

**MARTHA'S VINEYARD COMMISSION**

FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORTS

June 30, 2013

## Independent Auditor's Report

To the Commissioners of the  
Martha's Vineyard Commission  
Oak Bluffs, Massachusetts

### Report on Financial Statements

We have audited the accompanying basic financial statements of the Martha's Vineyard Commission as of and for the years ended June 30, 2013 and 2012, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Martha's Vineyard Commission as of June 30, 2013 and 2012 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Required Supplementary Information

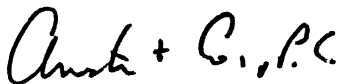
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information included on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and related 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 Reports Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2014 on our consideration of the Martha's Vineyard Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.



Anstiss & Co., P.C.  
Lowell, Massachusetts  
February 10, 2014

**MARTHA'S VINEYARD COMMISSION**  
Financial Statements  
For the Year Ended June 30, 2013

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## **MARTHA'S VINEYARD COMMISSION**

### **Required Supplementary Information Management's Discussion and Analysis**

The following is offered to the readers of the Martha's Vineyard Commission's financial statements. It is a narrative overview and analysis of the financial performance of Martha's Vineyard Commission (the Commission) during the fiscal year ended June 30, 2013. Please read this discussion and analysis in conjunction with the Commission's basic financial statements, which begin on page 6. This financial report is designed to provide a general overview of the Commission finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Commission at 33 New York Avenue, Oak Bluffs, MA 02557.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Martha's Vineyard Commission's basic financial statements. The Martha's Vineyard Commission is a public agency engaged in only business type activities. As such, its financial statements consist of only those financial statements required for proprietary funds and the related notes.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, and statements of cash flows. These are followed by the notes to the financial statements. In addition to the financial statements, this report also contains supplemental schedules presenting a calculation of the Commission's indirect cost rate used for contract reimbursement purposes, a combining schedule of grant/contract revenues and expenses and a schedule comparing actual operating results with the related budgeted amounts.

The statements of net position present information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Martha's Vineyard Commission is improving or deteriorating.

The statements of revenues, expenses and changes in net position report the operating revenues and expenses for the fiscal year used to determine the net change in position. That change combined with the previous year's end net position total reconciles to the net position total at the end of this fiscal year.

The statements of cash flows report cash and investment activities for the fiscal year resulting from operating activities, capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash and investment balance reconciles to the cash and investment balance at the end of the current fiscal year.

## MARTHA'S VINEYARD COMMISSION

### Required Supplementary Information Management's Discussion and Analysis

#### Overview of the Financial Statements (continued)

The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 9 of the report.

#### Condensed Financial Information

	FY 2013	FY 2012
Current and other assets	\$ 197,770	\$ 260,344
Capital assets, net	765,711	782,212
Total assets	\$ 963,481	\$ 1,042,556
Current liabilities	\$ 312,766	\$ 351,002
Other post employment benefits	318,937	254,798
Long term debt	418,738	439,270
Total liabilities	\$ 1,050,441	\$ 1,045,070
Net position - general reserve	\$ (93,170)	\$ (67,095)
Net position - invested in capital assets	325,147	319,379
Net position - OPEB obligation	(318,937)	(254,798)
Total net position	\$ (86,960)	\$ (2,514)
Revenues	\$ 1,256,504	\$ 1,236,046
Expenses	1,340,950	1,432,461
Change in net position	\$ (84,446)	\$ (196,415)

#### Financial Highlights

The liabilities of the Martha's Vineyard Commission exceeded its assets at the close of the most recent fiscal year by \$84,446. The total net position decreased by \$84,446 for the year ended June 30, 2013. The decrease reflects a charge to operations of \$74,639 for post employment health benefits. The expenses, except for depreciation on fully funded grant assets are funded annually through assessments and a combination of federal, state, and local assistance. The Martha's Vineyard Commission net assets consist primarily of cash, accounts receivable and its investment in the building located in Oak Bluffs. The Commission uses the building to support administration needs and to provide program services to the public within its service area. Consequently, it represents a net asset that is not available for future spending. The Commission's investment in the building is subject to a mortgage note due to a bank in the amount of \$440,564. It should be noted that the resources needed to repay the debt outstanding must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## **MARTHA'S VINEYARD COMMISSION**

### **Required Supplementary Information Management's Discussion and Analysis**

#### **Financial Highlights (continued)**

Key factors in the changes in net assets are as follows.

