MARTHA'S VINEYARD LAND BANK

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTAL INFORMATION

JUNE 30, 2018

MARTHA'S VINEYARD LAND BANK

Financial Statements, Required Supplementary Information, and Supplemental Information

June 30, 2018

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O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Martha's Vineyard
Land Bank Commission
Edgartown, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Martha's Vineyard Land Bank (the "Land Bank"), which comprise the statement of net position as of June 30, 2018, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Martha's Vineyard Land Bank as of June 30, 2018, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018 and required the Land Bank to restate beginning net position at July 1, 2017 to recognize its proportionate share of the net postemployment benefits other than pensions obligation determined for the Land Bank. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the Martha's Vineyard Land Bank's basic financial statements. The supplemental schedule of land, development rights and land improvements on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, on our consideration of the Land Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Martha's Vineyard Land Bank's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts
October 15, 2018

MARTHA’S VINEYARD LAND BANK

Management’s Discussion and Analysis (Unaudited)

Fiscal Year Ended June 30, 2018

Financial Statements

The financial statements presented herein include all of the activity of the Martha’s Vineyard Land Bank (the "Land Bank”) using the integrated approach as prescribed by Governmental Accounting Standards Board ("GASB") Statement 34.

The financial statements are on an accrual basis of accounting and include all assets and liabilities of the Land Bank.

The Land Bank was created by Chapter 736 of the Acts of 1985 of the Commonwealth of Massachusetts. The Land Bank was established to acquire and manage land located within Martha’s Vineyard.

Statement of Net Position, Statement of Revenues and Expenses and Statement of Changes in Net Position

The Statement of Net Position and the Statement of Revenues and Expenses report all of the activities of the Land Bank on an accrual basis of accounting. All of the current year’s revenues and expenses are recorded when they occurred regardless of when the cash is received or paid.

The two statements reflect the Land Bank’s net position and the changes in net position. Net position is the difference between total assets and total liabilities. Measuring net position is one way to determine the financial stability of an organization or an organization’s financial position. The statements of revenues and expenses show the change in net position from one year to the next year. This statement shows the components during the year that either increased or decreased the net position. Over time, increases or decreases in the Land Bank’s net position are one factor of measuring whether the financial health of the organization is improving or deteriorating.

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, became effective for the fiscal year ended June 30, 2018 and as a result, required the Land Bank to restate beginning net position at July 1, 2017. The Land Bank now recognizes an OPEB liability determined under GASB 75, based on actuarial data.

MARTHA'S VINEYARD LAND BANK

Management's Discussion and Analysis (Unaudited) - Continued

Fiscal Year Ended June 30, 2018

Statement of Net Position, Statement of Revenues and Expenses and Statement of Changes in Net Position - Continued

Net Position of the Land Bank for the fiscal years ended June 30, 2018 and 2017, was as follows:

	2018	(Restated) 2017
Current assets	**$ 11,752,198**	$ 11,074,528
Capital assets	**198,199,521**	194,831,119
Deferred outflow of resources	**676,322**	777,757
Total	**210,628,041**	206,683,404
Current and other liabilities	**4,356,143**	5,042,705
Long-term debt	**54,547,335**	59,875,263
Deferred inflows of resources	**325,419**	199,312
Total	**59,228,897**	65,117,280
Net position:		
Investment in capital assets, net	**141,362,186**	132.309,788
Restricted	**756,702**	743,483
Unrestricted	**9,280,256**	8,512,863
Total Net Position	**$ 151,399,144**	$ 141,566,124

Changes in net position for the fiscal years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Operating revenues	**$ 13,532,760**	$ 13,650,334
Operating expenses	**1,349,952**	1,546,014
Net Operating Income	**12,182,808**	12,104,320
Non-Operating Revenue (Expense)	**(2,349,788)**	(2,209,698)
Changes in Net Position	**$ 9,833,020**	$ 9,894,722

Statement of Net Position, Statement of Revenues and Expenses and Statement of Changes in Net Position - Continued

Total net position increased 6.9% from 2017 to 2018 and 7.5% from 2016 to 2017. The majority of this increase was related to capital assets and is reflected in the increase in net investment in capital assets. Unrestricted net position decreased by 9.0% from 2017 to 2018 and increased by 4.4% from 2016 to 2017.

