

MARTHA'S VINEYARD COMMISSION

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORTS

June 30, 2015

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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, 2015 and 2014, 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 of America. 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, 2015 and 2014 and the respective changes in financial position and cash flows for the year ended June 30, 2015, 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, budgetary comparison schedule, schedule of the commission's proportionate share of the net pension liability and schedule of pension contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary schedules of indirect cost rate and combining schedule of revenues and expenses – by contract / activity 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.

Restatement of Prior Year Information

The Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* during the current fiscal year. The prior year statement of net position has been restated to include the net pension liability as of June 30, 2014 of \$812,145.

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2015 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
December 21, 2015

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 the Martha's Vineyard Commission (the Commission) during the fiscal year ended June 30, 2015. Please read this discussion and analysis in conjunction with the Commission's basic financial statements, which begin on page 7. 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 Martha's Vineyard Commission at P. O. Box 1447, Oak Bluffs, MA 02557-1447.

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, a schedule comparing actual operating results with the related budgeted amounts and schedules relating to pension expense and liability (new in FY 2015).

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 10 of the report.

Condensed Financial Information

	<u>FY 2015</u>	<u>FY 2014, as restated</u>
Current and other assets	\$ 283,292	\$ 234,577
Capital assets, net	749,583	749,210
Total assets	<u>1,032,875</u>	<u>983,787</u>
Current liabilities	238,820	204,467
Other post employment benefits	487,222	387,943
Net pension liability	757,662	812,145
Long term debt	371,689	395,805
Total liabilities	<u>1,855,393</u>	<u>1,800,360</u>
	<u>(822,518)</u>	<u>(816,573)</u>
Net position - general reserve	68,545	53,047
Net position - invested in capital assets	353,821	330,468
Net position – net pension liability	(757,662)	(812,145)
Net position - OPEB obligation	(487,222)	(387,943)
Total net position	<u>(822,518)</u>	<u>\$ (816,573)</u>
Revenues	1,512,259	
Expenses	1,518,204	
Change in net position	<u>\$ (5,945)</u>	

Financial Highlights

The liabilities of the Martha's Vineyard Commission exceeded its assets at the close of the most recent fiscal year by \$822,518. The total net position decreased by \$5,945 for the year ended June 30, 2015. The decrease reflects a charge to operations of \$119,779 for post employment health benefits and a charge to operations of \$79,176 for pension expense for the Dukes County Contributory Retirement System. 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 \$395,762. It should be noted that the resources needed to repay the debt

MARTHA'S VINEYARD COMMISSION

Required Supplementary Information Management's Discussion and Analysis

Financial Highlights (continued)

outstanding must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. During the current year the Commission adopted the accounting standard requiring the reporting of the commission's outstanding pension liability (GASB 68). This resulted in a restatement of the 2014 Statement of Net Position to record a pension liability of \$812,145.

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

- Contract and other revenues decreased slightly in FY15 by \$45,526 (10%) over the prior year.
- Total expenses excluding the post employment charge of \$119,779 increased by \$73,147 (5.3%), which, was generally in line with the budget. See the Budgetary Comparison schedule on page 26.
- Revenues from assessments of member communities increased \$130,128 (14.2%) to \$1,047,478.
- For FY2015, the Commission budgeted a normal modest increase in ongoing annual costs, resulting in an annual increase of \$55,125 (4.2%). However, \$75,000 had to be added to that basic increase to replenish the General Reserve Fund, according to the Commission's policies. This resulted in an overall budget increase of \$130,128 (9.8%), the majority of which is the one-time reimbursment of the General Reserve Fund.

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 2016 Assessments have been budgeted to increase by \$130,128 (14.2%) compared to 2015.

