

MARTHA'S VINEYARD COMMISSION

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORTS

June 30, 2012

MARTHA'S VINEYARD COMMISSION
Financial Statements
For the Year Ended June 30, 2012

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Independent Auditor's Report

To the Commissioners of the
Martha's Vineyard Commission
33 New York Avenue
Oak Bluffs, MA 02557

We have audited the accompanying basic financial statements of the Martha's Vineyard Commission as of and for the years ended June 30, 2012 and 2011, 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.

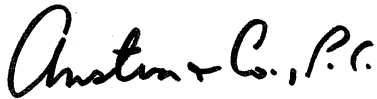
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Martha's Vineyard Commission as of June 30, 2012 and 2011 and the change in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2012 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison information, included in the supplementary schedule section, are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Martha's Vineyard Commission, taken as a whole. The supplementary schedules of indirect cost rate and combining revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Anstiss & Co., P.C.
Lowell, Massachusetts
September 19, 2012

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, 2011. 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 assets present information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets 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 assets report the operating revenues and expenses for the fiscal year used to determine the net change in assets. That change combined with the previous year's end net asset total reconciles to the net asset 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

	<u>FY 2012</u>	<u>FY 2011</u>
Current and other assets	\$ 260,344	\$ 350,676
Capital assets, net	782,212	771,522
Total assets	<u>1,042,556</u>	<u>1,122,198</u>
Current liabilities	351,002	270,851
Other post employment benefits	254,798	192,293
Long term debt	439,270	465,153
Total liabilities	<u>1,045,070</u>	<u>928,297</u>
Net assets - general reserve	(67,095)	101,446
Net assets - invested in capital assets	319,379	284,748
Net assets - relating to OPEB obligation	(254,798)	(192,293)
Total net assets	<u>193,901</u>	<u>193,901</u>
Revenues	1,236,046	1,287,448
Expenses	1,432,461	1,347,058
Change in net assets	<u>\$ (196,415)</u>	<u>\$ (59,610)</u>

Financial Highlights

The liabilities of the Martha's Vineyard Commission exceeded its assets at the close of the most recent fiscal year by \$2,514. The total net assets decreased by \$196,415 for the year ended June 30, 2012. The decrease reflects a charge to operations of \$73,005 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 \$461,319. 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 decreased by \$51,089 (11%) over the prior year.
- Total expenses excluding the post employment charge of \$73,005 (5%) increased by \$84,912 (6%), which with the exception of increased legal expenses, was generally in line with the budget.
- Revenues from assessments of member communities were \$794,125, consistent with the prior year.

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 2013 contract revenue has been budgeted to decrease by \$44,157 (11%) compared to 2012. Assessments have been budgeted to increase by \$ 19,141 (2.4%) compared to 2012.

MARTHA'S VINEYARD COMMISSION

Statements of Net Assets

As of June 30, 2012

and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents - operating	\$ 24,060	\$ 133,737
Cash and cash equivalents - general reserve	148,425	148,016
Cash and cash equivalents - building reserve	511	61
Other assets	5,039	-
Accounts receivable (Note 4)	80,530	66,963
Total current assets	258,565	348,777
Capital assets (Notes 2 & 5):		
Land and building	911,820	885,152
Equipment	37,741	68,832
	949,561	953,984
Less: accumulated depreciation	(167,349)	(182,462)
Net capital assets	782,212	771,522
Unamortized loan expenses	1,779	1,899
Total Assets	\$ 1,042,556	\$ 1,122,198
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 265,536	\$ 194,230
Deferred revenue	61,903	55,000
Current portion of long term debt	23,563	21,621
Total current liabilities	351,002	270,851
Other post employment benefits (OPEB) (Note 8)	254,798	192,293
Long term debt (Note 6)	439,270	465,153
Total Liabilities	1,045,070	928,297
Net Assets		
Invested in capital assets, net of related debt	319,379	284,748
Relating to OPEB obligation	(254,798)	(192,293)
Unrestricted - other	(67,095)	101,446
Total Net Assets	(2,514)	193,901
Total Liabilities and Net Assets	\$ 1,042,556	\$ 1,122,198

