\$ 1,965,898

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 2023 health insurance premiums totaled \$697,000 of which the County contributes 90% for retirees and 75% for active employees. The County does not have an equity interest in the joint venture. Financial statements for the joint venture may be obtained by contacting the Cape Cod Municipal Health Group at 27 Midstate Office Park, Suite 204, Auburn, MA 01501.

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

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

Fund Financial Statements

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

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

The following major governmental funds are reported:

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

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

The *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. Use of Estimates

Government-Wide and Fund Financial Statements

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

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

The County invests in the Dukes County Pooled OPEB Trust Fund (OPEB Trust) which is an investment pool established by Massachusetts Session Law, Chapter 149 of the acts of 2010, an act authorizing the government employers in the County to establish a pooled OPEB trust. The fair value of the County's assets in the OPEB Trust totaled \$1,965,898 as of June 30, 2023. 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 \$7,123,326 and the bank balance totaled \$7,879,716. Of the bank balance, \$250,000 was covered by FDIC, and \$7,629,716 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, 2023, the County's investments in U.S. Treasury Securities of \$8,099,901 have custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. The County's investments in MMDT are not subject to custodial credit risk.

Investments

As of June 30, 2023, the County had \$8,099,901 of investments in U.S. Treasury Securities and \$116,338 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 has investments of \$8,099,091 in U.S. Treasury Securities that mature in under one year. 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 holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the County's mission, the County determines that the disclosures related to these investments only need to be disaggregated by major type.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

U.S. Treasury Securities are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

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, 2023, 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.....	\$ 18,924	\$ -	\$ 18,924
Departmental and other.....	129,845	-	129,845
Total.....	<u>\$ 148,769</u>	<u>\$ -</u>	<u>\$ 148,769</u>

At June 30, 2023, receivables for the airport enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 3,142,955	\$ -	\$ 3,142,955
Departmental and other.....	215,332	-	215,332
Lease receivables.....	30,711,424	-	30,711,424
Total.....	<u>\$ 34,069,711</u>	<u>\$ -</u>	<u>\$ 34,069,711</u>

NOTE 4 – RIGHT TO USE LEASE RECEIVABLESLease 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 2043. In 2023, the airport received \$3.4 million of lease revenue.

The future scheduled lease revenues as of June 30, 2023, are as follows:

Years ending June 30:	Business-Type Activities		
	Lease Revenues	Interest	Total
2024.....	\$ 2,495,451	\$ 887,217	\$ 3,382,668
2025.....	2,238,749	815,863	3,054,612
2026.....	2,222,603	748,921	2,971,524
2027.....	2,173,200	682,920	2,856,120
2028.....	2,114,959	618,521	2,733,480
2029 to 2033.....	9,265,628	2,192,440	11,458,068
2034 to 2038.....	6,831,803	980,113	7,811,916
2039 to 2043.....	3,369,031	216,512	3,585,543
Total future lease revenues.....	<u>\$ 30,711,424</u>	<u>\$ 7,142,507</u>	<u>\$ 37,853,931</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, 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
Construction in progress.....	-	16,050	-	16,050
Total capital assets not being depreciated....	1,034,954	16,050	-	1,051,004
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	2,170,451	58,328	-	2,228,779
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	58,328	-	2,645,645
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(751,037)	(71,753)	-	(822,790)
Machinery and equipment.....	(307,333)	(10,793)	-	(318,126)
Vehicles.....	(24,696)	-	-	(24,696)
Infrastructure.....	(15,305)	(1,210)	-	(16,515)
Total accumulated depreciation.....	(1,098,371)	(83,756)	-	(1,182,127)
Total capital assets being depreciated, net.....	1,488,946	(25,428)	-	1,463,518
Total governmental activities capital assets, net....	\$ 2,523,900	\$ (9,378)	\$ -	\$ 2,514,522
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,410,887	\$ -	\$ -	\$ 1,410,887
Construction in progress.....	562,136	2,951,066	-	3,513,202
Total capital assets not being depreciated....	1,973,023	2,951,066	-	4,924,089
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,797,690	225,995	-	6,023,685
Buildings and improvements.....	29,348,057	221,930	-	29,569,987
Machinery and equipment.....	6,429,723	325,320	-	6,755,043
Infrastructure.....	38,241,274	591,635	-	38,832,909
Total capital assets being depreciated.....	79,816,744	1,364,880	-	81,181,624
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,852,308)	(85,446)	-	(4,937,754)
Buildings and improvements.....	(11,653,595)	(534,972)	-	(12,188,567)
Machinery and equipment.....	(5,003,104)	(117,303)	-	(5,120,407)
Infrastructure.....	(18,045,637)	(1,778,361)	-	(19,823,998)
Total accumulated depreciation.....	(39,554,644)	(2,516,082)	-	(42,070,726)
Total capital assets being depreciated, net.....	40,262,100	(1,151,202)	-	39,110,898
Total business-type activities capital assets, net....	\$ 42,235,123	\$ 1,799,864	\$ -	\$ 44,034,987

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

Governmental Activities:

County commissioners.....	\$	14,954
Treasurer.....		520
Registry of deeds.....		8,316
Health and human services.....		350
Courthouse/Administrative/Senior services buildings.....		35,417
Senior services.....		24,199
		<u>83,756</u>
Total depreciation expense - governmental activities.....	\$	<u>83,756</u>

Business-Type Activities:

Airport.....	\$	<u>2,516,082</u>
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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, 2023, are summarized as follows:

	Transfers In:	
	General	Airport
Transfers Out:	fund	Enterprise
		fund
Special revenue.....	\$ -	899,861 (1)
Other special revenue.....	408,250	- (2)
Airport enterprise fund.....	208,360	- (3)
	<u>616,610</u>	<u>899,861</u>
Total.....	\$ <u>616,610</u>	\$ <u>899,861</u>

(1) Represents the transfer of grant proceeds from the County's allocation of the American Rescue Plan Act (ARPA) - State and Local Fiscal Recovery Funds to the Airport enterprise fund.

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

(3) 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.

The County did not have any short-term debt activity during fiscal 2023.

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, 2023, 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, 2023
Land/Building purchase.....	2026	\$ 1,600,000	2.50 - 3.00	\$ 480,000

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

Year	Principal	Interest	Total
2024.....	\$ 160,000	\$ 12,000	\$ 172,000
2025.....	160,000	8,000	168,000
2026.....	160,000	4,000	164,000
Total.....	\$ 480,000	\$ 24,000	\$ 504,000

Changes in Long-term Liabilities

During the year ended June 30, 2023, 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.....	\$ 640,000	\$ (160,000)	\$ -	\$ -	\$ 480,000	\$ 160,000
Compensated absences.....	114,000	-	9,000	(29,000)	94,000	23,000
Net pension liability.....	305,442	-	1,747,766	(310,182)	1,743,026	-
Net other postemployment benefits liability.....	2,343,248	-	24,112	(787,212)	1,580,148	-
Total governmental activity long-term liabilities.....	\$ 3,402,690	\$ (160,000)	\$ 1,780,878	\$ (1,126,394)	\$ 3,897,174	\$ 183,000
Business-Type Activities:						
Compensated absences.....	\$ 240,000	\$ -	\$ 91,000	\$ (60,000)	\$ 271,000	\$ 68,000
Net pension liability.....	299,542	-	1,783,864	(314,745)	1,768,661	-
Net other postemployment benefits liability.....	5,118,278	-	843,737	(1,982,533)	3,979,482	-
Total business-type activity long-term liabilities.....	\$ 5,657,820	\$ -	\$ 2,718,601	\$ (2,357,278)	\$ 6,019,143	\$ 68,000

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.....	\$ -	\$ 17,823	\$ -	\$ -	\$ -	\$ 17,823
Senior services.....	-	-	51,679	-	-	51,679
County capital projects.....	-	-	-	275,955	-	275,955
Economic development.....	230,868	-	-	-	-	230,868
Registry of deeds.....	749,952	-	-	-	51,621	801,573
Deeds excise.....	-	-	-	-	40,124	40,124
Civil defense/emergency management.....	-	-	-	-	19,425	19,425
Health and human services.....	-	-	-	-	141,270	141,270
Veterans agent.....	-	-	-	-	25,163	25,163
Recreation.....	-	-	-	-	124,543	124,543
Other special revenues.....	-	-	-	-	165,814	165,814
Assigned to:						
Courthouse/Administrative/Senior services buildings.....	3,200	-	-	-	-	3,200
Treasurer.....	7,000	-	-	-	-	7,000
Unassigned.....	134,429	-	-	-	-	134,429
Total Fund Balances.....	\$ 1,125,449	\$ 17,823	\$ 51,679	\$ 275,955	\$ 567,960	\$ 2,038,866

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, 2022.

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, 2022, and totaled \$624,927 or 21.74% 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, 2023, the County reported a liability of \$3,511,687 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022, the County's proportion was 6.36%, which decreased by 0.20% from the prior year.

Pension Expense

For the year ended June 30, 2023, the County recognized pension expense of \$677,009. At June 30, 2023, the County reported deferred outflows of resources related to pensions of \$2,158,526, and deferred inflows of resources related to pensions of \$263,746.

The balances of deferred outflows and (inflows) at June 30, 2023, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 185,093	\$ (133,167)	\$ 51,926
Net difference between projected and actual earnings.....	1,293,675	-	1,293,675
Changes in assumptions.....	519,814	-	519,814
Changes in proportion and proportionate share of contributions...	159,944	(130,579)	29,365
Total deferred outflows/(inflows) of resources.....	\$ 2,158,526	\$ (263,746)	\$ 1,894,780

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

Year ended June 30:

2024.....	\$ 207,456
2025.....	453,080
2026.....	528,704
2027.....	707,833
2028.....	(2,293)
Total.....	\$ 1,894,780