MARTHA'S VINEYARD COMMISSION

Statements of Net Position

As of June 30, 2015

and 2014

	2015	2014 (as restated)
Assets		
Current assets:		
Cash and cash equivalents - operating	\$ 19,878	\$ 42,247
Cash and cash equivalents - general reserve	120,069	75,279
Cash and cash equivalents - building reserve	513	4,403
Other assets	12,017	10,885
Accounts receivable (Note 4)	129,396	100,224
	281,873	233,038
Capital assets (Notes 2 & 5):		
Land and building	921,781	911,820
Equipment	31,831	25,831
	953,612	937,651
Less: accumulated depreciation	(204,029)	(188,441)
	749,583	749,210
Unamortized loan expenses	1,419	1,539
	\$ 1,032,875	\$ 983,787
Total Assets	\$ 1,032,875	\$ 983,787
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 128,366	\$ 95,809
Deferred revenue	86,381	85,721
Current portion of long term debt	24,073	22,937
	238,820	204,467
Other post employment benefits (OPEB) (Note 8)	487,222	387,943
Net pension liability (Note 7)	757,662	812,145
Long term debt (Note 6)	371,689	395,805
	1,855,393	1,800,360
Total Liabilities	1,855,393	1,800,360
Net Position		
Invested in capital assets, net of related debt	353,821	330,468
Relating to OPEB obligation	(487,222)	(387,943)
Relating to net pension liability	(757,662)	(812,145)
Unrestricted - other	68,545	53,047
	(822,518)	(816,573)
Total Net Position	(822,518)	(816,573)
Total Liabilities and Net Position	\$ 1,032,875	\$ 983,787

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

MARTHA'S VINEYARD COMMISSION
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	2015
Revenues	
Federal, state and local contracts	\$ 404,565
Local assessments	1,047,478
Interest income	1,499
Other income	58,717
Total Revenues	1,512,259
Expenses	
Direct costs	584,006
Other costs (including a provision for future post employment benefits of \$119,779)	934,198
Total Expenses	1,518,204
Change in Net Position	(5,945)
Net Position - Beginning of Year (as originally reported)	(138,087)
Restatement of net position at beginning of year to record net pension liability upon adoption of GASB 68	(678,486)
Net Position - Beginning of Year (as restated)	(816,573)
Net Position - End of Year	\$ (822,518)

MARTHA'S VINEYARD COMMISSION
Statement of Cash Flows
For the Year Ended June 30, 2015

	2015
Cash Flows from Operating Activities	
Cash received from grants, assessments and contracts	\$ 1,482,248
Interest income - operating	1,499
Cash payments to employees	(800,092)
Cash payments to suppliers	(605,532)
	78,123
Net Cash Used in Operating Activities	78,123
Cash Flows From Investing Activities	
Purchase of capital assets	(15,961)
	(15,961)
Net Cash Used in Investing Activities	(15,961)
Cash Flows From Capital and Related Financing Activities	
Payments on long term debt	(22,980)
Interest paid on long term debt	(20,651)
	(43,631)
Net Cash Used by Capital and Related Financing Activities	(43,631)
Net Increase (Decrease) in Cash	18,531
Cash and Cash Equivalents - Beginning of Year	121,929
Cash and Cash Equivalents - End of Year	\$ 140,460
 <i>Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities</i>	
Change in net position	\$ (5,945)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	15,588
Interest expense - financing activity	20,651
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(29,172)
(Increase) decrease in other assets	(1,132)
Decrease in unamortized loan expenses	120
(Increase) decrease in accounts payable and accrued expenses	32,557
Increase in other post employment benefits	99,279
Decrease in net pension liability	(54,483)
Increase (decrease) in deferred revenue	660
Net Cash Used in Operating Activities	\$ 78,123

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

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

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. During the current fiscal year the Commission adopted GASB 68 relating to the reporting on Net Pension Liability.

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, 2015

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. 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

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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, and repurchase agreements guaranteed by such securities with maturity dates of no more than ninety days from the date of purchase.

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, 2015 none of the Commissions cash balance of \$140,458 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, 2015 consisted of the following.