- Contract revenue increased by \$8,921 (2%) over the prior year.
- Total expenses excluding the post employment charge of \$74,639 (5.5%) decreased by \$93,149 (7%), which with the exception of increased legal expenses and the Commonwealth mandated increase to the Dukes County Retirement System ("DCRS"), was generally in line with the budget.
- Revenues from assessments of member communities increased \$19,141 (2.4%) to \$813,266.

#### **Economic Factors and Next Year's Budget**

Given the current economic climate and the nature of the State's finances, the Commission will continue to experience uncertainty over the amount of future contract revenue. For fiscal year 2014 contract revenue has been budgeted to increase by \$18,000 (5%) compared to 2013. Assessments have been budgeted to increase by \$104,084 (12.8%) compared to 2013.



# MARTHA'S VINEYARD COMMISSION

## Statements of Net Position

As of June 30, 2013  
and 2012

	2013	2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents - operating	\$ 1,062	\$ 24,060
Cash and cash equivalents - general reserve	75,157	148,425
Cash and cash equivalents - building reserve	2,397	511
Other assets	7,571	5,039
Accounts receivable (Note 4)	109,924	80,530
	<u>196,111</u>	<u>258,565</u>
Total current assets		
Capital assets (Notes 2 & 5):		
Land and building	911,820	911,820
Equipment	25,831	37,741
	<u>937,651</u>	<u>949,561</u>
Less: accumulated depreciation	(171,940)	(167,349)
	<u>765,711</u>	<u>782,212</u>
Net capital assets		
Unamortized loan expenses	1,659	1,779
	<u>\$ 963,481</u>	<u>\$ 1,042,556</u>
<b>Total Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 213,864	\$ 265,536
Deferred revenue	77,076	61,903
Current portion of long term debt	21,826	23,563
	<u>312,766</u>	<u>351,002</u>
Total current liabilities		
Other post employment benefits (OPEB) (Note 8)	318,937	254,798
Long term debt (Note 6)	418,738	439,270
	<u>\$ 1,050,441</u>	<u>\$ 1,045,070</u>
<b>Total Liabilities</b>		
<b>Net Position</b>		
Invested in capital assets, net of related debt	\$ 325,147	\$ 319,379
Relating to OPEB obligation	(318,937)	(254,798)
Unrestricted - other	(93,170)	(67,095)
	<u>(86,960)</u>	<u>(2,514)</u>
<b>Total Net Position</b>		
<b>Total Liabilities and Net Position</b>	<u>\$ 963,481</u>	<u>\$ 1,042,556</u>

The accompanying notes are an integral part of these financial statements.

**MARTHA'S VINEYARD COMMISSION**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Federal, state and local contracts	\$ 393,078	\$ 384,157
Local assessments	813,266	794,125
Interest income	986	1,698
Other income	49,174	56,066
<b>Total Revenues</b>	<u>1,256,504</u>	<u>1,236,046</u>
<b>Expenses</b>		
Direct costs	433,688	430,185
Other costs (including a provision for future post employment benefits of \$74,639 and \$73,005 for the years ended June 30, 2013 and 2012, respectively)	<u>907,262</u>	<u>1,002,276</u>
<b>Total Expenses</b>	<u>1,340,950</u>	<u>1,432,461</u>
<b>Changes in Net Position</b>	(84,446)	(196,415)
Capitalization of grant funded capital assets	-	-
Depreciation of grant funded capital assets	-	-
<b>Net Position - Beginning of Year</b>	<u>(2,514)</u>	<u>193,901</u>
<b>Net Position - End of Year</b>	<u><u>\$ (86,960)</u></u>	<u><u>\$ (2,514)</u></u>

# MARTHA'S VINEYARD COMMISSION

## Statements of Cash Flows For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Cash received from grants, assessments and contracts	\$ 1,241,297	\$ 1,227,684
Interest income - operating	986	1,698
Cash payments to employees	(706,020)	(724,306)
Cash payments to suppliers	(585,498)	(536,667)
<b>Net Cash Used in Operating Activities</b>	<b>(49,235)</b>	<b>(31,591)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of capital assets	-	(26,668)
<b>Net Cash Used in Investing Activities</b>	<b>-</b>	<b>(26,668)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Payments on long term debt	(22,269)	(23,941)
Interest paid on long term debt	(22,876)	(26,618)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(45,145)</b>	<b>(50,559)</b>
<b>Net Decrease in Cash</b>	<b>(94,380)</b>	<b>(108,818)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>172,996</b>	<b>281,814</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 78,616</b>	<b>\$ 172,996</b>