Actuarial Assumptions

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2022:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Individual entry age normal cost method.
Amortization method.....	<p>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.</p> <p>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.</p>
Remaining amortization period.....	<p>8 years for the UAL as of December 31, 2022.</p> <p>5 years for the 2002 and 2003 ERI's as of December 31, 2022.</p>
Asset valuation method.....	<p>The actuarial value of assets is the fair value of assets as of the valuation date reduced by the sum of:</p> <p>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> <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 pension amount, capped at \$420 per year and effective July 1, 2023, capped at \$450 per year.
Mortality Rates.....	<p>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.</p>
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, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	30.00%	4.50%
International equity.....	5.00%	5.73%
Real estate.....	5.00%	3.10%
PRIT core.....	50.00%	5.10%
Fixed income.....	10.00%	2.10%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -14.36%. 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 years ended December 31, 2022 and December 31, 2021. 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)..... \$	\$ 5,473,393	\$ 3,511,687	\$ 1,853,909

Changes of Assumptions

None.

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 2023, the County pre-funded future OPEB liabilities totaling \$273,000 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, 2023, the net position of the OPEB trust fund totaled \$1,965,898.

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 2023, the County contributed \$539,198 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, 2023:

Active members.....	36
Inactive members currently receiving benefits.....	<u>20</u>
Total.....	<u><u>56</u></u>

Components of OPEB Liability

The following table represents the components of the Plan's OPEB liability as of June 30, 2023:

Total OPEB liability.....	\$ 7,525,528
Less: OPEB plan's fiduciary net position.....	<u>(1,965,898)</u>
Net OPEB liability.....	<u><u>\$ 5,559,630</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	26.12%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022, 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, 2023:

Valuation date.....	July 1, 2022
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.....	3.98%, net of investment expenses, including inflation.

Long-term expected rate of return.....	6.5%, net of investment expenses and including inflation at 2.5%. Previously, 6.6%.
Healthcare cost trend rate.....	8% for 2022, decreasing 0.5% per year to 6%, then grading down to an ultimate trend rate of 4.1%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
Inflation rate.....	2.5% 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-2020.
Healthy retiree mortality.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2020.
Disabled retiree mortality.....	RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

Rate of return

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB investment expense, was 10.89%. 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, 2023, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity.....	35.00%	4.44%
Mid cap equity.....	10.00%	4.56%
Small cap equity.....	10.00%	4.56%
International equity.....	15.00%	5.12%
Real estate.....	10.00%	2.98%
Fixed income.....	20.00%	1.93%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.98%, previously 3.78%. 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 3.65% municipal bond rate was applied to all periods thereafter to determine the total OPEB liability. The 3.65% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 30, 2023.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 8,985,491	\$ 1,523,965	\$ 7,461,526
Changes for the year:			
Service cost.....	486,214	-	486,214
Interest.....	381,635	-	381,635
Differences between expected and actual experience.....	(1,855,994)	-	(1,855,994)
Changes of assumptions.....	(205,120)	-	(205,120)
Net investment income (loss).....	-	169,433	(169,433)
Employer contributions.....	-	539,198	(539,198)
Benefit payments.....	(266,698)	(266,698)	-
Net change.....	(1,459,963)	441,933	(1,901,896)
Balances at June 30, 2023.....	\$ 7,525,528	\$ 1,965,898	\$ 5,559,630

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 3.98%, 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 (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Net OPEB liability.....	\$ 6,774,905	\$ 5,559,630	\$ 4,588,525

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.....	\$ 4,445,308	\$ 5,559,630	\$ 6,989,946

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

For the year ended June 30, 2023, the County recognized OPEB expense of \$557,333. At June 30, 2023, the County reported deferred outflows of resources related to OPEB of \$1,530,296 and deferred inflows of resources related to OPEB of \$4,105,412 from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 59,787	\$ (2,129,097)	\$ (2,069,310)
Changes in assumptions.....	1,469,866	(1,976,315)	(506,449)
Net difference between projected and actual earnings.....	643	-	643
Total deferred outflows of resources.....	\$ 1,530,296	\$ (4,105,412)	\$ (2,575,116)

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

Measurement date year ended June 30:

2024.....	\$ (33,068)
2025.....	(399,526)
2026.....	(755,885)
2027.....	(767,328)
2028.....	(434,047)
2029.....	(185,262)
Total.....	\$ (2,575,116)

Changes of Assumptions

The discount rate increased from 3.78% as of June 30, 2022, to 3.98% as of June 30, 2023, and the inflation rate, healthcare trend rates and mortality improvement rates were 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, 2023, 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, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

NOTE 14 – COMMITMENTS

The County is currently authorized to commit and expend \$10,972,000 on Waste Water Treatment Plant improvements at the Airport. The project has been funded by \$1,500,000 of the County's allocation of State and Local Fiscal Recovery Funds, and \$1,965,600 from the Massachusetts Airport Safety and Maintenance Program (ASMP). The County is currently seeking additional grant opportunities and will borrow the remaining needed funds from the Massachusetts Clean Water Trust with a zero-percent interest loan.

The general fund has various commitments outstanding for goods and services related to encumbrances totaling \$76,580.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 7, 2024, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- 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.