Mass. Department of Transportation (MassDOT)	\$106,967
Local Grants and Other Receivables	<u>22,429</u>
Total accounts receivable	<u>\$129,396</u>

As of June 30, 2015 no allowance for doubtful accounts was deemed necessary by management.

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, 2014	\$25,831	\$641,820	\$270,000	\$937,651
Current year retirements	-	-	-	-
Current year additions	<u>6,000</u>	<u>9,961</u>	<u>-</u>	<u>15,961</u>
Balance - June 30, 2015	<u>\$31,831</u>	<u>\$651,781</u>	<u>\$270,000</u>	<u>\$953,612</u>

Depreciation expense of \$15,588 and \$16,501 was charged to operations for the years ended June 30, 2015 and 2014, respectively.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

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 \$3,636 (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.

	\$395,762
Less Current Portion	<u>(24,073)</u>
	<u>\$371,689</u>

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

	<u>Principal</u>	<u>Interest</u>
2016	\$ 24,073	\$ 19,558
2017	25,376	18,255
2018	26,693	16,938
2019	28,078	15,553
2020	29,497	14,135
2021-2025	172,284	45,871
2026-2028	<u>89,762</u>	<u>5,225</u>
	<u>\$395,762</u>	<u>\$135,535</u>

NOTE 7 - PENSION PLAN

General Information about the Pension Plan

A. 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.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 7 - PENSION PLAN (continued)

General Information about the Pension Plan (continued)

B. 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. The MVC's "Total Employer Pension Expense" to the System for the fiscal year ended June 30, 2015 was \$86,263.

C. Benefits Provided - The Plan covers all eligible employees and provides retirement, disability, cost of living adjustments and death benefits to all Plan members and beneficiaries. The Plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate or 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.

Pension Liabilities, Pension Expense and Deferred Outflows of Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the MVC had a liability of \$757,662 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The MVC's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Since the System performs an actuarial valuation bi-annually, there are no reported amounts for changes in benefit terms differences between expected and actual experience and changes in assumptions as of June 30, 2015. Further there were not any material deferred outflows/inflows of resources for the year.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 7 - PENSION PLAN (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Deferred Inflows of Resources Related to Pensions (continued)

A. Actuarial Valuation - The total Plan liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions applied to all periods included in the measurement that was updated to December 31, 2014.

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal cost method
Amortization method	UAAL: Increasing dollar amount at 4.5% to reduce the unfunded actuarial accrued liability to zero on or before June 30, 2030. 2002 and 2003 ERI's: Increasing dollar amount at 4.5% to reduce the unfunded actuarial accrued liability attributable to the ERI's to zero on or before June 30, 2028.
Remaining amortization period	15 years for the UAL as of December 31, 2014 13 years for the 2002 and 2003 ERI's as of December 31, 2014
Asset valuation method	The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: a) 80% of gains and losses of the prior year, b) 40% of gains and losses of the second prior year, c) 60% of gains and losses of the third prior year and, d) 20% of gains and losses of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Inflation rate	Not explicitly assumed
Projected salary increases	6% - 4.25% of general employees and 7% - 4.75% for public safety, depending on years of service.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 7 - PENSION PLAN (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Deferred Inflows of Resources Related to Pensions (continued)

A. Actuarial Valuation (continued)

Rates of retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Pre-Retirement	The RP-2000 Mortality Table projected to 2020 with scale AA.
Post-Retirement	The RP-2000 Mortality Table projected to 2015 with Scale AA. For disabled lives, set forward two years.
Investment rate of return/discount rate	7.75% net of Plan investment expense, including inflation.

The components of the net Plan liability of the participating member units at December 31, 2014 were as follows.

Total Plan liability	\$151,238,338
Plan fiduciary net position	<u>(115,193,525)</u>
Net Plan liability	<u>\$ 36,044,813</u>
Plan fiduciary net position as a percentage of the total Plan liability	76.17%

B. Investment Policy - The Plan's policy in regard to the allocation of invested assets in the PRIT is established by the PRIM. The policy with regard to the allocation of all other invested assets is established by the Retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the Plan.