### *Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities*

Change in net position	\$ (84,446)	\$ (196,415)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	16,501	15,978
Interest expense - financing activity	22,876	26,618
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(29,394)	(13,567)
(Increase) decrease in other assets	(2,532)	(5,039)
Decrease in unamortized loan expenses	120	120
(Increase) decrease in accounts payable and accrued expenses	(51,672)	71,306
Increase in other post employment benefits	64,139	62,505
Increase (decrease) in deferred revenue	15,173	6,903
<b>Net Cash Used in Operating Activities</b>	<b>\$ (49,235)</b>	<b>\$ (31,591)</b>

## **MARTHA'S VINEYARD COMMISSION**

### **Notes to Financial Statements**

June 30, 2013

#### **NOTE 1 - ORGANIZATION**

The Martha's Vineyard Commission (the Commission or MVC) is a regional public agency established by Charter in 1974 by the Commonwealth of Massachusetts to serve the land use planning needs of the towns of Aquinnah, Chilmark, Edgartown, Gosnold, Oak Bluffs, Tisbury and West Tisbury. The towns are located in Dukes County. The Commission's basic operating budget is derived from a per capita assessment on these towns.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The accompanying basic financial statements of the Commission have been prepared in accordance with accounting principals 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 principles. The Commission applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements issued subsequently. The Commission maintains its accounts on the accrual basis of accounting, which recognizes revenue as it is earned and expenses as they are incurred. The operations of the Commission are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Commission are included in the Statement of Net Position. The Commission records all transactions in the general operating fund. Reserves for future operating and capital needs have been established by the Commission as part of the annual budget process. Indirect expenses are allocated based upon the ratio of direct salaries for each grant or project to total direct salaries.

**Revenue** - The Commission has various grants and contracts from Federal, State and other funding sources. Grant/contract revenue received in excess of the related program expenses incurred is reflected on the statement of net position as unexpended grant funds. Program expenses incurred in excess of related grant/contract revenue received is reflected on the statement of net assets as accounts receivable (If recoverable from the contract). The Commission also recognizes as operating revenue the assessments received from member communities.

## MARTHA'S VINEYARD COMMISSION

### Notes to Financial Statements

June 30, 2013

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents** - Cash includes amounts in demand deposits. The carrying amount of cash equivalents is considered to be fair value. Cash Equivalents include all highly liquid deposits with an original maturity of three months or less when purchased.

**Concentration of Credit Risk** - Financial instruments, which potentially subject the Commission to concentration of credit risk, consist principally of accounts receivable. The Commission's primary accounts receivable are due from Massachusetts State Agencies. The Commission places its cash investments in high credit banks and the Massachusetts Municipal Depository Trust (MMDT). Management considers credit risk to be minimal.

**Capital Assets and Depreciation** - Fixed Assets are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are expensed; betterments are capitalized. Fixed assets purchased with grant funds are charged to the grants in the year purchased. The value of grant purchased fixed assets is also recorded in the balance sheet under fixed assets and fund balance-grant fixed assets. Depreciation on grant fixed assets is charged directly to the net assets - restricted for grant fixed assets account. Title to fixed assets purchased with grant funds may revert back to the granting agency. Depreciation on general fixed assets is charged to operations as an indirect cost. Equipment and Building are being depreciated on the straight-line method over a useful life of 7 and 50 years, respectively.

**Compensated Absences** - The Commission has a vacation leave policy that provides for compensation on a sliding scale based on years of service. The maximum amount of unused time that may be accumulated is limited to 25 days based on length of service. The Commission's sick leave policy permits the accumulation of 15 sick days per year up to a maximum of 60 days. Unused sick leave is not payable upon termination of employment, accordingly, sick pay is charged to expense when used. No provision has been made in the financial statements for unused sick leave.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Indirect Expenses** - Indirect expenses are allocated to contracts at month end based upon the ratio of direct salaries incurred by each contract to total direct salaries.

## MARTHA'S VINEYARD COMMISSION

### Notes to Financial Statements

June 30, 2013

#### **NOTE 3 – CASH AND CASH INVESTMENTS**

The Commission is required to make prudent investments, which are in accordance with state statutes. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than ninety days from the date of purchase and units in the MMDT.