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Required Supplementary Information

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Town assessments - County tax.....	\$ 542,787	\$ 542,787	\$ 542,787	\$ -	\$ -
Town assessments - debt service.....	176,000	176,000	176,000	-	-
Cape and island license plates.....	103,865	103,865	180,306	-	76,441
Property rental.....	216,700	215,324	174,680	-	(40,644)
Registry of deeds.....	185,000	185,000	172,481	-	(12,519)
Natural resources.....	75,500	75,500	82,166	-	6,666
Parking fines.....	1,200	1,200	5,142	-	3,942
Investment income.....	-	-	8,389	-	8,389
Miscellaneous.....	22,162	43,741	74,515	-	30,774
TOTAL REVENUES.....	1,323,214	1,343,417	1,416,466	-	73,049
EXPENDITURES:					
Current:					
County commissioners.....	289,874	289,309	286,445	-	2,864
Courthouse/Administrative/Senior services buildings....	277,169	303,465	289,399	3,200	10,866
Treasurer.....	312,647	306,803	292,529	7,000	7,274
Civil defense/emergency management.....	4,800	5,112	759	-	4,353
Health and human services.....	2,000	2,191	1,292	-	899
Veterans agent.....	67,218	69,624	65,139	-	4,485
Natural resources.....	45,139	45,454	17,805	-	27,649
Employee benefits.....	206,364	206,615	205,913	-	702
Other.....	74,994	127,882	93,898	-	33,984
Debt service:					
Principal.....	160,000	160,000	160,000	-	-
Interest.....	16,000	16,000	16,000	-	-
TOTAL EXPENDITURES.....	1,456,205	1,532,455	1,429,179	10,200	93,076
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(132,991)	(189,038)	(12,713)	(10,200)	166,125
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	11,488	11,488	-	-	(11,488)
Transfers in - retirees' health insurance.....	129,908	129,908	114,047	-	(15,861)
Transfers in - cost allocations.....	145,800	121,300	114,362	-	(6,938)
Transfers in - deeds excise.....	250,000	250,000	244,950	-	(5,050)
Transfers out.....	(379,744)	(379,744)	(379,744)	-	-
Unreserved fund balance.....	-	8,600	-	-	(8,600)
TOTAL OTHER FINANCING SOURCES (USES).....	157,452	141,552	93,615	-	(47,937)
NET CHANGE IN FUND BALANCE.....	24,461	(47,486)	80,902	(10,200)	118,188
REFUND TO MEMBER COMMUNITIES.....	-	(199,691)	(199,691)	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	443,881	443,881	443,881	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 468,342	\$ 196,704	\$ 325,092	\$ (10,200)	\$ 118,188

See notes to required supplementary information.

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<u>EXPENDITURES:</u>					
Current:					
Registry of deeds.....	\$ 657,461	\$ 657,461	\$ 577,705	\$ 66,380	\$ 13,376
<u>OTHER FINANCING SOURCES (USES):</u>					
Use of prior year reserves.....	2,150	2,150	-	-	(2,150)
Transfers in - registry maintenance of effort.....	379,744	379,744	379,744	-	-
Transfers in - deeds excise.....	295,616	295,616	163,300	-	(132,316)
Transfers out - retirees' health insurance.....	(8,219)	(8,219)	(8,219)	-	-
Transfers out - cost allocations.....	(11,830)	(11,830)	(11,830)	-	-
TOTAL OTHER FINANCING					
SOURCES (USES).....	657,461	657,461	522,995	-	(134,466)
NET CHANGE IN FUND BALANCE.....	-	-	(54,710)	66,380	(121,090)
BUDGETARY FUND BALANCE, Beginning of year....	804,662	804,662	804,662	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 804,662	\$ 804,662	\$ 749,952	\$ 66,380	\$ (121,090)

See notes to required supplementary information.