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

MARTHA'S VINEYARD COMMISSION
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Federal, state and local contracts	\$ 384,157	\$ 435,246
Local assessments	794,125	794,126
Interest income	1,698	1,878
Other income	<u>56,066</u>	<u>56,198</u>
Total Revenues	<u>1,236,046</u>	<u>1,287,448</u>
Expenses		
Direct costs	430,185	548,270
Other costs (including a provision for future post employment benefits of \$73,005 and \$72,514 for the years ended June 30, 2012 and 2011, respectively)	<u>1,002,276</u>	<u>798,788</u>
Total Expenses	<u>1,432,461</u>	<u>1,347,058</u>
Changes in Net Assets	(196,415)	(59,610)
Capitalization of grant funded capital assets	-	-
Depreciation of grant funded capital assets	-	-
Net Assets - Beginning of Year	<u>193,901</u>	<u>253,511</u>
Net Assets - End of Year	<u><u>\$ (2,514)</u></u>	<u><u>\$ 193,901</u></u>

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

MARTHA'S VINEYARD COMMISSION
 Statements of Cash Flows
 For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Cash received from grants, assessments and contracts	\$ 1,227,684	\$ 1,257,458
Interest income - operating	1,698	1,878
Cash payments to employees	(724,306)	(724,306)
Cash payments to suppliers	(536,667)	(469,173)
Net Cash Provided by Operating Activities	(31,591)	65,857
Cash Flows From Investing Activities		
Purchase of capital assets	(26,668)	(9,240)
Net Cash Used by Investing Activities	(26,668)	(9,240)
Cash Flows From Capital and Related Financing Activities		
Payments on long term debt	(23,941)	(24,426)
Interest paid on long term debt	(26,618)	(33,948)
Net Cash Used by Capital and Related Financing Activities	(50,559)	(58,374)
Net Increase (Decrease) in Cash	(108,818)	(1,757)
Cash and Cash Equivalents - Beginning of Year	281,814	283,571
Cash and Cash Equivalents - End of Year	\$ 172,996	\$ 281,814
<i>Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities</i>		
Change in net assets	\$ (196,415)	\$ (59,610)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	15,978	15,365
Interest expense - financing activity	26,618	33,948
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(13,567)	(7,112)
(Increase) decrease in other assets	(5,039)	0
Decrease in unamortized loan expenses	120	120
(Increase) decrease in accounts payable and accrued expenses	71,306	31,632
Increase in other post employment benefits	62,505	72,514
Increase (decrease) in deferred revenue	6,903	(21,000)
Net Cash Provided by Operating Activities	\$ (31,591)	\$ 65,857

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

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2012

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 Assets. 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 assets 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, 2012

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, 2012

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, 2012 none of the Commissions cash balance of \$172,996 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, 2012 consisted of the following:

Mass. Department of Transportation (Mass Dot)	\$ 60,372
Local Grants and Other Receivables	<u>20,158</u>
Total accounts receivable	<u>\$80,530</u>

As of June 30, 2012 no allowance for doubtful accounts was deemed necessary by management.

MARTHA'S VINEYARD COMMISSION
Notes to Financial Statements
June 30, 2012

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, 2010	\$ 68,832	\$ 615,152	\$ 270,000	\$ 953,984
Current year retirements	(31,091)	-	-	(31,091)
Current year additions	-	26,668	-	26,668
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance - June 30, 2011	<u>\$37,741</u>	<u>\$641,820</u>	<u>\$ 270,000</u>	<u>\$ 949,561</u>

Depreciation expense of \$15,978 and \$15,365 was charged to operations for the years ended June 30, 2012 and 2011, 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.

\$461,319

Capitalized lease agreement with Savin/daRosa Leasing at a fixed interest rate of 16%, payable in monthly installments of \$325 through October 2012, secured by a copy machine.