Custodial credit risk is risk that, in the event of bank or financial institution failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy of custodial risk. As of June 30, 2013 none of the Commissions cash balance of \$78,616 was exposed to custodial credit risk.

In accordance with the provisions of GASB No. 40 the Commission would be considered to have interest rate risk on funds maintained in the MMDT account. The maturity of the underlying investments in the MMDT were less than ninety days.

#### **NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2013 consisted of the following.

Mass. Department of Transportation (Mass Dot)	\$ 71,283
Local Grants and Other Receivables	<u>38,641</u>
Total accounts receivable	<u>\$ 109,924</u>

As of June 30, 2013 no allowance for doubtful accounts was deemed necessary by management.

# MARTHA'S VINEYARD COMMISSION

## Notes to Financial Statements

June 30, 2013

### **NOTE 5 - CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in capital assets for the current fiscal year.

	<u>Equipment</u>	<u>Buildings</u>	<u>Land</u>	<u>Total</u>
Balance - June 30, 2012	\$ 37,741	\$641,820	\$270,000	\$949,561
Current year retirements	(11,910)	-	-	(11,910)
Current year additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance - June 30, 2013	<u>\$25,831</u>	<u>\$641,820</u>	<u>\$270,000</u>	<u>\$937,651</u>

Depreciation expense of \$16,501 and \$15,365 was charged to operations for the years ended June 30, 2013 and 2012, respectively.

### **NOTE 6 - LONG-TERM DEBT**

Note Payable to the Edgartown National Bank, at a fixed interest rate of 5% through August 2027. The note provides for monthly installments of \$3,656 (including interest) based on a twenty year amortization schedule with final payment due in August 2027, and is secured by a first mortgage on the property used by the Commission for its principal office (Old Stone Building) and substantially all Commission assets.

	\$440,564
Less Current Portion	<u>(21,826)</u>
	<u>\$418,738</u>

Future debt service requirements on long-term debt are as follows.

	<u>Principal</u>	<u>Interest</u>
2014	\$ 21,805	\$ 21,826
2015	22,937	20,694
2016	24,073	19,558
2017	25,376	18,255
2018-2022	148,010	70,145
2023-2027	190,627	27,528
2028	<u>7,736</u>	<u>49</u>
	<u>\$440,564</u>	<u>\$178,055</u>

## **MARTHA'S VINEYARD COMMISSION**

Notes to Financial Statements

June 30, 2013

### **NOTE 7 - PENSION PLAN**

**Plan Description** - MVC contributes to the County of Dukes County Contributory Retirement System (System), a cost sharing multiple-employer defined benefit pension plan administered by the County of Dukes County Retirement Board. Substantially all employees of the MVC are members of the System. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws ("MGL") assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are funded by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the county of Dukes County Contributory Retirement Board and are funded by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 9 Airport Road, RR1 Box 863, Vineyard Haven, Massachusetts 02568.

**Funding Policy** - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The County is required to pay into the System its share of the system wide actuarial determined contribution that is apportioned among the employers based on active current payroll.

The contributions of plan members and the County are governed by Chapter 32 of the MGL. MVC's contributions to the System for the fiscal years ended June 30, 2013 and 2012 were \$127,686 and \$121,981, respectively, which represented the required contribution for each fiscal year.

### **NOTE 8 - OTHER POST EMPLOYMENT BENEFITS**

GASB No. 45 requires government to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the balance sheet over time.



## MARTHA'S VINEYARD COMMISSION

### Notes to Financial Statements

June 30, 2013

#### **NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

##### **A. Plan Description**

The Commission's health care plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Commission. The Commission provides medical and dental benefits to eligible retirees and their spouses. Chapter 32B of the Massachusetts General Laws assigns the authority to establish and amend benefit provisions. The plan does not issue a separate report.

##### **B. Benefits Provided**

The Commission provides medical and dental insurance payments to retirees, eligible spouses and their covered dependents. All active employees who retire from the Commission after age 55 with more than ten (10) consecutive years of service and meet the other eligibility criteria will receive these benefits.

##### **C. Funding Policy**

The contribution requirements of plan members and the Commission are established and may be amended by the state legislature. The required contribution is based on the current pay-as-you-go financing requirement. In addition the Commission may pre fund an additional amount as determined annually by the Commission.