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Town assessments - County tax.....	\$ 542,787	\$ 542,787	\$ 542,787	\$ -	\$ -
Town assessments - debt service.....	176,000	176,000	176,000	-	-
Cape and island license plates.....	103,865	103,865	180,306	-	76,441
Property rental.....	216,700	215,324	174,680	-	(40,644)
Registry of deeds.....	185,000	185,000	172,481	-	(12,519)
Natural resources.....	75,500	75,500	82,166	-	6,666
Parking fines.....	1,200	1,200	5,142	-	3,942
Investment income.....	-	-	8,389	-	8,389
Miscellaneous.....	22,162	43,741	74,515	-	30,774
TOTAL REVENUES.....	1,323,214	1,343,417	1,416,466	-	73,049
EXPENDITURES:					
Current:					
County commissioners.....	289,874	289,309	286,445	-	2,864
Courthouse/Administrative/Senior services buildings....	277,169	303,465	289,399	3,200	10,866
Treasurer.....	312,647	306,803	292,529	7,000	7,274
Registry of deeds.....	657,461	657,461	577,705	66,380	13,376
Civil defense/emergency management.....	4,800	5,112	759	-	4,353
Health and human services.....	2,000	2,191	1,292	-	899
Veterans agent.....	67,218	69,624	65,139	-	4,485
Natural resources.....	45,139	45,454	17,805	-	27,649
Employee benefits.....	206,364	206,615	205,913	-	702
Other.....	74,994	127,882	93,898	-	33,984
Debt service:					
Principal.....	160,000	160,000	160,000	-	-
Interest.....	16,000	16,000	16,000	-	-
TOTAL EXPENDITURES.....	2,113,666	2,189,916	2,006,884	76,580	106,452
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES.....	(790,452)	(846,499)	(590,418)	(76,580)	179,501
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	13,638	13,638	-	-	(13,638)
Transfers in - retirees' health insurance.....	121,689	121,689	105,828	-	(15,861)
Transfers in - cost allocations.....	133,970	109,470	102,532	-	(6,938)
Transfers in - deeds excise.....	545,616	545,616	408,250	-	(137,366)
Unreserved fund balance.....	-	8,600	-	-	(8,600)
TOTAL OTHER FINANCING					
SOURCES (USES).....	814,913	799,013	616,610	-	(182,403)
NET CHANGE IN FUND BALANCE.....	24,461	(47,486)	26,192	(76,580)	(2,902)
REFUND TO MEMBER COMMUNITIES.....	-	(199,691)	(199,691)	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	1,248,543	1,248,543	1,248,543	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,273,004	\$ 1,001,366	\$ 1,075,044	\$ (76,580)	\$ (2,902)

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.

**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, 2022.....	6.36%	\$ 3,511,687	\$ 2,818,348	124.60%	79.22%
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.

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, 2023.....	\$ 624,927	\$ (624,927)	- \$	2,874,715	21.74%
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.

**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	June 30, 2023
Total OPEB Liability							
Service cost.....	\$ 342,568	\$ 301,243	\$ 330,289	\$ 507,923	\$ 741,178	\$ 708,275	\$ 486,214
Interest.....	285,191	313,794	328,781	364,938	288,993	282,899	381,635
Changes of benefit terms.....	-	(8,833)	-	(337,801)	-	-	-
Differences between expected and actual experience...	-	-	349,306	-	(1,389,686)	-	(1,855,994)
Changes of assumptions.....	(576,049)	190,641	2,331,407	1,643,929	416,982	(2,663,968)	(205,120)
Benefit payments.....	(236,184)	(255,164)	(318,349)	(251,348)	(235,642)	(313,230)	(266,698)
Net change in total OPEB liability.....	(184,474)	541,681	3,021,434	1,927,641	(178,175)	(1,986,024)	(1,459,963)
Total OPEB liability - beginning.....	5,843,408	5,658,934	6,200,615	9,222,049	11,149,690	10,971,515	8,985,491
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>	<u>\$ 7,525,528</u>
Plan fiduciary net position							
Employer contributions.....	\$ 150,000	\$ 120,000	\$ 214,951	\$ 98,840	\$ 84,871	\$ 6,000	\$ 272,500
Employer contributions for OPEB payments.....	236,184	255,164	318,349	251,348	235,642	313,230	266,698
Net investment income (loss).....	25,782	33,657	44,971	48,997	373,798	(163,358)	169,433
Benefit payments.....	(236,184)	(255,164)	(318,349)	(251,348)	(235,642)	(313,230)	(266,698)
Net change in plan fiduciary net position.....	175,782	153,657	259,922	147,837	458,669	(157,358)	441,933
Plan fiduciary net position - beginning of year.....	485,456	661,238	814,895	1,074,817	1,222,654	1,681,323	1,523,965
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>	<u>\$ 1,965,898</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>	<u>\$ 5,559,630</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%	26.12%
Covered-employee payroll.....	\$ 2,162,273	\$ 2,395,994	\$ 2,658,800	\$ 2,641,426	\$ 2,515,077	\$ 2,565,379	\$ 2,798,436
Net OPEB liability as a percentage of covered-employee payroll.....	231.13%	224.78%	306.43%	375.82%	369.38%	290.85%	198.67%

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

See notes to required supplementary information.

**SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
<u>Governmental Activities</u>					
June 30, 2023.....	\$ 198,426	\$ (178,984)	\$ 19,442	\$ 983,150	18.21%
June 30, 2022.....	276,690	(175,021)	101,669	924,134	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, 2023.....	\$ 553,833	\$ (360,214)	\$ 193,619	\$ 1,815,286	19.84%
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.

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, 2023.....	10.89%
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 2023 approved budget for the general fund (including the registry of deeds) authorized \$2.1 million, in appropriations. During 2023, the County approved supplemental appropriations totaling \$276,000 that primarily relates to refunds to member communities and other appropriations related to the use of Cape and Island license plate revenues.

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. There was no difference between the budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2023.