The long term expected rate of return on the Plan's 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) 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 Plan's target asset allocation as of December 31, 2014 are summarized in the following table.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 7 - PENSION PLAN (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Deferred Inflows of Resources Related to Pensions (continued)

B. Investment Policy (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	40.00%	8.80%
International equity	15.00%	4.60%
Fixed income	25.00%	3.30%
Real estate	10.00%	6.70%
Timber	2.50%	5.30%
Alternatives – private equity	5.00%	13.10%
Hedge funds	2.50%	3.20%

C. Discount Rate - The discount rate used to measure the total Plan liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws and at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 the Plan's investments was applied to all periods of projected benefit payments to determine the total Plan liability.

D. Contributions - Governmental employers are required to pay an annual appropriation as established 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 fiscal 2015 and prior Plan fund appropriations have been allocated among employers based on covered payroll. Beginning with the fiscal 2016 appropriations, the System is transitioning to an actuarial based methodology that will allocate contributions to member units based on the member units actuarially determined share of the total pension liability. The transition is being phased in through the use of a blended rate that will be used for the fiscal 2016 and 2017 appropriations. For fiscal 2016, the blended rate will be 1/3 actuarial basis and 2/3 covered payroll. For fiscal 2017, the blended rate will be 2/3 actuarial basis and 1/3 covered payroll. For the fiscal 2018 Plan fund appropriations and subsequent fiscal years, 100% of appropriations will be calculated using the member unit's applicable percentage of the total Plan liability.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 7 - PENSION PLAN (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Deferred Inflows of Resources Related to Pensions (continued)

E. Sensitivity of the Net Position Liability to Changes in the Discount Rate – The following presents the net position liability, calculated using the discount rate of 7.75%, as well as what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Dukes County Retirement System's net pension liability as of December 31, 2014	\$53,593,538	\$36,044,813	\$21,086,808
MVC's portion of net pension liability	\$1,126,536	\$757,662	\$443,244

F. Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

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.

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.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (continued)

B. Benefits Provided - The Commission provides medical and dental insurance payment 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, 2014.

Annual contribution amount	\$134,598
Interest on net OPEB obligation	15,518
Adjustment to annual contribution	(11,996)
Annual OPEB cost (expense)	<u>\$138,120</u>
Contributions made (including subsidy)	<u>(52,015)</u>
Increase in net OPEB obligation	\$ 86,105
Net OPEB obligation - beginning of year	387,943
Prior year funding	(-)
Net OPEB obligation - end of year	<u><u>\$474,048</u></u>

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (continued)

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

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 year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB Obligation</u>
2015	\$138,120	52.5%	\$ 86,105
2014	\$145,495	41.9%	\$ 84,506
2013	\$139,707	54.0%	\$ 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, 2015 is recorded as "other post employment benefits".

E. Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date, the plan was .4 percent funded. The actuarial accrued liability for benefits was \$2,073,110 and the actuarial value of assets was \$41,230, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,031,880. The covered payroll (annual payroll of active employees covered by the plan) was \$771,266 and the ratio of the UAAL to the covered payroll was 263%. 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 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.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (continued)

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, 2014 actuarial valuation the projected unit credit method was used. The actuarial assumptions included a four 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 eight percent initially, reduced by decrements to an ultimate rate of five percent (5%) after eight years. Both rates included a three 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, 2015 was twenty-four (24) 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.

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.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 10 - BUDGET AND BUDGETARY ACCOUNTING (continued)

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, 2015 there were four 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.

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.