1,514
462,833
(23,563)
\$439,270

Less: Current portion

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

	<u>Principal</u>	<u>Interest</u>
2013	\$23,562	\$21,594
2014	22,171	21,460
2015	23,305	20,326
2016	24,498	19,133
2017-2021	142,622	75,534
2022-2026	183,035	35,121
2027-2028	<u>43,640</u>	<u>1,224</u>
	<u>\$462,833</u>	<u>\$194,392</u>

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2012

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 MVC are members of the System. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the 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, 2012 and 2011 were \$121,981 and \$92,300 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, 2012

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 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, 2012:

MARTHA'S VINEYARD COMMISSION

Notes to Financial Statements

June 30, 2012

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

Annual contribution amount	\$160,650
Interest on net OPEB obligation	7,692
Adjustment to annual contribution	(5,945)
Annual OPEB cost (expense)	162,397
Contributions made (including subsidy)	(99,892)
Increase in net OPEB obligation	62,505
Net OPEB obligation - beginning of year	192,293
Prior year funding	-
Net OPEB obligation - end of year	\$254,798

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>
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, 2012 is recorded as "other post employment benefits".

E. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,288,015 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,288,015. The covered payroll (annual payroll of active employees covered by the plan) was \$838,693 and the ratio of the UAAL to the covered payroll was 272.4%. 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, 2012

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 June 30, 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 8.5 percent initially, reduced by decrements to an ultimate rate of five percent (5%) after eight years. Both rates included a 4.5 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, 2012 was twenty-seven 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, 2012

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, 2012 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, 2012

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, 2012 through September 19, 2012 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, 2012

	Total Expense	Unallowed Costs	Direct Labor	Other Direct Costs	Indirect Costs
Expenses					
Salaries - direct	396,666	\$ -	\$ 396,666	\$ -	\$ -
Salaries - administrative	282,551	-	-	-	282,551
Pension plan (DCRS)	121,981	-	-	-	121,981
Health and disability insurance	152,440	-	-	-	152,440
Retirees insurance - current benefit payments	34,356	-	-	-	34,356
Medicare/social security	9,721	-	-	-	9,721
Worker's comp	1,243	-	-	-	1,243
Payroll taxes (DET)	1,744	-	-	-	1,744
Advertising	4,176	-	-	3,922	254
Audit fees	8,800	-	-	-	8,800
Contractual	23,236	-	-	11,475	11,761
Dues and subscriptions	9,886	-	-	1,054	8,832
Equipment	12,550	-	-	2,914	9,636
Insurance	6,260	-	-	-	6,260
Interest	26,618	-	-	-	26,618
Legal fees	196,613	-	-	-	196,613
Maintenance	13,759	-	-	-	13,759
Postage	2,708	-	-	40	2,668
Printing	163	-	-	-	163
Registry fees	525	-	-	450	75
Rent	130	-	-	-	130
Supplies	16,297	-	-	6,342	9,955
Travel	10,109	-	-	7,202	2,907
Utilities	9,885	-	-	120	9,765
Other costs	1,061	-	-	-	1,061
Miscellaneous	-	-	-	-	-
Depreciation	15,978	-	-	-	15,978
Expenses Before Post Employment Benefits	1,359,456	-	396,666	33,519	929,271
Retirees insurance - post employment benefit (ARC)	73,005	62,505	-	-	10,500
Total Expenses	\$ 1,432,461	\$ 62,505	\$ 396,666	\$ 33,519	\$ 939,771

Indirect costs / Direct labor = Indirect cost rate
 \$ 939,771 = 236.92%
 396,666