Fiscal year 2018 had a decrease in fee revenues of approximately $118,000 from 2017 levels. Fee revenues represent 100% of all operating revenues of the Land Bank for fiscal years ended June 30, 2018 and 2017.

The Land Bank increased its investment in land, development rights and land improvements during fiscal year 2018 by approximately $9 million. Part of this increase related to the principal payments on bonds and notes payable of approximately $5.3 million during the year ended June 30, 2018.

Contacting Land Bank Management

This financial report is designed to provide citizens with a general overview of the Land Bank's finances and to show the Land Bank's accountability for the money it receives. If there are questions about this report, please contact Martha's Vineyard Land Bank at P.O. Box 2057, Edgartown, MA 02539.

MARTHA'S VINEYARD LAND BANK

Statement of Net Position

June 30, 2018

MARTHA'S VINEYARD LAND BANK

Statement of Net Position

June 30, 2018

Assets and Deferred Outflow of Resources

Current Assets:	
Cash and equivalents	$ 5,584,185
Investments:	
Unrestricted	5,395,219
Restricted	756,702
Prepaid expenses	16,092
Total Current Assets	11,752,198
Capital Assets:	
Property and equipment, net of accumulated depreciation of $767,266	352,745
Land, development rights and land improvements, net of accumulated depreciation of $71,258	197,846,776
Total Capital Assets	198,199,521
Total Assets	209,951,719
Deferred Outflow of Resources:	
Deferred loss on bond refunding	575,484
Pension related, net	100,838
Total Deferred Outflows of Resources	676,322
Total Assets and Deferred Outflow of Resources	$ 210,628,041

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

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:	
Current portion of notes payable	$ 250,000
Current portion of bonds payable	2,040,000
Accounts payable and accrued expenses	437,956
Total Current Liabilities	2,727,956
Long-Term Liabilities:	
Notes payable, net of current portion	200,000
Bonds payable, net of current portion	54,347,335
Net pension liability	504,219
Net OPEB liability	1,123,968
Total Long-Term Liabilities	56,175,522
Total Liabilities	58,903,478
Deferred Inflows of Resources:	
Deferred gain on bond refunding	176,671
Pension related, net	148,748
Total Deferred Inflows of Resources	325,419
Net Position:	
Investment in capital assets, net	141,362,186
Restricted	756,702
Unrestricted	9,280,256
Total Net Position	151,399,144
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 210,628,041

MARTHA'S VINEYARD LAND BANK

Statement of Revenues and Expenses

For the Year Ended June 30, 2018

Operating Revenues:	
Fee revenues	$ 13,532,760
Operating Expenses:	
Administrative	1,349,952
Operating Income	12,182,808
Non-operating Revenues and Expenses:	
Interest income	104,180
Interest expense	(2,453,968)
Total Non-operating Revenues and Expenses	(2,349,788)
Increase in Net Position	$ 9,833,020

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

MARTHA'S VINEYARD LAND BANK

Statement of Changes in Net Position

For the Year Ended June 30, 2018

	Investment in Capital Assets, net	Restricted	Unrestricted	Total
Balance, June 30, 2017, as previously reported	**$ 132,309,778**	**$ 743,483**	**$ 8,953,261**	**$ 142,006,522**
Prior Period Adjustment - Change in Accounting Principle (Note 2)	-	-	(440,398)	(440,398)
Balance, June 30, 2017, as restated	**132,309,778**	**743,483**	**8,512,863**	**141,566,124**
Changes in net position	9,052,408	13,219	767,393	9,833,020
Balance, June 30, 2018	**$ 141,362,186**	**$ 756,702**	**$ 9,280,256**	**$ 151,399,144**