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

None.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit 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, 2022
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.....	3.98%, net of investment expenses, including inflation.
Long-term expected rate of return.....	6.5%, net of investment expenses and including inflation at 2.5%. Previously, 6.6%.
Healthcare cost trend rate.....	8% for 2022, decreasing 0.5% per year to 6%, then grading down to an ultimate trend rate of 4.1%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
Inflation rate.....	2.5% 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-2020.
Healthy retiree mortality.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2020.
Disabled retiree mortality.....	RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

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 3.78% as of June 30, 2022, to 3.98% as of June 30, 2023, and the inflation rate, healthcare trend rates and mortality improvement rates were 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, 2023

	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.....	\$ 3,360,541	\$ 293,461	\$ 426,464	\$ (5,420)	\$ 5,159	\$ 111,236	\$ (1,564,893)	\$ 744	\$ -	\$ -	\$ 2,627,292
Investments.....	8,099,901	-	-	-	-	-	-	-	-	-	8,099,901
Receivables, net of allowance for uncollectibles:											
Departmental and other.....	84,407	-	99,695	31,230	-	-	-	-	-	-	215,332
Leases.....	2,495,451	-	-	-	-	-	-	-	-	-	2,495,451
Intergovernmental.....	72,404	-	-	-	41,240	-	3,029,311	-	-	-	3,142,955
Inventory.....	-	-	173,785	-	-	-	-	-	-	-	173,785
Total current assets.....	14,112,704	293,461	699,944	25,810	46,399	111,236	1,464,418	744	-	-	16,754,716
NONCURRENT:											
Receivables, net of allowance for uncollectibles:											
Leases.....	28,215,973	-	-	-	-	-	-	-	-	-	28,215,973
Capital assets, non depreciable.....	-	-	-	-	-	-	-	-	-	4,924,089	4,924,089
Capital assets, net of accumulated depreciation.....	-	-	-	-	-	-	-	-	-	39,110,898	39,110,898
Total noncurrent assets.....	28,215,973	-	-	-	-	-	-	-	-	44,034,987	72,250,960
TOTAL ASSETS.....	42,328,677	293,461	699,944	25,810	46,399	111,236	1,464,418	744	-	44,034,987	89,005,676
DEFERRED OUTFLOWS OF RESOURCES											
Deferred outflows related to pensions.....	-	-	-	-	-	-	-	-	1,087,142	-	1,087,142
Deferred outflows related to other postemployment benefits....	-	-	-	-	-	-	-	-	911,628	-	911,628
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	-	-	-	-	-	-	-	-	1,998,770	-	1,998,770
LIABILITIES											
CURRENT:											
Warrants payable.....	315,568	-	338,042	-	46,399	-	1,488,797	-	-	-	2,188,806
Accrued payroll.....	44,691	-	-	-	-	-	-	-	-	-	44,691
Due to other funds.....	102,532	-	-	-	-	-	-	-	-	-	102,532
Liabilities due depositors.....	95,953	-	-	-	-	-	-	-	-	-	95,953
Customer deposits payable.....	-	-	55,000	-	-	-	-	-	-	-	55,000
Compensated absences.....	-	-	-	-	-	-	-	-	68,000	-	68,000
Total current liabilities.....	558,744	-	393,042	-	46,399	-	1,488,797	-	68,000	-	2,554,982
NONCURRENT:											
Compensated absences.....	-	-	-	-	-	-	-	-	203,000	-	203,000
Net pension liability.....	-	-	-	-	-	-	-	-	1,768,661	-	1,768,661
Net other postemployment benefits liability.....	-	-	-	-	-	-	-	-	3,979,482	-	3,979,482
Total noncurrent liabilities.....	-	-	-	-	-	-	-	-	5,951,143	-	5,951,143
TOTAL LIABILITIES.....	558,744	-	393,042	-	46,399	-	1,488,797	-	6,019,143	-	8,506,125
DEFERRED INFLOWS OF RESOURCES											
Deferred inflows related to lease receivables.....	30,711,424	-	-	-	-	-	-	-	-	-	30,711,424
Deferred inflows related to pensions.....	-	-	-	-	-	-	-	-	132,836	-	132,836
Deferred inflows related to other postemployment benefits.....	-	-	-	-	-	-	-	-	2,446,437	-	2,446,437
TOTAL DEFERRED INFLOWS OF RESOURCES.....	30,711,424	-	-	-	-	-	-	-	2,579,273	-	33,290,697
NET POSITION											
Net investment in capital assets.....	-	-	-	-	-	-	-	-	-	44,034,987	44,034,987
Unrestricted.....	11,058,509	293,461	306,902	25,810	-	111,236	(24,379)	744	(6,599,646)	-	5,172,637
TOTAL NET POSITION.....	\$ 11,058,509	\$ 293,461	\$ 306,902	\$ 25,810	\$ -	\$ 111,236	\$ (24,379)	\$ 744	\$ (6,599,646)	\$ 44,034,987	\$ 49,207,624