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2015

NOTE 12 - SUBSEQUENT EVENTS

The Commission's management has evaluated events subsequent from June 30, 2015 through December 21, 2015 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, 2015

<u>Expenses</u>	Total Expense	Unallowed Costs	Direct Labor	Other Direct Costs	Indirect Costs
Salaries - direct	\$ 475,250	\$ -	\$ 475,250	\$ -	\$ -
Salaries - administrative	324,842	-	-	-	324,842
Pension plan (DCRS)	79,176	-	-	-	79,176
Health and disability insurance	160,719	-	-	-	160,719
Retirees insurance - current benefit payments	22,181	-	-	-	22,181
Medicare/social security	12,633	-	-	-	12,633
Worker's comp	850	-	-	-	850
Payroll taxes (DET)	4,839	-	-	-	4,839
Advertising	16,483	-	-	16,137	346
Audit fees	8,500	-	-	-	8,500
Contractual	96,543	-	-	64,860	31,683
Dues and subscriptions	9,851	-	-	3,760	6,091
Equipment	14,879	-	-	4,870	10,009
Insurance	13,492	-	-	-	13,492
Interest	20,651	-	-	-	20,651
Legal fees	40,546	-	-	-	40,546
Postage	2,101	-	-	-	2,101
Printing	9,153	-	-	9,153	-
Registry fees	600	-	-	600	-
Rent	-	-	-	-	-
Repairs and maintenance	20,301	-	-	876	19,425
Supplies	21,415	-	-	2,991	18,424
Travel	15,125	-	-	5,509	9,616
Utilities	12,587	-	-	-	12,587
Amortization and Depreciation	15,708	-	-	-	15,708
Expenses Before Post Employment Benefits	1,398,425	-	475,250	108,756	814,419
Retirees insurance - post employment benefit (ARC)	119,779	99,279	-	-	20,500
Total Expenses	\$ 1,518,204	\$ 99,279	\$ 475,250	\$ 108,756	\$ 834,919

Indirect costs / Direct labor = Indirect cost rate
 \$ 834,919 = 175.68%
 475,250

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, 2015

	Total	Local Share	MassDOT No. 73848	DLTA15	DLTA14	Pre-Disaster Mitigation	Other Programs
Revenues							
Federal, state and local contracts	\$ 404,565	\$ -	\$ 272,253	\$ 22,519	\$ 70,723	\$ -	\$ 39,070
Town assessments	1,047,478	1,038,154	-	2,252	7,072	-	-
Interest income	1,499	1,499	-	-	-	-	-
Other revenues	58,717	58,717	-	-	-	-	-
Total Revenues	1,512,259	1,098,370	272,253	24,771	77,795	-	39,070
Expenses							
Salaries	475,250	268,719	132,521	12,730	48,050	4,311	8,919
Advertising	16,137	1,478	2,257	1,525	-	-	10,877
Contractual	64,860	922	2,231	10,000	26,994	-	24,713
Dues and subscriptions	3,760	3,760	-	-	-	-	-
Equipment	4,870	1,424	1,698	-	1,748	-	-
Legal fees	-	-	-	-	-	-	-
Payroll tax expense	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-
Printing	9,153	6,102	3,051	-	-	-	-
Registry fees	600	600	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Repairs and maintenance	876	-	722	154	-	-	-
Supplies	2,991	1,443	1,535	-	13	-	-
Travel	5,509	2,835	2,179	20	301	-	174
Utilities	-	-	-	-	-	-	-
Other direct costs	-	-	-	-	-	-	-
Total direct costs	584,006	287,283	146,194	24,429	77,106	4,311	44,683
Unallowed costs - ARC (OPEB)	99,279	99,279	-	-	-	-	-
Indirect cost allocation (1)	834,919	472,085	232,813	22,364	84,414	7,574	15,669
Total Expenses	1,518,204	858,647	379,007	46,793	161,520	11,885	60,352
Excess (Deficit) of Revenues Over Expenses	\$ (5,945)	\$ 239,723	\$ (106,754)	\$ (22,022)	\$ (83,725)	\$ (11,885)	\$ (21,282)
(1) Allocated based on ratio of indirect costs to direct labor			<u>175.68%</u>				