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

MARTHA'S VINEYARD LAND BANK

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash Flows from Operating Activities:	
Cash received from fee revenue	$ 13,532,760
Cash payments to suppliers	(770,217)
Cash paid to employees for services	(917,499)
Net Cash Provided by Operating Activities	11,845,044
Cash Flows from Capital and Related Financing Activities:	
Principal payments on notes payable	(3,423,066)
Principal payments on bonds payable	(1,930,000)
Interest paid on notes and bonds	(2,505,896)
Net Cash Applied to Capital and Related Financing Activities	(7,858,962)
Cash Flows from Investing Activities:	
Acquisition of land, development rights and land improvements	(3,403,684)
Acquisition of property and equipment	(25,000)
Purchase of investments	(25,000)
Interest income	33,914
Net Cash Applied to Investing Activities	(3,419,770)
Net Increase in Cash and Equivalents	566,312
Cash and Equivalents, Beginning of Year	5,017,873
Cash and Equivalents, End of Year	$ 5,584,185

MARTHA'S VINEYARD LAND BANK

Statement of Cash Flows - Continued

For the Year Ended June 30, 2018

Reconciliation of Increase in Net Position to Net Cash Provided by Operating Activities:	
Operating Income	$ 12,182,808
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	60,282
Amortization of bond related accounts	(309,407)
Changes in assets and liabilities:	
Prepaid expenses	(16,092)
Accounts payable and accrued expenses	13,418
Net pension activity	12,174
Net OPEB activity	(98,139)
Net Adjustments	(337,764)
Net Cash Provided by Operating Activities	$ 11,845,044

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

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements

June 30, 2018

Note 1 - **Summary of Significant Accounting Policies**

Business Activity

The Martha's Vineyard Land Bank (the "Land Bank") was created by Chapter 736 of the Acts of 1985 of the Commonwealth of Massachusetts to acquire and manage open space and resource protection on the island of Martha's Vineyard. The Land Bank is administered by the Martha's Vineyard Land Bank Commission (the "Commission") comprised of seven members, one elected from each of the six towns, which constitute the island of Martha's Vineyard, and one at-large member selected by the Department of Environmental Affairs of the Commonwealth. Each of the towns is required to appoint an advisory board to assist the Commission. Land purchases by the Land Bank are subject to approval by (a) a majority vote of each town's advisory board, in whose town the land is located, irrespective of whether the town's fund is used for the purchase and (b) the Commission. The law provides that the operations and acquisitions of the Land Bank will be financed principally by fees imposed upon certain transfers of real property interests in the member towns that represent the Land Bank and income earned from the investment of the Land Bank's surplus funds. The Land Bank may also issue bonds and notes to raise funds to acquire land and interests in land. The Land Bank holds title to certain properties that have been acquired and holds development rights to other properties.

Measurement Focus, Basis of Accounting and Basis of Presentation

The Land Bank uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating depreciation, amortization, net pension and OPEB liabilities, and the recoverability of long-lived assets.

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements - Continued

June 30, 2018

Note 1 - **Summary of Significant Accounting Policies - Continued**

Revenue Recognition
Fee revenue is equal to two percent of the purchase price upon certain transfers of real property and is recognized on transfer. Interest income generated on investments is recognized as earned. Donations in the form of cash or property are recognized upon receipt.

Cash and Equivalents
The Land Bank considers securities purchased within three months of their date of maturity to be cash equivalents. The carrying amount approximates fair value for cash and equivalents.

Investments
Investments are recorded at fair value. Purchases and sales of investments are recorded on a trade-date basis.

Unrestricted investments represent certificates of deposit, money market funds, and repurchase agreements. Unrestricted investments are not insured and involve risk. Restricted investments represent funds being held by the bond trustee as a reserve fund to provide principal and interest payments. These investments have been pledged as security on revenue bonds.