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

YEAR ENDED JUNE 30, 2023

	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.....	\$ 3,103,174	\$ 229,268	\$ -	\$ 95,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,427,495
Intergovernmental.....	-	-	-	-	84,590	-	-	-	-	-	84,590
Fuel.....	-	-	8,147,328	-	-	-	-	-	-	-	8,147,328
Business Park.....	2,698,561	-	-	-	-	-	-	-	-	-	2,698,561
Water revenue.....	326,903	-	-	-	-	-	-	-	-	-	326,903
Wastewater revenue.....	221,618	-	-	-	-	-	-	-	-	-	221,618
TOTAL OPERATING REVENUES	6,350,256	229,268	8,147,328	95,053	84,590	-	-	-	-	-	14,906,495
OPERATING EXPENSES:											
Cost of services and administration.....	2,791,634	-	-	-	-	-	4,180,384	-	85,730	(4,315,946)	2,741,802
Salaries and wages.....	1,932,806	-	-	-	-	-	-	-	-	-	1,932,806
Fuel.....	-	-	4,946,101	-	-	-	-	-	-	-	4,946,101
Wastewater facilities.....	666,548	-	-	-	-	-	-	-	-	-	666,548
Transportation security.....	-	-	-	-	291,679	-	-	-	-	-	291,679
Depreciation.....	-	-	-	-	-	-	-	-	-	2,516,082	2,516,082
TOTAL OPERATING EXPENSES.....	5,390,988	-	4,946,101	-	291,679	-	4,180,384	-	85,730	(1,799,864)	13,095,018
OPERATING INCOME (LOSS).....	959,268	229,268	3,201,227	95,053	(207,089)	-	(4,180,384)	-	(85,730)	1,799,864	1,811,477
NONOPERATING REVENUES (EXPENSES):											
Investment income.....	225,135	188	-	-	-	4,536	-	-	-	-	229,859
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	1,184,403	229,456	3,201,227	95,053	(207,089)	4,536	(4,180,384)	-	(85,730)	1,799,864	2,041,336
CAPITAL CONTRIBUTIONS.....	-	-	-	-	-	-	2,682,047	-	-	-	2,682,047
TRANSFERS:											
Transfers in.....	3,583,208	-	-	-	207,089	-	1,450,718	-	-	-	5,241,015
Transfers out.....	(757,946)	(110,050)	(3,378,104)	(95,054)	-	-	-	-	-	-	(4,341,154)
Transfers out - retirees' health insurance.....	(105,828)	-	-	-	-	-	-	-	-	-	(105,828)
Transfers out - cost allocations.....	(102,532)	-	-	-	-	-	-	-	-	-	(102,532)
TOTAL TRANSFERS.....	2,616,902	(110,050)	(3,378,104)	(95,054)	207,089	-	1,450,718	-	-	-	691,501
CHANGE IN NET POSITION.....	3,801,305	119,406	(176,877)	(1)	-	4,536	(47,619)	-	(85,730)	1,799,864	5,414,884
NET POSITION AT BEGINNING 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
NET POSITION AT END OF YEAR.....	\$ 11,058,509	\$ 293,461	\$ 306,902	\$ 25,810	\$ -	\$ 111,236	\$ (24,379)	\$ 744	\$ (6,599,646)	\$ 44,034,987	\$ 49,207,624

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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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 7, 2024.

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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

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*.

Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses are not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



June 7, 2024



**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, 2023.

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, 2023.

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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 7, 2024, 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.



June 7, 2024

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

Year Ended June 30, 2022, and Each Quarter During the Year Ended June 30, 2023, with Cumulative Totals as of June 30, 2023

		Quarters Ended					Year-Ended	
		June 30, 2022	September 30,	December 31,	March 31,	June 30,	June 30, 2023	June 30, 2023
		Program Total	2022	2022	2023	2023	Total	Program Total
Revenue:								
Passenger facility charges collected.....	\$	855,829	\$ 28,547	\$ 36,719	\$ 19,392	\$ 144,610	\$ 229,268	\$ 1,085,097
Interest credited.....		269	24	36	60	68	188	457
Total revenue.....		856,098	28,571	36,755	19,452	144,678	229,456	1,085,554
Disbursements:								
Project ID 02-001 Construct ARFF & SRE Building.....		500,448	-	-	-	-	-	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.....		46,157	-	-	-	-	-	46,157
Project ID 02-009 Replace ARFF truck.....		40,633	-	-	-	-	-	40,633
Project ID 03-002 Acquire Avigation Easements - Runway 24.....		-	-	-	-	29,300	29,300	29,300
Project ID 03-003 Part 150 Noise Study.....		-	-	-	-	32,500	32,500	32,500
Project ID 03-004 PFC Application Development.....		-	-	-	-	18,250	18,250	18,250
Project ID 03-005 PFC Program Administration.....		-	-	-	-	30,000	30,000	30,000
Total disbursements.....		682,043	-	-	-	110,050	110,050	792,093
Net PFC revenue.....		174,055	28,571	36,755	19,452	34,628	119,406	293,461
PFC account balance.....	\$	174,055	\$ 202,626	\$ 239,381	\$ 258,833	\$ 293,461	\$ 293,461	\$ 293,461