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

MARTHA'S VINEYARD COMMISSION
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Grants	358,000	\$ 404,565	\$ 46,565
Town Share	1,047,478	1,047,478	-
Interest and other income	50,000	60,216	10,216
Total Revenues	<u>1,455,478</u>	<u>1,512,259</u>	<u>56,781</u>
Payroll Expenses			
Salaries	771,266	800,092	(28,826)
Pension plan (DCRS)	133,547	79,176	54,371
Health and disability insurance	140,571	160,719	(20,148)
Retirees insurance - current benefit payments	31,161	22,181	8,980
OPEB - Pre-funding	20,500	20,500	-
Medicare/SS/Unemployment & Other Payroll Costs	16,017	17,472	(1,455)
Worker's comp	1,671	850	821
Total Payroll Expenses	<u>1,114,733</u>	<u>1,100,990</u>	<u>13,743</u>
Administration and Operating Expenses			
Advertising	2,000	16,483	(14,483)
Audit fees	8,400	8,500	(100)
Capital improvements	2,000	15,961	(13,961)
Contractual	18,000	96,543	(78,543)
Dues and subscriptions	6,700	9,851	(3,151)
Equipment/Grant fixed assets	10,000	14,879	(4,879)
Insurance	13,509	13,492	17
Interest	20,694	20,651	43
Legal fees	120,000	40,546	79,454
Maintenance	6,000	20,301	(14,301)
Loan - principal	22,937	20,755	2,182
Postage	2,250	2,101	149
Printing	1,000	9,153	(8,153)
Registry fees	975	600	375
Rent	-	-	-
Replenish reserve	75,000	75,000	-
Supplies	12,500	21,415	(8,915)
Travel/Conference	6,500	15,125	(8,625)
Utilities	12,280	12,587	(307)
Other costs	-	-	-
	<u>340,745</u>	<u>413,943</u>	<u>(73,198)</u>
	<u>1,455,478</u>	<u>1,514,933</u>	<u>\$ (59,455)</u>
Excess of Expenses Over Revenues - Budgetary	<u>\$ -</u>	<u>\$ (2,674)</u>	
Add back: loan principal payments		20,755	
Add back: OPEB Pre-funding		20,500	
Add back: capital improvements		15,961	
Add back: replenishment of reserve		75,000	
Less: provision for post employment benefits (OPEB)		(119,779)	
Less: amortization and depreciation		(15,708)	
Change in Position - General Fund		<u>\$ (5,945)</u>	

MARTHA'S VINEYARD COMMISSION
Schedule of the Commission's Proportionate Share of the Net Pension Liability
June 30, 2015

MVC's proportion of the net pension liability	2.102%
MVC's proportionate share of the net pension liability	\$ 757,662
MVC's covered-employee payroll	\$ 753,680
MVC's proportionment share of the net pension liability as a percentage of its covered-employee payroll	1.005%
Plan fiduciary net position as a percentage of the total pension liability.	81.370%

Notes to Required Supplementary Information

Measurement date:

The amounts presented in this schedule were determined as of December 31, 2014.

Schedule presentation:

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.

Changes information:

Since the System performs an actuarial study bi-annually, there is no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of June 30, 2015

MARTHA'S VINEYARD COMMISSION
Schedule of Pension Contributions
June 30, 2015

Actuarially required contribution	\$ 133,659
Contributions in relation to the actuarially required contribution	\$ 133,659
Contribution deficiency	\$ -
Covered employee payroll	\$ 753,680
Contributions as a percentage of its covered employee payroll	17.730%

Notes to Required Supplementary Information

Schedule presentation:

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.

**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, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 21, 2015.

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.

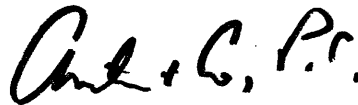
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did 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 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
December 21, 2015