The Land Bank reports its investments in equity securities with readily determinable fair values at their fair value on the statements of net position, with the corresponding unrealized gains and losses included in the Statement of Net Position. Realized gains and losses are determined on the basis of the first-in and first-out method.

Property and Equipment
Property and equipment are stated at cost. Depreciation is computed using straight-line methods over the estimated useful asset lives.

Income Taxes
The Land Bank is exempt from federal and state income taxes.

Note 1 - **Summary of Significant Accounting Policies - Continued**

Pensions
The Land Bank contributes to the Dukes County Contributory Retirement System ("DCCRS") and for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the DCCRS and the additions to/deductions from DCCRS' fiduciary net position have been determined on the same basis as they are reported by DCCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB
In addition to providing pension benefits, the Land Bank provides health insurance coverage to retired employees. The required contribution by the Land Bank is based on the current pay-as-you-go financing requirement. The cost of providing health insurance is recognized by recording the Land Bank's share of insurance premiums in the fiscal year paid.

Net Position
Resources are classified, for accounting purposes, into the following three net position categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Land Bank or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the Land Bank.

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Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements
GASB Statement 83 – *Certain Asset Retirement Obligations* ("AROs") is effective for periods beginning after June 15, 2018. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. Management has not completed its review of the requirements of this standard and its applicability

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be combined and shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Placements* is effective for years beginning after June 15, 2018. Implementation of this standard will require additional disclosures in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has not completed its review of the requirements of this standard and its applicability.

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements - continued
GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

Note 2 - **Implementation of Newly Effective Accounting Standard**

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, net position was restated to reflect the net OPEB liability as of June 30, 2017, as displayed below.

	As Previously Reported	As Restated
As of June 30, 2017:		
Unrestricted net position	$8,953,261	$8,512,863
Net OPEB liability	781,709	1,222,107

Note 3 - **Cash and Equivalents**

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the financial institution has pledged assets to the Land Bank to guarantee recovery of balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") and Depositors Insurance Fund ("DIF"). The DIF insures all balances in excess of the amounts insured by the FDIC. As a result, the Land Bank does not have amounts exposed to custodial credit risk at June 30, 2018.

Note 4 - **Investments**

The Land Bank categorizes short-term investments according to the level of risk assumed. At June 30, 2018, all investments are insured, registered, or held by the Land Bank's agent in the Land Bank's name. The Land Bank currently follows investment policies largely defined by the Commonwealth of Massachusetts.

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements - Continued

June 30, 2018

Note 4 - **Investments - Continued**

Concentration of Credit Risk
At June 30, 2018, the Land Bank had invested $5,240,997 with a single issuer representing 85.2% of the Land Bank's investment.

		June 30, 2018 Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Certificate of deposit	$ 1,413,692	$ 1,013,692	$ 400,000	$ -	**$ -**
Money market	4,738,229	4,738,229	-	-	-
Total	$ 6,151,921	$ 5,751,921	$ 400,000	$ -	**$** -

The following table summarizes the quality ratings of the Land Bank's debt investments at June 30, 2018:

		Quality Ratings			
Investment Type	Fair Value	AAA	AA	A	Unrated
Certificates of deposit	$ 1,413,692	$ -	$ -	$ -	$ 1,413,692
Money market	4,738,229	4,738,629	-	-	-
Total	$ 6,151,921	$ 4,738,629	$ -	$ -	$ 1,413,692

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. Through its investment policy, the Land Bank manages its exposure to fair value losses arising from increasing interest rates by limiting the average duration of an actively managed fixed income portfolio to no more than five years.

Note 4 - **Investments - Continued**

Fair Value Hierarchy

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board ("GASB") Statements require or permit in the statement of fiduciary net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date; Level 2 inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. At June 30, 2018, the Land Bank's investments are all considered Level 1 within the fair value hierarchy.

