



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

Independent Auditors' Report

To the Honorable County Commissioners
County of Dukes County, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts, as of and for the fiscal year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Dukes County, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dukes County, Massachusetts, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, schedule of funding progress, and schedule of employer contributions located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2008, on our consideration of the County of Dukes County, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The combining schedule section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

November 19, 2008

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 203,745	\$ 2,853,091	\$ 3,056,836
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	292,232	179,769	472,001
Other.....	20,107	17,343	37,450
Inventory.....	-	303,740	303,740
Total current assets.....	516,084	3,353,943	3,870,027
NONCURRENT:			
Capital assets, non depreciable.....	480,172	1,666,026	2,146,198
Capital assets, net of accumulated depreciation.....	1,340,471	21,611,220	22,951,691
Total noncurrent assets.....	1,820,643	23,277,246	25,097,889
TOTAL ASSETS.....	2,336,727	26,631,189	28,967,916
LIABILITIES			
CURRENT:			
Warrants payable.....	190,876	522,326	713,202
Accrued interest.....	-	9,156	9,156
Other liabilities.....	40,401	183,446	223,847
Customer deposits payable.....	2,298	5,000	7,298
Compensated absences.....	55,000	30,000	85,000
Bonds and notes payable.....	-	50,000	50,000
Total current liabilities.....	288,575	799,928	1,088,503
NONCURRENT:			
Compensated absences.....	97,000	15,000	112,000
Bonds and notes payable.....	-	350,000	350,000
Total noncurrent liabilities.....	97,000	365,000	462,000
TOTAL LIABILITIES.....	385,575	1,164,928	1,550,503
NET ASSETS			
Invested in capital assets, net of related debt.....	1,820,643	22,877,246	24,697,889
Restricted for:			
Capital outlay.....	-	179,769	179,769
Gifts and grants.....	119,715	-	119,715
Unrestricted.....	10,794	2,409,246	2,420,040
TOTAL NET ASSETS.....	\$ 1,951,152	\$ 25,466,261	\$ 27,417,413

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
County commissioners.....	\$ 92,810	\$ -	\$ 3,000	\$ -	\$ (89,810)
Parking clerk.....	248,083	245,636	-	-	(2,447)
Courthouse/Administrative building....	109,078	62,688	-	-	(46,390)
Treasurer.....	253,995	-	-	-	(253,995)
Registry of deeds.....	373,100	226,731	9,919	-	(136,450)
Civil defense.....	12,612	-	-	-	(12,612)
Health council.....	2,407	-	-	-	(2,407)
Health and human services.....	134,091	-	84,215	-	(49,876)
Engineering.....	37,689	10,786	-	-	(26,903)
Retiree benefits.....	253,292	-	-	-	(253,292)
Veterans agent.....	56,626	300	-	-	(56,326)
Recreation.....	328	1,457	-	-	1,129
Rodent control.....	64,908	19,684	-	-	(45,224)
Charter study commission.....	11,831	-	-	-	(11,831)
House of corrections/sheriff.....	4,175,974	255,749	2,737,454	-	(1,182,771)
Other expenditures.....	91,337	-	-	-	(91,337)
Total Governmental Activities.....	5,918,161	823,031	2,834,588	-	(2,260,542)
<i>Business-Type Activities:</i>					
Airport.....	7,065,080	7,002,441	124,952	470,589	532,902
Total Primary Government.....	\$ 12,983,241	\$ 7,825,472	\$ 2,959,540	\$ 470,589	\$ (1,727,640)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (2,260,542)	\$ 532,902	\$ (1,727,640)
<i>General revenues:</i>			
Town assessments.....	788,769	-	788,769
County deeds excise tax.....	947,654	-	947,654
Grants and contributions not restricted to specific programs.....	40,351	-	40,351
Unrestricted investment income.....	6,744	19,727	26,471
Miscellaneous.....	128,366	-	128,366
Transfers, net	191,119	(191,119)	-
Total general revenues and transfers.....	<u>2,103,003</u>	<u>(171,392)</u>	<u>1,931,611</u>
Change in net assets.....	(157,539)	361,510	203,971
<i>Net Assets:</i>			
Beginning of year.....	<u>2,108,691</u>	<u>25,104,751</u>	<u>27,213,442</u>
End of year.....	<u>\$ 1,951,152</u>	<u>\$ 25,466,261</u>	<u>\$ 27,417,413</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2008