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. Revisions and subsequent approvals are reflected in the Revised Amount Approved column 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	-
02-007	Install apron islands and relocate runway 33 hold lines.....	9,000	-
02-008	Remove runway 15/33 shoulder pavements.....	61,300	-
02-009	Replace ARFF truck.....	47,380	40,633
03-001	Reconstruct runway 6-24.....	-	573,394
03-002	Acquire aviation easements - runway 24.....	-	29,300
03-003	Part 150 noise study.....	-	32,500
03-004	PFC application development.....	-	18,250
03-005	PFC program administration.....	-	30,000
Total passenger facility charge.....		<u>\$ 808,872</u>	<u>\$ 1,365,487</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?	Yes
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

2023-001: Inadequate Internal Control Over the General Ledger

Criteria or Specific Requirement: Management and the accounting function are responsible for ensuring the accuracy, completeness, and reliability of the County's general ledger, which is the core financial accounting record and serves as the foundation for financial reporting. Responsibilities include the design and implementation of internal controls, development of documented policies and procedures, effective supervision and oversight, ensuring financial reporting accuracy, conducting periodic reconciliations, and coordinating with external auditors.

Condition: The necessary reconciliations and monthly closing procedures were not completed timely throughout fiscal 2023, leading to significant errors and misstatements in the general ledger. The information needed to complete the fiscal 2023 audit was not available by the scheduled audit date.

Context: If individuals responsible for the accounting and reporting function lack the required skills, knowledge, expertise, or if the processes are not understood by the individuals performing the tasks, the County is exposed to the risk of material misstatements.

Effect: The deficiency in performing reconciliations and closing procedures on time resulted in a material weakness in internal control over the general ledger, contributing to significant errors and misstatements that affect the integrity of financial reporting.

Cause: The root cause of the material weakness is the lack of qualified and trained personnel capable of applying standard accounting principles or accrual calculations, along with an inadequate understanding of the processes by the individuals in charge of these tasks.

Recommendation: It is recommended that the County reviews the key aspects of internal control over the general ledger and financial reporting. The individuals responsible for these tasks should have the necessary skills, knowledge, and expertise to perform them effectively. If necessary, formal training or consulting assistance should be provided to maintain the books and records in accordance with internal policies, and to ensure that reconciliations and closing procedures are performed timely throughout the year. Moreover, the hiring of a consultant in February 2024, who proposed over eighty journal entries to fix errors in the general ledger, underscores the need for competent and trained personnel.

Views of Responsible Officials and Planned Corrective Actions: We acknowledge the material weakness identified in the internal control over our general ledger as reported by the auditors. We understand the importance of having qualified and trained personnel managing our accounting functions, and we are taking immediate actions to address the concerns raised. To strengthen our internal controls, we are implementing the following measures:

- We have already secured the services of a qualified consultant to assist with the reconciliation process and ensure the integrity of our financial reporting.
- We will provide additional training and support to our accounting staff to improve their understanding of standard accounting principles and internal procedures.
- We are reviewing and updating our policies and procedures related to financial reporting and general ledger maintenance.
- We will enhance our oversight and supervision of the accounting functions to ensure that all financial transactions are recorded accurately and in a timely manner.

2023-002: Cash Reconciliations

Criteria or Specific Requirement: The completion of monthly reconciliations of the County's general ledger cash balances with the corresponding bank balances is a critical internal control measure that detects and corrects errors in a timely manner, ensuring that accounting records are complete and accurate.

Condition: Monthly bank reconciliations were not completed after February 2023 until a consultant was brought in. The County Treasurer was unable to provide completed bank reconciliations for the remaining months of the fiscal year by the scheduled audit date in November 2023.

Context: The County's internal controls require regular monthly bank reconciliations to be performed by the County Treasurer to maintain the integrity of financial records.

Effect: The inability to perform timely cash reconciliations and detect and correct material errors promptly has resulted in a material weakness in the County's internal controls.

Cause: The material weakness arose due to a lapse in the completion of the bank reconciliations from March 2023 until the end of the fiscal year, indicating a failure in adhering to established internal controls procedures.

Recommendation: It is recommended that the County develops and implements policies and procedures to ensure that general ledger cash balances are reconciled with bank balances timely each month. Furthermore, any errors or unrecorded transactions identified during the reconciliation process should be immediately corrected and recorded. Management should ensure that these procedures are adhered to consistently and consider ongoing support or training for personnel responsible for these reconciliations to prevent future occurrences of this material weakness.

Views of Responsible Officials and Planned Corrective Actions: The delayed completion of monthly bank reconciliations is a serious concern, and we acknowledge the impact this has had on the integrity of our financial systems. In response to this material weakness, we are undertaking the following corrective actions:

- The consultant we have engaged will assist in not only completing the pending reconciliations but also in establishing robust monthly reconciliation procedures.
- Going forward, we will ensure that monthly reconciliations are performed without fail and that discrepancies are resolved promptly.
- We will develop a comprehensive set of policies to guide the reconciliation process and prevent future delays or errors.
- We will assess the need for additional resources or training for the staff involved in the reconciliation process to ensure that they have the necessary skills and support.

SECTION III – PASSENGER FACILITY CHARGE PROGRAM FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.