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements - Continued

June 30, 2018

Note 5 - **Capital Assets**

Capital Assets consist of the following at June 30, 2018:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciated:						
Land		$ 105,350	$ -	$ -	$ -	$ 105,350
Development rights		4,991,110	-	-	-	4,991,110
Land - acquisitions		189,148,743	3,343,308	-	-	192,492,051
Total not depreciated		194,245,203	3,343,308	-	-	197,588,511
Capital assets depreciated:						
Buildings and improvements	11-40	240,739	-	-	-	240,739
Furnishings and equipment	3-10	748,922	25,000	-	-	773,922
Land improvements	15-40	374,496	60,376	-	-	434,872
Total depreciated		1,364,157	85,376	-	-	1,449,533
Less accumulated depreciation:						
Buildings and improvements		134,463	7,447	-	-	141,910
Furnishings and equipment		577,291	48,064	-	-	625,355
Land improvements		66,487	4,771	-	-	71,258
Total accumulated depreciation		778,241	60,282	-	-	838,523
Net depreciable assets		585,916	25,094	-	-	611,010
Capital Assets, net		$ 194,831,119	$ 3,368,402	$ -	$ -	$ 198,199,521

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements - Continued

June 30, 2018

Note 6 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2018 consist of:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable	$ 3,873,066	$ -	$ 3,423,066	$ 450,000	$ 250,000
Bonds payable	58,648,275	-	2,260,940	56,387,335	2,040,000
Total notes and bonds payable	62,521,341	-	5,684,006	56,837,335	2,290,000
Other long-term liabilities:					
Net pension liability	698,054	-	193,835	504,219	-
Net OPEB liability	1,222,107	-	98,139	1,123,968	-
Total other long-term liabilities	1,920,161	-	291,974	1,628,187	-
Total Long-Term Liabilities	$ 64,441,502	$ -	$ 5,975,980	$ 58,465,522	$ 2,290,000

Notes Payable

Notes payable at June 30 2018, are as follows:

Fielding and Elizabeth Ann Lewis; annual principal payments of $100,000, plus interest at 1.46%, due June 2021, secured by land.	$ 300,000
James A. Richards and Lynne G. Silva; annual principal payments of $150,000, plus interest at 1.73%, due February 2019, secured by land.	150,000
Total notes payable	450,000
Less: current portion	(250,000)
Notes payable, net of current portion	$ 200,000

Note 6 - **Long-Term Liabilities - Continued**

Notes Payable - continued

Future principal maturities of long-term debt subsequent to June 30, 2018 are as follows:

Years Ending June 30,	
2019	$ 250,000
2020	100,000
2021	100,000
	$ 450,000

Bonds Payable

Bonds payable at June 30 2018, secured by future transfer fees and designated investments, consist of the following:

Revenue Refunding Bonds, Series 2017, dated March 1, 2017, bearing interest at 2% to 5%, matures at various dates through May 1, 2036.	$ 15,875,000
Land Acquisition Bonds, Series 2014 Revenue, dated November 13, 2014, bearing interest at 3% to 5%, matures at various dates through May 1, 2034.	35,025,000
	50,900,000
Plus: bond premiums net of accumulated amortization of $1,016,109.	5,487,335
Total bonds payable	56,387,335
Less: current portion	2,040,000
Bonds payable, net of current portion	$ 54,347,335

Note 6 - **Long-Term Liabilities - Continued**

Bonds Payable - continued
Aggregate payments of principal and interest on bonds payable subsequent to June 30, 2018 are as follows:

Years Ending June 30,	Principal	Interest	Total
2019	$ 2,040,000	$ 2,330,588	$ 4,370,588
2020	2,115,000	2,248,988	4,363,988
2021	2,205,000	2,164,388	4,369,388
2022	2,290,000	2,076,188	4,366,188
2023	2,390,000	1,979,138	4,369,138
2024 - 2028	13,835,000	8,022,890	21,857,890
2029 - 2033	17,340,000	4,536,476	21,876,476
2034 - 2036	8,685,000	744,350	9,429,350
	$ 50,900,000	$ 24,103,006	$ 75,003,006

Note 7 - **Pensions**

Defined Benefit Plan Description
The Land Bank contributes to the Dukes County Contributory Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit pension plan administered by the County of Dukes County Retirement Board. All full-time employees of the Land Bank 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 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 Retirement Board and 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 at 9 Airport Road, RRI Box 862, Vineyard Haven, Massachusetts 02568.