ASSETS	<u>General</u>	<u>Sheriff</u>	<u>Other Special Revenue</u>	<u>County Capital Projects</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 4,401	\$ -	\$ 199,244	\$ 100	\$ 203,745
Receivables, net of uncollectibles:					
Intergovernmental.....	53,874	237,346	1,012	-	292,232
Other.....	20,107	-	-	-	20,107
Due from other funds.....	167,189	-	-	-	167,189
TOTAL ASSETS.....	<u>\$ 245,571</u>	<u>\$ 237,346</u>	<u>\$ 200,256</u>	<u>\$ 100</u>	<u>\$ 683,273</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 7,761	\$ 114,078	\$ 69,037	\$ -	\$ 190,876
Liabilities due depositors.....	-	2,298	-	-	2,298
Other liabilities.....	40,401	-	-	-	40,401
Due to other funds.....	-	167,189	-	-	167,189
TOTAL LIABILITIES.....	<u>48,162</u>	<u>283,565</u>	<u>69,037</u>	<u>-</u>	<u>400,764</u>
FUND BALANCES:					
Unreserved:					
Designated for subsequent year's expenditures..	90,000	-	-	-	90,000
Undesignated, reported in:					
General fund.....	107,409	-	-	-	107,409
Special revenue funds.....	-	(46,219)	131,219	-	85,000
Capital projects funds.....	-	-	-	100	100
TOTAL FUND BALANCES.....	<u>197,409</u>	<u>(46,219)</u>	<u>131,219</u>	<u>100</u>	<u>282,509</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 245,571</u>	<u>\$ 237,346</u>	<u>\$ 200,256</u>	<u>\$ 100</u>	<u>\$ 683,273</u>

See notes to basic financial statements.

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

JUNE 30, 2008

Total governmental fund balances.....	\$ 282,509
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	1,820,643
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences.....	<u>(152,000)</u>
Net assets of governmental activities.....	<u>\$ 1,951,152</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	General	Deeds Excise	Sheriff	Other Special Revenue	County Capital Projects	Total Governmental Funds
REVENUES:						
Town assessments.....	\$ 788,769	\$ -	\$ -	\$ -	\$ -	\$ 788,769
State grants.....	13,919	-	2,736,343	114,804	-	2,865,066
Courthouse rental.....	62,688	-	-	-	-	62,688
Registry of deeds.....	226,731	947,654	-	-	-	1,174,385
Dog license revenue.....	-	-	-	9,761	-	9,761
Beach fees.....	1,457	-	-	-	-	1,457
Parking fees.....	36,793	-	-	208,843	-	245,636
Communication center.....	137,260	-	-	-	-	137,260
Engineering fees.....	10,786	-	-	-	-	10,786
Investment income.....	6,489	-	133	122	-	6,744
Miscellaneous.....	135,915	-	121,974	9,062	-	266,951
TOTAL REVENUES.....	1,420,807	947,654	2,858,450	342,592	-	5,569,503
EXPENDITURES:						
Current:						
County commissioners.....	88,294	-	-	267	-	88,561
Parking clerk.....	38,801	-	-	209,282	-	248,083
Courthouse/Administrative building.....	109,078	-	-	-	-	109,078
Treasurer.....	243,592	-	-	-	-	243,592
Registry of deeds.....	384,012	-	-	-	-	384,012
Civil defense/emergency management.....	11,961	-	-	651	-	12,612
Health council.....	2,407	-	-	-	-	2,407
Health and human services.....	85,270	-	-	47,826	-	133,096
Engineering.....	37,689	-	-	-	-	37,689
Retiree benefits.....	253,261	-	-	31	-	253,292
Veterans agent.....	55,663	-	-	963	-	56,626
Recreation.....	4	-	-	-	-	4
Rodent control.....	64,908	-	-	-	-	64,908
Charter study commission.....	11,831	-	-	-	-	11,831
House of corrections/sheriff.....	-	-	4,049,732	-	-	4,049,732
Other expenditures.....	49,410	-	1,280	40,647	-	91,337
TOTAL EXPENDITURES.....	1,436,181	-	4,051,012	299,667	-	5,786,860
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(15,374)	947,654	(1,192,562)	42,925	-	(217,357)
OTHER FINANCING SOURCES (USES):						
Transfers in - corrections maintenance of effort.....	-	-	489,466	-	-	489,466
Transfers out - corrections maintenance of effort.....	(489,466)	-	-	-	-	(489,466)
Transfers in - retirees' health insurance.....	115,495	-	-	-	-	115,495
Transfers in - cost allocations.....	117,874	-	-	-	-	117,874
Transfers out - cost allocations.....	-	(1,000)	(30,000)	(11,250)	-	(42,250)
Transfers in - deeds excise.....	240,189	-	706,465	-	-	946,654
Transfers out - deeds excise.....	-	(946,654)	-	-	-	(946,654)
Transfers in - other.....	-	-	16,000	-	-	16,000
Transfers out - other.....	(16,000)	-	-	-	-	(16,000)
TOTAL OTHER FINANCING SOURCES (USES)...	(31,908)	(947,654)	1,181,931	(11,250)	-	191,119
NET CHANGE IN FUND BALANCES.....	(47,282)	-	(10,631)	31,675	-	(26,238)
FUND BALANCES AT BEGINNING OF YEAR.....	244,691	-	(35,588)	99,544	100	308,747
FUND BALANCES AT END OF YEAR.....	\$ 197,409	\$ -	\$ (46,219)	\$ 131,219	\$ 100	\$ 282,509