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, 2012

	Total	Local Share	MassDot #56241	DLTA11	DLTA12	Other Programs
Revenues						
Federal, state and local contracts	\$ 384,157	\$ -	\$ 278,214	\$ 50,000	\$ 43,097	\$ 12,846
Town assessments	794,125	780,533	-	5,000	4,309	4,282
Interest income	1,698	1,698	-	-	-	-
Other revenues	56,066	56,066	-	-	-	-
Total Revenues	1,236,046	838,297	278,214	55,000	47,406	17,128
Expenses						
Salaries	396,666	210,213	126,961	27,771	20,254	11,467
Contractual	11,475	7,070	-	3,505	900	-
Advertising	3,922	2,236	1,350	-	336	-
Equipment	2,914	377	2,537	-	-	-
Postage	40	18	22	-	-	-
Dues and subscriptions	1,054	1,054	-	-	-	-
Registry fees	450	375	75	-	-	-
Travel	7,202	3,101	2,888	951	251	11
Supplies	6,342	386	5,188	531	-	237
Utilities	120	102	18	-	-	-
Other direct costs	-	-	-	-	-	-
Total direct costs	430,185	224,932	139,039	32,758	21,741	11,715
Unallowed costs - ARC (OPEB)	62,505	62,505	-	-	-	-
Indirect cost allocation (1)	939,771	498,031	300,793	65,794	47,985	27,167
Total Expenses	1,432,461	785,468	439,832	98,552	69,726	38,882
Excess (Deficit) of Revenues Over Expenses	\$ (196,415)	\$ 52,829	\$ (161,618)	\$ (43,552)	\$ (22,320)	\$ (21,754)

(1) Allocated based on ratio of indirect costs to direct labor

236.92%

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

MARTHA'S VINEYARD COMMISSION
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2012

	Budget	Actual	Favorable (Unfavorable)
Revenues			
Grants	325,500	\$ 384,157	\$ 58,657
Town Share	794,125	794,125	-
Interest and other income	48,000	57,764	9,764
Total Revenues	1,167,625	1,236,046	68,421
Payroll Expenses			
Salaries	701,764	679,217	22,547
Pension plan (DCRS)	90,500	121,981	(31,481)
Health and disability insurance	131,600	152,440	(20,840)
Retirees insurance - current benefit payments	7,500	34,356	(26,856)
OPEB - Pre-funding	10,500	10,500	-
Medicare/social security	10,491	9,721	770
Worker's comp	3,500	1,243	2,257
Payroll taxes (Unemployment)	1,660	1,744	(84)
Total Payroll Expenses	957,515	1,011,202	(53,687)
Administration and Operating Expenses			
Advertising	2,000	4,176	(2,176)
Audit fees	8,500	8,800	(300)
Capital improvements	7,000	26,667	(19,667)
Contractual	18,518	23,236	(4,718)
Dues and subscriptions	6,695	9,886	(3,191)
Equipment/Grant fixed assets	10,500	12,550	(2,050)
Insurance	13,000	6,260	6,740
Interest	25,000	26,618	(1,618)
Legal fees	60,000	196,613	(136,613)
Maintenance	6,000	13,759	(7,759)
Loan - principal	14,600	23,942	(9,342)
Postage	2,500	2,708	(208)
Printing	1,000	163	837
Registry fees	1,000	525	475
Rent	350	130	220
Supplies	13,133	16,297	(3,164)
Travel/Conference	6,951	10,109	(3,158)
Utilities	13,363	9,885	3,478
Other costs	-	1,061	(1,061)
	210,110	393,385	(183,275)
	1,167,625	1,404,587	\$ (236,962)
Excess of Revenues Over Expenses - Budgetary	\$ -	\$ (168,541)	
Add back: loan principal payments		23,942	
Add back: OPEB Pre-funding		10,500	
Add back: Capital Improvements		26,667	
Less: provision for post employment benefits (OPEB)		(73,005)	
Less: depreciation		(15,978)	
Change in Net Assets - General Fund		\$ (196,415)	

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

**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

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining information of the Martha's Vineyard Commission (the Commission) as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 19, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended for the information of the Commissioners, management and federal awarding agencies and pass-thru entities and is not intended to be and should not be used by anyone other than these specified parties.

Anstiss & Co., P.C.

Anstiss & Co., P.C.

Lowell, MA

September 19, 2012