Note 7 - **<u>Pensions - Continued</u>**

<u>Benefit Provisions</u>
DCCRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws ("MGL") establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated based on the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts State Legislature (the "Legislature").

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the System after April 1, 2012 are not eligible for retirement until they have reached age 60.

<u>Contributions</u>
The DCCRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for DCCRS vary depending on the most recent date of membership:

Hire Date	Percentage of Compensation
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of $30,000

The Land Bank is required to contribute at an actuarially determined rate; the rate was 12.08%, 11.27% and 13.41% of annual covered payroll for the fiscal years ended June 30, 2018, 2017 and 2016, respectively. The Land Bank contributed $69,474, $77,093 and $88,825 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for the year.

Note 7 - **Pensions - Continued**

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2018, the Land Bank reported a liability of $504,219 for its proportionate share of the net pension liability related to its participation in DCCRS. The net pension liability as of June 30, 2018, the reporting date, was measured as of December 31, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017.

At June 30, 2018, the Land Bank's proportion of the net pension liability was 1.520%. For the year ended June 30, 2018, the Land Bank recognized pension expense of $81,649.

The Lank Bank reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2018:

Deferred Outflows of Resources Related to Pension	
Differences between expected and actual experience	$ 7,557
Changes in plan actuarial assumptions	61,636
Changes in proportions	31,645
Total	$ 100,838

Deferred Inflows of Resources Related to Pension	
Differences between projected and actual earnings on pension plan investments	$ 117,729
Changes in proportions	31,019
Total	$ 148,748

Note 7 - **Pensions - Continued**

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as decreases in pension expense as follows:

Years Ending June 30,	
2019	$ 4,712
2020	3,432
2021	16,789
2022	19,361
2023	3,616
	$ 47,910

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3% per year
Salary increases	4.25% to 6.00% for general employees 4.75% to 7.00% for public safety
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvements using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 mortality table (base year 2012) with full generational mortality improvement using Scale. BB.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

Note 7 - **Pensions - Continued**

Actuarial Assumptions - continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40.00%	6.00%
International equity	15.00%	4.90%
Fixed income	25.00%	2.00%
Real estate	10.00%	6.60%
Private equity	5.00%	10.40%
Timber	2.50%	3.70%
Hedge funds	2.50%	1.60%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% at June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 7.75% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.75%)	Current Discount Rate (7.75%)	1.00% Increase (8.75%)
$ 836,961	$ 504,219	$ 222,689

Note 8 - **OPEB**

The Land Bank administers a single-employer defined benefit healthcare plan (the "OPEB Plan") for most full-time, permanent employees of the Land Bank. The OPEB Plan provides health care benefits to current and future retirees, and their dependents/beneficiaries in accordance with Massachusetts General Law Chapter 32B.

The Land Bank, however, has not adopted Section 20 of this Massachusetts General Law, therefore any assets accumulated for purposes of paying benefit claims are revocable. Thus, no assets are accumulated in a trust that meets all of the criteria in *GASB Statement No. 75, paragraph 4.* The OPEB Plan does not issue stand-alone financial statements.

During the year ended June 30, 2018, the Land Bank set aside $25,000, in a specially designated account at Massachusetts Municipal Depository Trust to partially fund the unfunded liability. The total balance in this account was $154,222 at June 30, 2018. These funds were not contributed to a separate OPEB trust and therefore, according to *GASB* 75, are not allowable as contributions to reduce the net OPEB obligation.