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds.....	\$	(26,238)
-------------------------------------------------------------	----	----------

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

Capital outlay.....	69,008	
Depreciation expense.....	<u>(181,309)</u>	

Net effect of reporting capital assets.....		(112,301)
---------------------------------------------	--	-----------

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

Net change in compensated absences accrual.....		<u>(19,000)</u>
-------------------------------------------------	--	-----------------

Change in net assets of governmental activities.....	\$	<u><u>(157,539)</u></u>
------------------------------------------------------	----	-------------------------

See notes to basic financial statements.



**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

JUNE 30, 2008

	<u>Business-type Activities - Airport Enterprise Funds</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 2,853,091
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	179,769
Departmental and other.....	17,343
Inventory.....	<u>303,740</u>
Total current assets.....	<u>3,353,943</u>
NONCURRENT:	
Capital assets, non depreciable.....	457,537
Capital assets, net of accumulated depreciation.....	<u>22,819,709</u>
Total noncurrent assets.....	<u>23,277,246</u>
TOTAL ASSETS	<u>26,631,189</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	522,326
Accrued interest.....	9,156
Customer deposits payable.....	5,000
Other liabilities.....	183,446
Compensated absences.....	30,000
Bonds and notes payable.....	<u>50,000</u>
Total current liabilities.....	<u>799,928</u>
NONCURRENT:	
Compensated absences.....	15,000
Bonds and notes payable.....	<u>350,000</u>
Total noncurrent liabilities.....	<u>365,000</u>
TOTAL LIABILITIES	<u>1,164,928</u>
NET ASSETS	
Invested in capital assets, net of related debt.....	22,877,246
Restricted for:	
Capital outlay.....	159,584
Unrestricted.....	<u>2,429,431</u>
TOTAL NET ASSETS	<u>\$ 25,466,261</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Business-type Activities - Airport Enterprise Funds</u>
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 1,458,401
Intergovernmental.....	124,952
Fuel.....	4,466,366
Business park.....	995,149
Wastewater revenue.....	<u>82,525</u>
 TOTAL OPERATING REVENUES	 <u>7,127,393</u>
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	2,165,212
Fuel.....	3,107,291
Water facilities.....	86,061
Wastewater facilities.....	187,265
Transportation security.....	145,515
Depreciation.....	<u>1,353,563</u>
 TOTAL OPERATING EXPENSES	 <u>7,044,907</u>
 OPERATING INCOME (LOSS).....	 <u>82,486</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	19,727
Intergovernmental.....	470,589
Interest expense.....	<u>(20,173)</u>
 TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	 <u>470,143</u>
 INCOME (LOSS) BEFORE TRANSFERS.....	 <u>552,629</u>
<u>TRANSFERS:</u>	
Transfers out - retirees' health insurance.....	(115,495)
Transfers out - cost allocations.....	<u>(75,624)</u>
 TOTAL TRANSFERS.....	 <u>(191,119)</u>
 CHANGE IN NET ASSETS.....	 361,510
NET ASSETS AT BEGINNING OF YEAR.....	<u>25,104,751</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 25,466,261</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Business-type Activities - Airport Enterprise Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 6,998,422
Receipts from other governments.....	130,830
Payments to vendors.....	(4,675,215)
Payments to employees.....	<u>(1,002,363)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>1,451,674</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers in.....	1,537,559
Transfers out.....	<u>(1,728,678)</u>
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>(191,119)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Capital grants.....	497,211
Acquisition and construction of capital assets.....	(381,983)
Principal payments on bonds and notes.....	(100,000)
Interest expense.....	<u>(22,350)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(7,122)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	<u>19,727</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,273,160
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>1,579,931</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 2,853,091</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ <u>82,486</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	1,353,563
Changes in assets and liabilities:	
Departmental and other.....	(4,019)
Intergovernmental.....	5,878
Inventory.....	(161,643)
Warrants payable.....	174,030
Other liabilities.....	(621)
Accrued compensated absences.....	<u>2,000</u>
Total adjustments.....	<u>1,369,188</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 1,451,674</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Agency Funds
ASSETS	
Cash and cash equivalents.....	\$ 77,053
LIABILITIES	
Other liabilities.....	\$ 77,053

See notes to basic financial statements.