##### **D. Annual OPEB Cost and Net OPEB Obligation**

The Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal 2010 was the first year of the adoption of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation to the plan based on an actuarial valuation as of June 30, 2013.

## MARTHA'S VINEYARD COMMISSION

### Notes to Financial Statements

June 30, 2013

#### **NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

##### **D. Annual OPEB Cost and Net OPEB Obligation (continued)**

Annual contribution amount	\$137,394
Interest on net OPEB obligation	10,192
Adjustment to annual contribution	(7,879)
Annual OPEB cost (expense)	139,707
Contributions made (including subsidy)	(75,568)
Increase in net OPEB obligation	64,139
Net OPEB obligation - beginning of year	254,798
Prior year funding	-
Net OPEB obligation - end of year	<u>\$318,937</u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations were as follows.

<u>Fiscal</u> <u>year ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>OPEB cost</u> <u>contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 139,707	54.1%	\$ 64,139
2012	\$ 162,397	61.5%	\$ 62,505
2011	\$ 155,267	53.2%	\$ 72,514
2010	\$ 134,980	11.2%	\$ 119,779

The Commission's net OPEB obligation as of June 30, 2013 is recorded as "other post employment benefits".

##### **E. Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the plan was .4 percent funded. The actuarial accrued liability for benefits was \$2,139,268 and the actuarial value of assets was \$10,500, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,128,768. The covered payroll (annual payroll of active employees covered by the plan) was \$706,020 and the ratio of the UAAL to the covered payroll was 301.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates about the future. A schedule of funding progress will be presented when the plan has been in place for a sufficient

## **MARTHA'S VINEYARD COMMISSION**

### **Notes to Financial Statements**

June 30, 2013

#### **NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

##### **E. Funded Status and Funding Progress (continued)**

number of years to allow it present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

##### **F. Actuarial Methods of Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the Commission and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the Commission and the Plan members to that point. The actuarial methods of assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. In the July 1, 2012 actuarial valuation the projected unit credit method was used. The actuarial assumptions included a 4.0 percent discount rate, which is a discount rate to reflect a pay-as-you-go system with an expected return close to the rate of return on cash-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of five percent (5%) after eight years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a thirty year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 was twenty-six years.

#### **NOTE 9 - OTHER BENEFIT PLANS**

The Commission has adopted an IRS qualified section 125 plan to allow for the payment of employee contributions to the Commission's health insurance plan on a pre-tax basis.

#### **NOTE 10 - BUDGET AND BUDGETARY ACCOUNTING**

The Commission's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30. The budget estimate is prepared in accordance with the Commission's charter, and provides the basis for local assessments.

## **MARTHA'S VINEYARD COMMISSION**

### **Notes to Financial Statements**

June 30, 2013

#### **NOTE 10 - BUDGET AND BUDGETARY ACCOUNTING (CONTINUED)**

While the local assessments provide the largest single revenue source, the Commission receives substantial funding from federal, state and local grants, which have grants periods that may or may not coincide with the Commission's fiscal year. These grants are normally for a twelve-month period; however, they may be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. MVC's annual budget differs from that of a local government primarily due to the uncertain nature of grant awards from other entities.

The resultant annual budget is subject to constant change within the fiscal year due to:

- \* Increases/decreases in grant awards from those estimated:
- \* Unanticipated grant awards not included in the budget, and
- \* Expected grant awards, which fail to materialize.

The Commission Board formally approves the annual budget but greater emphasis is placed on complying with the specific grant budget's terms and conditions. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

The annual budget for grant activities is reviewed and approved by the Commission Board. For purposes of these financial statements (see budgetary comparison schedule) the actual operating result for all activities of the Commission have been compared to the related budget as adopted including grant activities.

#### **NOTE 11 - COMMITMENTS AND CONTINGENCIES**

**Litigation** - As of June 30, 2013 there were two cases pending against the Commission. Claims historically have been filed that represent challenges to the validity of the Commission's decisions on Development of Regional Impact. Generally a successful claim against the Commission would result in a reversal of the Commission decision that generated the claim not in financial loss to the Commission. No amounts have been accrued for potential legal or settlement costs relative to any future claims.

## **MARTHA'S VINEYARD COMMISSION**

Notes to Financial Statements

June 30, 2013

### **NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Grants/Contracts Audit** - The Commission receives State Grants/Contracts for specific purposes that are subject to review and audit by State agencies. Such audits could result in a request for reimbursements by the State for expenditures disallowed under terms and conditions of the appropriate agency. Management does not believe that any significant reimbursement will result if such audits should occur.