An employee hired before April 2, 2012 shall become eligible to retire upon attainment of age 55 as an active member and completion of 10 years of creditable service or shall be eligible if able to retire with 20 years of creditable service regardless of age. Those hired on or after April 2, 2012 shall be eligible to retire upon attainment of age 60 with 10 years of creditable service.

Specific benefit provisions and contribution rates are established by state law and the Martha's Vineyard Land Bank Commission. All benefits are provided through the Land Bank's premium-based medical insurance programs.

The contribution requirements of OPEB Plan members and the Land Bank are established and may be amended by the Land Bank. Retirees contribute 50% of the set premium for medical insurance. The remainder of the cost is funded by general revenues of the Land Bank. The Land Bank currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Land Bank.

Note 8 - **OPEB - Continued**

Employees Covered by Benefit Term
The following employees were covered by the benefit terms as of June 30, 2017:

Inactive employees/retirees	1
Active employees	8
Total	9

Total OPEB Liability
The Land Bank's total OPEB liability of $1,123,968 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017. The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	3%
Investment rate of return	7.5% net of investment expenses, including inflation
Health Care Trend Rate	8% for 2016, decreasing 1% per year to an ultimate rate of 5% for 2019 and beyond
Pre-Retirement Mortality	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Post-Retirement Mortality	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generationl mortality improvement using scale BB.

There were no changes to key assumptions since this is the first year of implementation of OPEB for the Land Bank.

The discount rate used to measure the total OPEB liability was 3.58% which represented the municipal bond rate based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 29, 2017.

Note 8 - **OPEB - Continued**

Sensitivity Analyses

The following presents the Land Bank's net OPEB liability as well as what the Land Bank's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

		Discount Rate	
	1% Decrease (2.58%)	Current Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	$ 1,375,683	$ 1,123,968	$ 929,522

		Health Care Rate	
	1% Decrease (4%)	Trend Rate (5%)	1% Increase (6%)
Net OPEB Liability	$ 884,220	$ 1,123,968	$ 1,474,211

Changes in the Total OPEB Liability

The following table summarizes the changes in the total OPEB liability for the year ended June 30, 2018:

	Total and Net OPEB Liability
Balances at June 30, 2017	$ 1,222,107
Changes for the year:	
Service cost	46,746
Interest	36,107
Changes of assumptions	(177,087)
Benefit payments	(3,905)
Net changes	(98,139)
Balances at June 30, 2018	$ 1,123,968

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

For the year ended June 30, 2018 there were no deferred inflows or outflows relating to OPEB and the Land Bank recognized $98,139 of OPEB expense.

REQUIRED SUPPLEMENTARY INFORMATION

MARTHA'S VINEYARD LAND BANK

Schedule of Proportionate Share of the Net Pension Liability (Unaudited)

Dukes County Contributory Retirement System

Year ended	**June 30, 2018**	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	**December 31, 2017**	December 31, 2016	December 31, 2015	December 31, 2014
Valuation date	**January 1, 2016**	January 1, 2016	January 1, 2014	January 1, 2014
Proportion of the net pension liability	**1.520%**	1.520%	1.405%	1.405%
Proportionate share of the collective net pension liability	**$ 504,219**	$ 698,054	$ 552,157	$ 506,430
Land Bank's covered payroll	**$ 574,908**	$ 683,842	$ 662,624	$ 637,138
Land Bank's proportionate share of the net pension liability as a percentage of its covered payroll	**87.70%**	102.08%	83.33%	79.49%
Plan fiduciary net position as a percentage of the plan's total pension liability	**82.43%**	74.21%	75.61%	76.17%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 30, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

MARTHA'S VINEYARD LAND BANK

Schedule of Contributions (Unaudited)

Dukes County Contributory Retirement System

For the Years Ended June 30,

	2018	2017	2016	2015
Statutorily required contribution	**$ 69,474**	$ 77,093	$ 88,825	$ 105,995
Contributions in relation to the statutorily required contribution	**69,474**	77,093	88,825	105,995
Contribution excess	**$ -**	$ -	$ -	$ -
Covered payroll	**$ 574,908**	$ 683,842	$ 662,624	$ 637,138
Contribution as a percentage of covered payroll	**12.08%**	11.27%	13.41%	16.64%

Notes:

Employers participating in the Dukes County Contributory Retirement System are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 30, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplemental information.

MARTHA'S VINEYARD LAND BANK

Notes to the Required Supplementary Information (Unaudited)

June 30, 2018

Note 1 - **<u>Changes in Assumptions</u>**

Fiscal year June 30, 2018
None.

Fiscal year June 30, 2017
The mortality rates and mortality improvement scale were updated to reflect fully generational mortality improvement.

Fiscal year June 30, 2016
None.

Fiscal year June 30, 2015
None.

MARTHA'S VINEYARD LAND BANK

Schedule of the Changes in Total OPEB Liability and Related Ratios (Unaudited)

For the Year Ended June 30, 2018

Total OPEB liability:	
Service cost	$ 46,746
Interest	36,107
Changes of assumptions	(177,087)
Benefit payments	(3,905)
Net change in total OPEB liability	(98,139)
Total OPEB liability. beginning of year	1,222,107
Total OPEB liability. end of year	$ 1,123,968
Plan fiduciary net position:	
Contributions	$ 3,905
Benefit payments	(3,905)
Net change in plan fiduciary net position	-
Plan fiduciary net position. beginning of year	-
Plan fiduciary net position. end of year	$ -
Net OPEB liability, end of year	$ 1,123,968
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	$ 677,661
Net OPEB liability as a percentage of covered payroll	165.86%

Notes:
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

This schedule is presented using the optional format of combining the required schedules in paragraph 170a and 170b of GASB 75.

See accompanying notes to the required supplementary information.

SUPPLEMENTAL INFORMATION

MARTHA'S VINEYARD LAND BANK

Schedule of Land, Development Rights and Land Improvements (Unaudited)

For the Year Ended June 30, 2018

	Chilmark	Edgartown	Aquinnah Gay Head	Oak Bluffs	Tisbury	West Tisbury	Central Fund	Total
Total Land, Development Rights and Land Improvements, June 30, 2017	$ 21,649,816	$ 39,226,334	$ 3,846,276	$ 10,775,777	$ 13,783,196	$ 15,529,473	$ 89,636,990	**$ 194,447,862**
Additions during year:								
Aquinnah Headlands	-	-	66,000	-	-	-	88,110	**154,110**
John Presbury Norton Farm	-	-	-	-	-	1,500,000	1,508,650	**3,008,650**
Child Farm East	-	-	-	-	-	90,000	60,548	**150,548**
Cross-Katama Trail	-	18,000	-	-	-	-	12,000	**30,000**
Land improvements - fence	-	-	-	-	-	-	60,377	**60,377**
Less: Depreciation of land improvements	-	-	-	-	-	-	(4,771)	**(4,771)**
Total Land, Development Rights and Land Improvements, June 30, 2018	**$ 21,649,816**	**$ 39,244,334**	**$ 3,912,276**	**$ 10,775,777**	**$ 13,783,196**	**$ 17,119,473**	**$ 91,361,904**	**$ 197,846,776**

INDEPENDENT AUDITORS' 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*

O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' 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 Martha's Vineyard
Land Bank Commission
Edgartown, 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 Martha's Vineyard Land Bank (the "Land Bank"), which comprise the statement of net position as of June 30, 2018, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Martha's Vineyard Land Bank's basic financial statements, and we have issued our report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Martha's Vineyard Land Bank'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Land Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Land Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 Martha's Vineyard Land Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts
October 15, 2018