**Other** – The Commission may be subject to a potential liability for unfunded retirement benefits relating to employees who worked for the Commission roughly for the period from 1974 to 1990. During this period, employees were not covered under the County retirement system. The Commission has not determined the extent of any liability that may result from this issue.

### **NOTE 12 - SUBSEQUENT EVENTS**

The Commission's management has evaluated events subsequent from June 30, 2013 through February 10, 2014 which is the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

**MARTHA'S VINEYARD COMMISSION**  
Schedule of Indirect Cost Rate  
For the Year Ended June 30, 2013

<u>Expenses</u>	<u>Total Expense</u>	<u>Unallowed Costs</u>	<u>Direct Labor</u>	<u>Other Direct Costs</u>	<u>Indirect Costs</u>
Salaries - direct	\$ 405,680	-	\$ 405,680	\$ -	\$ -
Salaries - administrative	300,340	-	-	-	300,340
Pension plan (DCRS)	127,686	-	-	-	127,686
Health and disability insurance	132,567	-	-	-	132,567
Retirees insurance - current benefit payments	34,776	-	-	-	34,776
Medicare/social security	-	-	-	-	-
Worker's comp	1,591	-	-	-	1,591
Payroll taxes (DET)	17,032	-	-	82	16,950
Advertising	4,415	-	-	4,160	255
Audit fees	8,400	-	-	-	8,400
Contractual	23,086	-	-	10,988	12,098
Dues and subscriptions	11,787	-	-	2,699	9,088
Equipment	9,339	-	-	1,752	7,587
Insurance	11,553	-	-	-	11,553
Interest	22,876	-	-	-	22,876
Legal fees	84,782	-	-	-	84,782
Postage	1,967	-	-	60	1,907
Printing	75	-	-	-	75
Registry fees	825	-	-	825	-
Rent	100	-	-	100	-
Repairs and maintenance	13,889	-	-	36	13,853
Supplies	14,573	-	-	3,041	11,532
Travel	10,275	-	-	4,265	6,010
Utilities	12,076	-	-	-	12,076
Amortization and Depreciation	16,621	-	-	-	16,621
<b>Expenses Before Post Employment Benefits</b>	<b>1,266,311</b>	<b>-</b>	<b>405,680</b>	<b>28,008</b>	<b>832,623</b>
Retirees insurance - post employment benefit (ARC)	74,639	64,139	-	-	10,500
<b>Total Expenses</b>	<b>\$ 1,340,950</b>	<b>\$ 64,139</b>	<b>\$ 405,680</b>	<b>\$ 28,008</b>	<b>\$ 843,123</b>

Indirect costs / Direct labor = Indirect cost rate  
\$ 843,123 = 207.83%  
405,680

The accompanying notes are an integral part of these financial statements.

**MARTHA'S VINEYARD COMMISSION**  
Combining Schedule of Revenues and Expenses  
For the Year Ended June 30, 2013

	Total	Local Share	MassDOT #56241	MassDOT #73848	DLTA13	DLTA12	Pre-Disaster Mitigation	Other Programs
<b>Revenues</b>								
Federal, state and local contracts	\$ 393,078	\$ -	\$ 60,688	\$ 192,789	\$ 37,924	\$ 56,903	\$ 44,774	\$ -
Town assessments	813,266	792,590	-	-	3,792	5,690	11,194	-
Interest income	986	986	-	-	-	-	-	-
Other revenues	49,174	49,174	-	-	-	-	-	-
<b>Total Revenues</b>	<b>1,256,504</b>	<b>842,750</b>	<b>60,688</b>	<b>192,789</b>	<b>41,716</b>	<b>62,593</b>	<b>55,968</b>	<b>-</b>
<b>Expenses</b>								
Salaries	\$ 405,680	\$ 198,802	\$ 46,532	\$ 59,585	\$ 23,565	\$ 47,272	\$ 29,924	\$ -
Contractual	10,988	6,798	-	-	10,390	(6,200)	-	-
Advertising	4,160	2,225	-	1,655	-	280	-	-
Equipment	1,752	211	800	-	-	741	-	-
Payroll tax expense	82	-	82	-	-	-	-	-
Postage	60	44	16	-	-	-	-	-
Dues and subscriptions	2,699	2,699	-	-	-	-	-	-
Registry fees	825	825	-	-	-	-	-	-
Rent	100	-	-	-	100	-	-	-
Repairs and maintenance	36	-	36	-	-	-	-	-
Travel	4,265	1,100	589	2,133	216	183	44	-
Supplies	3,041	504	572	1,965	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Other direct costs	-	-	-	-	-	-	-	-
Total direct costs	\$ 433,688	\$ 213,208	\$ 48,627	\$ 65,338	\$ 34,271	\$ 42,276	\$ 29,968	\$ -
Unallowed costs - ARC (OPEB)	64,139	64,139	-	-	-	-	-	-
Indirect cost allocation (1)	843,123	413,169	96,707	123,835	48,975	98,245	62,191	-
<b>Total Expenses</b>	<b>\$ 1,340,950</b>	<b>\$ 690,516</b>	<b>\$ 145,334</b>	<b>\$ 189,173</b>	<b>\$ 83,246</b>	<b>\$ 140,521</b>	<b>\$ 92,159</b>	<b>\$ -</b>
<b>Excess (Deficit) of Revenues Over Expenses</b>	<b>\$ (84,446)</b>	<b>\$ 152,234</b>	<b>\$ (84,646)</b>	<b>\$ 3,616</b>	<b>\$ (41,530)</b>	<b>\$ (77,928)</b>	<b>\$ (36,191)</b>	<b>\$ -</b>
<b>(1) Allocated based on ratio of indirect costs to direct labor</b>								
			<u>207.83%</u>					

**MARTHA'S VINEYARD COMMISSION**  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2013

	Budget	Actual	Favorable (Unfavorable)
<b>Revenues</b>			
Grants	340,000	\$ 393,078	\$ 53,078
Town Share	813,266	813,266	-
Interest and other income	50,000	50,160	160
<b>Total Revenues</b>	<u>1,203,266</u>	<u>1,256,504</u>	<u>53,238</u>
<b>Payroll Expenses</b>			
Salaries	702,678	706,020	(3,342)
Pension plan (DCRS)	95,028	127,686	(32,658)
Health and disability insurance	132,831	132,567	264
Retirees insurance - current benefit payments	38,115	34,776	3,339
OPEB - Pre-funding	10,500	10,500	-
Medicare/SS/Unemployment & Other Payroll Costs	13,516	17,032	(3,516)
Worker's comp	2,250	1,591	659
<b>Total Payroll Expenses</b>	<u>994,918</u>	<u>1,030,172</u>	<u>(35,254)</u>
<b>Administration and Operating Expenses</b>			
Advertising	2,000	4,415	(2,415)
Audit fees	8,500	8,400	100
Capital improvements	7,000	-	7,000
Contractual	18,000	23,086	(5,086)
Dues and subscriptions	6,700	11,787	(5,087)
Equipment/Grant fixed assets	10,000	9,338	662
Insurance	10,504	11,553	(1,049)
Interest	22,717	22,876	(159)
Legal fees	60,000	84,782	(24,782)
Maintenance	6,000	13,889	(7,889)
Loan - principal	20,322	20,755	(433)
Postage	2,400	1,967	433
Printing	1,000	75	925
Registry fees	975	825	150
Rent	350	100	250
Supplies	12,180	14,568	(2,388)
Travel/Conference	6,500	10,275	(3,775)
Utilities	13,200	12,076	1,124
Other costs	-	2	(2)
	<u>208,348</u>	<u>250,769</u>	<u>(42,421)</u>
	<u>1,203,266</u>	<u>1,280,941</u>	<u>\$ (77,675)</u>
<b>Excess of Expenses Over Revenues - Budgetary</b>	<u>\$ -</u>	<u>\$ (24,437)</u>	
Add back: loan principal payments		20,751	
Add back: OPEB Pre-funding		10,500	
Add back: capital improvements		-	
Less: provision for post employment benefits (OPEB)		(74,639)	
Less: amortization and depreciation		(16,621)	
<b>Change in Position - General Fund</b>		<u>\$ (84,446)</u>	



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Commissioners of the  
Martha's Vineyard Commission  
Oaks Bluffs, Massachusetts

We have audited, 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, the financial statements of the governmental activities of Martha's Vineyard Commission (the Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

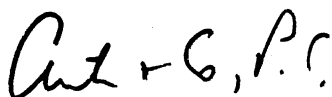
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anstiss & Co., P.C.

Lowell, Massachusetts

February 10, 2014